7 May 2014

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

Final results for the year ended 28 February 2014

Vertu Motors plc, the UK automotive retailer with a network of 108 sales and aftersales outlets across the UK, announces its audited results for the year ended 28 February 2014.

	Year ended 28 February 2014	Year ended 28 February 2013 As restated (Note 1)	% Change
Revenue	£1,684.5m	£1,259.3m	33.8%
Adjusted EBITDA*	£23.6m	£13.3m	77.4%
Adjusted operating profit*	£17.9m	£9.1m	96.7%
Adjusted profit before tax*	£17.5m	£8.1m	116.0%
Adjusted earnings per share*	4.69p	3.15p	48.9%
EBITDA	£22.2m	£9.6m	131.3%
Operating profit	£16.2m	£5.1m	217.6%
Exceptional charges	(£1.2m)	(£3.3m)	63.6%
Profit before tax	£15.8m	£4.4m	259.1%
Earnings per share	4.15p	1.70p	144.1%
Operating cash inflow	£47.4m	£13.0m	264.6%
Net cash (debt)	£31.4m	(£6.2m)	606.5%
Net assets per share	48.5p	53.3p	-9.0%
Tangible net assets per share	36.9p	43.7p	-15.6%
Dividend per share	0.8p	0.7p	14.3%

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

Highlights

Continued growth in all areas of the business

- Revenue up 33.8% to £1.7bn with like-for-like revenues up 13.1%
- Like-for-like new retail volumes rose by 19.7% compared to UK retail registrations rising 15.0%: with the Group gaining market share
- Like-for-like used vehicle volumes rose 7.1% with stronger margins: excellent H2 performance
- Higher margin service revenues rose 6.8% on a like-for-like basis – the fourth successive year of growth reflecting higher customer retention rates
- Operating expenses as a percentage of revenues in continuing operations reduced to 10.4% (2013: 11.1%)
- Adjusted operating profit up 96.7% as core business and acquisitions delivered an enhanced performance
- Profit before tax rose 259.1% to £15.8m from £4.4m
- Operating cash inflow up to £47.4m from £13.0m : excellent cash conversion
- Dividend up 14.3% for the full year, increased to 0.8p (2013: 0.7p)

Acquisition and turnaround strategy driving profit growth

- Number of outlets increased to 108 (2013: 96) with 14 new outlets acquired or opened in the year
- Successful integration of the Farnell Land Rover business following acquisition in June 2013: Farnell won Land Rover Dealer of the Year 2013
- Group announced on 6 May further acquisition of additional Land Rover and first Jaguar dealership – acquisition will be earnings enhancing immediately
- Acquisitions undertaken in previous periods continue to exhibit performance and margin improvements
- Disposal of non-core heavy truck operation generated £1.9m of cash

Strong balance sheet

- Net cash of £31.4m compared to a net debt of £6.2m in prior year following £50m Placing in June 2013
- Significant unutilised bank facilities provides firepower for further expansion
- Balance sheet underpinned by freehold and long leasehold property portfolio of £105.6m (2013: 93.7m)

Current Trading and Outlook

- March trading performance significantly ahead of prior year levels
- New car retail market in UK showing continued growth with Group like-for-like sales volumes in March up 20.5%: UK private registrations up 20.8%
- April new retail like-for-like sales volumes up 3.7%
- March and April used retail like-for-like volumes up 14.5%
- Acquisition of Hillendale announced 6 May 2014
    - Earnings enhancing in first year
    - £8.2m consideration of which £2m in shares
    - Burnley Land Rover and Bolton Jaguar
- Strong pipeline of acquisition opportunities

Robert Forrester, Chief Executive of Vertu said:

"This has been a transformational year for the Group during which we have expanded significantly and sustainably, gained our first major premium franchise and developed scaled operations with both Land Rover and Volkswagen, and delivered record profits at every level. This growth has been driven by both like-for-like growth from our core business and acquisition.

"The Board looks to the future with confidence as reflected in our increased dividend. The new and used car markets remain strong with our core business growing. Recently acquired under-performing businesses continue to be turned around. We have a strong pipeline of acquisition opportunities and the financial firepower to execute them and we have further strengthened management in the year to allow the expansion to continue."

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Notes to Editors

Vertu Motors is a UK automotive retailer with a network of 108 sales and aftersales outlets across the UK. Our dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell and Macklin Motors brand names.

Vertu Motors was established in November 2006 with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire automotive retail operations to grow a scaled dealership group. The Group's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network. The Group currently operates 105 franchised sales outlets and 3 non-franchised sales operations from 89 locations across the UK.

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

Vertu Motors brand websites - www.bristolstreet.co.uk / www.vertuhonda.com / www.macklinmotors.co.uk / www.vertuvolkswagen.com / www.farnelllandrover.com / www.farneljaguar.com

Chairman's Statement

Since flotation just over seven years ago in December 2006, the Group has established itself as a major player in the United Kingdom automotive retail sector. The Group now operates 108 sales outlets up from 96 this time last year and is the sixth largest automotive retailer in the UK by revenues. In this statement, the Board is reporting a further year of strong growth in revenue, adjusted operating profit, earnings per share, operating cashflows and dividends. Importantly the growth has come from both the like-for-like operations and from the acquisitions made over the last 24 months.

The Board has maintained a consistent strategy since flotation to grow a scaled automotive retail group and until this reported financial year achieved this through acquiring principally volume franchised dealerships in the UK. In June 2013 this emphasis was shifted by the acquisition of Farnell Land Rover, a highly successful business comprising three dealerships representing the premium Land Rover franchise. In July 2013 the Group acquired its first two Volkswagen dealerships, followed in November by three more to create a significant Volkswagen market area in the East Midlands. Further expansion announced yesterday with the purchase of Hillendale Group Limited, brought a further Land Rover dealership, contiguous with Farnell's current territory, to the Group, and Vertu's first Jaguar dealership. The acquisitions of these dealerships represent a broadening of the franchise composition of the Group rather than a change of direction. We will continue to acquire dealerships across the volume and premium spectrum as the Group continues its acquisition strategy. The fragmented nature of the UK automotive retail sector means that significant growth potential remains through continued strategic acquisitions. The addition of further dealerships and marques to the Group's portfolio will help to deliver the Board's goal of mirroring the market share of manufacturers in the UK in the Group's portfolio of franchised dealerships.

The Group's strategy is to deliver enhanced business performance from acquired dealerships through the implementation of consistent business processes and systems. Many of the Group's acquisitions can be characterised as turnaround in nature, with the creation of new dealerships in start-up opportunities sharing similar challenges. These opportunities rely heavily on strong, quality management teams in order to deliver the required returns over time. The recruitment, development and retention of high performing motor retail professionals is of paramount importance and the Group has developed a culture which seeks to attract and retain top performers. As the Group expands, the management capacity and bandwidth to allow further controlled expansion is continually assessed by the Board. During the year four new franchised based operating divisions were created and the Board expects to see the full benefits of this investment in the coming year.

The success of this strategy is evidenced by the fast pace of growth since the first acquisition in 2007 and the turnaround and integration of acquired dealerships to date. Many of the acquisitions undertaken in recent periods have still to reach maturity in terms of performance enhancement and this should enable the Group to deliver improved margins and further organic profit growth over the medium term as exhibited this year.

The Group continually reviews all operations to ensure they will deliver shareholder value in the medium term. During the year the Group disposed of its non-core Iveco heavy commercial vehicles business. The business was loss making and the disposal resulted in immediate earnings enhancement.

The Group's Mission Statement is "to deliver an outstanding customer motoring experience through honesty and trust". This approach should secure significant gains in vehicle sales and market share in our local territories. The increase in each vehicle parc, coupled with high levels of customer retention, is designed to deliver higher aftersales activity levels, thereby allowing the Group to grow profitability. This strategy is being executed with the Group tending to deliver above national average new vehicle market share for manufacturers in our territories and seeing year on year rises in aftersales volumes and profits. These key performance indicators, in addition to colleague and customer satisfaction scores, are the key drivers for management at all levels. The Board is pleased to note a significant majority of dealerships deliver above average customer satisfaction scores in sales and service, as measured by our manufacturer partners, and colleague satisfaction scores measured in July each year are very strong. The Group was also recognised within the Hyundai, Land Rover and SEAT franchises for having the best UK dealerships in that brand for customer service in 2013.

We have a first rate, scalable and highly motivated operational team and I would like to take this opportunity to thank every member of the team for their dedication and hard work during the year. They have created and strengthened the unique culture within the business and driven the profitability of the Group to record levels.

Dividends

The Board has proposed an increase in the final dividend to 0.5 pence per share. Taken together with the interim dividend of 0.3 pence per share, this provides a total dividend for the year of 0.8 pence per share (2013: 0.7p), an increase of 14.3%. The Board continues to seek a progressive dividend policy while balancing this with the investment opportunities available to the Group to drive total shareholder returns.

Current trading and outlook

The Group has traded significantly ahead of the prior year in March and April reflecting the growth in new and used vehicle sales and aftersales, together with an increased contribution from recently acquired dealerships.

March remains the most significant month for the profitability of UK automotive retail as a consequence of the plate change and its impact on new car demand and the seasonality of servicing. UK new car registrations to private buyers ("the retail market") in March increased by 20.8% showing a continuation of the strong growth seen throughout the last two years. The Group's like-for-like new car retail (excluding Motability) sales volumes increased by 20.5%. New vehicle like-for-like gross margins on a percentage and per unit basis were slightly lower year on year as a result of increased discounting to drive volumes. The increased volume, however, more than made up for this margin shortfall with overall increases in new vehicle total gross profit on a like-for-like basis. Profitability was also improved by the dealerships acquired last year for which this was their first March within the Group.

The Group's like-for-like used retail volumes were up 14.5% in March and April. Gross profit per unit was maintained and the Group delivered an enhanced profit performance in used cars as a result. Dealerships acquired in recent years are again exhibiting improved used car returns as they move towards Group average return on investment levels. The used car market currently remains stable with strong demand and residual values moving in line with normal seasonal trends.

Service profitability since the year-end has run ahead of the prior year and continues to benefit from the successful customer retention initiatives being executed by the Group.

The Group saw a continuation of positive trading trends in April with strong contribution from dealerships acquired in the past two years. The Group's like-for-like new retail (excluding Motability) sales volumes rose 3.7%.

The outlook for the new car market in the UK remains favourable with anticipated growth in the private market, albeit at lower levels of growth than witnessed over the last year. This means a continuation of the recent trend of manufacturers to direct higher volumes of vehicles to the UK as they seek to manage European overcapacity in the face of weak Continental European demand. There is a continued risk that this growth may lead to pressure on new vehicle margins, yet a higher volume environment normally benefits the Group through higher overall profitability. Whilst some Western European markets have entered positive territory of late, the UK market remains a major outlet for vehicle manufacturers. Medium term aftersales prospects are clearly enhanced by a growing new vehicle parc.

The Board remains confident that the Group is well placed to maximise the opportunity for profitable growth as recent acquisitions are integrated and turned around and the core business continues to improve profitability.

The Group continues to have a strong pipeline of acquisition opportunities across a number of manufacturer partners, and the Board considers there is considerable potential for future acquisition growth which may include adding new franchises to the Group's portfolio.

P R Williams
Non-Executive Chairman

Chief Executive's Review

Portfolio development

During the year the Group has continued to invest in its rapid growth strategy and has expanded the number of sales outlets from 96 at 28 February 2013 to 108 sales outlets at 7 May 2014 through acquisitions and opening new start-up dealerships. The Group now operates its 108 sales outlets from 89 locations.

The current dealership portfolio is summarised below:

Dealership numbers	**May**	**May**
Car franchises	**2014**	**2013**
Ford	20	21
Vauxhall	14	14
Nissan	9	7
Peugeot	9	9
Honda	9	9
Hyundai	7	5
SEAT	5	4
Volkswagen	5	-
Citroen	4	4
Mazda	4	4
Renault / Dacia	4	4
Land Rover	4	-
Fiat	3	3
Alfa Romeo	2	2
Volvo	2	1
Suzuki	1	1
Chrysler Jeep	1	1
Jaguar	1	-
Mitsubishi	-	1
	104	**90**
Commercial vehicle franchises		
Iveco	-	3
	-	**3**
Motorcycle franchise		
Honda	**1**	**1**
Non-franchised outlets		
Bristol Street Versa (wheelchair accessible vehicles)	1	1
Bristol Street Motors used car operation	2	1
	3	**2**
Total sales outlets	**108**	**96**

The year saw significant expansion of the Group's franchise operations with the addition of the premium Land Rover and Volkswagen franchises as manufacturer partners. In June 2013 the Group raised £50m from a placing at 38 pence per ordinary share to finance the acquisition of Albert Farnell Limited for £31.0m (including £17.4m of goodwill), comprising Land Rover dealerships in Leeds, Bradford and Guiseley. Land Rover was recently voted by UK automotive retailers the UK's most valuable and desired franchise in an NFDA survey and has had a series of highly successful product launches, such as the New Range Rover and Range Rover Sport. In February 2014 it was announced by Land Rover that Farnell Leeds had won the Land Rover Dealership of the Year award for the second year running, and the Group had won the Dealer Group of the Year award. This provides evidence of the first class quality of the Farnell businesses and of their successful integration into the Group. They now operate all of the Group's systems, policies and procedures, and the integration plan has been successfully completed. Jatinder Aujla, the Operations Director of the Farnell business, has been appointed to the CEO Committee of the Group, the Group's main operational Board.

Post the year end, on 2 May 2014, the Group acquired the entire share capital of Hillendale Group Limited. This brought a further Land Rover dealership in Burnley, Lancashire, to the Group which is contiguous geographically with the Farnell businesses acquired last year. In addition, the transaction brings the Jaguar franchise to the Group for the first time in the form of Bolton Jaguar in Lancashire. This franchise is set to see a significant new product flow in the next few years following significant product development investment by Jaguar Land Rover. The Group is delighted therefore to be able to partner with this exciting British brand.

In July 2013 the Group acquired two Volkswagen dealerships in Lincoln and Boston followed by a further three in Nottingham and Mansfield in November. The Group's Volkswagen operations are branded Vertu Volkswagen. The addition of this franchise to the portfolio further strengthens the Group's relationship with the Volkswagen Group for whom the Group already represents the SEAT brand. Volkswagen is the third largest franchise by market share in the UK and its success is underpinned by its investment in a wide range of new products and iconic models such as the Golf, which always features in the Top 10 bestselling new car models in the UK. The Group also opened a fifth SEAT dealership in Birmingham in July 2013 and acquired a Volkswagen Group centralised trade parts operation along with the Nottingham acquisition in November.

Volvo was a further new premium franchise added to the Group's portfolio during the year, with the opening of Derby in March 2013 followed by the acquisition of Sheffield Volvo in February 2014. Volvo has a very loyal customer base and the highly successful XC90 is due to see a new model launch in early 2015.

The addition of these new franchises to the Group's portfolio demonstrates manufacturers' confidence in the Group's capabilities and prospects and reflects the Board's strategy of broadening the Group's portfolio.

The Group expanded its Nissan operations with the opening of a newly developed Northampton Nissan dealership in July 2013 and the acquisition of Sheffield Nissan in February 2014. With nine outlets, the Group is now one of Nissan's largest UK partners. Further expansion with the Hyundai franchise came with the acquisition of two dealerships in Edinburgh in December (taking the total number of Group dealerships in Scotland to nine). The Group is now Hyundai's most significant UK partner in terms of outlets.

In June 2013 the Group sold its loss making Iveco heavy truck operations in Bristol, Swindon and Gloucester, generating £1.9m of cash. This disposal means the Group can focus on its core activities of car and light commercial vehicle franchised dealership operations. Further disposals of dealerships may arise from time to time, particularly as part of wider franchising strategies in agreement with our manufacturer partners.

Digital environment

The automotive retail sector is increasingly characterised by the need for significant physical property requirements to be matched by on-line assets. The Group has invested heavily in its digital resources and designs and creates all on-line assets in-house through a team of dedicated web designers and software programmers. This allows constant innovation to be undertaken quickly as the digital competitive environment develops.

The Group operates a significant number of websites in a webfarm centred round bristolstreet.co.uk as its core trading brand. In terms of website visits, the Group outperforms against its peers generating the third highest level of visits in the automotive retail franchised sector in 2013 (Source: Hitwise). The Group recently launched a redesigned bristolstreet.co.uk website to enhance the digital customer experience. The design was extensively tested by an independent agency using qualitative consumer research. The redesign includes important enhancements to the on-line service booking functionality, which is an increasingly used method for customers to book their service and MOT and significant use of video content.

In terms of vehicle sales, the Group directly sold 11,410 vehicles (2013: 9,131) from email and phone leads from its on-line assets. All such enquiries are centralised in a contact centre which is open 7 days a week with extended hours. The importance of the internet for sales generation and customer research is now self-evident.

Reflecting the Group's expertise in the digital space, the Group has entered into a partnership with Haymarket Media Group to jointly operate 'What Car Leasing'. Using an existing Group platform, which has now been rebranded, this offering allows non-Group franchised dealerships to advertise on a regional and franchise basis on the What Car Leasing platform for a monthly fee in exchange for sales leads for new cars on personal contract hire contracts. Since its launch in November 2013, customer enquiry levels have increased by 234% and monthly revenues have increased by 19%. The Group continues to invest in new initiatives to exploit digital channels which may provide incremental revenue streams in the future.

Group marketing activities are also reflective of the digital revolution. Email marketing, pay for click campaigns and search engine optimisation are all now as core to the Group as traditional press and radio campaigns. An example of innovation is the recent expansion of traditional radio adverts by the Group into the Spotify platform to seek out new customers who have moved away from traditional media.

Within the dealership environment, it is clear that the customer will expect a seamless transition from the on-line experience to that in the showroom. Over the coming months, the showroom experience will be enhanced with greater use of technology to highlight vehicle features and also to guide customers through the sales process.

Operating review

Revenue in the year increased by 33.8% (£425.2m) to £1,684.5m (2013: £1,259.3m). This reflected the impact of acquisitions made during the year (£134.6m) and the full year impact of prior year acquisitions (£177.9m). Closed operations resulted in reduced year on year turnover of £35.9m. Like-for-like revenues grew by 13.1% (£148.6m) reflecting higher volumes of vehicle sales and growth in service, parts and accident repair centre activities. The Group delivered close to 120,000 new and used vehicles in the year.

Market conditions in new vehicle sales continued their strong run of improvement throughout the year driven by an improving consumer environment in the UK and a consistent flow of excellent new products and attractive consumer finance offers from manufacturers. The majority of new vehicles sold in the UK are supplied by the European sales operations of global manufacturers who are also responsible for making sales into Continental Europe. These operations have continued to face demand shortfalls due to the continuing economic challenges of the Eurozone. Whilst the last six months have seen some Continental markets rise, there still remains significant manufacturing overcapacity. Manufacturers continue to push supply into the UK which has both a well-developed retail distribution network and a significantly stronger consumer and overall economic environment than the rest of Europe. The relative strength of Sterling in much of the reporting period also aided these product flows by providing enhanced margin possibilities to European manufacturers allowing them to use the margin to provide incentives to UK consumers to buy new cars. Enhanced fuel efficiency, low rate finance deals and affordable service plan packages are all contributing to a lowering of the cost of motoring in the UK. A recent Neilsen survey indicated that an increasing percentage of UK consumers are planning to change their car in the coming months driven by affordability in the market. As a result of these factors the UK private retail market rose 15.0% in the financial year. In a reversal of the trend in recent years volume franchises outperformed premium franchises in the UK private retail sector, with registrations up 17.2% in volume franchises and 11.4% in premium franchises. This favoured the portfolio mix of the Group.

Overall gross margin fell slightly to 11.4% (2013: 11.8%) due to the increase in the mix of vehicle sales which outstripped the growth in higher margin aftersales operations in the period. Overall vehicle revenues grew by 35.7% in the year and amounted to 91.3% of total revenues (2013: 89.9%), whereas total aftersales revenues grew by 16.1% and amounted to 8.7% of total revenues (2013: 10.1%).

Revenue mix

	2014 £'m	**2013 £'m**	***2014 Mix***	***2013 Mix***
Vehicle sales	1,537.4	1,132.5	91.3	89.9
Aftersales	147.1	126.8	8.7	10.1
Total revenue	**1,684.5**	**1,259.3**	**100.0**	**100.0**

Adjusted[1] EBITDA increased by 77.4% to £23.6.m in the year ended 28 February 2014 (2013: £13.3m). The adjusted operating profit grew by 96.7% to 17.9m (2013: £9.1m) due to both like-for-like growth in the core dealerships, and crucially the turnaround in profitability of the dealerships acquired over recent years. This improvement provides further evidence of the effectiveness of the Group's business model in improving the profitability of underperforming businesses acquired. The results were also boosted by adjusted[1] operating profits of £2.0m (2013: Loss £1.6m) relating to acquisitions made in the current year, the most significant of which was the Farnell acquisition. Adjusted[1] profit before tax rose by 116% to £17.5m (2013: £8.1m).

1. adjusted for exceptional charges, amortisation of intangible assets and share based payments charge.

Vehicle unit sales analysis	**2014 Core**	**2014 Acquired[2]**	**2014 Total**	**2013 Total[3]**	**Like-for-Like % Variance**	**Total % Variance**
New retail cars	25,593	5,032	30,625	21,604	19.7	41.8
Motability cars	7,635	1,112	8,747	7,769	(1.0)	12.6
Fleet and commercial vehicles	23,094	2,666	25,760	20,444	17.1	26.0
Total New vehicles	**56,322**	**8,810**	**65,132**	**49,817**	**15.3**	**30.7**
Used retail vehicles	46,374	8,037	54,411	44,815	7.1	21.4
	102,696	**16,847**	**119,543**	**94,632**	**11.5**	**26.3**

2. relates to businesses acquired or developed subsequent to 1 March 2013 with businesses migrating into core once they have been in the Group for over 12 months
3. 2013 volumes include businesses acquired in the year ended 28 February 2013

Revenue and margins

	Year ended 28 February 2014			Year ended 28 February 2013		
	Revenue £'m	Revenue %	Gross Margin %	Revenue £'m	Revenue %	Gross Margin %
New car retail and Motability	534.4	31.7	7.6	384.6	30.5	7.4
New fleet and commercial	420.4	25.0	2.4	316.0	25.1	2.3
Used cars	582.6	34.6	10.8	431.9	34.3	11.3
Aftersales[4]	147.1	8.7	43.1[4]	126.8	10.1	41.4[4]
	1,684.5	**100.0**	**11.4**	**1,259.3**	**100.0**	**11.8**

4. margin in aftersales expressed on internal and external turnover. Prior year margin restated due to reallocation of parts drivers' costs. The impact of the restatement improves the prior year aftersales margin by 0.6%.

Vehicle sales

New retail car volumes sold (excluding Motability Scheme sales) rose by 19.7% in the year on a like-for-like basis. This compared to an increase of 15.0% in UK private new car registrations and 17.0% for those franchises which the Group represents. The Group's operations performed strongly in the period, delivering above national average market penetration of new car sales for our manufacturer partners in the majority of the Group's dealerships. Volumes of sales on the Motability Scheme fell 1% on a like-for-like basis as the sales teams focused on the higher profit retail sales opportunity. Sales team resource levels have been reviewed in the light of continued market growth and they are being increased in many dealerships to ensure the Group maximises both retail and Motability sales in an environment of more robust overall demand levels than seen in previous years. Gross margin percentages in new retail and Motability car sales strengthened to 7.6% (2013: 7.4%) reflecting the increasing mix towards higher margin new retail sales compared to Motability sales.

New car fleet registrations in the UK rose by 5.6% in the year while the Group saw like-for-like car fleet volumes rise by 9.5%. The Group has significant fleet operations making, for the first time, over 25,000 car and van deliveries during the year. The Group has invested heavily in recent years in local business specialists in many dealerships to penetrate the higher margin, local SME fleet opportunity. These specialists are now maturing and delivering enhanced market shares so helping the Group gain overall market share in the car fleet sector and to enhance overall margins.

The commercial vehicle market, comprising light and heavy vehicles, saw strengthening demand throughout the year as the economic recovery has continued. UK market registrations rose by 15.1%, as a consequence, with the Group's like-for-like volumes of commercial vehicles increasing by 29.2% during the year reflecting significant market share gains. The Group's margins in fleet and commercial sales improved to 2.4% (2013: 2.3%) with the increased numbers of dealership based local business specialists helping to deliver these gains in volume and margin. In addition, acquisitions undertaken in recent years have enriched the mix of fleet business undertaken.

The Group's used vehicle volumes grew by 21.4% in total and by 7.1% on a like-for-like basis. The UK used car market was reported to be stable during the year with constrained supply resulting in stable prices and margins. Given the strong growth in the new car market driven by the availability of highly competitive new car finance offers, there has been an element of substitution of used car demand into new car business, as evidenced by the Group's ratio of used cars sold to new retail cars sold for the year which stood at 1.8 (2013: 2.0). The Group's like-for-like used car margin percentage increased from 11.7% to 12.0% reflecting continued improvements in dealership performances from previous year acquisitions and strong profits on disposal of part exchanged vehicles in auctions, reflecting favourable market conditions. Total used car margin percentage fell to 10.8% (2013: 11.3%) due to the impact of higher selling prices in the Group's recently acquired Volkswagen and Land Rover dealerships and poorer returns in newly acquired dealerships. The Group strengthened its total used car gross profit per unit to £1,161 (2013: £1,089).

The Group's success in the sales arena is underpinned by its investment in the sales teams. The sales process of the Group is backed up by a bespoke, internally developed showroom system tailored to the Group's processes. A significant amount of in-house training is undertaken to ensure all managers and sales colleagues fully understand the process and have the required customer focused skills to ensure an outstanding customer experience is delivered. The Group undertakes over 200 mystery shops each month across every sales channel to ensure that the processes are followed and the customers' needs are identified and met. These mystery shops comprise physical visits, website visits, live chat enquiries and telephone enquiries covering cars, vans, electric and wheelchair accessible vehicles. Further developments are underway to deliver greater sales such as the development of a new contact centre to undertake follow up calls to customers who have visited a dealership and did not purchase. Pilots undertaken have indicated that such calls will increase customer experience levels and sales conversion.

Aftersales

The Group's aftersales operations, which comprise servicing, supply of parts and accident repairs, represent a vital element of the Group's business model since significantly higher returns are generated than those achieved in vehicle sales. The strategy of the Group is to increase customer retention in the higher margin service arena through the consistent execution of a number of core strategies. Driving service revenues has an additional positive benefit in enhancing parts sales through the Group's workshops. Core retention strategies include a focus on driving increased vehicle sales to build a local vehicle parc (as opposed to distance sales), marketing via a sophisticated customer relationship management process using the Group's dedicated contact centre in Gateshead and technology such as email reminders and on-line service booking facilities. Further retention is driven through the extensive sale of service plans and delivering an outstanding customer experience, for example, committing to wash and vacuum every vehicle during every visit to a service department.

The Group continues to make progress in all these areas. For example, the Group now has over 55,000 customers paying monthly for service and MOT (where appropriate) via the Group's three year service plan product. In addition, significant numbers of service plans operated by manufacturers have also been sold. These plans are helping the Group to take market share from the independent aftersales market in the service area. The proportion of vehicles serviced by the Group over five years old, for example, has increased from 25.5% in 2011 to 31.5% in 2014 and these cars traditionally would have been serviced by the independent sector. This demonstrates that the Group's continuing efforts to expand retail service sales away from the typical franchised dealer's core servicing market of the first three years of a new vehicle's ownership (typically covered by the manufacturer's warranty period) are proving to be successful.

Linked to customer retention, the Group has an extensive programme to improve customer satisfaction which is reinforced as very much part of Vertu's culture and linked to remuneration structures including those of executive directors. The Group's Mission Statement is "to deliver an outstanding customer motoring experience through honesty and trust" and this is what management and colleagues strive to do. Around 70% of service and sales departments are above national average scores as measured by the Group's manufacturer partners and targets are in place to improve on this.

The Group saw like-for-like revenues in all aftersales activities increase by 4.3% and like-for-like gross profits grow by £3.8m in the period. Service revenues rose 6.8% on a like-for-like basis year on year, representing the fourth successive year of growth. Overall aftersales margins strengthened to 43.1% (2013: 41.4%) principally due to higher efficiency levels in the service operations as volume rose. The increased car parc of Vertu supplied cars following a strong year of both new and used vehicle sales augurs well for the future of the Vertu aftersales business.

The accident repair centre sector stabilised during the year after a period of contraction in both demand and centres in the sector. There is increasing evidence that capacity reductions have led to a greater balance in supply and demand in the sector. The Group's accident repair centre revenues grew 5.6% on a like-for-like basis and margins improved to 65.0% (2013: 64.4%). Significant progress is being made in increasing paint margins due to better measurement and monitoring of paint usage via technology. Further operational improvements are being sought with intensive training programmes in place to focus on revenue generation and margin enhancement. Two new accident repair centres were added to the Group in the year by acquisition, bringing the total operated by the Group to nine.

Supply of manufacturer parts continues to be a vital part of the franchised dealer model. Parts revenues rose 3.4% on a like-for-like basis with a 3.0% increase in departmental gross profitability. Parts represents 27% of total aftersales gross profitability. As the Group's service and accident repair centres increase volumes there is a natural flow through into higher parts sales. In addition, the Group is a significant distributer of parts to other businesses such as independent repairers and external accident repair centres. Working closely with our manufacturer partners, the Group is benefiting from a number of initiatives driven by manufacturers to consolidate the number of franchised dealerships undertaking parts supply to businesses and to create lean stocking arrangements. Increasingly, smart and lean parts ordering and management systems are being utilised in franchised operations where obsolescence management and risk is transferred to the manufacturer rather than the retailer. This combined with consolidation into larger, specialised operations has the capacity to increase revenues in the medium term.

Robert Forrester
Chief Executive

Finance Director's Report

Operating expenses

Automotive retail in the UK is a highly competitive business. Strong cost control disciplines are essential both to achieve the benefits of operational gearing from growing sales activity in the core Group, and in the turning round of an underperforming business acquired by the Group. Costs are benchmarked on a monthly basis for every dealership against internal benchmarks and recognised industry key performance indicators to identify opportunities for profit improvement. In addition, our central purchasing function has continued to pursue and achieve savings and efficiencies in the procurement of all goods and services not-for-resale to ensure that scale economics are maximised without compromising on the customer experience.

Operating expenses rose from £139.9m to £174.3m reflecting the increasing size of the Group. Continuing operating expenses as a percentage of revenues reduced to 10.4% (2013: 11.1%) delivering operational gearing benefits and enhancing overall profitability and return levels. Underlying operating expenses rose £9.7m (7.8%) year on year. 60% of this increase relates to employment costs due to:

- increased commissions and other variable incentives payable as a result of improved profitability at department, dealership and Group level;
- increases in vehicle sales departments' headcount to ensure the Group takes full advantage of higher sales levels; and
- further investment in contact centres and other central functions to support the Group's growth.

The Group, in line with other retailers, also continues to see increased occupancy costs (such as energy, rates and rents). In addition, acquisition related costs amounting to £0.9m have been expensed during the year and depreciation increased from £4.1m to £5.7m due to the impact of new businesses acquired or started during the last two years and a review of the carrying value of leasehold improvements.

Interest charges

Net finance costs in the period decreased by £0.7m to £0.4m (2013: £1.1m) due to lower bank interest payable and a reduction in new vehicle stocking interest charges as set out in the table below. The lower bank interest payable is a consequence of the placing of new ordinary shares in the Company in June 2013, which raised gross proceeds of £50.0m. Of this amount £31.0m was paid as consideration for the Farnell acquisition, and the balance was retained to finance further acquisitions. New vehicle stocking interest charges reduced by £0.3m and a net stocking interest credit arose in the period of £0.1m due to the impact of stocking credits provided by manufacturers to fund future interest charges not being fully offset by those interest charges. This arose due to the enhanced stock turn of new vehicles as the market accelerated and stockholding periods reduced.

	Year ended 28 February 2014	**Year ended 28 February 2013**
	£'m	**£'m**
Bank interest payable	0.7	1.0
New vehicle stocking interest (credit) charges	(0.1)	0.2
Pension fund: net interest cost	(0.2)	(0.1)
	0.4	**1.1**

Exceptional charges

An exceptional asset impairment charge of £1.2m has been recognised following a re-appraisal of the carrying values of certain Group properties which are surplus and no longer used in dealership activities. One of these properties was sold post 28 February 2014 realising cash proceeds of £0.6m and the Group has signed a number of contracts, subject to planning and other conditions, on four of the five remaining surplus freehold properties. The net book value of these surplus property assets at 28 February 2014 was £5.1m.

Taxation

The effective rate of tax for the year was 21.5% (2013: 22.6%). The current year rate is slightly below the standard UK corporation tax rate of 23% for the period and the Board expects that the Group's tax rate should remain close to the headline UK Corporation Tax rate in the future. The Group is clearly benefitting from the low tax environment created by the UK Government.

Cashflows and capital expenditure

The Group's net cash at 28 February 2014 was £31.4m (2013: net debt of £6.2m).

The Group continues to be highly cash generative with an operating cash inflow of £47.4m (2013: £13.0m) in the financial year. This includes cash of £23.8m generated from working capital. £6.7m 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 or creditors in their opening balance sheets and in the long run creditors will more than offset debtors. The Group investment in the acquired businesses will be significantly below the actual purchase consideration paid thereby enhancing shareholder returns through reducing the long run enterprise value of the acquisitions. Accelerated receipts from manufacturers and consumer finance partners amounted to £7.2m during the year and increases in vehicle deposits from customers placing advance orders amounted to £3.3m. Increases in cash received for service plans and warranties sold amounted to £3.6m, and increases in other creditors as the Group has grown amounted to £3.0m.

The Group invested £54.0m in the period comprising £43.9m in acquiring new businesses and new freehold land and buildings and a further £9.6m in capital expenditure related to property refurbishments and developments to enhance retail environments and to increase the productive capacity of the Group. For example, two new freehold dealerships were built and opened in the period being Northampton Nissan and Harrogate Vauxhall. Dealerships operated by the Group are maintained to a high standard to deliver excellent representation to our manufacturer partners. Over the coming year the Group is planning to make further significant investments in its property portfolio in order to ensure that it meets evolving manufacturer franchise requirements and increases capacity. Enhanced retail environments are required to cater for enlarged model ranges within showrooms and the integration of digital and physical experiences into a blended retail space. The purchase of a vehicle is increasingly becoming an "experience" as opposed to a mere transaction.

The sale of the Group's heavy truck operation in May 2013 generated £1.9m of cash inflow.

Financial Position

The Group has a strong balance sheet with shareholders' funds of £163.4m (2013: £106.6m), representing net assets per share of 48.5p (2013: 53.3p). Tangible net assets per share were 36.9p (2013: 43.7p). These two measures have declined due to the increase in the number of shares in issue (68.3%) following the Placing in June 2013 and other share issuances. The balance sheet is underpinned by a freehold and long leasehold property portfolio of £105.6m (2013: £93.7m).

The Board continues to seek to balance those dealerships in freehold and leasehold premises and to be conservative in terms of the lease terms entered into, favouring lease breaks and open market value rent reviews. As at 28 February 2014, freehold locations represented 50% of locations (2013: 47%). During the year the Group took the opportunity to purchase the freehold properties of two of the Group's leasehold dealerships for £4.5m, further strengthening the property underpinning of the Group.

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and manufacturer partners. The Group has in place a bank loan of £5.5m repayable on an amortising basis by October 2015, and an acquisition facility of £15.0m available until September 2016 which was undrawn at 28 February 2014. Interest is payable on these facilities at LIBOR plus 2.25% and LIBOR plus 1.70% respectively. During the period, the Group comfortably complied with all of the financial covenants in respect of these borrowings, which include loan to value, net debt to EBITDA and interest and lease costs to EBITDAR.

In addition to these loan facilities, the Group has £30m of overdraft and other money market facilities with Barclays Bank. On the overdraft, interest was paid on drawn amounts at 1.5% above Base Rate, and on the money market facilities interest was paid at 1.35% above LIBOR. These facilities are available until the next review date of 30 April 2015. The Group operated with cash balances for much of the year and these additional facilities are utilised to fund significant peak working capital requirements following plate change months. As at 28 February 2014, the Group had cash balances of £36.9m (2013: £7.2m) and, as a consequence, net cash of £31.4m (2013: net debt of £6.2m). The cash position at 28 February 2014 reflects the seasonal reduction in working capital, typical of the industry, which arises at the month end prior to a plate change month. Consequently, the year-end cash position is higher than the normalised cash balances throughout the remainder of the year by approximately £15m. The Group's cash balances, on-going cash generation and the acquisition loan facility, will be used to fund the Group's on-going acquisition strategy.

Pensions

The Bristol Street defined benefit pension scheme, which is accounted for on the basis of IAS 19 (revised), showed a surplus as at 28 February 2014 of £3.1m (2013: £4.2m). During the year, and in line with the funding programme agreed with the Trustees in 2010, the Group made cash contributions to the scheme of £0.4m (2013: £0.4m). This scheme is closed to future membership and accrual. The impact on the Group's reported results of the adoption of IAS19 (revised), the accounting standard for pensions which was implemented during the year resulted in a reduction in the 2013 profit before tax of £0.1m. Prior year comparatives have been restated for the impact of this accounting change.

Post balance sheet events

On 7 March 2014 the Group disposed of a disused property at Haydn Road, Nottingham for cash proceeds of £600,000. The net book value of the asset at the date of disposal was £600,000 following an exceptional impairment charge of £300,000 in respect of this property, included within total exceptional charges of £1.2m in the year to 28 February 2014. Therefore there was no profit or loss on disposal post year end.

On 6 May 2014 the Group announced that it had acquired the entire share capital of Hillendale Group Limited, which operates a Land Rover dealership in Burnley, Lancashire and a Jaguar dealership in Bolton, Lancashire for an estimated consideration of £8.2m. The consideration included £2m of shares issued at 58.64p with the remainder met from the Group's existing cash resources.

Michael Sherwin
Finance Director

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 28 February 2014

	Note	2014 £'000	2013 As restated (Note 1) £'000
Revenue			
Continuing operations		1,549,971	1,259,335
Acquisitions		134,561	-
		1,684,532	**1,259,335**
Cost of sales			
Continuing operations		(1,372,295)	(1,110,254)
Acquisitions		(120,040)	-
		(1,492,335)	**(1,110,254)**
Gross profit			
Continuing operations		177,676	149,081
Acquisitions		14,521	-
		192,197	**149,081**
Operating expenses			
Continuing operations		(161,767)	(139,942)
Acquisitions		(12,526)	-
		(174,293)	**(139,942)**
Operating profit before amortisation, share based payments charge and exceptional charges			
Continuing operations		15,909	9,139
Acquisitions		1,995	-
		17,904	**9,139**
Amortisation of intangible assets		(293)	(291)
Share based payments charge		(195)	(99)
Exceptional charges	3	(1,180)	(3,606)
Operating profit		**16,236**	**5,143**
Finance income	2	331	108
Finance costs	2	(725)	(1,189)
Exceptional finance income	3	-	316
Profit before tax, amortisation, share based payments charge and total exceptional charges		17,510	8,058
Amortisation of intangible assets		(293)	(291)
Share based payments charge		(195)	(99)
Total exceptional charges	3	(1,180)	(3,290)
Profit before tax		**15,842**	**4,378**
Taxation	4	(3,414)	(989)
Profit for the year attributable to equity holders		**12,428**	**3,389**
Basic earnings per share (p)	5	**4.15**	**1.70**
Diluted earnings per share (p)	5	**4.11**	**1.69**
Adjusted earnings per share (p)	5	**4.69**	**3.15**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 28 February 2014

	Note	2014 £'000	2013 As restated (Note 1) £'000
Profit for the year		**12,428**	**3,389**
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss :			
Actuarial (losses) gains on retirement benefit obligations		(1,558)	2,084
Deferred tax relating to actuarial (losses) gains on retirement benefit obligations		450	(438)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	7	102	34
Deferred tax relating to cash flow hedges	7	(25)	(8)
Other comprehensive (expense) income for the year, net of tax		**(1,031)**	**1,672**
Total comprehensive income for the year attributable to equity holders		**11,397**	**5,061**

CONSOLIDATED BALANCE SHEET (AUDITED)
As at 28 February 2014

	Note	2014 £'000	2013 £'000
Non-current assets			
Goodwill		41,189	21,526
Other intangible assets		1,209	1,059
Retirement benefit asset		3,069	4,178
Property, plant and equipment		116,676	102,932
Trade and other receivables		192	-
		162,335	**129,695**
Current assets			
Inventories		334,452	250,443
Trade and other receivables		42,971	43,939
Cash and cash equivalents		36,948	7,240
Total current assets		**414,371**	**301,622**
Total assets		**576,706**	**431,317**
Current liabilities			
Trade and other payables		(391,772)	(295,052)
Deferred consideration		(1,300)	(1,251)
Current tax liabilities		(5,161)	(2,677)
Borrowings		(2,000)	(2,000)
Total current liabilities		**(400,233)**	**(300,980)**
Non-current liabilities			
Borrowings		(3,512)	(11,454)
Derivative financial instruments		(74)	(176)
Deferred consideration		(1,300)	(2,600)
Deferred income tax liabilities		(2,574)	(4,014)
Deferred Income		(5,634)	(5,452)
		(13,094)	**(23,696)**
Total liabilities		**(413,327)**	**(324,676)**
Net assets		**163,379**	**106,641**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares		33,678	20,008
Share premium		96,729	60,727
Shares to be issued		-	2,000
Other reserve		8,820	8,820
Hedging reserve	7	(56)	(133)
Retained earnings		24,208	15,219
Shareholders' equity		**163,379**	**106,641**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)
For the year ended 28 February 2014

	Note	2014 £'000	2013 As restated (Note 1) £'000
Cash flows from operating activities			
Operating profit		16,236	5,143
Loss on sale of property, plant and equipment		40	8
Amortisation of other intangible assets		293	291
Depreciation of property, plant and equipment		5,670	4,142
Impairment of freehold property		1,180	-
Movement in working capital		23,778	3,290
Share based payments charge		195	99
Cash generated from operations		**47,392**	**12,973**
Tax received		35	160
Tax paid		(2,385)	(1,590)
Finance income received		137	29
Finance costs paid		(658)	(1,265)
Net cash generated from operating activities		**44,521**	**10,307**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(39,438)	(13,481)
Acquisition of freehold land and buildings		(4,509)	(1,400)
Purchases of intangible assets		(443)	(338)
Purchases of property, plant and equipment		(9,577)	(4,498)
Proceeds from disposal of business (net of cash, overdraft and borrowings)		1,926	-
Proceeds from disposal of property, plant and equipment		82	726
Net cash outflow from investing activities		**(51,959)**	**(18,991)**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		47,672	301
Repayment of borrowings	8	(8,000)	(2,000)
Proceeds from borrowings	8	-	6,060
Dividends paid to equity holders		(2,526)	(1,296)
Net cash inflow from financing activities		**37,146**	**3,065**
Net increase (decrease) in cash and cash equivalents	8	**29,708**	**(5,619)**
Cash and cash equivalents at beginning of year		7,240	12,859
Cash and cash equivalents at end of year		**36,948**	**7,240**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
For the year ended 28 February 2014

	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 2013	**20,008**	**60,727**	**2,000**	**8,820**	**(133)**	**15,219**	**106,641**
Profit for the year	-	-	-	-	-	12,428	12,428
Actuarial loss on retirement benefit obligations	-	-	-	-	-	(1,558)	(1,558)
Tax on items taken directly to equity	-	-	-	-	(25)	450	425
Fair value gains	-	-	-	-	102	-	102
Total comprehensive income for the year	-	-	-	-	77	11,320	11,397
New ordinary shares issued	13,670	38,330	(2,000)	-	-	-	50,000
Cost of issuance of ordinary shares	-	(2,328)	-	-	-	-	(2,328)
Dividend paid	-	-	-	-	-	(2,526)	(2,526)
Share based payments charge	-	-	-	-	-	195	195
As at 28 February 2014	**33,678**	**96,729**	**-**	**8,820**	**(56)**	**24,208**	**163,379**

Pursuant to a non-pre-emptive placing which was approved by shareholders on 7 June 2013, the Company allotted 131,578,939 shares which were admitted to AiM on 10 June 2013.

The shares to be issued reserve represented the contracted subscription of shares by the vendors of the Dobies (Carlisle) business, acquired in January 2013. The subscription completed during this year and the 5,128,205 associated shares were admitted to AiM on 28 June 2013.

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

For the year ended 28 February 2013 (as restated (Note 1))

	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**

NOTES

For the year ended 28 February 2014

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 Group prepares financial information under International Financial Reporting Standards (IFRS) issued by the IASB and as adopted by the European Union (EU) and on the same basis as in 2013. 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, www.vertumotors.com.

The financial information presented for the years ended 28 February 2014 and 2013 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 2014 and 2013 financial statements were unqualified. A copy of the statutory accounts for 2013 has been delivered to the Registrar of Companies. Those for 2014 will be delivered following the Company's annual general meeting, which will be convened on 24 July 2014.

Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with IFRS's as adopted by the European Union. The annual report has been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies adopted in this annual report can be found on our website, www.vertumotors.com, and are consistent with these of the Group's financial statements for the year ended 28 February 2013 with the exception of the following prior year restatements.

Prior year restatements

IAS 19 (Revised) Employee Benefits

As a result of the changes in IAS 19, the Group has changed its accounting policy with respect to determining the income or expenses related to its defined benefit asset. The impact of this change which has been applied retrospectively is:

- IAS19 (Revised) 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. The effect of this was to increase the net interest cost of the pension scheme in the income statement by £147,000 for the year ended 28 February 2013, reducing profit before tax by the same amount, with a corresponding decrease in the cost within the statement of other comprehensive income for the period.

- Administrative expenses of the scheme have been charged to operating expenses within the income statement; previously these were charged to the interest line. The effect has been that operating expenses have increased by £253,000 for the year ended 28 February 2013.

- Net interest income has increased by the net amount of £106,000 for the year ended 28 February 2013.

- The effect of the change on cash flow and on earnings per share was immaterial. There is no impact on the balance sheet or net assets of the Group for the year ended 28 February 2013.

Warranty Provision

Following a review of the accounting treatment of income received in respect of used vehicle warranty policies sold by the Group, the directors believe that presenting this balance as Deferred Income would more accurately reflect the nature of the underlying transactions.

The effect has been that the balance of £5,452,000 within non-current liabilities at 28 February 2013 referred to as 'Provisions for other liabilities' has been renamed 'Deferred income' in the case of income due in greater than one year.

Parts Drivers Expenses

Following a review of expense allocation during the year, the expense in respect of parts drivers has been reclassified from cost of sales to operating expenses. The effect has been that cost of sales has decreased by £975,000 and operating expenses have increased by £975,000 for the year ended 28 February 2013.

Segmental information

The Group adopts IFRS 8 "Operating Segments" which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive. There has been no change in the Group's one reportable business segment, since the Group is operated and is managed on a dealership by dealership basis. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and after-sales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams.

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

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

	2014 Revenue	2014 Revenue	2014 Gross Margin	2013 Revenue	2013 Revenue	2013 Gross Margin As restated (Note 1)	
	£'m	%	%	£'m	%	%	
New car retail	534.4	32	7.6	384.6	31	7.4	
New fleet and commercial	420.4	25	2.4	316.0	25	2.3	
Used cars	582.6	34	10.8	431.9	34	11.3	
Aftersales*	147.1	9	43.1	126.8	10	41.4	**
	1,684.5	**100**	**11.4**	**1,259.3**	**100**	**11.8**	

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

** prior year margin has been restated due to reallocation of parts drivers costs (Note 1). The impact of the restatement improves prior year gross margin in aftersales by 0.6%. There was minimal impact on overall prior year gross margin.

2. Finance income and costs

	2014	2013 (as restated Note 1)
	£'000	£'000
Interest on short term bank deposits	55	29
Vehicle stocking interest credit	82	-
Net finance income relating to Group Pension Scheme	194	79
Finance income	**331**	**108**
Bank loans and overdrafts	(703)	(964)
Vehicle stocking interest charge	-	(206)
Other finance costs	(22)	(19)
Finance costs	**(725)**	**(1,189)**

3. Exceptional charges

	2014	2013
	£'000	£'000
Impairment of fixed assets	1,180	-
Reorganisation and closure costs	-	2,315
Onerous lease provision	-	1,464
Reclaim of VAT overpayments	-	(173)
	1,180	**3,606**
Interest element of VAT repayment	-	(316)
	1,180	**3,290**

The impairment charge in the year to 28 February 2014 is in relation to the write down of four vacant properties during the year to their estimated recoverable amount.

4. Taxation

	2014	2013 As restated (Note 1)
	£'000	£'000
Current tax		
Current tax charge	4,526	1,392
Adjustment in respect of prior years	241	(746)
Total current tax	**4,767**	**646**
Deferred tax		
Origination and reversal of temporary differences	(148)	295
Adjustment in respect of prior years	(666)	330
Rate differences	(539)	(282)
Total deferred tax	**(1,353)**	**343**
Income tax expense	**3,414**	**989**
Comprising:		
Taxation – excluding exceptional charges	3,414	1,712
Taxation – exceptional charges	-	(723)
	3,414	**989**
Factors affecting taxation expense in the year		
Profit before taxation and exceptional charges	17,022	7,668
Exceptional charges	(1,180)	(3,290)
Profit before taxation from continuing operations	**15,842**	**4,378**
Profit before taxation multiplied by the rate of corporation tax in the UK of 23.08% (2013: 24.17%)	3,656	1,058
Non-deductible amortisation	-	70
Non-qualifying depreciation	301	341
Non-deductible expenses	436	251
Rate differences	(539)	(282)
Small companies rate	(2)	(3)
Property adjustment	46	89
Permanent benefits	(51)	(78)
Utilisation of unprovided deferred tax	(8)	(41)
Adjustments in respect of prior years	(425)	(416)
Total tax expense included in the income statement	**3,414**	**989**

The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 23.08%.

5. Earnings per share

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

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated, as set out above, is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2014	2013 As restated (Note 1)
	£'000	£'000
Profit attributable to equity shareholders	12,428	3,389
Amortisation of intangible assets	293	291
Share based payments charge	195	99
Exceptional charges	1,180	3,290
Tax effect of adjustments	(68)	(788)
Adjusted earnings attributable to equity shareholders	**14,028**	**6,281**
Weighted average number of shares in issue ('000s)	299,367	199,459
Potentially dilutive shares ('000s)	3,263	881
Diluted weighted average number of shares in issue ('000s)	**302,630**	**200,340**
Basic earnings per share	**4.15p**	**1.70p**
Diluted earnings per share	**4.11p**	**1.69p**
Basic adjusted earnings per share	**4.69p**	**3.15p**
Diluted adjusted earnings per share	**4.64p**	**3.14p**

6. Dividends per share

The dividends paid in the year to 28 February 2014 were 0.75p per share in total (2013 0.65p per share). A final dividend in respect of the year ended 28 February 2014 of 0.5p per share is to be proposed at the annual general meeting on 24 July 2014. The ex-dividend date will be 25 June 2014, the associated record date is 27 June 2014 and the pay date is 29 July 2014. These financial statements do not reflect this dividend payable.

The last date for shareholders to elect for the Dividend Re-Investment Plan (DRIP) will be 4 July 2014 (or such other date as the Group may specify). A facility is provided by Capita IRG Trustees Limited in conjunction with the Group's registrars, Capita Asset Services, for any Group shareholders who wish to re-invest dividend payments in the Group. Under this facility, cash dividends may be used to purchase additional ordinary shares.

Any shareholder requiring further information should call 0871 664 0300 (calls cost 10p a minute plus network extras; lines are open from 8.30am to 5.30pm Monday to Friday excluding bank holidays), or if calling from outside the United Kingdom +44 (0)208 639 3399, or visit www.capitaassetservices.com.

7. Hedging reserve

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

	2014 £'000	2013 £'000
At beginning of year	(133)	(159)
Fair value gains on derivative financial instruments during the year	102	34
Deferred taxation on fair value gains during year	(25)	(8)
At end of year	**(56)**	**(133)**

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

	2014 £'000	2013 £'000
Net increase (decrease) in cash and cash equivalents	29,708	(5,619)
Cash inflow from increase in borrowings	-	(6,060)
Cash outflow from repayment in borrowings	8,000	2,000
Cash movement in net cash (debt)	**37,708**	**(9,679)**
Capitalisation of loan arrangement fees	30	128
Amortisation of loan arrangement fees	(88)	(173)
Non-cash movement in net debt	**(58)**	**(45)**
Movement in net cash (debt)	**37,650**	**(9,724)**
Opening net (debt) cash	**(6,214)**	**3,510**
Closing net cash (debt)	**31,436**	**(6,214)**

9. Acquisitions

On 12 June 2013 the Group acquired the entire issued share capital of Albert Farnell Limited which operates three Land Rover dealerships in Leeds, Bradford and Guiseley from Co-operative Group Motors Limited for total cash consideration of £31,176,000.

On 9 July 2013 the Group acquired the trade and certain assets of Boston and Lincoln Volkswagen from Lookers Motor Company Limited for total estimated cash consideration of £3,042,000.

On 29 November 2013, the Group acquired the entire issued share capital of Brookside (1998) Limited which represents three Volkswagen dealerships, two in Nottingham and one in Mansfield for total estimated cash consideration of £1,658,000.

On 21 November 2013 the Group acquired the trade and certain assets of a Hyundai dealership in Edinburgh from the Phoenix Car Company. In addition, on the same date the Group acquired the trade and certain assets of another Hyundai dealership in Edinburgh from Archers of Edinburgh. On 31 January 2014 the Group acquired the trade and certain assets of Sheffield Nissan and Volvo from Harratts of Wakefield Limited. Total cash consideration for these acquisitions was £2,850,000.

10. Post balance sheet events

On 7 March 2014 the Group disposed of a disused property at Haydn Road, Nottingham for cash proceeds of £600,000. The net book value of the asset at the date of disposal was £600,000 following an exceptional impairment charge of £300,000 in respect of this property, included within total exceptional charges of £1.2m in the year to 28 February 2014. Therefore there was no profit or loss on disposal post year end.

On 6 May 2014 the Group announced that it had acquired the entire share capital of Hillendale Group Limited, which operates a Land Rover dealership in Burnley, Lancashire and a Jaguar dealership in Bolton, Lancashire for an estimated consideration of £8.2m. The consideration included £2m of shares issued at 58.64p with the remainder met from the Group's existing cash resources.