

16 October 2013



Vertu Motors plc (“Vertu” or “Group”)

Unaudited interim results for the six months ended 31 August 2013

Vertu Motors ahead of expectations

Vertu Motors plc, the automotive retailer with a network of 99 sales and aftersales outlets across the UK, announces its interim results for the six months ended 31 August 2013.

Financial Highlights

- Revenues increased by 33.3% to £837.2m (2012 H1: £628.1m)
- Profit before tax up 68.6% to £8.6m (2012 H1: £5.1m⁽¹⁾)
- Adjusted⁽²⁾ profit before tax up 79.6% to £8.8m (2012 H1: £4.9m⁽¹⁾)
- Balance sheet underpinned by freehold and long leasehold property portfolio of £104.5m (31 August 2012: £83.8m) and ungeared following the June 2013 placing of shares to raise £50m (gross)
- Cash conversion up 285% to £30.4m (2012 H1: £7.9m)
- Period end net cash of £25.7m (2012 H1: £2.2m)
- Earnings per share up 30.6% to 2.56p (2012 H1: 1.96p⁽¹⁾)
- Adjusted⁽²⁾ earnings per share up 40.1% to 2.62p (2012 H1: 1.87p⁽¹⁾)
- Interim dividend up 20% to 0.3p per share (2012: 0.25p per share) to be paid in January 2014
- The Board anticipates full year results will be significantly ahead of market expectations

(1) prior year comparative figures have been restated following the Group’s adoption of IAS19 (revised)

(2) adjusted for exceptional charges, amortisation of intangible assets and share based payments charge/credit

Operational Highlights

- Strong trading performance driven by favourable market conditions in vehicle sales and servicing
- Newly acquired Farnell Land Rover performing strongly and being integrated smoothly
- Growth strategy progressed with addition of seven further sales outlets since 1 March 2013
- Excellent progress made in turnaround of previous acquisitions aided by underlying market
- 19.6% like-for-like new retail volume increase with consistent margins
- Fleet car volumes rose 28.0% with market share gains
- Strong volume and margins in used cars led to 12.2% increase in like-for-like gross profit generation, up £2.8m
- Service revenues increased 6.9% on a like-for-like basis, reflecting ongoing success of customer retention strategy
- Aftersales margins strengthened on the back of strong like-for-like service margins, up from 75.5% to 76.2%
- Continued strong trading performance in September, with a 28.0% like-for-like new retail volume increase and continued market share gains
- September service revenues grew 9.4% on a like-for-like basis

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

“The Board is delighted with the strong results announced today having pursued its successful buy and build strategy for over seven years. With profit before tax up 69% and operating cash generation up 285%, we believe the results reflect a strong market, combined with our growing maturity as a business and are a testament to the continued hard work of all our colleagues.

“The market experienced favourable conditions for motor retail operations in the period with strong new car retail market growth combined with used car price stability and indeed rises. Enhanced industry profitability is the almost inevitable result.

Stronger volumes in car sales should lead to higher aftersales revenues in the coming periods.

The Group has made the most of the market opportunity with good performances in the core business and the turnaround of new dealerships progressing well. The acquisition of Farnell Land Rover in the period will benefit results going forward and market conditions remain favourable with September trading being strong. As a consequence, the Board anticipates the full year results to be significantly ahead of market expectations.”

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INTRODUCTION

The six months ended 31 August 2013 have witnessed favourable market conditions for the UK motor retail sector. This half year is framed by a period of very strong momentum for the UK new car retail market which recorded its nineteenth consecutive month of growth in September 2013. This positive new car market has coincided with a period of stability in the used car market, which is three times the size of the new car market, characterised by strong residual values and growing demand as the UK consumer recovers from the impact of the recessionary environment which commenced in 2008.

Against this background of strong UK vehicle sales, the Group has continued to grow its like-for-like aftersales revenues, gross margins and profits by maintaining its focus on the execution of strategies targeted at improving customer retention, workshop efficiencies and spend per customer visit.

The Group has also continued to improve the trading performance of the businesses acquired in recent periods. This has added further profits to those generated by the core of the business. Since 1 March 2013 the Group has added a further seven sales outlets and disposed of its three loss-making Iveco Truck operations. In June 2013 the Group raised £50m (gross) from shareholders to finance the £31m acquisition of the Farnell Land Rover business and to provide funds for further acquisitions. As a consequence of the above market trends and strategic actions, the Board is pleased to announce record profits and cashflows. Profit before tax rose 68.6% to £8.6m (2012 H1: £5.1m⁽¹⁾) and the Board believes this reflects the growing maturity and improving operational delivery of the business.

The Board continues to identify, review and execute acquisition opportunities which will enhance shareholder returns and help to create a diverse and balanced Group.

FINANCIAL REVIEW

Revenues in the period grew by 33.3% (£209.1m) to £837.2m (H1 2012: £628.1m). Acquisitions in the period accounted for £28.2m of revenue growth and those businesses acquired in the prior year contributed £128.4m of additional revenues. Like-for-like revenues grew by 12.4% (£73.8m), reflecting increases in both vehicle sales and aftersales revenues. Overall gross margins declined from 11.4% to 11.1% due to the increase in the mix of lower margin vehicle sales despite growth in aftersales operations.

Revenue Mix

	2013	2012	2013	2012
	£'m	£'m	Mix	Mix
Vehicle sales	764.9	566.8	91.4%	90.2%
Aftersales	72.3	61.3	8.6%	9.8%
Total revenue	837.2	628.1	100.0%	100.0%

The higher levels of dealership revenues and improved operational performance resulted in a reduction in operating expenses as a percentage of revenues to 10.0% (H1 2012: 10.6%). This reflects the continued growth of the Group both organically and through acquisitions while leveraging a central cost base which is growing more slowly. In addition, the business is benefitting from operational gearing as market activity levels return to somewhere near pre-2008 levels. A reduction in the total number of UK dealerships in recent years has increased operational gearing

across the wider sector and this has also positively impacted the Group. The Group has not recorded any exceptional costs during the period. Operating profit has grown by 69.8% to £9.0m (H1 2012: £5.3m⁽¹⁾).

Following the reduction in the UK Corporation Tax rate the Group's effective tax rate is 22% (H1 2012: 23%). Profit after tax has increased by 71.8% to £6.7m (H1 2012: £3.9m⁽¹⁾).

During the period the Group's operating cashflow was particularly strong and a record for the Group. Cash generated from working capital rose to £18.6m (H1 2012: £0.8m⁽¹⁾). £4.0m of this is due to the Group reducing the amount of working capital required to finance businesses acquired during the period. Several businesses were acquired without debtors and creditors in their opening balance sheets and since in the long run creditors more than offset debtors, the Group investment of acquired businesses will be below purchase consideration. A further £5.0m of the inflow is due to VAT recoverable on the increases in consignment inventories held during the period reflective of higher new vehicle volumes. Accelerated receipts from manufacturer and consumer finance partners amounted to £4.0m of improved cash inflow, and the growth in service plans and warranty sales added a further £1.5m. Following the placing of shares in June 2013, which raised £50m (gross), the Group's net cash at 31 August 2013 stood at £25.7m (2012: £2.2m).

During the period the Group has continued to invest both in acquiring new businesses, most notably the Farnell Land Rover business, but also in the property assets of the ongoing business. The freehold interests in two previously leasehold dealership properties were acquired for £4.5m during the period, and a further £3.8m was spent on building new dealership premises in Harrogate (Vauxhall) and Northampton (Nissan).

The Group has continued to grow adjusted earnings per share to 2.62p (H1 2012: 1.87p⁽¹⁾).

Dividend

The Board intends to maintain a progressive dividend policy. The interim dividend which will be payable net on 24 January 2014 will be increased by 20% to 0.3p per share (2012: 0.25p per share). The ex-dividend date will be 23 December 2013 and the associated record date 27 December 2013.

CURRENT TRADING AND OUTLOOK

The UK consumer environment has strengthened over recent months, reflecting an improved UK economic backdrop. The ongoing weakness of the wider European economy is likely to continue to lead manufacturers to direct higher volumes of new vehicles to the UK as they seek to manage European overcapacity in a declining market. While there is a risk that this trend may lead to pressure on new vehicle margins, a higher volume environment normally benefits the Group. The latest SMMT forecast for the total new car market for 2013 has been increased to 2.22m, and the forecast for 2014 is 2.24m. The Board continues to believe that there is likely to be more upside risk than downside risk in these forecasts at the present time.

September is a key month for Group profitability in the second half of the financial year, being a new vehicle plate change month. The Group has continued to trade significantly ahead of prior year levels in the month, driven by continued growth in both new car volumes and contribution from newly acquired businesses. New retail sales volumes rose on a like-for-like basis in September 2013 by 28.0% against an increase in UK private registrations of 17.9% .

Used car, fleet and aftersales operations continue to exhibit similar trends to those witnessed in the first half of the financial year.

The Group continues to have a strong pipeline of acquisition opportunities across a number of manufacturer partners and further acquisitions are anticipated to be undertaken in the remainder of the financial year.

The Board believes that given the current strong performance of the Group and favourable market trends, the full year results will be significantly ahead of current market expectations.

OPERATING REVIEW

Growth strategy and portfolio development

The Group has continued both to review its portfolio and grow the business with the addition of seven new sales outlets and the disposal of three unprofitable operations during the period. The Group now operates 99 sales outlets at 80 locations across the United Kingdom.

On 3 June 2013, the Group sold its Iveco heavy truck operations, enabling management to focus on the core activities of selling and servicing cars and light commercial vehicles. This disposal generated £1.9m of cash.

On 12 June 2013, the Group acquired the entire issued share capital of Albert Farnell Limited from the Co-operative Group Motors Limited, comprising three Land Rover dealerships in Bradford, Leeds and Guiseley. The purchase consideration of £31.0m was paid from the proceeds of a £50.0m placing of new ordinary shares in the Company in June 2013. Goodwill of £17.4m arose on this transaction and the acquisition reflected the Group's first major investment into the premium segment in the UK, diversifying and balancing the portfolio.

On 10 July 2013, the Group acquired the trade and certain assets of two Volkswagen dealerships in Lincoln and Boston for an estimated consideration of £3.0m. These dealerships represent the first Volkswagen dealerships operated by the Group and this is significant since Volkswagen has the third highest new car market share in the UK. In addition, on 15 July 2013 the Group opened a new flagship SEAT dealership at Star City, Birmingham, located in a newly refurbished leasehold site. These developments strengthened the Group's relationship with the Volkswagen UK Group and further expansion is anticipated.

On 22 July 2013, the Group opened Northampton Nissan, a start-up business in a newly built dealership on a previously purchased freehold site. This brings the number of Nissan dealerships operated by the Group to eight.

The Land Rover and Volkswagen acquisitions both introduced significant new franchises to the Group's portfolio, consistent with the strategy of building a scaled automotive retail group which represents the major manufacturers present in the UK new car market. The integration of these recently acquired dealerships into the Group, as with those acquired in the previous financial year, is progressing smoothly and in line with the integration plan.

The Group continues to invest in state of the art premises and relocated its Harrogate Vauxhall business from leasehold premises acquired in December 2012 to a new purpose built freehold dealership (referred to above) in July 2013. Investments continue to be made across the Group in

ensuring the Group's dealerships are to a high standard and reflect the brand aspirations of our manufacturer partners.

Dealership Operations

Vehicle Sales Analysis

For the six month period to 31 August

Number of vehicles sold	HY2014 Core	HY2014 Acq**	HY2014 Total	HY2013 Total	Like-for-like* % Increase
New retail cars	12,662	2,859	15,521	10,749	19.6
Motability cars	3,822	762	4,584	3,803	1.8
Fleet and commercial vehicles	11,539	2,165	13,704	10,090	16.2
Used retail vehicles	22,225	5,047	27,272	22,679	3.9
	50,248	10,833	61,081	47,321	10.0

* Dealerships are included in like-for-like comparisons in the first month anniversary following acquisition into the Group

** Dealerships acquired since 1 March 2013

Revenue and margins

	New car retail and Motability	New Fleet and Commercial	Used cars	Aftersales***	Total
Six months ended 31 August 2013					
Revenue (£'m)	263.9	218.3	282.7	72.3	837.2
Revenue mix (%)	31%	26%	34%	9%	100.0%
Gross Margin %	7.5%	2.2%	10.8%	42.4%	11.1%
Six months ended 31 August 2012					
Revenue (£'m)	188.2	163.7	214.9	61.3	628.1
Revenue mix (%)	30%	26%	34%	10%	100.0%
Gross Margin %	7.3%	2.2%	11.0%	41.0%	11.4%
Year ended 28 February 2013					
Revenue (£'m)	384.6	316.0	431.9	126.8	1,259.3
Revenue mix (%)	31%	25%	34%	10%	100%
Gross Margin %	7.4%	2.3%	11.3%	41.4%	11.8%

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

Aftersales activities, including servicing, supply of parts and accident repairs, is a vital part of the Group's business model which generates significantly higher returns than those earned in vehicle sales. During the period the Group's like-for-like gross margin on aftersales rose to 42.6% (H1 2012: 41.5%). The margin increase in aftersales was predominantly in the service arena as volume increases led to higher technician utilisation and efficiency. Like-for-like service revenues in core dealerships grew by 6.9% reflecting the continued success of the Group in enhancing customer retention and increasing customer spend per visit through the improved sale conversion of identified and required repair work. Recent higher volumes of car sales should also boost future aftersales operations activities as Group customer retention strategies get to work on increased customer databases.

The Group is also seeking to address a larger market by actively pursuing opportunities to perform service and MOT work on older vehicles, in response to the ageing profile of the UK vehicle parc in recent years. The average age of vehicles in the UK now stands at 7.6 years, which is a 30 year high. During the period, 36% of the routine services performed by the Group were carried out on vehicles that were over five years old (H1 2012: 31%). A key element of this increase in retention is the increasing use of selling service plans in new and used car sales to provide a competitive, monthly payment to consumers so they can budget their annual service costs. The Group has 39,040 live own-branded Motor Assured service plans as at 31 August 2013 (31 August 2012: 19,782) in addition to those customers who have purchased manufacturer branded service plans from the Group. Increasing service plan penetration is a key objective of the Group and is also a good indicator of future service revenue growth.

The Group also achieved growth in like-for-like revenues in accident repair centres (up 5.6%) and its parts operations (up 3.2%) during the period. This reversed the falls exhibited in the prior year. These sectors remain very competitive and both currently remain subject to margin pressures.

The Group's new car retail sales volumes, excluding Motability, increased by 19.6% on a like-for-like basis in the period. UK new car private registrations rose by 15.8% during the same period (Source: SMMT). Counter to recent years following the end of the Government's Scrappage Programme, volume franchises outperformed premium franchises in the retail sector with registrations up 17.6% in volume franchises and 12.9% in premium franchises. The Group clearly gained significant market share in the period and overall the Group accounted for 2.7% of UK private registrations (H1 2012: 2.2%).

The main driver of the UK new vehicle market during the period continued to be the supply push from manufacturers who are facing sustained significant reductions in demand in Continental European markets. This supply push appears to have taken place irrespective of exchange rate movements. Manufacturers continue to stimulate the UK new vehicle market with attractive consumer offers, often finance led, and UK consumers continue to react positively. This also reflects the improving economic backdrop as the UK returns to sustained economic growth. Affordability of new cars is increasing, with monthly payments at similar levels to 2008 despite enhanced specification, fuel efficiency and design. With consumers still cognisant of cost of living issues, changing to a new car with enhanced fuel efficiency can reduce household monthly motoring expenditure.

Margins strengthened in new car retail sales in the period on a per unit and gross margin percentage basis. New vehicle gross margin percentages rose from 7.3% to 7.5%.

Group Motability volumes in the period returned to growth with like-for-like volumes rising by 1.8%.

Fleet car and commercial like-for-like sales grew by 16.2% compared to a flat UK car fleet market and 7.4% growth in UK commercial registrations. The growth for the Group came predominantly in the car fleet area. The Group has significant scale and expertise in the UK fleet and commercial market. As manufacturers have refined their approach to this low margin segment, the Group has maximised its ability to generate profitability and grow business in this area. Substantial market share has been gained and the Group remains committed to fleet supply and continues to invest in capacity. Dealerships are increasingly employing dedicated local business specialists to provide additional sales and aftersales volumes to dealerships.

The used car market has remained stable during the period rather than exhibiting the volatility that has been prevalent since 2008. The latest market data suggests that demand has increased for used cars despite the twin effects of constraints on supply and highly competitive new car offers, which has led to a substitution effect. During the period, Group like-for-like used car volumes rose 3.9%.

Used car pricing has continued to be affected by the reduced levels of new vehicle sales in the period of 2008-2010. With supply constrained, average used car prices have increased. On a like-for-like basis the Group saw average used car selling prices rise 4.6% to £9,925. Acquisitions such as Farnell increased the average total Group selling price to £10,364 due to franchise mix and this trend is likely to continue as the year on year impact of Premium acquisitions comes through.

Used vehicle gross profit per unit strengthened in the period from £1,043 to £1,120. Despite this, the increase in selling prices reduced the gross margin percentages from 11.0% to 10.8%. Gross profit was augmented by strong profits on trade disposal and the benefit of continued improvements in stock management and sales process. As a consequence, return on investment in used cars in the core business continued to rise even higher to 156% (12 months to 28 February 2013: 155%). This critical industry KPI, which measures both profitability and inventory management, enables the Group to track the very important improvements in the operational performance of newly acquired businesses. Operations acquired in the last financial year, for example, saw used car return on investment rise from 80%, at 28 February 2013, to 105%, still significantly below Group core levels; this differential continues to represent a major opportunity for the future profit growth of the Group.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2013

		Six months ended 31 August 2013	Six months ended 31 August 2012 As restated (note 2)	Year ended 28 February 2013 As restated (note 2)
	Note	£'000	£'000	£'000
Revenue				
Continuing operations		808,944	628,144	1,259,335
Acquisitions		28,225	-	-
		837,169	628,144	1,259,335
Cost of sales				
Continuing operations		(718,596)	(556,287)	(1,110,254)
Acquisitions		(25,492)	-	-
		(744,088)	(556,287)	(1,110,254)
Gross profit				
Continuing operations		90,348	71,857	149,081
Acquisitions		2,733	-	-
		93,081	71,857	149,081
Operating expenses				
Continuing operations		(81,126)	(66,410)	(139,942)
Acquisitions		(2,736)	-	-
		(83,862)	(66,410)	(139,942)
Operating profit/(loss) before amortisation, share based payments (charge) /credit and exceptional charges				
Continuing operations		9,222	5,447	9,139
Acquisitions		(3)	-	-
		9,219	5,447	9,139
Amortisation of intangible assets		(170)	(140)	(291)
Share based payments (charge)/credit		(40)	247	(99)
Exceptional charges	5	-	(252)	(3,606)
Operating profit		9,009	5,302	5,143
Finance income	4	131	52	108
Finance costs	4	(526)	(567)	(1,189)
Exceptional finance income	5	-	316	316
Profit before tax, amortisation, share based payments (charge) /credit and total exceptional income/(charges)				
Amortisation of intangible assets		(170)	(140)	(291)
Share based payments (charge)/credit		(40)	247	(99)
Total exceptional income/(charges)	5	-	64	(3,290)
Profit before tax		8,614	5,103	4,378
Taxation	6	(1,873)	(1,190)	(989)
Profit for the period attributable to equity holders		6,741	3,913	3,389
Basic earnings per share (p)	7	2.56	1.96	1.70
Diluted earnings per share (p)	7	2.54	1.96	1.69
Adjusted earnings per share (p)	7	2.62	1.87	3.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the six months ended 31 August 2013*

		Six months ended 31 August 2013	Six months ended 31 August 2012	Year ended 28 February 2013
			As restated (note 2)	As restated (note 2)
	Note	£'000	£'000	£'000
Profit for the period		6,741	3,913	3,389
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss:				
Actuarial losses on retirement benefit obligations	11	(265)	(1,261)	2,084
Deferred tax relating to actuarial losses on retirement benefit obligations		53	316	(438)
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges	8	66	(21)	34
Deferred tax relating to cash flow hedges	8	(19)	5	(8)
Other comprehensive (expense)/income for the period, net of tax		(165)	(961)	1,672
Total comprehensive income for the period attributable to equity holders		6,576	2,952	5,061

CONSOLIDATED BALANCE SHEET (UNAUDITED)*As at 31 August 2013*

		31 August 2013 £'000	31 August 2012 £'000	28 February 2013 £'000
Non-current assets				
Goodwill		39,235	20,620	21,526
Other intangible assets		1,250	954	1,059
Retirement benefit asset	11	4,149	342	4,178
Property, plant and equipment		115,288	91,948	102,932
		159,922	113,864	129,695
Current assets				
Inventories		238,269	174,264	250,443
Trade and other receivables		35,384	26,957	43,939
Cash and cash equivalents		32,184	15,182	7,240
Total current assets		305,837	216,403	301,622
Total assets		465,759	330,267	431,317
Current liabilities				
Trade and other payables		(281,128)	(202,503)	(295,052)
Deferred consideration		(1,300)	-	(1,251)
Current tax liabilities		(4,735)	(4,183)	(2,677)
Borrowings		(2,000)	(2,000)	(2,000)
Total current liabilities		(289,163)	(208,686)	(300,980)
Non-current liabilities				
Borrowings		(4,470)	(10,970)	(11,454)
Derivative financial instruments		(110)	(231)	(176)
Deferred consideration		(2,600)	-	(2,600)
Deferred income tax liabilities		(3,928)	(2,823)	(4,014)
Provisions for other liabilities		(6,075)	(5,173)	(5,452)
		(17,183)	(19,197)	(23,696)
Total liabilities		(306,346)	(227,883)	(324,676)
Net assets		159,413	102,384	106,641
Capital and reserves attributable to equity holders of the Group				
Ordinary shares		33,678	19,928	20,008
Share premium		96,729	60,506	60,727
Shares to be issued		-	-	2,000
Other reserve		8,820	8,820	8,820
Hedging reserve	8	(86)	(175)	(133)
Retained earnings		20,272	13,305	15,219
Shareholders' equity		159,413	102,384	106,641

CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2013

	Six months ended 31 August 2013	Six months ended 31 August 2012 As restated (note 2)	Year ended 28 February 2013 As restated (note 2)
Note	£'000	£'000	£'000
Operating profit	9,009	5,303	5,143
Loss on sale of tangible fixed assets	-	6	8
Amortisation of intangible assets	170	140	291
Depreciation of property, plant and equipment	2,557	1,962	4,142
Decrease/(increase) in inventories	3,871	2,802	(6,914)
Decrease/(increase) in trade and other receivables	1,246	(1,564)	(4,686)
Increase/(decrease) in payables	12,896	(894)	14,196
Increase in provisions	623	415	694
Share based payments charge/(credit)	40	(247)	99
Cash generated from operations	30,412	7,923	12,973
Tax received	35	-	160
Tax paid	(185)	(576)	(1,590)
Finance income received	36	12	29
Finance costs paid	(527)	(665)	(1,265)
Net cash generated from operating activities	29,771	6,694	10,307
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	(34,261)	(4,829)	(13,481)
Acquisition of freehold land and buildings	(4,509)	-	(1,400)
Disposal of business	1,868	-	-
Purchases of intangible fixed assets	(169)	(107)	(338)
Purchases of property, plant and equipment	(6,913)	(2,218)	(4,498)
Proceeds from disposal of property, plant and equipment	-	20	726
Net cash outflow from investing activities	(43,984)	(7,134)	(18,991)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	9 47,673	-	301
Repayment of borrowings	9 (7,000)	(1,000)	(2,000)
Proceeds from borrowings	-	4,560	6,060
Dividends paid to Company shareholders	(1,516)	(797)	(1,296)
Net cash inflow from financing activities	39,157	2,763	3,065
Net increase/(decrease) in cash and cash equivalents	9 24,944	2,323	(5,619)
Cash and cash equivalents at beginning of period	7,240	12,859	12,859
Cash and cash equivalents at end of period	32,184	15,182	7,240

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2013

	Ordinary share capital	Share premium	Shares to be Issued	Other reserve	Hedging reserve	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 March 2013	20,008	60,727	2,000	8,820	(133)	15,219	106,641
Profit for the period	-	-	-	-	-	6,741	6,741
Actuarial losses on retirement benefit obligations	-	-	-	-	-	(265)	(265)
Tax on items taken directly to equity	-	-	-	-	(19)	53	34
Fair value gains	-	-	-	-	66	-	66
Total comprehensive income for the period	-	-	-	-	47	6,529	6,576
New ordinary shares issued	13,670	38,330	(2,000)	-	-	-	50,000
Costs associated with issuance of ordinary shares	-	(2,328)	-	-	-	-	(2,328)
Dividend paid	-	-	-	-	-	(1,516)	(1,516)
Share based payments charge	-	-	-	-	-	40	40
As at 31 August 2013	33,678	96,729	-	8,820	(86)	20,272	159,413

For the six months ended 31 August 2012 (As restated (note 2))

	Ordinary share capital	Share premium	Other reserve	Hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 March 2012	19,928	60,506	8,820	(159)	11,381	100,476
Profit for the period	-	-	-	-	3,913	3,913
Actuarial losses on retirement benefit obligations	-	-	-	-	(1,261)	(1,261)
Tax on items taken directly to equity	-	-	-	5	316	321
Fair value losses	-	-	-	(21)	-	(21)
Total comprehensive income/(expense) for the period	-	-	-	(16)	2,968	2,952
Dividend paid	-	-	-	-	(797)	(797)
Share based payments credit	-	-	-	-	(247)	(247)
As at 31 August 2012	19,928	60,506	8,820	(175)	13,305	102,384

For the year ended 28 February 2013 (as restated (note 2))

	Ordinary share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2012	19,928	60,506	-	8,820	(159)	11,381	100,476
Profit for the year	-	-	-	-	-	3,389	3,389
Actuarial gains on retirement benefit obligations	-	-	-	-	-	2,084	2,084
Tax on items taken directly to equity	-	-	-	-	(8)	(438)	(446)
Fair value gains	-	-	-	-	34	-	34
Total comprehensive income for the year	-	-	-	-	26	5,035	5,061
New ordinary shares issued	80	221	-	-	-	-	301
Shares to be issued	-	-	2,000	-	-	-	2,000
Dividend paid	-	-	-	-	-	(1,296)	(1,296)
Share based payments charge	-	-	-	-	-	99	99
As at 28 February 2013	20,008	60,727	2,000	8,820	(133)	15,219	106,641

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

NOTES

For the six months ended 31 August 2013

1. Basis of Preparation

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

The financial information for the period ended 31 August 2013 and similarly the period ended 31 August 2012 has neither been audited nor reviewed by the auditors. The financial information for the year ended 28 February 2013 has been based on information in the audited financial statements for that period.

The information for the year ended 28 February 2013 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 2013 and can be found on the Group's website, www.vertumotors.com, except as described below:

IAS 19 (revised) 'Employee benefits' amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to the determination of the discount rate, this continues to reflect the yield on high-quality corporate bonds. Administrative expenses of the scheme have been charged to operating expenses within the profit and loss account. The effect has been that operating expenses have increased by £127,000 for the period ended 31 August 2012 (increased by £253,000 year ended 28 February 2013) and net interest income increased by £54,000 for the period ended 31 August 2012 (increased by £106,000 year ended 28 February 2013).
- The effect of the change on balance sheet, statement of cash flows and on earnings per share was immaterial.

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. As such, the Group has only one reportable business segment, since the Group is operated and is managed on a dealership by dealership basis. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and 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 decided to include additional voluntary disclosure analysing revenue and gross profit within the reportable segment.

	New car retail and Motability	New fleet and commercial	Used cars	Aftersales*	Total
Six months ended 31					
August 2013					
Revenue (£'m)	263.9	218.3	282.7	72.3	837.2
Revenue (%)	31	26	34	9	100
Gross Margin %	7.5	2.2	10.8	42.4**	11.1
Six months ended 31					
August 2012					
Revenue (£'m)	188.2	163.7	214.9	61.3	628.1
Revenue (%)	30	26	34	10	100
Gross Margin %	7.3	2.2	11.0	41.0**	11.4
Year ended 28 February					
2013					
Revenue (£'m)	384.6	316.0	431.9	126.8	1,259.3
Revenue (%)	31	25	34	10	100
Gross Margin %	7.4	2.3	11.3	41.4**	11.8

*prior year numbers have been restated following the reclassification of parts drivers costs

**margin in aftersales expressed on internal and external turnover

4. Net finance costs

	Six months ended 31 August 2013	Six months ended 31 August 2012	Year ended 28 February 2013
	£'000	£'000	£'000
Interest on short term bank deposits	36	12	29
Net finance income relating to Group pension scheme	95	40	79
Finance income	131	52	108
Bank loans and overdrafts	(391)	(406)	(964)
Vehicle stocking interest	(125)	(152)	(206)
Other finance costs	(10)	(9)	(19)
Finance costs	(526)	(567)	(1,189)

5. Exceptional (income)/charges

	Six months ended 31 August 2013 £'000	Six months ended 31 August 2012 As restated (note 2) £'000	Year ended 29 February 2013 As restated (note 2) £'000
Impairment of fixed assets and onerous leases	-	-	1,464
Reclaims of VAT overpayments	-	(158)	(173)
Reorganisation and closure costs	-	410	2,315
		252	3,606
Exceptional interest income on VAT reclaims	-	(316)	(316)
	-	(64)	3,290

6. Taxation

The tax charge for the six months ended 31 August 2013 has been provided at the effective rate of 22% (six months ended 31 August 2012: 23%).

From 1 April 2013 the main rate of Corporation tax was 23%.

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 2013	Six months ended 31 August 2012 As restated (note 2)	Year ended 28 February 2013 As restated (note 2)
	£'000	£'000	£'000
Profit attributable to equity shareholders	6,741	3,913	3,389
Amortisation of intangible assets	170	140	291
Share based payments charge/(credit)	40	(247)	99
Exceptional (income)/charge	-	(64)	3,290
Tax effect of adjustments	(37)	(17)	(788)
Adjusted earnings attributable to equity shareholders	6,914	3,725	6,281
Weighted average number of shares in issue ('000s)	263,760	199,278	199,459
Potentially dilutive shares ('000s)	1,679	103	881
Diluted weighted average number of shares in issue ('000s)	265,439	199,381	200,340
Basic earnings per share	2.56p	1.96p	1.70p
Diluted earnings per share	2.54p	1.96p	1.69p
Adjusted earnings per share	2.62p	1.87p	3.15p
Diluted adjusted earnings per share	2.60p	1.87p	3.14p

8. Hedging reserve

	31 August 2013 £'000	31 August 2012 £'000	28 February 2013 £'000
Cash flow hedge:			
At beginning of period	(133)	(159)	(159)
Fair value gains/(losses) on derivative financial instruments during the period	66	(21)	34
Deferred taxation on fair value gains/(losses) during period	(19)	5	(8)
At end of period	(86)	(175)	(133)

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

	31 August 2013 £'000	31 August 2012 £'000	28 February 2013 £'000
Net increase/(decrease) in cash and cash equivalents	24,944	2,323	(5,619)
Cash inflow from increase in borrowings	-	(4,560)	(6,060)
Cash outflow from repayment of borrowings	7,000	1,000	2,000
Cash movement in net cash/(debt)	31,944	(1,237)	(9,679)
Capitalisation of loan arrangement fees	30	-	128
Amortisation of loan arrangement fee	(46)	(61)	(173)
Non cash movement in net cash/(debt)	(16)	(61)	(45)
Movement in net cash/(debt)	31,928	(1,298)	(9,724)
Opening net cash/(debt)	(6,214)	3,510	3,510
Closing net cash/(debt)	25,714	2,212	(6,214)

10. Acquisitions

On 12 June 2013 the Company acquired the entire issued share capital of Albert Farnell Limited for cash consideration of £31.0 million.

On 10 July 2013 the Group acquired the trade and assets of two Volkswagen dealerships in Lincolnshire from Lookers plc. The assets acquired included a freehold property and cash consideration amounted to £3.0 million.

11. Retirement benefits

The defined benefit plan assets and liabilities have been updated to reflect their market value as at 31 August 2013. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy.

During the six month period ended 31 August 2013, there was a loss on assets of £838,000. There have also been changes in the financial assumptions underlying the calculation of the liabilities in the same period. In particular, the rate of discount has been increased in line with a growth in bond yields. This has led to a lower value being placed on liabilities at 31 August 2013 than assumed at the beginning of the financial period. The effect of these changes in financial assumptions was a reduction in liabilities of £702,000 and further a change in demographic assumptions increased liabilities by £129,000, therefore the net reduction was £573,000. Therefore, in total, there was an actuarial loss in the period of £265,000 before deferred taxation, recognised in the Consolidated Statement of Comprehensive Income.