



**Vertu**  
Motors plc

**INTERIM RESULTS**

For the six months ended 31 August 2017

## OVERVIEW

The Board is reporting a six-month period of growth in operating profit, earnings per share, dividends and return on sales. The Board remains optimistic about the Group's growth prospects for the following reasons. The Group's ungeared balance sheet provides significant capacity to fund growth. The Group has established strong relationships with Manufacturer partners and believes that as the sector increasingly adopts new technologies in vehicles and in distribution models such as e-commerce, these relationships and the Group's forward-thinking approach, will put the Group in a strong position to increase market share. As a truly national player in the UK and with the Group's wide portfolio of Manufacturer partners, further expected consolidation of the sector provides a major opportunity.

The Group's strategy is built on having empowered management and colleagues who are able to deliver outstanding customer experiences locally and in line with local market needs. There is a strong emphasis on the Vision of the Group and the Values with which we operate and these are reflected in the strong awareness by colleagues of the Group's Vision and Values in all of the Group's businesses. Linked to this is a deep commitment to develop management and colleagues through leadership development and other training programmes which seek to set the Group apart both as a place to work and in its delivery to customers and to its Manufacturer partners.

### Financial highlights

#### Revenues

- Revenues of £1.45bn (2016 H1: £1.45bn)
- Like-for-like service revenues up 4.4% continuing the long-term growth trend in aftersales
- Like-for-like used vehicle volumes grew by 1.1% recording the twelfth consecutive half year period of continuous growth
- Continued softening new vehicle market, particularly in volume franchises, as supply reduced and prices rose on currency pressure
- Group like-for-like new retail volumes down 14.7%, fleet car supply volumes down 4.3% and light commercial van volumes down 9.6%

#### Managing margins

- Adjusted<sup>1</sup> return on sales strengthened to 1.5% (2016 H1: 1.4%)
- Overall gross margin 11.0% (2016 H1: 11.1%)
- Stronger new vehicle like-for-like retail margin at 7.5% (2016 H1: 7.2%)
- Like-for-like fleet and commercial margin up to 3.1% (2016 H1: 3.0%)
- Lower used vehicle like-for-like gross margin at 9.5% (2016 H1: 10.2%; H2: 9.8%) mainly in premium franchises
- Like-for-like aftersales margin slightly lower at 45.8% (2016: 45.9%)

#### Managing operating expenses and tax payments

- Major focus on cost management early in the cycle
- Like-for-like operating expense savings of £0.8m achieved in spite of well publicised cost headwinds
- Operating expenses as a percentage of revenues reduced to 9.5% (2016 H1: 9.6%)
- Effective rate of taxation 19.0% (2016 H1: 20.0%)

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<sup>1</sup> Adjusted for exceptional items, amortisation of intangible assets and share based payment charges

## OVERVIEW (CONTINUED)

### Financial highlights (continued)

#### Generating cash profits and managing working capital

- Adjusted<sup>1</sup> EBITDA up 7.0% to £26.1m (2016 H1: £24.4m)
- Record adjusted<sup>1</sup> profit before tax of £20.9m (2016 H1: £19.5m)
- Working capital outflow of £24.4m driven by impact of reduced new vehicle consignment inventory pipelines on VAT recovery and higher used car inventories

#### Investing to support future cash growth

- Capital expenditure of £8.2m (2016 H1: £15.8m) including significant investments in dealership developments increasing long term capacity and improving customer experiences
- Further significant capital investment over next 18 months: spend levels expected to substantially reduce thereafter

#### Very strong balance sheet to fund growth

- Period-end net cash of £20.8m (2016 H1: £12.9m)
- £30m of unutilised debt facilities, with the potential to add further debt capacity
- Used car inventory largely unencumbered by short-term stocking loans
- Freehold and long leasehold property of £175.0m (2016 H1: £174.1m)

#### Increased shareholder returns

- Interim dividend up 10% to 0.55p per share (2016 H1: 0.50p)
- Share buy-back programme introduced: 3.8 million shares repurchased to date at an average of 42.8p per share deploying £1.6m. Programme announced today to continue for a further £3.0m
- Sale and leaseback of property undertaken generating cash of £14.2m and an exceptional profit of £4.1m.

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<sup>1</sup> Adjusted for exceptional items, amortisation of intangible assets and share based payment charges

## OPERATING REVIEW

### Market dynamics

#### *New vehicles*

During the six months ended 31 August 2017 (“the Period”) Sterling traded at lower levels against other major currencies, and this currency depreciation has impacted the supply side of the UK new vehicle market. Most of the vehicles sold in the UK are manufactured in factories located in either Euro, Yen or Won currency zones, and the depreciation of Sterling has made it less profitable for most Manufacturers to import vehicles into the UK. As a consequence, many Manufacturers have increased selling prices, reassessed their UK marketing budgets and sought alternative and more profitable markets to which to divert production. These trends have been most acute in volume franchises and have reduced the supply of new vehicles into the UK market. On the demand side, the uncertainty from April onwards around the UK General Election, coupled with media concern over Brexit and terrorist attacks, created the most volatile consumer environment the Group has witnessed since the “Eurozone” crisis in 2013. Consumer confidence has appeared to recover from July onwards.

During the Period there was considerable media focus on the impact of diesel vehicles on emissions and urban air quality. Consumer demand across vehicle car markets reacted to this with a moderate shift of demand into petrol and alternative fuel vehicles rather than diesel. Over the Period consumers increasingly realised that diesel vehicles under current production and produced in recent years have a much lower environmental impact than older vehicles and demand levels for diesels remained resilient.

Against this background, the March plate change month, which was helped by the pull-forward of registrations due to increases in Vehicle Excise Duty (“VED”) in April and the timing of Easter, was a very strong month for UK new retail registrations recording growth of 4.4% and representing record market levels. Since March, the remaining five months of the Period recorded declines with UK retail registrations for the Period down by 6.4%.

#### *Used cars*

The used car market exhibited three distinct phases during the Period. In March the market was strong, mirroring the new car environment and continued high levels of consumer confidence.

Between April and June consumer confidence weakened, as noted above. High supply levels of part-exchange used cars from the peak March plate change month coincided with a more challenging consumer environment. This resulted in drops in residual values in the wholesale market. This impact was more evident in premium marques and nearly new vehicle segments where margins saw considerable pressure. July and August saw improving wholesale market stability driven by a shortage of supply as new vehicle sales volumes declined, which has created a more robust environment for residual values.

#### *Aftersales*

The aftersales market benefitted during the Period from a growing vehicle parc following several years of growth in the new car market. The mix of service hours worked shifted in favour of warranty work, following several Manufacturer vehicle recalls and product quality issues. The introduction by Manufacturers of increasingly technologically complex, connected vehicles with innovative engine and vehicle management systems is exacerbating this trend. The service operations throughout the industry are witnessing a shortage of experienced technicians as aftersales demand rises and pay levels are increasing as a consequence. Technician recruitment, strategies for increasing apprentices and other measures to increase capacity and productivity are key issues in the short-term.

## OPERATING REVIEW (CONTINUED)

### Revenue and margins

#### Six months ended 31 August 2017

	Revenue £'m	Revenue mix %	Gross profit £'m	Gross profit mix %	Gross margin %
Aftersales <sup>2</sup>	115.5	8.0	64.2	40.4	45.2
Used vehicles	546.9	37.8	49.8	31.3	9.1
New car retail and Motability	450.6	31.2	34.3	21.5	7.6
New fleet and commercial	332.7	23.0	10.8	6.8	3.2
<b>Overall Group</b>	<b>1,445.7</b>	<b>100.0</b>	<b>159.1</b>	<b>100.0</b>	<b>11.0</b>

#### Six months ended 31 August 2016

	Revenue £'m	Revenue mix %	Gross profit £'m	Gross profit mix %	Gross margin %
Aftersales <sup>2</sup>	113.4	7.8	62.9	39.2	45.4
Used vehicles	525.6	36.1	52.3	32.5	9.9
New car retail and Motability	483.9	33.3	35.0	21.8	7.2
New fleet and commercial	331.7	22.8	10.6	6.6	3.2
<b>Overall Group</b>	<b>1,454.6</b>	<b>100.0</b>	<b>160.8</b>	<b>100.0</b>	<b>11.1</b>

### Aftersales

The Group's high quality, consistently higher margin aftersales operations accounted for an increasing proportion of the Group's revenues (8.0% of revenues (2016 H1: 7.8%)) and earned 40.4% of the Group's gross profit in the Period (2016 H1 : 39.1%). Total aftersales gross profit rose £1.3m year on year with core gross profit up £1.7m; the difference is due to closures and disposals of dealerships.

The main driver of the Group's aftersales operations is the servicing and repair of vehicles, where like-for-like revenues grew by 4.4%. The Group has continued to drive its customer retention programme to maximise the proportion of new and used vehicle customers who return to the Group's dealerships for vehicle servicing. A key tool in these programmes is the sale of service plans, and the Group now has 104,142 (2016 H1: 97,427) customers who are paying monthly for their service and MOT on the Group's own plans. In addition, a significant number of Manufacturer service plans are in place with the Group's customers which further aid retention.

Like-for-like service margins fell slightly to 77.5% (2016 H1: 77.9%) due to the shift in mix towards lower margin warranty work referred to above and increasing technician pay levels. During the Period, the Group has taken on 83 new technician apprentices, as part of its strategy to ensure future aftersales growth is not constrained by technician resource levels. In addition, initiatives are being introduced across the Group to increase capacity through shift patterns, longer opening hours including at weekends, mobile van servicing and utilising two technicians per ramp for routine service work to enhance productivity.

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<sup>2</sup> Margin expressed on internal and external turnover

## OPERATING REVIEW (CONTINUED)

### Vehicle sales

The table below shows the volumes of vehicles sold on a core and like-for-like basis:

	2017 Core	2017 Acquired <sup>3</sup>	2017 Total	2017 Total <sup>4</sup>	Total % Variance	Like-for-like % Variance
<b>Used retail vehicles</b>	<b>41,011</b>	<b>588</b>	<b>41,599</b>	<b>41,972</b>	<b>(0.9%)</b>	<b>1.1%</b>
New retail cars	18,682	591	19,273	22,825	(15.6%)	(14.7%)
Motability cars	5,627	120	5,747	6,089	(5.6%)	(5.0%)
Fleet and commercial vehicles	17,614	76	17,690	19,098	(7.4%)	(6.8%)
<b>Total New vehicles</b>	<b>41,923</b>	<b>787</b>	<b>42,710</b>	<b>48,012</b>	<b>(11.0%)</b>	<b>(10.3%)</b>
<b>Total vehicles</b>	<b>82,934</b>	<b>1,375</b>	<b>84,309</b>	<b>89,984</b>	<b>(6.3%)</b>	<b>(5.0%)</b>

#### *Used retail vehicles*

The Group has grown like-for-like used vehicle volumes for the twelfth consecutive six-month period, demonstrating that this key channel is a core strength of the Group. The Group is very active in marketing the [bristolstreet.co.uk](http://bristolstreet.co.uk) and [macklinmotors.co.uk](http://macklinmotors.co.uk) websites directly online and using TV, Radio and Press campaigns. Website visits rose 19% to 6.4m year on year and used vehicle sales generated from internet derived enquiries rose 22% reflecting the key importance of the internet in the modern customer journey. The Group is now embarking on an aggressive marketing strategy of its all-encompassing on-line retailing platform for used cars which is a unique proposition in the UK.

Like-for-like used vehicle volumes grew by 1.1% in the period, while like-for-like gross profit per unit fell to £1,205 (2016 H1: £1,266). Like-for-like gross margins for the Period fell to 9.5% (2016 H1: 10.2%; H2: 9.8%) in part due to continued, higher average selling prices which rose 2.6% on a like-for-like basis. The decline in margin was most acute in the premium franchises and of nearly new product where weakness was particularly evident during the post March run up to the General Election and shortly thereafter.

Total used vehicle gross profit declined by £2.5m year on year with core used vehicle gross profit down £2.3m.

The Group did see a manageable shift in demand to petrol and alternative fuel vehicles from diesel product in response to media focus on emissions and this had a slight impact on stockturn and margins in the Period. Used car margins stabilised later in the Period with reduced supply into the market following the reductions in new car volumes.

#### *New retail cars and Motability*

Following a robust March, the UK new car retail market saw both supply side and demand side pressures which resulted in a declining new retail market. Over the six month period, the UK new retail market declined by 6.4%. The falls in volumes were more extreme in volume franchises which form a significant part of the Group's franchise portfolio. Like-for-like new car retail volumes in the Group fell 14.7% with pricing pressures due to currency evident as selling prices rose 5% on a like-for-like basis. The Group like-for-like volumes reflected the sales (rather than registration) trends of the Manufacturers represented the Group and this is evidenced by the Group achieving Manufacturer volume targets at high levels in the Period.

<sup>3</sup> Relates to businesses acquired or developed subsequent to 1 March 2016 with businesses migrating into core once they have been in the Group for over 12 months

<sup>4</sup> 2016 volumes include businesses acquired in the year ended 29 February 2016

## OPERATING REVIEW (CONTINUED)

### Vehicle sales (continued)

#### *New retail cars and Motability (continued)*

The Motability new car market has been under pressure due to the impact of Government welfare reforms, coupled with the pressure on Manufacturers in this low margin channel due to currency fluctuations. Motability registrations in the UK fell 4.8% with the Group seeing a 5.0% like-for-like fall in vehicles sales in this channel. Motability represents a major strength of the Group with the Group being the current Motability Dealer Group of the Year.

The Group maintained strong pricing disciplines during the Period aided by consistent and robust sales processes in the dealerships. Gross margin strengthened to 7.6% (2016 H1: 7.2%) despite the impact of rising sales prices.

Overall, core gross profit from new retail car and Motability sales declined by £1.3m (4.0%) reflecting the lower volumes of vehicles sold. Total new vehicle gross profit declined by only £0.7m (2.0%) reflecting a much enhanced performance from the dealerships acquired in the prior financial year.

#### *Fleet & commercial*

The Manufacturers' response to currency pressures on the lower margin fleet and light van markets during the Period has followed a similar pattern to those in the retail new vehicle market: selling prices have been increased (the Group saw a like-for-like increase of 6.4% in the Period) and volumes have decreased. The SMMT recorded a reduction of UK registrations of 1.1% which reflects the relative robustness of the UK business environment in the Period.

The Group has maintained strong pricing disciplines in the fleet and van channels and has increased like-for-like gross profit per unit to £551 (2016 H1: £515). The Group has successfully increased its market share of the higher margin Premium Fleet market and engaged less in low margin supply within the volume sector. Hence, while like-for-like volumes have reduced by 6.8%, like-for-like gross profit from Fleet and Commercial sales rose by £0.2m in the period.

### Managing operating expenses

It was clear to the Board at the start of the financial year that ongoing cost pressures (including from the apprenticeship levy, minimum wage increases and growth in business rates) would put an upward pressure on operating expenses at a time when currency pressure was likely to reduce new vehicle sales volumes.

The Group sought to mitigate such cost pressures by delivering savings in other areas. Cost saving opportunities were identified and the Group's cost structures were aligned to an environment of lower sales volumes. This process is both tactical, ensuring that each cost saving opportunity is grasped at each dealership, and strategic, with productivity and efficiency initiatives being driven by a committee chaired by the CEO. As a consequence of a number of actions, the Group saw a reduction in core operating expenses of £0.8m in the Period representing a 0.6% reduction. Adjusted total operating expenses reduced from £140.2m to £137.7m due to the additional impact of disposals and closures of dealerships.

Savings have been achieved in a number of areas including more effective and focused marketing, reduced numbers of sales executives and lower vehicle running costs due to a series of cost saving initiatives. The Group saw higher costs in a number of areas including those areas identified above and in the growth in the numbers of front-line colleagues in aftersales as activity levels increased. Management continue to focus on the cost, productivity and efficiency agenda.

## OPERATING REVIEW (CONTINUED)

### Managing interest costs

Net finance costs in the Period fell to £0.5m (2016 H1: £1.2m) due to a reduction in new vehicle stocking interest as the levels of new vehicles coming into the UK and in the consignment stock pipeline have declined on the supply side. In addition, the Group successfully focused efforts on minimising cash tied up in new car inventory.

The Group has locked in the benefit of current low interest rates on £10m of bank debt by entering into a three year interest rate swap to fix the Libor component of the borrowing cost at 0.675%.

### Pension Costs

The surplus on the Group's closed and recently merged defined benefit pension scheme rose to £5.7m during the Period (2016 H1: £1.4m) due to increases in the value of the hedged investments and routine amendments to the actuarial assumptions underlying the valuation of the scheme liabilities. The cash contributions made by the Group to the scheme during the Period were £0.2m (2016 H1: £0.2m).

### Tax payments

As the UK corporation tax rate declines to 17% by 2020, the Group's effective tax rate should also decrease. The underlying rate of corporation tax for the Period was 19.1% and the Group's effective rate of tax was 19.0%, continuing to track just below the headline rate. The Group is classified as "low risk" by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate tax to the UK Government.

### Managing working capital

The Group saw a net outflow of cash from working capital in the period of £24.4m following a number of years of working capital movements generating cash.

The Group has significant levels of working capital in the forms of inventory, receivables and payables. A particular feature of the working capital movements relating to inventory is that, as the pipeline of Manufacturer new vehicle consignment inventory expands, the Group benefits from the cashflow relating to the VAT reclaimed on this inventory which has yet to be paid for in cash. Equally when the pipeline of new vehicle consignment inventory contracts, the Group repays the VAT on the amount of the reduction. During the Period the Group repaid £16.8m of VAT as pipeline new vehicle consignment inventories fell.

The Group has also increased its stockholding of used vehicles by £6.7m at the end of August 2017, in preparation for the strong volumes of used car sales that were anticipated in September. Reduced new car volumes in the plate change month were envisaged, with a consequent reduction in part-exchange vehicles entering Group stock in September. The Group, therefore, increased used car inventory at the end of August in excess of February 2017 and August 2016 levels to ensure it could meet expected levels of used car demand. This strategy reflected management's view that the market was entering a period of reduced used car supply.

### Investing to support future cash generation

During the Period the Group has continued to assess further acquisition opportunities which arise from off-market discussions, deals introduced by corporate financiers or by the franchising activities of Manufacturer partners. No acquisitions were concluded in the Period as the Board believes that, in a period of likely declining profitability in the wider sector (Source: ASE), the Group will be presented



## OPERATING REVIEW (CONTINUED)

### Investing to support future cash generation (continued)

with growth opportunities in the future at better values rather than concluding transactions based upon peak market valuations. The Group has both the management appetite and bandwidth, together with significant financial firepower from using its asset rich, ungeared balance sheet with which to undertake further acquisitions to deliver scaled benefits at appropriate valuations.

The Group's result for the Period benefitted by £0.3m year-on-year from the removal of loss making operations closed or disposed of in the previous or current financial year. The Board continues to review the portfolio to ensure that each individual Group operation and its balanced portfolio of Manufacturer representation drives future cashflow generation and shareholder value.

In common with most sector participants, the Group continues a programme of major capital investment to increase the capacity in existing dealerships and to meet revised Manufacturer franchise standards. In particular, significant sums are being invested in increasing capacity and enhancing the retail environment of the Jaguar Land Rover dealerships with the implementation of the "Arch" concept and similar developments are planned to improve certain of the Group's dealerships representing the Mercedes-Benz franchise, as envisaged at the time of the Greenoaks acquisition. The Board critically evaluates all proposed capital expenditure to ensure it makes sense from a shareholder return perspective and has chosen not to undertake a number of projects following such reviews.

The cash impact of capital expenditure and disposals during the Period, along with the anticipated spend in future periods, is set out below:

	Actual			Estimate		
	FY 2016 £'m	FY 2017 £'m	H1 FY 2018 £'m	FY 2018 £'m	FY 2019 £'m	FY 2020 £'m
Purchase of property	6.3	2.2	-	6.0	-	-
New dealership build	1.8	10.4	1.0	5.2	3.1	2.5
Existing dealership capacity increases	4.5	5.9	4.2	8.8	11.8	4.0
Manufacturer-led refurbishment projects	3.2	2.4	1.0	4.0	10.0	3.0
IT and other ongoing capital expenditure	4.9	4.8	2.0	5.7	4.6	6.0
	<b>20.7</b>	<b>25.7</b>	<b>8.2</b>	<b>29.7</b>	<b>29.5</b>	<b>15.5</b>
Proceeds from property sales	(1.1)	(1.0)	(14.2)	(14.2)	-	-
Net capital investment	<b>19.6</b>	<b>24.7</b>	<b>(6.0)</b>	<b>15.5</b>	<b>29.5</b>	<b>15.5</b>

Current year estimated capital expenditure before disposal proceeds is expected to reduce from £37.5m indicated at the time of the May results announcement to £29.7m currently.

The Board is confident that the significant decline in capital expenditure anticipated in the year ended 29 February 2020 will drive enhanced free cash flow from the business in subsequent periods. In addition further realisations of surplus property are expected over the next 12 months.

### Financing and capital structure

The Group has an ungeared balance sheet with shareholders' funds of £264.6m (2016 H1: £238.4m) underpinned by a freehold and long leasehold portfolio of £175.0m (2016 H1: £174.1m). The Group has a committed five year acquisition facility of £40m with the potential to add a further £30m which is currently uncommitted. £10m of the committed five year acquisition facility is drawn down.

## OPERATING REVIEW (CONTINUED)

### Investing to support future cash generation (continued)

#### Financing and capital structure (continued)

During the Period, the Group undertook a sale and leaseback transaction realising £14.1m on a recently acquired and redeveloped dealership property (Jaguar Land Rover Leeds) with a book value of £10m. The lease commitment was for 15 years, the initial rent was at open market value and the terms of the periodic rent reviews contain appropriate protection against future increases. This transaction demonstrates both the quality and value of the property portfolio and the Group's willingness to be flexible as to sources of funding, on the right terms. As at 31 August 2017, freehold locations represented 53% of dealerships (2016 H1: 54%).

The Group's net cash position of £20.8m is stated net of £13.4m of used car stocking loans. These loans with third party banks are subject to interest and are secured on the related used vehicle inventories. These facilities can be requested to be repaid on short notice periods. As a consequence, the Group does not use these facilities extensively to fund long term assets.

During the Period, the Group commenced a programme of share buy-backs under which 3.8m shares have been purchased at an average price of 42.8p, deploying £1.6m of cash. A further programme of up to £3m of share buy-backs has been announced today.

#### Dividends

An interim dividend of 0.55 pence per share (2016 H1: 0.50p) will be paid on 19 January 2018. The ex-dividend date will be 7 December 2017 and the associated record date will be 8 December 2017.

### Current trading and outlook

The market conditions as described extensively in the earlier sections have not changed significantly during September 2017. Weak Sterling is causing supply constraints on new vehicles along with pricing pressures. During September 2017, several Manufacturers announced scrappage, swappage and switch schemes in an attempt to stimulate the new vehicle market and respond to concerns over the environmental impact of older diesel vehicles. Sterling has also recovered modestly in recent weeks from previous lows which, if the trend continued, would be likely to reduce supply side and pricing pressures going forward in the new vehicle sector.

UK new vehicle private registrations in September 2017 were down 8.8%, following the market trends of recent months. The Group's September like-for-like new vehicle retail volumes fell by 14.8% and this reduced overall profitability from new vehicles year-on-year. New vehicle margins remained robust as the Group achieved Manufacturer targets for the quarter at high levels. The Group's used vehicle volumes in September were at prior year levels. In recent months, used car residual values have hardened reflecting lower new car volumes reducing the supply of used cars back into the market. This trend continued in September. Manufacturer scrappage schemes may further tighten supply and underpin used car residual values going forward.

The market for aftersales, the Group's highest margin activity, remains strong as the vehicle parc has continued to grow following several years of strong new vehicle markets. In conjunction with the Group's successful customer retention strategies, this provides the Board with confidence regarding the sustained and growing profit generation from this channel. Aftersales revenues and profits in September were strong reflecting these underlying dynamics.

## **OPERATING REVIEW (CONTINUED)**

### **Current trading and outlook (continued)**

Operating expenses continued to be well-controlled by the Group in line with trends established in the Period. Inherent underlying cost pressures require that the Group needs to continue to work hard to seek savings to mitigate these upward trends.

Following the September trading performance, the Board anticipates that the Group's full year results will be in line with market expectations<sup>5</sup>.

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<sup>5</sup> The Board considers market expectations for the financial year ending 28 February 2018 are best defined by taking the range of forecasts of adjusted profit before taxation published by analysts who consistently follow the Group. The current consensus of adjusted profit before taxation as at 11 October 2017, based on the published analysts' forecasts of which the Board is aware, is £31.8m.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2017

		Six months ended 31 August 2017 £'000	Six months ended 31 August 2016 £'000	Year ended 28 February 2017 £'000
<b>Revenue</b>		1,445,688	1,454,617	2,822,589
Cost of sales		(1,286,579)	(1,293,779)	(2,508,681)
<b>Gross profit</b>		<b>159,109</b>	<b>160,838</b>	<b>313,908</b>
Operating expenses		(138,564)	(140,947)	(281,834)
Exceptional income	4	4,149	-	-
<b>Operating profit</b>		<b>24,694</b>	<b>19,891</b>	<b>32,074</b>
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Amortisation of intangible assets		313	304	614
Share based payments charge		548	483	1,082
Exceptional income		(4,149)	-	-
<b>Operating profit before amortisation, share based payments charge and exceptional income</b>		<b>21,406</b>	<b>20,678</b>	<b>33,770</b>
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Finance income	5	66	141	261
Finance costs	5	(528)	(1,304)	(2,515)
<b>Profit before tax</b>		<b>24,232</b>	<b>18,728</b>	<b>29,820</b>
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Amortisation of intangible assets		313	304	614
Share based payments charge		548	483	1,082
Exceptional income		(4,149)	-	-
<b>Profit before tax, amortisation, share based payments charge, and exceptional income</b>		<b>20,944</b>	<b>19,515</b>	<b>31,516</b>
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Taxation	6	(4,607)	(3,741)	(5,800)
<b>Profit for the period attributable to equity holders</b>		<b>19,625</b>	<b>14,987</b>	<b>24,020</b>
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<b>Basic earnings per share (p)</b>	7	<b>4.97</b>	<b>3.87</b>	<b>6.14</b>
<b>Diluted earnings per share (p)</b>	7	<b>4.90</b>	<b>3.80</b>	<b>6.04</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the six months ended 31 August 2017*

	Six months ended 31 August 2017 £'000	Six months ended 31 August 2016 £'000	Year ended 28 February 2017 £'000
<b>Profit for the period</b>	<b>19,625</b>	<b>14,987</b>	<b>24,020</b>
<b>Other comprehensive income/(expense)</b>			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit obligations	9      3,710	(4,990)	(4,687)
Deferred tax relating to actuarial gain/ (loss) on retirement benefit obligations	(631)	849	937
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<b>3,079</b>	<b>(4,141)</b>	<b>(3,750)</b>
<b>Total comprehensive income for the period attributable to equity holders</b>	<b>22,704</b>	<b>10,846</b>	<b>20,270</b>

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2017

		31 August 2017 £'000	31 August 2016 £'000	28 February 2017 £'000
	<b>Note</b>			
<b>Non-current assets</b>				
Goodwill and other indefinite life assets	11	94,595	94,680	94,595
Other intangible assets		1,504	1,699	1,518
Retirement benefit asset	9	5,704	1,375	1,884
Property, plant and equipment		190,468	187,855	197,545
		<b>292,271</b>	<b>285,609</b>	<b>295,542</b>
<b>Current assets</b>				
Inventories		502,585	512,076	506,470
Trade and other receivables		63,007	49,223	52,545
Cash and cash equivalents		44,158	32,120	39,845
<b>Total current assets</b>		<b>609,750</b>	<b>593,419</b>	<b>598,860</b>
<b>Total assets</b>		<b>902,021</b>	<b>879,028</b>	<b>894,402</b>
<b>Current liabilities</b>				
Trade and other payables		(592,050)	(598,264)	(610,317)
Deferred consideration		(1,540)	(3,651)	(1,572)
Current tax liabilities		(5,632)	(5,022)	(3,840)
Borrowings		(13,597)	(19,048)	(8,671)
<b>Total current liabilities</b>		<b>(612,819)</b>	<b>(625,985)</b>	<b>(624,400)</b>
<b>Non-current liabilities</b>				
Borrowings		(9,794)	(166)	(10,166)
Deferred consideration		(267)	(1,680)	(236)
Deferred income tax liabilities		(6,267)	(5,636)	(5,555)
Deferred income		(8,254)	(7,122)	(7,616)
		<b>(24,582)</b>	<b>(14,604)</b>	<b>(23,573)</b>
<b>Total liabilities</b>		<b>(637,401)</b>	<b>(640,589)</b>	<b>(647,973)</b>
<b>Net assets</b>		<b>264,620</b>	<b>238,439</b>	<b>246,429</b>
<b>Capital and reserves attributable to equity holders of the Group</b>				
Ordinary shares		39,443	39,727	39,727
Share premium		124,932	124,932	124,932
Other reserve		10,645	10,645	10,645
Treasury share reserve		(756)	(1,000)	(756)
Capital redemption reserve		284	-	-
Retained earnings		90,072	64,135	71,881
<b>Shareholders' equity</b>		<b>264,620</b>	<b>238,439</b>	<b>246,429</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2017

		Six months ended 31 August 2017 £'000	Six months ended 31 August 2016 £'000	Year ended 28 February 2017 £'000
	Note			
Operating profit		24,694	19,891	32,074
Profit on sale of property, plant and equipment		(4,149)	(394)	(285)
Amortisation of intangible assets		313	304	614
Depreciation of property, plant and equipment		4,726	4,079	8,665
Movement in working capital	10	(24,393)	2,082	16,040
Share based payments charge		497	483	1,015
<b>Cash generated from operations</b>		<b>1,688</b>	<b>26,445</b>	<b>58,123</b>
Tax received		344	226	359
Tax paid		(3,079)	(2,826)	(6,103)
Finance income received		42	29	34
Finance costs paid		(823)	(1,292)	(2,447)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,828)</b>	<b>22,582</b>	<b>49,966</b>
<b>Cash flows from investing activities</b>				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		-	(46,208)	(49,962)
Acquisition of freehold land and buildings		-	(4,106)	(4,456)
Proceeds from disposal of business (net of cash, overdrafts and borrowings)		167	-	875
Purchases of intangible assets		(301)	(299)	(460)
Purchases of property, plant and equipment		(8,031)	(11,346)	(25,092)
Proceeds from disposal of property, plant and equipment		14,150	950	950
<b>Net cash inflow/(outflow) from investing activities</b>		<b>5,985</b>	<b>(61,009)</b>	<b>(78,145)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares		-	33,631	33,631
Proceeds from borrowings	8	4,926	13,846	10,831
Repayment of borrowings	8	-	(16,468)	(14,000)
Purchase of treasury shares		-	(1,000)	(1,000)
Repurchase of own shares		(1,212)	-	-
Dividends paid to equity shareholders		(3,558)	(3,377)	(5,353)
<b>Net cash inflow from financing activities</b>		<b>156</b>	<b>26,632</b>	<b>24,109</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	8	<b>4,313</b>	<b>(11,795)</b>	<b>(4,070)</b>
Cash and cash equivalents at beginning of period		39,845	43,915	43,915
<b>Cash and cash equivalents at end of period</b>		<b>44,158</b>	<b>32,120</b>	<b>39,845</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

*For the six months ended 31 August 2017*

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
<b>As at 1 March 2017</b>	39,727	124,932	10,645	(756)	-	71,881	246,429
Profit for the period	-	-	-	-	-	19,625	19,625
Actuarial gain on retirement benefit obligations	-	-	-	-	-	3,710	3,710
Tax on items taken directly to equity	-	-	-	-	-	(631)	(631)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	22,704	22,704
Repurchase of own shares	-	-	-	-	-	(1,452)	(1,452)
Cancellation of shares	(284)	-	-	-	284	-	-
Dividends paid	-	-	-	-	-	(3,558)	(3,558)
Share based payments charge	-	-	-	-	-	497	497
<b>As at 31 August 2017</b>	<b>39,443</b>	<b>124,932</b>	<b>10,645</b>	<b>(756)</b>	<b>284</b>	<b>90,072</b>	<b>264,620</b>

The purchase of treasury shares in the period was made pursuant to the share buyback programme announced on 26 July 2017, whereby the Company sought to repurchase Ordinary Shares up to a value of £3,000,000. Ordinary Shares to the value of £1,452,000 had been repurchased in the six months to 31 August 2017, of which £240,000 was unpaid at 31 August 2017. 2,841,465 of the repurchased shares had been cancelled at 31 August 2017 and accordingly, the nominal value of these shares has been transferred to the capital redemption reserve.

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

*For the six months ended 31 August 2016*

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total Equity £'000
<b>As at 1 March 2016</b>	34,127	96,901	10,645	-	56,186	197,859
Profit for the period	-	-	-	-	14,987	14,987
Actuarial loss on retirement benefit obligations	-	-	-	-	(4,990)	(4,990)
Tax on items taken directly to equity	-	-	-	-	849	849
<b>Total comprehensive income for the period</b>	-	-	-	-	10,846	10,846
New ordinary shares issued	5,600	29,400	-	-	-	35,000
Costs on issuance of shares	-	(1,369)	-	-	-	(1,369)
Purchase of treasury shares	-	-	-	(1,000)	-	(1,000)
Dividends paid	-	-	-	-	(3,377)	(3,377)
Share based payments charge	-	-	-	-	480	480
<b>As at 31 August 2016</b>	<b>39,727</b>	<b>124,932</b>	<b>10,645</b>	<b>(1,000)</b>	<b>64,135</b>	<b>238,439</b>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
(CONTINUED)**

*For the year ended 28 February 2017*

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total Equity £'000
<b>As at 1 March 2016</b>	<b>34,127</b>	<b>96,901</b>	<b>10,645</b>	-	<b>56,186</b>	<b>197,859</b>
Profit for the period	-	-	-	-	24,020	24,020
Actuarial gains on retirement benefit obligations	-	-	-	-	(4,687)	(4,687)
Tax on items taken directly to equity	-	-	-	-	937	937
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>20,270</b>	<b>20,270</b>
New ordinary shares issued	5,600	29,400	-	-	-	35,000
Cost of issuance of ordinary shares	-	(1,369)	-	-	-	(1,369)
Purchase of treasury shares	-	-	-	(1,000)	-	(1,000)
Treasury shares issued	-	-	-	244	(237)	7
Dividends paid	-	-	-	-	(5,353)	(5,353)
Share based payments charge	-	-	-	-	1,015	1,015
<b>As at 28 February 2017</b>	<b>39,727</b>	<b>124,932</b>	<b>10,645</b>	<b>(756)</b>	<b>71,881</b>	<b>246,429</b>

## NOTES

### *For the six months ended 31 August 2017*

#### **1. Basis of Preparation**

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

The financial information for the period ended 31 August 2017 and similarly the period ended 31 August 2016 has neither been audited nor reviewed by the auditors. The financial information for the year ended 28 February 2017 has been based on information in the audited financial statements for that period.

The information for the year ended 28 February 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain an emphasis of matter statement under section 498 of the Companies Act 2006.

#### **2. Accounting policies**

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

The accounting policies adopted in this interim financial report are consistent with those of the Group's financial statements for the year ended 28 February 2017 and can be found on the Group's website, [www.vertumotors.com](http://www.vertumotors.com).

In addition, this unaudited interim financial report does not comply with IAS 34 Interim Financial Reporting, which is not required to be applied under the AiM Rules.

#### **3. Segmental information**

The Group complies with IFRS 8 "Operating Segments", which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive. There has been no change in the Group's one reportable operating segment. 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.

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

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

## NOTES (CONTINUED)

### 3. Segmental information (continued)

Six Months ended 31 August 2017	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales <sup>6</sup>	115.5	8.0	64.2	40.4	45.2
Used vehicles	546.9	37.8	49.8	31.3	9.1
New car retail and Motability	450.6	31.2	34.3	21.5	7.6
New fleet & commercial	332.7	23.0	10.8	6.8	3.2
<b>Total</b>	<b>1,445.7</b>	<b>100.0</b>	<b>159.1</b>	<b>100.0</b>	<b>11.0</b>

Six Months ended 31 August 2016	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales <sup>6</sup>	113.4	7.8	62.9	39.1	45.4
Used vehicles	525.6	36.1	52.3	32.5	9.9
New car retail and Motability	483.9	33.3	35.0	21.8	7.2
New fleet & commercial	331.7	22.8	10.6	6.6	3.2
<b>Total</b>	<b>1,454.6</b>	<b>100.0</b>	<b>160.8</b>	<b>100.0</b>	<b>11.1</b>

Year ended 28 February 2017	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales <sup>6</sup>	227.0	8.0	123.4	39.3	44.6
Used vehicles	1,037.5	36.8	100.7	32.1	9.7
New car retail and Motability	909.4	32.2	68.3	21.8	7.5
New fleet & commercial	648.7	23.0	21.5	6.8	3.3
<b>Total</b>	<b>2,822.6</b>	<b>100.0</b>	<b>313.9</b>	<b>100.0</b>	<b>11.1</b>

<sup>6</sup> Margin in aftersales expressed on internal and external turnover

### 4. Exceptional income

	Six months ended 31 August 2017 £'000	Six months ended 31 August 2016 £'000	Year ended 28 February 2017 £'000
Profit on disposal of freehold property	4,149	-	-
<b>Exceptional income</b>	<b>4,149</b>	<b>-</b>	<b>-</b>

On 31 August 2017 the Group completed the sale and operating lease back of the freehold property operated by the Group's Jaguar Land Rover dealership in Leeds, West Yorkshire. This transaction realised £14,150,000 of cash proceeds and a £4,149,000 profit on disposal.

### 5. Finance income and costs

	Six months ended 31 August 2017 £'000	Six months ended 31 August 2016 £'000	Year ended 28 February 2017 £'000
Interest on short term bank deposits	6	29	34
Vehicle stocking interest	36	-	-
Net finance income relating to Group pension scheme	24	112	227
<b>Finance income</b>	<b>66</b>	<b>141</b>	<b>261</b>
Bank loans and overdrafts	(364)	(393)	(876)
Other finance costs	(164)	(28)	(1,639)
Vehicle stocking interest	-	(883)	-
<b>Finance costs</b>	<b>(528)</b>	<b>(1,304)</b>	<b>(2,515)</b>

## NOTES (CONTINUED)

### 6. Taxation

The tax charge for the six months ended 31 August 2017 has been provided at the effective rate of 19% (Six months ended 31 August 2016: 20%).

### 7. 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 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.

	Six months ended 31 August 2017 £'000	Six months ended 31 August 2016 £'000	Year ended 28 February 2017 £'000
Profit attributable to equity shareholders	19,625	14,987	24,020
Exceptional income	(4,149)	-	-
Amortisation of intangible assets	313	304	614
Share based payments charge	548	483	1,082
Tax effect of adjustments	417	(61)	(119)
<b>Adjusted earnings attributable to equity shareholders</b>	<b>16,754</b>	<b>15,713</b>	<b>25,597</b>
Weighted average number of shares in issue ('000s)	394,938	387,047	391,116
Potentially dilutive shares ('000s)	5,412	7,783	6,800
<b>Diluted weighted average number of shares in issue ('000s)</b>	<b>400,350</b>	<b>394,830</b>	<b>397,916</b>
<b>Basic earnings per share</b>	<b>4.97p</b>	<b>3.87p</b>	<b>6.14p</b>
<b>Diluted earnings per share</b>	<b>4.90p</b>	<b>3.80p</b>	<b>6.04p</b>
<b>Adjusted earnings per share</b>	<b>4.24p</b>	<b>4.06p</b>	<b>6.54p</b>
<b>Diluted adjusted earnings per share</b>	<b>4.18p</b>	<b>3.98p</b>	<b>6.43p</b>

## NOTES (CONTINUED)

### 8. Reconciliation of net cash flow to movement in net cash

	31 August 2017 £'000	31 August 2016 £'000	28 February 2017 £'000
Net increase / (decrease) in cash and cash equivalents	4,313	(11,795)	(4,070)
Cash inflow from increase in borrowings	(4,926)	(13,846)	(10,831)
Cash outflow from repayment of borrowings	-	16,468	14,000
<b>Cash movement in net cash</b>	<b>(613)</b>	<b>(9,173)</b>	<b>(901)</b>
Borrowing acquired	-	(1,085)	(1,085)
Capitalisation of loan arrangement fees	425	107	107
Amortisation of loan arrangement fee	(53)	(91)	(261)
<b>Non cash movement in net cash</b>	<b>372</b>	<b>(1,069)</b>	<b>(1,239)</b>
<b>Movement in net cash</b>	<b>(241)</b>	<b>(10,242)</b>	<b>(2,140)</b>
<b>Opening net cash</b>	<b>21,008</b>	<b>23,148</b>	<b>23,148</b>
<b>Closing net cash</b>	<b>20,767</b>	<b>12,906</b>	<b>21,008</b>

### 9. Retirement benefits

	31 August 2017 £'000	31 August 2016 £'000	28 February 2017 £'000
Bristol Street Pension Scheme surplus	5,704	2,673	1,884
SHG Pension Scheme deficit	-	(1,298)	-
<b>Net retirement benefit asset</b>	<b>5,704</b>	<b>1,375</b>	<b>1,884</b>

On 27 February 2017, the assets and liabilities of the SHG Pension Scheme were merged into the Bristol Street Pension Scheme. The Group now operates only one defined benefit pension scheme, the Bristol Street Pension Scheme, and the SHG Pension Scheme is in the process of being wound up.

During the six month period ended 31 August 2017, there was a gain on assets of £942,000. There have also been changes in the financial and demographic assumptions underlying the calculation of the liabilities. In particular, the assumed rate of future RPI has fallen over the six month period, and the expectation of future mortality improvements has reduced. The effect of these changes in assumptions was a decrease in liabilities of £2,768,000. In total, there was an actuarial gain of £3,710,000 recognised in the Statement of Comprehensive Income in the period, before deferred taxation.

## NOTES (CONTINUED)

### 10. Cash flow from movement in working capital

The following adjustments have been made to reconcile from the movement in working capital balance sheet headings to the amount presented in the cash flow from the movement in working capital. This is in order to more appropriately reflect the cash impact of the underlying transactions.

#### *For the six months ended 31 August 2017*

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(592,050)	
Deferred consideration			(1,807)	
Deferred income			(8,254)	
At 31 August 2017	502,585	63,007	(602,111)	
At 28 February 2017	506,470	52,545	(619,741)	
<b>Balance sheet movement</b>	<b>3,885</b>	<b>(10,462)</b>	<b>(17,630)</b>	
Disposals	(297)	(11)	144	
<b>Movement excluding disposal of business</b>	<b>3,588</b>	<b>(10,473)</b>	<b>(17,486)</b>	<b>(24,371)</b>
Pension related balances				(86)
Decrease in capital creditor				381
Increase in interest accrual				(77)
Increase in share repurchase accrual				(240)
<b>Movement in working capital</b>				<b>(24,393)</b>

#### *For the six months ended 31 August 2016*

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(598,264)	
Deferred consideration			(5,331)	
Deferred income			(7,122)	
At 31 August 2016	512,076	49,223	(610,717)	
At 29 February 2016	530,406	63,416	(638,890)	
<b>Balance sheet movement</b>	<b>18,330</b>	<b>14,193</b>	<b>(28,173)</b>	
Acquisitions	17,342	4,678	(22,403)	
Disposals	-	-	(3,500)	
<b>Movement excluding business combinations</b>	<b>35,672</b>	<b>18,871</b>	<b>(54,076)</b>	<b>467</b>
Pension related balances				(156)
Decrease in capital creditor				1,800
Increase in interest accrual				(29)
<b>Movement in working capital</b>				<b>2,082</b>

## NOTES (CONTINUED)

### 10. Cash flow from movement in working capital (continued)

*For the year ended 28 February 2017*

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(610,317)	
Deferred consideration			(1,808)	
Deferred income			(7,616)	
At 28 February 2017	506,470	52,545	(619,741)	
At 29 February 2016	530,371	63,412	(639,126)	
<b>Balance sheet movement</b>	<b>23,901</b>	<b>10,867</b>	<b>(19,385)</b>	
Acquisitions	17,345	4,325	(21,583)	
Disposals	(149)	(56)	199	
<b>Movement excluding business combinations</b>	<b>41,097</b>	<b>15,136</b>	<b>(40,769)</b>	<b>15,464</b>
Pension related balances				(247)
Decrease in capital creditor				736
Decrease in interest accrual				87
<b>Movement in working capital</b>				<b>16,040</b>

### 11. Goodwill and other indefinite life assets

	31 August 2017 £'000	31 August 2016 £'000	28 February 2017 £'000
Goodwill	74,403	74,488	74,403
Other indefinite life assets – Franchise relationships	20,192	20,192	20,192
<b>At end of period</b>	<b>94,595</b>	<b>94,680</b>	<b>94,595</b>

### 12. Risks and uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors include: failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses, failure to meet competitive challenges to our business model or sector, advances in vehicle technology providing customers with mobility solutions which bypass the dealer network, inability to maintain current high quality relationships with manufacturer partners, economic conditions, including the potential consequences of the UK decision to leave the EU, impacting trading, market driven fluctuations in used vehicle values, litigation and regulatory risk, failure to comply with health and safety policy, failure to attract, develop and retain talent, failure of Group information and telecommunication systems, malicious cyber-attack, availability of credit and vehicle financing, use of estimates and currency risk.

All of the above principal risks are consistent with those detailed in the Annual Report for the year ended 28 February 2017.

The Board continually review the risk factors which could impact on the Group achieving its expected results and confirm that the above principal factors will remain relevant for the final six months of the financial year ending 28 February 2018.

Registered Office:  
Vertu House,  
Fifth Avenue Business Park,  
Team Valley, Gateshead,  
Tyne and Wear, NE11 0XA  
Company Number: 05984855  
[www.vertumotors.com](http://www.vertumotors.com)