Vertu Motors plc ("Vertu" or "Group")

Preliminary results for the year ended 28 February 2009

Vertu Motors plc, the 9th largest UK motor retailer, announces its audited results for the year ended 28 February 2009.

	Year ended 28 February 2009	Period from 1 November 2006 To 29 February 2008**
Revenue	£760.8m	£677.2m
Adjusted EBITDA*	£7.9m	£5.1m
Adjusted operating profit*	£5.5m	£3.1m
Adjusted profit before tax*	£3.5m	£1.8m
Adjusted earnings per share*	3.7p	1.6p
EBITDA	£4.6m	£3.5m
Operating profit	£2.1m	£1.4m
Exceptional costs	£3.4m	£1.4m
Profit before tax	£0.07m	£0.14m
Earnings per share	0.93p	0.09p
Operating cash inflow	£21.2m	£21.9m
Gearing	6.0%	28.1%
Net assets per share	62.2p	66.0p

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

** The prior period results are for the period from incorporation on 1 November 2006 to 29 February 2008 and reflect the commencement of trade on 27 March 2007 with the purchase of the Bristol Street Motors Group.

Financial Highlights

- Adjusted EBITDA in the period of £7.9m was consistent with that on a pro-forma basis for the 12 months ended 29 February 2008
- Strong cash flow generation in the period with operating cash inflow of £21.2m
- Balance sheet underpinned by strong freehold and long leasehold property portfolio of £53.3m (2008 : £51.5m)
- Net debt at 28 February 2009 significantly reduced to £3.4m (2008: £16.9m)
- Gearing reduced to 6.0% (2008: 28.1%)
- The Company today also released a separate announcement regarding a proposed placing to raise approximately £30m of net proceeds to invest in new dealership operations, extend the productive capacity of existing operations and purchase existing leasehold sites

Operational Highlights

- Continued to outperform the market with consistent market share gains across all business channels
  - New retail car volumes fell 2.4% on a like-for-like basis against UK private registrations falling 16.1%
  - Used retail car volumes up by 10.5% on a like-for-like basis
- Operational improvements implemented to strengthen position against the market downturn:
  - Cost review programme resulted in annualised savings of £1.8m
  - Investment in training to strengthen performance
  - Improved stock management
  - Developed a team of high performance motor retail professionals

Current Trading

- Current year trading performance in March and April has been ahead of expectations:
  - New car retail volumes in March down 18.6% (outperforming market, down 28.6%)
  - Internet sales up 57% in March year-on-year
  - Used car volumes and margins ahead of 2008 levels

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

"I am pleased to report that, despite challenging market conditions in the year, the Group has delivered a consistent level of operating profit on a pro-forma basis. Fundamentally, the Group continues to take market share in all its revenue streams and has exhibited tight control of both working capital and the cost base. We are pleased with our robust performance.

Subsequent to the year end, trading has been ahead of the Board's expectations, with profits up year on year. Whilst the market will remain challenging for the foreseeable future, the Group is well positioned to take advantage of opportunities arising as we focus on building a sustainable, scalable business that delivers shareholder value. To this end, we are pleased to announce today that the Board is seeking to raise capital to allow the Group to further consolidate the market through investing in new dealership operations, extending the productive capacity of existing operations and purchasing the freeholds of existing leasehold sites. This will further strengthen the Group."

An analysts' briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB at 9.30am on 28 May 2009.

For further information please contact:

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CHAIRMAN'S REPORT

Since flotation in December 2006, the Group has established itself as a major player in the United Kingdom automotive retail sector. The Group is now the 9th largest motor retailer by turnover and operates 41 franchised and 4 non-franchised operations across England.

The Board has had a consistent strategy since flotation and this remains totally relevant for today's economic environment. This strategy is to grow a scaled volume dealership group driving performance improvements through the implementation of consistent business processes and systems. The recruitment, development and retention of high performing motor retail professionals is of paramount importance and the Board has developed its business model to ensure the culture of the Group is entrepreneurial and consistent with the encouragement of top performers. The Group's business strategy includes the development of internet and fleet channels as well as ensuring strong financial controls are in place to control costs and maximise cash generation. This strategy has led to the Group outperforming the market over the past two years since its first acquisition.

Our objective has been to enhance the experiences of our customers and, in turn, secure significant gains in market share. This has allowed the Group to deliver substantial benefits from our operational gearing and these benefits will accelerate as the United Kingdom economy improves over time.

Having successfully integrated the acquisitions undertaken in the past two years, the Board believe that the market conditions are right to support another period of expansion, again targeting volume franchises. A small number of new volume franchises are likely to be added to strengthen the Group's portfolio balance. Expansion will predominantly take place in geographical areas where the Group already operates, in order to gain the benefits accruing from regional concentrations.

The Board is committed to building a sustainable, scalable business to deliver shareholder value.

FINANCIAL COMMENTARY

Revenue in the period increased to £760.8m (16 months ended 29 February 2008 : £677.2m) reflecting the full year impact of acquisitions made in the preceding period.

Adjusted EBITDA rose in the period to £7.9m, compared to £5.1m in the 16 months ended 29 February 2008. Despite challenging market conditions in the period, such as a falling new car market and an unprecedented fall in used vehicle values, adjusted EBITDA was the same as the prior period on a pro-forma basis. The Group was able to absorb the impact of these factors through obtaining enhanced performances from previously underperforming businesses, in line with the Group's strategy. EBITDA and profit before tax were £4.6m (16 months ended 29 February 2008 : £3.5m) and £0.07m (16 months ended 29 February 2008 : £0.14m) respectively. Exceptional costs of £3.4m were incurred in the period.

The Group has continued to focus on working capital management in the period and generated £21.2m of operating cashflow after the impact of exceptional cash costs of £1.5m. Working capital was reduced by £16.8m in the period, primarily due to a reduction in stock levels and more advantageous payment terms from finance company and manufacturer partners. Consequently, the Group has reduced gearing from 28.1% to 6.0%. Net debt at 28 February 2009 totalled £3.4m and was coupled with early repayment of Group borrowings. It is important to note that the Group funds its working capital through its bank facilities and, in particular, does not utilise interest bearing stocking facilities to fund its used cars.

CURRENT TRADING AND OUTLOOK

March is the most important month for profitability in the UK motor retail sector and March 2009 was expected to be the hardest for many years as the UK economy hit a low point. New car registrations to private buyers were indeed weak, with a year on year fall of 28.6%. Against this backdrop, Vertu continued to gain market share as it has done consistently since flotation. Volumes were down 18.6% on a like-for-like basis, significantly ahead of the market. Importantly, all manufacturer targets were achieved at a high level and bonuses were earned in the period without recourse to any pre-registration activity.

The new commercial vehicle market remains more depressed than the car market. Activity levels in our Ford Commercial and Iveco operations are below our expectations as a consequence.

Used car sales and margins were robust in March with like-for-like volumes rising by 18.0%. Used car prices and margins rose significantly since the start of 2009 and this trend continued throughout March and April. This trend was driven by reduced supply of used cars due to the weakness of the new private and fleet car market and strong consumer demand reflecting the value proposition of used cars, the prices of which have fallen significantly in the last twelve months. Used cars have consequently generated profit ahead of expectations in March and April.

The Group's after-sales operations continue to perform at a high level and in line with our expectations. Overall, the Board is pleased to report that the Group's profitability in March and April has been ahead of the Directors' expectations.

The Board's view is that, as a consequence of a weak economic backdrop, market conditions in the current year will remain challenging. This is expected to particularly impact the area of new car sales, whilst used cars and after-sales are likely to be more robust. Exchange rates continue to exert pressure on manufacturer margins and this is leading to regular new car price rises. Offsetting these factors, the Group sees itself as a potential major beneficiary of the new vehicle discount scheme ("scrappage scheme") announced by the Government on 22 April. This was formally launched in mid May and initial consumer interest has been strong. Such a scheme is likely to disproportionately benefit our manufacturer partners, which are volume and small car orientated.

In addition, operational improvements driven by securing high performance motor retail professionals, coupled with business process and system enhancements, result in the Board being confident about the Group's prospects for the current financial year.

P R Williams
Non-Executive Chairman

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 augmenting this by acquiring additional UK motor retail operations to add size and scale to the business.

Portfolio Development

Early in the financial year, the Board took the view that, in the face of challenging market conditions, the priority was to secure operational benefits from the existing portfolio and to reduce the Group's borrowing levels, all of which were achieved during the year. Therefore, the year was marked by little acquisition activity.

A review of operating locations led to a marginal non-franchised used van sales outlet in Birmingham being closed in August 2008, in order to reduce fixed operating costs.

The Bristol Street Motor Nation used car outlet business saw considerable changes in the period. On 2 September 2008, the operation in Coventry was closed. This operation had been consistently unprofitable and the location was secondary. In contrast, new operations were started up in Doncaster in March 2008 and Darlington in March 2009. Both operations are situated in prime locations and performance, to date, of both new outlets has exceeded our expectations. This reflects the Group's ongoing confidence in the Bristol Street Motor Nation format.

Subsequent to the year end, the Group has secured the Vauxhall franchise in Waltham Cross, Hertfordshire. This operation is located in a non-franchised outlet, currently operated by the Group, and will allow for an expansion of the outlet in terms of sales and profitability. This brings our number of Vauxhall franchised outlets to five.

The Group currently operates 41 franchised, 4 non-franchised sales operations and 2 stand alone service operations from 42 English locations. These are summarised below:

Car Franchises (36)		Commercial Vehicle Franchises (4)		Motorcycle Franchises (1)	
Ford	14	Iveco	3	Honda	1
Peugeot	6	Fiat Commercials	1		
Vauxhall	5				
Honda	4				
Citroen	4				
Renault	2				
Hyundai	1				

Bristol Street Motor Nation Used Car Outlets	4
Stand alone Service Centres	2

Operating Review

Operating Strategy

During the past twelve months, the automotive retail sector encountered the most challenging market conditions for many years. In particular, new car sales declined and used car values fell substantially from May 2008 until December 2008, placing pressure on margins. In response, the Group focused on generating operational improvements in its core activities. Four key strategies were implemented:

- The Board accelerated the ongoing cost review programme, to minimise the operational cost base. This included the closures referred to above and additional payroll savings from headcount reductions in continuing dealerships totalling £1.8m on an annualised basis. In addition, a "War on Waste" campaign has been implemented to focus on reducing all non-payroll costs, such as in the areas of energy usage, consumables and other discretionary spending.

- Process and system improvements have been implemented, particularly in the areas of sales process and stock management. These initiatives have been supported by the introduction of training programmes for all colleagues in order to ensure the delivery of customer service excellence and efficient processes. Investment has also been made in management development training to support a culture of momentum and maximisation. This is aided by having performance management in place across the Group and the implementation of a uniform management information platform to deliver key KPI information to the desktop of each manager on a real time basis.

- In the face of a decline in used vehicle values, focus was given to improve stock turn through:
    i. reducing overall used car stock levels
    ii. ensuring stock mix was appropriate for the market place
    iii. setting sales strategies to generate like-for-like used car volume growth.

- A number of the Group's dealerships have historically underperformed and a key driver to maintaining Group profitability is the turnaround of the financial performance of these dealerships. Focus has been given to the recruitment of high performance motor retail professionals to lead the transformation of these businesses through their expertise and drive.

The Board believe that the adoption of these strategies has enabled the Group to outperform the market significantly during the period.

Dealership Operations

Despite the economic environment, the Group witnessed outperformance in its franchised operations in the period in terms of both market share gains and a robust trading performance.

New retail vehicle volumes declined 2.4% in the year on a like-for-like basis. This compared to a market decline in the year of 16.1% in UK private new car registrations. This outperformance can be partly attributable to the market shift away from specialist franchises to volume franchises and towards smaller, fuel efficient vehicles. This is linked to consumer trends to save money, as finances come under pressure, and also reflects the excellent product quality now seen in the volume franchises. New vehicle launches, such as the Ford Fiesta and KA, Honda Jazz and Vauxhall Insignia, also contributed to the Group's positive momentum. Margins remained strong as a consequence of the Group's performance against manufacturer targets, which resulted in high levels of bonus earnings.

Fleet new vehicle sales represent 34% of total Group turnover and are a significant element of the Group's operations. Sales include car and commercial vehicles and the latter have been under significant pressure as economic conditions tightened. Whilst UK new car registrations to the fleet sector declined by 10.5% in the year, light commercial vehicle registrations fell by 20.1%. Overall, the Group saw a 5.5% fall in fleet and commercial new vehicle sales in the year and this represented an overachievement against the market.

This significant market decline in the commercial vehicle sector has impacted the Group due to its strong market presence in Ford and Iveco. Stocks of new vehicles on consignment terms have increased over the period. Such ageing new vehicle stocks are subject to interest charges from manufacturers and these trends resulted in stocking charges increasing from £0.1m in the period ended 29 February 2008 to £0.6m in the year ended 28 February 2009. The increase in the charge was also exacerbated by higher interest rates charged by the manufacturers connected to dislocation in the wholesale money markets. The stock position is expected to reverse during the next six months, as manufacturers' actions bring production in line with sales levels and corporate customers also resume their buying activity. The Group has also seen the interest rates charged by manufacturers decline in 2009.

On a like-for-like basis, the Group's used car sales volumes grew by 10.5% in the year, having grown by 18.1% in the previous trading period. This reflects the Group's focus on developing a vibrant used car business to reduce the overall sensitivity to new car sales, which are more directly linked to economic fluctuations, and to maximise operational gearing benefits at each dealership. Margins were under significant pressure from May 2008 as a result of monthly used car value falls of up to 5%, which continued until December 2008. The Group's used car trading performance was affected by both reduced trading margins and the need for additional stock provisions, since the Group has a prudent policy of writing used vehicle stocks down to trade values each month. Lower part exchange values also increased the cost to change for consumers and this provided an element of downward pressure on sales growth. These trends reversed from January 2009, with the industry witnessing rising used car prices as noted above.

In our interim announcement, the Group reported a tightening in the availability of consumer finance to used car customers, particularly those with weaker credit scores. This situation has considerably improved in the area of prime finance, with lower rejection rates being experienced. Potential for sales outside of the prime finance market remain limited.

The internet is an increasingly important driver of vehicle sales in the United Kingdom and the Group has invested in developing a strong internet presence and a dedicated, centralised sales function. These developments have contributed to the outperformance in like-for-like sales outlined above. For example, in March 2009, internet sales rose 57% on March 2008 levels.

After-sales activities are generally more robust in periods of economic decline, as customers keep their cars for longer periods and service costs rise. The Group generated 47% of its gross profit from after-sales operations in the period and profitability rose, period on period, in both the service and parts sectors on a pro-forma basis. This profitability increase has been aided by the Group's cost reduction programme, marketing initiatives and campaigns, and the development of outbound call centres.

Robert Forrester
Chief Executive

FINANCE DIRECTOR'S REVIEW

Profit and Loss

Revenue in the period increased by £83.6m from £677.2m in the 16 months ended 29 February 2008 to £760.8m in the year ended 28 February 2009. The prior period reflected trading from 27 March 2007, when the Group acquired Bristol Street Motors. The increase in revenue reflects £103.7m in respect of the full period impact of acquisitions, together with a £4.8m increase in relation to the net impact of new dealerships opened and dealership closures. Like-for-like sales reduced by £24.9m as a consequence of new vehicle volumes falling and increased used car volumes being more than offset by the reduction in used car prices.

Gross profit margins rose in the year from 11.5% to 11.7%. The table below highlights the composition of revenue and gross margin percentages.

	Year ended 28 February 2009		16 months ended 29 February 2008*	
	Revenue %	Gross Margin %	Revenue %	Gross Margin %
New car retail	22	8.2	21	7.8
New fleet and commercial	34	2.9	30	3.1
Used cars	32	9.1	29	10.0
After-sales	12	40.8	20	40.9
	100	11.7	100	11.5

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

Margins in new car retail sales rose as a result of 2009 including the key plate change month of March, which was not included in the prior period. Quarterly bonuses are recognised in this month, whereas in the 16 month period to 29 February 2008, March trading activity was prior to the completion of the acquisition of Bristol Street Motors. Margins remained strong in the period, despite falling volumes, as manufacturers' targets were exceeded and bonus income earned.

Fleet and commercial volumes comprised 34% of revenue in the year ended 28 February 2009. This increased on the prior period due to the inclusion of March and also a lower decline in volume compared to retail sales. Margins were under pressure in the period, as a result of the impact of new vehicle oversupply.

Used vehicle sales grew as a percentage of Group revenue as a result of like-for-like volume growth. As highlighted above, significant declines in used vehicle values reduced margin from 10.0% in the 16 month period ended 29 February 2008 to 9.1% in the year ended 28 February 2009. Trading margins declined until December 2008 and additional provisions against stock were required.

After-sales revenue formed a lower percentage of overall Group revenue due to the impact of including the high vehicle sales month of March and the growth of used cars. Margins were stable in the period at over 40%. Overall, aftersales contributed 47% of Group gross profit in the period.

The Group generated an operating profit before amortisation, share based payment credit/charge and exceptional costs of £5.5m (16 months ended 29 February 2008 : £3.1m). This performance was ahead of market expectations and reflects the resilience of our operating businesses. Operating profit rose from £1.4m to £2.1m. Exceptional costs were incurred in the period of £3.4m (16 months ended 29 February 2008 : £1.4m).

The Board responded to the deteriorating market conditions by taking swift action to further reduce the Group's cost base. A programme of headcount reductions was undertaken, which gave rise to one off exceptional costs of £0.6m in the financial year. As a result of this programme, the future operating costs of the Group reduced by £1.8m on an annualised basis. The Group also incurred exceptional costs of £0.5m in respect of the closure of two historically underperforming business operations.

The Board has evaluated the carrying value of the four surplus freehold properties held for resale. Due to the continuing delay in realising these assets and trends in the commercial property market, a £1.1m provision has been made and the charge classified as an exceptional cost. Progress continues to be made on planning issues to aid the disposal process and, significantly, planning has been obtained for the site in Newcastle upon Tyne. The exact timing of the disposal of these assets remains uncertain.

Further exceptional costs totalling £1.2m were incurred in relation to property. This included £0.4m of environmental remediation costs on the redevelopment of Oxford Peugeot. The remainder relates to demolition costs of empty premises to avoid business rates and further provision for rates, rent and other costs in relation to empty properties.

Net finance costs were £2.0m for the year (16 months ended 29 February 2008 : £1.2m). The increase in net finance costs predominantly relate to £0.5m of increased manufacturer stocking charges discussed above and additional interest costs of £0.2m in relation to pension scheme assets. In order to manage its exposure to interest rate fluctuations, the Group utilises interest rate swaps. From April 2009, £15m of interest rate swaps were in place, which fix debt costs at 5.5% until 2012. A substantial fall in LIBOR in the period led to a £0.7m reduction in net assets as the Group recognised the fair value of these swaps at the year end in the statement of recognised income and expense. At current LIBOR levels, cash interest charges are expected to be £0.3m higher per annum as a consequence of the swaps in place.

Taxation

The Group tax credit was £0.8m (16 months ended 29 February 2008 : charge £0.1m) in the period. During the year, the Group undertook a major review of capital allowances claimed on the Group's substantial property portfolio and resolved a number of outstanding enquiries with HMRC. As a consequence, a £0.8m credit has been recognised in respect of adjustments relating to prior years. The underlying effective tax rate of the Group going forward is expected to be 28%.

Financial Position

The Group has a strong balance sheet position with shareholders' funds of £57.2m (29 February 2008 : £60.2m), representing net assets per share of 62p. The balance sheet is underpinned by a freehold and long leasehold property portfolio (including properties held for resale) of £53.3m (29 February 2008 : £51.5m).

The capital structure of the Group comprises shareholders' equity funds, bank loans and overdrafts. The Group does not utilise interest bearing stocking facilities to fund its used cars and funds all its working capital requirements through its banking facilities. As at 28 February 2009, the Group had drawn down loans of £16.4m (29 February 2008 : £24.4m). The reduction in loans in the year arose due to £1.0m of scheduled term loan instalment repayments and £7.0m of repayment of debt ahead of schedule. The latter was in line with the Group's objective to reduce borrowing. In addition, outstanding loan notes of £2.1m were also paid to the vendors of Bristol Street Motors pursuant to the Sale and Purchase Agreement dated 27 February 2007.

Subsequent to the year end, a further £2.0m of additional debt repayment has been made and, as a consequence, the Group now has drawn down loans of £14.4m on which interest is payable at 1% above LIBOR. These loans are repayable in March 2012 or through the application of proceeds from the disposal of the four surplus properties. During the period, the Group complied with all of the financial covenants in respect of these borrowings.

In addition to loan facilities, the Group has £20.0m of overdraft and other money market facilities on which it pays interest at 2.25% above base rate and 2% above LIBOR respectively. The facilities are available until the next review date of 1 September 2010. The Group operated with substantial cash balances for much of the year and these additional facilities are utilised to fund peak working capital requirements following plate change months. As at 28 February 2009, the Group had cash balances of £12.9m (29 February 2008 : £9.5m) and as a consequence net debt fell to £3.4m at 28 February 2009 (28 February 2008 : £16.9m).

Cash Flows

The Group's net cash inflow from operating activities was £21.2m (16 months ended 29 February 2008 : £21.9m), after deduction of cash outflows in respect of exceptional costs of £1.5m. The Group reduced its investment in working capital by £16.8m in the period. Working capital reductions arose due to lower used vehicle and demonstrator stock levels (£7.2m), more advantageous payment terms from finance company partners (£5.0m) and increased manufacturer interest free deferred payment terms for used vehicles (£4.2m).

Capital expenditure of £5.0m arose in the period. Of total capital expenditure, £3.7m related to property refurbishments and developments. During the period the Group rebuilt the Oxford Peugeot dealership, constructed a new showroom at Kings Norton Ford and refurbished the Ford dealership in Bristol Street, Birmingham. As a result, the Group significantly enhanced these retail environments. It is expected that ongoing capital expenditure will be reduced in 2009/10.

Pensions

During the year, and in line with the funding programme agreed with the Trustees in 2007, the Group made cash contributions to the Bristol Street defined benefit pension scheme of £1.0m. This scheme is closed to future membership and accrual. In the period, net assets have been reduced by £3.0m as a result of actuarial losses on retirement benefit obligations, net of related taxation. These losses arose due to changes in actuarial assumptions in regard to bond yields and the long-term outlook for inflation. The Board continues to look at its options with respect to this scheme to reduce both its costs and exposure to volatility.

Karen Anderson
Finance Director

CONSOLIDATED INCOME STATEMENT (AUDITED)

	Note	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008* £'000
Continuing operations			
Revenue		**760,810**	**677,180**
Cost of sales		(671,680)	(599,531)
Gross profit		**89,130**	**77,649**
Operating expenses		(83,617)	(74,573)
Operating profit before amortisation, share based payments credit (charge) and exceptional costs		5,513	3,076
Amortisation of intangible assets		(183)	(116)
Share based payments credit (charge)		221	(221)
Exceptional costs	3	(3,441)	(1,360)
Operating profit		**2,110**	**1,379**
Finance income		1,788	1,808
Finance costs		(3,830)	(3,050)
Net finance costs	2	**(2,042)**	**(1,242)**
Profit before tax		**68**	**137**
Taxation	4	789	(65)
Profit for the period		**857**	**72**
Attributable to:			
Equity holders of the Group		**857**	**72**
Basic earnings per share (p)	5	**0.93**	**0.09**
Diluted earnings per share (p)	5	**0.93**	**0.09**

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (AUDITED)

	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Actuarial (losses) gains on retirement benefit obligations	(4,138)	2,948
Cash flow hedges	(981)	(452)
Taxation thereon	1,434	(699)
Net (losses) gains recognised directly in equity	**(3,685)**	**1,797**
Profit for the period	857	72
Total recognised income and expense for the period	**(2,828)**	**1,869**
Attributable to:		
Equity holders of the Group	**(2,828)**	**1,869**

CONSOLIDATED BALANCE SHEET (AUDITED)

	Note	As at 28 February 2009 £'000	As at 29 February 2008 £'000
Non-current assets			
Goodwill		18,612	18,612
Other intangible assets		1,043	962
Retirement benefit asset		130	3,117
Property, plant and equipment		49,813	47,446
		69,598	**70,137**
Current assets			
Inventories		155,698	131,579
Property assets held for sale		10,250	11,390
Trade and other receivables		19,791	14,102
Cash and cash equivalents		12,907	9,459
Total current assets		**198,646**	**166,530**
Total assets		**268,244**	**236,667**
Current liabilities			
Trade and other payables		(185,056)	(139,250)
Current tax liabilities		(2,370)	(3,328)
Borrowings		(2,000)	(3,119)
Total current liabilities		**(189,426)**	**(145,697)**
Non-current liabilities			
Borrowings		(14,336)	(23,261)
Derivative financial instruments		(1,434)	(452)
Deferred income tax liabilities		(4,416)	(5,875)
Deferred consideration		-	(128)
Provisions for other liabilities and charges		(1,433)	(1,029)
		(21,619)	**(30,745)**
Total liabilities		**(211,045)**	**(176,442)**
Net assets		**57,199**	**60,225**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares	6	9,198	9,194
Share premium	6	40,991	40,991
Other reserve	6	7,969	7,950
Hedging reserve	7	(1,032)	(326)
Retained earnings	8	73	2,416
Shareholders' equity	8	**57,199**	**60,225**

CASH FLOW STATEMENT (AUDITED)

	Note	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Operating profit		2,110	1,379
Loss on sale of tangible fixed assets		14	69
Amortisation of intangible assets		183	116
Depreciation of property, plant and equipment		2,344	2,018
Decrease in inventories		8,650	5,792
(Increase) decrease in trade and other receivables		(7,115)	33,710
Decrease in assets held for resale		1,140	-
Increase (decrease) in payables		13,674	(21,870)
Increase in provisions		404	514
Movement in share based payments (credit) charge		(221)	221
Cash generated from operations		**21,183**	**21,949**
Tax received		173	-
Tax paid		(367)	(2,473)
Finance income received		211	212
Finance costs paid		(2,751)	(1,493)
Net cash generated from operating activities		**18,449**	**18,195**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		-	(77,882)
Proceeds from sale of tangible fixed assets		190	-
Purchases of intangible fixed assets		(156)	(544)
Purchases of property, plant and equipment		(4,916)	(4,654)
Net cash outflow from investing activities		**(4,882)**	**(83,080)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	50,153
Proceeds from borrowings	9	-	24,191
Repayment of borrowings	9	(10,119)	-
Net cash inflow from financing activities		**(10,119)**	**74,344**
Net increase in cash and cash equivalents	**9**	**3,448**	**9,459**
Cash and cash equivalents at beginning of period		9,459	-
Cash and cash equivalents at end of period		**12,907**	**9,459**

NOTES

For the year ended 28 February 2009

1. Basis of Preparation

The Group prepares financial information under International Financial Reporting Standards (IFRS) issued by the IASB and as adopted by the European Commission (EC) and on the same basis as in 2008. Further information in relation to the Standards adopted by the Group is available on the Group's website www.vertumotors.com.

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

The financial information presented for the year ended 28 February 2009 and the period ended 29 February 2008 does not constitute the Company's statutory accounts as defined in Section 434 of the Companies Act 2006, but is derived from those financial statements. The auditors' reports on the 2009 and 2008 financial statements were unqualified. A copy of the statutory accounts for 2008 have been delivered to the Registrar of Companies. Those for 2009 will be delivered following the Company's annual general meeting, which will be convened on 23 July 2009.

Going Concern

In determining whether the Group is a going concern, the Directors have reviewed the Group's current financial position and have prepared detailed financial projections. These projections reflect the recent unprecedented downturn in economic conditions and the actions already taken to reduce the Group's cost base, manage working capital and drive operational improvements.

The projections also assume that: new car sales will continue to decline in 2009 and not begin to recover until the second half of 2010; the service and parts business will be more resilient to the downturn; lower UK interest rates will continue; manufacturer partners will remain in production and supply on normal terms of trade; and there will be no further significant downturn in the global economic environment.

These projections, even after allowing for headroom to accommodate a reasonable downside scenario (including weaker trading and adverse movements in interest rates), indicate that the Group would be able to manage its operations so as to remain within its current facilities and in compliance with its banking covenants.

Accordingly, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. As such, the Group continues to adopt the going concern basis in preparing the financial statements.

2. Net finance costs

	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Bank loans and overdrafts	(1,653)	(1,579)
New vehicle stocking interest	(597)	(88)
Other finance costs relating to Group pension scheme	(1,567)	(1,371)
Other finance costs	(13)	(12)
Finance costs	**(3,830)**	**(3,050)**
Interest on short term bank deposits	211	212
Other finance income relating to Group pension scheme	1,577	1,596
Finance income	**1,788**	**1,808**
Net finance costs	**(2,042)**	**(1,242)**

3. Exceptional costs

	Year ended 28 February 2008 £'000	Sixteen months ended 29 February 2008 £'000
Reorganisation costs	570	985
Closure costs	482	-
Impairment of assets held for resale	1,140	-
Environmental costs	400	-
Empty property provisions	571	-
Onerous lease costs	201	375
Abortive costs	77	-
	3,441	**1,360**

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.

The Group responded to the deteriorating market conditions by taking swift action to further reduce its cost base. A programme of headcount reductions was undertaken which gave rise to one off exceptional costs of £570,000 in the financial year. As a result of this programme, the future operating costs of the Group reduced by £1.8m on an annualised basis.

The Group also incurred exceptional costs of £482,000 in respect of the closure of two historically underperforming business operations.

The Board have evaluated the carrying value of the four surplus freehold properties held for resale. Due to the continuing delay in realising these assets and trends in the commercial property market, the expected realisable value has been reduced by £1,140,000 and the charge classified as an exceptional cost. Progress continues to be made on planning issues to aid the disposal process and, significantly, planning has been obtained for the site in Newcastle upon Tyne. The exact timing of the disposal of these assets remains uncertain.

On the redevelopment of the Group's dealerships in Oxford, environmental remediation costs of £400,000 were incurred. The Directors' believe that this cost should not be carried forward and hence the amount has been written off as an exceptional cost.

Exceptional costs in relation to empty properties were incurred during the year. These costs, totalling £571,000, related predominantly to the demolition of empty freehold properties to reduce rates liabilities, in addition to providing for ongoing rates and security at other empty property locations.

Provisions of £201,000 were made in the year for future rent liabilities on empty leasehold properties.

Abortive costs of £77,000 in relation to an aborted acquisition have been classified as exceptional.

4. Taxation

	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Current tax		
Current tax charge	79	-
Adjustment in respect of prior years	(843)	-
Total current tax	**(764)**	**-**
Deferred tax		
Origination and reversal of temporary differences	138	65
Adjustment in respect of prior years	(163)	-
Total deferred tax	**(25)**	**65**
Income tax (income) / expense	**(789)**	**65**
Comprising:		
Taxation – excluding exceptional items	62	446
Taxation – exceptional items	(851)	(381)
	(789)	**65**

a) Factors affecting taxation income / expense in the period

	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Profit before taxation and exceptional items	3,509	1,497
Exceptional costs	(3,441)	(1,360)
Profit before taxation from continuing operations	**68**	**137**
Profit before taxation multiplied by the rate of corporation tax in the UK of 28.2% (sixteen months ended 29 February 2008: 30%)	19	41
Non-deductible amortisation	52	7
Non-deductible expenses	155	42
Effect on deferred tax balances due to rate change	(3)	(25)
Small companies rate	(6)	-
Adjustments in respect of prior years	(1,006)	-
Total tax (income) / expense included in the income statement	**(789)**	**65**

b) Factors affecting future taxation charges

As of 1 April 2008, the UK Corporation Tax rate changed from 30% to 28%. The current tax rate applicable to the Group for the period ended 28 February 2009 was 28.2%. Deferred tax on temporary differences has been provided at 28%, being the rate at which these temporary differences are expected to reverse. The underlying effective tax rate of the Group going forward is expected to be 28%.

5. Earnings per share

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

	Year ended 28 February 2009 £'000	**Sixteen months ended 29 February 2008 £'000**
Profit attributable to equity shareholders	857	72
Amortisation of intangible assets	183	116
Share based payments (credit) charge	(221)	221
Exceptional costs	3,441	1,360
Tax effect of adjustments	(829)	(468)
Adjusted earnings attributable to equity shareholders	**3,431**	**1,301**
Weighted average number of shares in issue ('000s)	91,981	81,170
Potentially dilutive shares ('000s)	-	123
Diluted weighted average number of shares in issue ('000s)	**91,981**	**81,293**
Basic earnings per share	**0.93p**	**0.09p**
Diluted earnings per share	**0.93p**	**0.09p**
Adjusted earnings per share	**3.73p**	**1.60p**
Diluted adjusted earnings per share	**3.73p**	**1.60p**

6. 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 1 March 2008	91,944	9,194	40,991	7,950	58,135
Shares issued during the period	38	4	-	19	23
At 28 February 2009	**91,982**	**9,198**	**40,991**	**7,969**	**58,158**

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 other reserve is a merger reserve, arising from shares issued for shares, as deferred consideration, to the former shareholders of acquisitions. In the year ended 28

February 2009, shares were issued for shares to the former shareholders of Blake Holdings Limited.

7. Hedging reserve

	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Cash flow hedges:		
At beginning of period	(326)	-
Fair value losses during the period	(981)	(452)
Deferred taxation on fair value losses during period	275	126
At end of period	**(1,032)**	**(326)**

8. Consolidated statement of changes in shareholders' equity

	Ordinary shares £'000	Share Premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2008	**9,194**	**40,991**	**7,950**	**(326)**	**2,416**	**60,225**
Profit for the year	-	-	-	-	857	857
Actuarial losses on retirement benefit obligations	-	-	-	-	(4,138)	(4,138)
Tax on items taken directly to equity	-	-	-	275	1,159	1,434
Fair value losses during the year	-	-	-	(981)	-	(981)
Share based payments	-	-	-	-	(221)	(221)
New ordinary shares issued	4	-	19	-	-	23
As at 28 February 2009	**9,198**	**40,991**	**7,969**	**(1,032)**	**73**	**57,199**

	Ordinary shares £'000	Share Premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
On incorporation	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	221	221
New ordinary shares issued	9,194	40,991	7,950	-	-	58,135
As at 29 February 2008	**9,194**	**40,991**	**7,950**	**(326)**	**2,416**	**60,225**

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

	Year ended 28 February 2009 £'000	Sixteen months ended 29 February 2008 £'000
Net increase in cash and cash equivalents	3,448	9,459
Cash inflow from increase in borrowings	-	(24,191)
Cash outflow from repayment in borrowings	10,119	-
Cash movement in net debt	**13,567**	**(14,732)**
Issue of loan notes	-	(2,119)
Amortisation of loan arrangement fee	(75)	(70)
Non cash movement in net debt	**(75)**	**(2,189)**
Movement in net debt	**13,492**	**(16,921)**
Opening net debt	**(16,921)**	**-**
Closing net debt	**(3,429)**	**(16,921)**

10. Pensions

The defined benefit plan assets and liabilities have been updated to reflect their market value as at 28 February 2009. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Statement of Recognised Income and Expense in accordance with the Group's accounting policy.

During the year, equity and bond markets fell and returned less than assumed. In addition, there have been changes in the financial assumptions underlying the calculation of the liabilities in the twelve month period ending 28 February 2009. In particular, the yield on AA-rated bonds has decreased slightly and the long-term outlook for inflation decreased. This has led to a higher value being placed on liabilities at the 28 February 2009 than assumed at the beginning of the financial year.