13 May 2015

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

Final results for the year ended 28 February 2015
Record revenues and profits drive significant increase in dividend

Vertu Motors plc, the UK automotive retailer with a network of 116 sales and aftersales outlets across the UK and a proven growth strategy, announces its audited results for the year ended 28 February 2015.

	Year ended 28 February 2015	**Year ended 28 February 2014**	**% Change**
Revenue	£2,074.9m	£1,684.5m	23.2%
Adjusted EBITDA*	£28.7m	£23.6m	21.6%
Adjusted operating profit*	£22.7m	£17.9m	26.8%
Adjusted profit before tax*	£22.0m	£17.5m	25.7%
Adjusted earnings per share*	5.15p	4.69p	9.8%
EBITDA	£28.0m	£22.2m	26.1%
Operating profit	£21.7m	£16.2m	34.0%
Exceptional charges	£0.0m	(£1.2m)	-
Profit before tax	**£21.0m**	**£15.8m**	**32.9%**
Earnings per share	**4.87p**	**4.15p**	**17.3%**
Operating cash inflow	£26.1m	£47.4m	(44.9%)
Net cash	£15.7m	£31.4m	(50.0%)
Net assets per share	52.7p	48.5p	8.7%
Tangible net assets per share	38.3p	36.4p	5.2%
Dividend per share	**1.05p**	**0.8p**	**31.3%**

* adjusted for exceptional charges, amortisation of intangible assets and share based payments charge. No exceptional items arose in the year ended 28 February 2015

Highlights

Continued growth in all areas of the business delivering record revenues and profits

- Adjusted profit before tax up 25.7% to £22.0m
- Profit before tax rose 32.9% to £21.0m from £15.8m
- Revenue up 23.2% to £2.1bn with like-for-like revenues up 11.4%: first time revenues have exceeded £2bn
- Like-for-like used vehicle volumes rose 9.2% with stronger gross profit per unit: Third consecutive year of like-for-like volume growth
- Higher margin service revenues rose 3.5% on a like-for-like basis: fifth successive year of growth
- Higher customer retention rates in service with over 71,000 (2014: 55,397) customers on Group service plans
- Like-for-like new retail sales volumes rose by 6.4% as UK new car market continued to expand
- Adjusted operating profit up 26.8% as core business and acquisitions delivered an enhanced performance
- Adjusted earnings per share growth of 9.8%

- Dividend up 31.3% for the full year, increased to 1.05p (2014: 0.8p): showing Board's confidence in the sustainability of the Group's profit growth and cash generation

Acquisition and turnaround strategy driving profit growth

- Number of outlets increased to 116 (2014: 106) with 14 new outlets acquired or opened since 1 March 2014
- Recently announced earnings enhancing acquisitions of additional Land Rover and Jaguar dealerships - reflect Group's ambition for a balanced portfolio of volume and premium franchises
- Acquisitions undertaken in previous periods provide the Group with further opportunity to deliver improved margins

Strong balance sheet and funds available for expansion

- Net cash of £15.7m (2014: £31.4m)
- Significant unutilised bank facilities refinanced in March 2015 provide substantial resources of £40m for further expansion opportunities
- Balance sheet underpinned by freehold and long leasehold property portfolio of £126.6m (2014: £105.6m)
- Net assets of £179.6m (2014: £163.4m):net assets per share of 52.7p (2014: 48.5p)

Current Trading and Outlook

- March and April trading performance ahead of current year financial plan and significantly ahead of prior year levels
- March was the highest UK registrations month for new cars this century
- New car retail market in UK showing continued growth: Group like-for-like new retail sales volumes in March and April up 4.3% against UK private registrations up 2.7%, reflecting significant outperformance by the Group
- March and April used retail like-for-like volumes up 6.2% with lower margins being more than offset by volume growth
- Overall aftersales performance strong with higher revenues and margins in each of service, accident repair centres and parts
- Group service revenues have continued to grow 7.2% on a like-for-like basis in March and April
- Seeing consistent profit growth from improving recently acquired dealerships

Robert Forrester, Chief Executive of Vertu said:

"The Group is delivering a strong trading performance driven through its successful acquisition growth strategy and improvements in its underlying organic performance. Many businesses within the dealership portfolio in the Group have the potential to achieve enhanced margins.

We have substantial funds and financial capacity for further expansion and continue to see attractive acquisition opportunities.

In view of the confidence the Board has in the Group's prospects, we today announce that, following a review of dividend policy, the Board intends to increase the dividend and adopt a dividend cover moving closer to four times. The proposed full year dividend represents an increase of 31.3% as the Board focuses on delivering enhanced shareholder returns."

For further information please contact:

Vertu Motors plc

Robert Forrester, CEO	Tel: 0191 491 2111
Michael Sherwin, FD	Tel: 0191 491 2112

Camarco
Billy Clegg Tel: 020 3757 4983
Georgia Mann

Liberum
Peter Tracey Tel: 020 3100 2000
Richard Crawley
Jamie Richards

Zeus Capital Limited
Adam Pollock Tel: 020 7533 7727

Notes to Editors

Vertu, the UK automotive retailer with a proven growth strategy, is the sixth largest automotive retailer in the UK with a network of 116 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell and Macklin Motors brand names.

Vertu was established in November 2006 with the strategy to consolidate the UK automotive 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 114 franchised sales outlets and 2 non-franchised sales operations from 96 locations across the UK.

Vertu Group websites - www.vertumotors.com / www.vertucareers.com

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

Chairman's Statement

Since joining the Board in January 2015, three features of the Group have become crystal clear to me:

Firstly, the Group is set for growth. This includes organic growth from the core business as increases in vehicle sales volumes in recent periods are converted into repeat business and customers are retained into the Group's higher margin aftersales activities. The growth strategy also includes acquisition related growth both from the integration, and in some cases turnaround, of acquired businesses and from future acquisitions. The Group has significant upside profit potential from improving businesses within its current dealership portfolio.

Secondly, the Group is well positioned with Manufacturer partners, both those who the Group already represent and those not currently in the portfolio. The Group and its respected management team have developed a reputation for delivering for Manufacturers through adopting a partnership approach. Manufacturer objectives on volume, customer experience and investment in brand representation standards are taken very seriously by management. As a consequence, Manufacturer support is a vital element which will underpin future growth.

Thirdly, the Group's financial position is very healthy. Strong cash flow generation, an asset backed balance sheet and the recently expanded borrowing facilities provide substantial financial firepower for the Group to continue to grow. The Group currently has net cash balances.

In this statement, the Board is reporting a further year of strong growth, generating record levels of revenue, operating profit, earnings per share and, in particular, dividends. Importantly, the growth has come from both like-for-like operations and acquisitions made over the last few years.

The Board has maintained a consistent strategy since flotation in December 2006 to grow a scaled automotive retail group initially through acquiring principally volume franchised dealerships and, more recently, by adding premium franchised dealerships. The Group will continue to acquire dealerships across the volume and premium spectrum as the Board continues its growth strategy. The Board currently believe that capital can be invested in additional dealerships to deliver significant return on investment to shareholders in the short and medium term. The fragmented nature of the UK automotive retail sector means that significant growth potential remains through continued acquisitions. The addition of further dealerships and franchise partners 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 are turnaround opportunities and a number are new start-up dealerships sharing similar characteristics. 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, therefore, 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.

In addition to management, the Group has invested in significant systems and central functions at its support centre in Gateshead in the North East of England. This provides significant benefits to the Group from scale, engaging in extensive sales and aftersales marketing and customer experience enhancing activities. The Board believe these functions and teams provide significant operational benefits to the Group, a competitive advantage and a strong foundation from which to further scale the business.

The Group's Mission Statement is "to deliver an outstanding customer motoring experience through honesty and trust". Achieving this Mission should secure significant gains in vehicle sales and market share in our local territories. The resultant increase in each local vehicle parc, coupled with high levels of customer retention, is designed to deliver higher aftersales activity levels, thereby allowing the Group to grow profitability over time. 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. Used car customer satisfaction is now measured in every dealership and 93% of used car customers would recommend the Group to friends and family. Colleague satisfaction scores, measured in July each year, are very strong and reflect a significant consistency in culture across the business. The Group was also recognised within the Honda and Hyundai franchises for having amongst the very best UK dealerships in those brands for customer service in 2014. In addition, the Group's Darlington Nissan outlet has recently won the best large dealership award in the Nissan franchise for customer service quality.

The success of the Group's 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 provides the Group with further opportunity to deliver improved margins and grow organic profit over the medium term.

The Group continually reviews all operations to ensure they will deliver shareholder value in the medium term. Operations deemed not to be able to meet return on investment hurdles in the medium term are identified and are either closed, disposed of or refranchised to ensure shareholder value is generated. In accordance with this discipline, the Group closed a dealership and disposed of one other during the year itself and ceased operations in three sales outlets shortly after the year-end.

We have a first rate, scalable and highly motivated operational team and I would like to take this opportunity to thank every colleague for their dedication and hard work during the year. This has been very evident to me in the visits I have made to over 50 dealerships since I joined the Board. The team have created a unique culture, which is in place consistently across the businesses, and have delivered record profitability.

Dividends

As the Group's earnings have continued to grow strongly and the Group matures, the Board has reviewed its dividend strategy. This review recognised the vital role of dividends in delivering total shareholder return. The Group's strong balance sheet, its reliable cash generation and the continuing investment requirements of the Group's growth strategy have all been considered. Consequently, the Board intends to increase the dividend and adopt a dividend cover moving closer to four times. The Board has proposed an increase in the final dividend, payable on 28 July 2015, to 0.7 pence per share (2014 : 0.5p), which, taken together with the interim dividend paid in January 2015 of 0.35 pence per share (2014 : 0.3p), provides a total dividend for the year of 1.05 pence (2014 : 0.8p), an increase of 31.3%.

Current trading and outlook

The Group has traded ahead of the current year financial plan as well as significantly ahead of the prior year in March and April ("the post year-end period"). Improving sales volumes and aftersales contributions, together with an increased contribution from recently acquired dealerships have enabled the Group to drive profits forward again.

The post year-end period includes March which 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. March 2015 saw the highest UK new car market in terms of registrations of any month this century and April registrations were the strongest for a decade. In the post year-end period, the Group's new retail sales volumes on a like-for-like basis rose 4.3% against a 2.7% growth in UK new car registrations to private buyers, hence the Group outperformed and gained market share. New vehicle like-for-like gross margins were stable. Increased volume delivered an overall increase in the Group's new vehicle total gross profit on a like-for-like basis.

Group fleet and commercial new vehicle sales delivered improved profitability due to strengthening margins, and the market continues to show significant growth in volumes year on year.

The Group's like-for-like used retail volumes were up 6.2% in the post year-end period despite the impact of cheaper, finance-led new car offers leading to some used car customers buying new cars. Used car supply is increasing as the new car market grows and part exchange levels coming into the used car market rise. This leads to a potential for lower used car margins, but also for higher used car volumes. The Group reacted early to these changing market conditions and implemented rigorous stock management and pricing disciplines. Like-for-like used car margins declined from 10.8% to 10.4% as expected and the successful drive to increase volume led to overall record levels of used car profitability.

Group aftersales profitability increased on a like-for-like basis in the post year-end period due to higher revenues and margins. Overall aftersales margins rose from 44.9% to 46.0% with service, accident repair centres and parts all showing revenue and margin increases. Petrol forecourt sales declined due to falling fuel prices but margin again increased.

Service like-for-like revenues rose 7.2% in the post year-end period and continued to benefit from the successful customer retention initiatives being executed by the Group. The Group now has over 71,000 customers paying monthly for service and MOT service plan packages and this, together with a growing 0-3 year old vehicle parc, is leading to increased revenues in the higher margin service channel.

Profitability was also improved by the dealerships acquired last year for which this was their first March within the Group.

Given trading in March and April and the encouraging improvements we are seeing in the acquired businesses, the Board is confident the Group will grow both profits and the business this year.

Board changes

One of my key roles as Chairman is to ensure that the composition of the Board is continually reviewed to ensure that it provides the Group with the strategic oversight, vision and governance that it needs in order to deliver a sustainable long term return for shareholders. Going forward, it is my intention to ordinarily rotate non-executives every six years in line with current Corporate Governance best practice.

Today, I am pleased to announce that Ken Lever will join the Board on 1 June 2015. Ken will bring a wealth of City, technology and finance experience to the Group having held senior roles as both CEO and Finance Director in several major listed companies. He is currently the CEO of Xchanging plc and is a former member of the Accounting Council of the Financial Reporting Council.

David Forbes has been on the Board for six years and today we announce that he will not be seeking re-election at the forthcoming Annual General Meeting. David has been on the Board during a transformation in the scale of the Group in the last six years. He has been invaluable in the phase of the Group's growth which involved the raising of fresh equity twice and the Group has benefitted from his extensive corporate finance background and skills. I would like to thank David for this contribution to the company over the last six years.

P. Jones
Non-Executive Chairman

Chief Executive's Review

Portfolio development

During the year the Group has continued to invest in its growth strategy and has expanded the number of sales outlets from 106 at 28 February 2014 to 116 sales outlets at 13 May 2015 through a significant number of acquisitions and the opening of new start-up dealerships. In the same period, the Group ceased operations in four sales outlets. The Group operates sales outlets from 96 locations highlighting an element of multi-franchising at a number of the Group's locations.

The current portfolio of the Group is summarised below:

Sales outlet numbers	**May**	**February**
Car franchised outlets	**2015**	**2014**
Ford	22	20
Vauxhall	14	14
Nissan	10	9
Honda	9	9
Peugeot	8	9
Hyundai	7	7
Renault / Dacia	5	4
SEAT	5	5
Volkswagen	5	5
Land Rover	5	3
Citroen	4	4
Mazda	4	4
Fiat	4	3
Alfa Romeo	3	2
Volvo	2	2
Jeep	2	1
Jaguar	2	-
Infiniti	1	-
Suzuki	-	1
	112	**102**
Motorcycle franchised outlets		
Honda	**2**	**1**
Non-franchised outlets		
Bristol Street Versa (wheelchair accessible vehicles)	1	1
Used car non-franchised operation	1	2
	2	**3**
Total sales outlets	**116**	**106**

During the year the Group has continued to acquire and to develop dealerships both in the premium and volume segments. It is the aim of the Group to continue to strengthen its premium representation so as to provide balance to the dealership portfolio and this has been executed during the year.

Jaguar and Land Rover expansion

In May 2014, the Group acquired Lancashire-based Hillendale Group Limited which comprised a Land Rover and a Jaguar business in Nelson and Bolton respectively for consideration of £8.0m. The acquired territory is contiguous to the Group's Farnell Land Rover dealerships in Yorkshire and this acquisition added the Jaguar franchise to the Group's portfolio for the first time. The acquired businesses now operate under the Farnell banner and management structure, and have been fully integrated into the Group.

Subsequent to the year-end, the Group has announced further expansion of the Jaguar Land Rover operation of Farnell in the North of England with two separate acquisitions. Bury Land Rover has been purchased from the Pendragon group for £7.0m including goodwill of £7.0m. This highly profitable and established dealership mirrors the same geographical territory for Land Rover as that operated by the Group's Bolton Jaguar operation and significant operational benefits will accrue in the medium term from this.

Similarly, the acquisition of Bradford Jaguar from the Jardine Motor group for estimated consideration of £0.9m including goodwill of £0.75m complements the Group's existing Bradford Land Rover operation and brings the number of Jaguar dealerships operated by the Group to two. This is an exciting time for the Jaguar franchise with the launch of the new XE model this year and the F-Pace SUV in 2016. These important product launches should provide enhanced revenues and profits for the franchise.

The Group's representation of the Land Rover franchise in Leeds will be significantly enhanced in the coming year. In September 2014, the Group acquired freehold dealership premises in the city for £5.2m, which are currently leased to the BMW franchise retailer. The Group expects to obtain vacant possession in August 2015 so allowing a major refurbishment to take place and the Group's Leeds Land Rover business to be relocated to this larger, landmark dealership.

In addition, a significant re-development of the Group's highly successful Guiseley Land Rover dealership in Yorkshire is also planned this year to enhance brand representation and customer experience.

Ford – our largest franchise partner

Ford is the Group's largest franchise partner both in profit terms and number of outlets with 22 sales outlets operated. The Group is the third largest Ford dealer in the UK. Ford has been the market leader in terms of car and commercial vehicle volumes in the UK for decades.

In November 2014, the Group undertook a substantial acquisition with the Ford franchise, acquiring four Lancashire businesses from Gordons of Bolton for £11.0m including four freehold properties. The acquired businesses comprise a major Ford operation in Bolton, which represents a significant turnaround opportunity to increase profits in the medium term. Another significant dealership was acquired in Wigan and relocated in May 2015 from old leased premises to a brand new £2.1m freehold dealership that has been developed by the Group since the acquisition.

Two small satellite operations in Horwich and Walkden were also acquired as part of the wider transaction and both have subsequently been closed except for petrol forecourt operations at Horwich. The petrol forecourt at Walkden has been disposed of for £0.7m (which equates to book value) subsequent to the year end and the dealership and petrol forecourt at Horwich is now being marketed and is anticipated to be sold for in excess of £1.0m.

Ford is currently rolling out 65 Ford Stores in the UK which will be large scale dealerships selling the full range of Ford product including Vignale premium product and the iconic Mustang. The Group will in due course open its initial Ford Stores in redeveloped existing dealerships in Orpington, Kent (due to complete in May 2015), Birmingham, Gloucester and Bolton with others in the pipeline.

The Group completed the rebuilding of its Durham Ford dealership in February 2015. This £2.3m investment significantly increased the sales potential of the dealership particularly on used cars. Further significant redevelopments are planned in 2015 at the Group's Birmingham Ford, Shirley Ford and West Bromwich Ford locations. These dealerships have seen significant growth in sales in recent years and further growth will be possible following the capital investment.

Nissan

The Nissan franchise represents an increasing proportion of Group profitability with the Group now operating 10 sales outlets making Nissan our third largest franchise partner.

In November 2014, the business of Halifax Nissan was acquired complementing the Group's Nissan operation in neighbouring Bradford. Consideration for this leasehold dealership was £0.3m.

Following changes in Nissan franchise representation in Scotland, from 1 April 2015 the Group is now the sole franchise partner for Nissan in Glasgow. Nissan sales outlets in the city were reduced from four sales outlets to two, being the Group's existing purpose built Glasgow South dealership together with an outlet in the north of the city. The Group is currently operating the Glasgow North Nissan sales outlet from temporary facilities, and plans to build a landmark Nissan dealership in the coming eighteen months. This expansion of the Group's Macklin Motors brand is an exciting development for the Group.

In December 2014, the Group disposed of its Nissan dealership in Altrincham for £0.8m to Nissan's own retail arm.

Volkswagen

In the past two years, the Group has acquired five Volkswagen dealerships in the East Midlands forming a contiguous territory. Capital investment in these dealerships to expand showroom capacity and implement latest manufacturer standards is ongoing. Lincoln and Boston were completed in 2014 with the remaining three dealerships in Nottingham and Mansfield due to be completed in 2015.

Hyundai

The Group currently operates a multi-franchised Renault/Dacia and Hyundai dealership in Exeter. The Group has successfully grown sales volumes in both of these franchises and, in order to maximise further market opportunities, the Group will relocate the Hyundai franchise to a separate freehold dealership. Contracts for this purchase have been exchanged with completion expected in the summer and the relocation will be completed by the end of 2015 following a refurbishment. The freehold property purchase consideration will be £2.3m.

Other developments

In August 2014, the Group acquired the Alfa Romeo and Jeep franchise from Benfield in Newcastle. These businesses were relocated to excellent leasehold premises on Scotswood Road, Newcastle and augmented with the Fiat franchise to create a new Fiat Group brand centre in Newcastle.

In September 2015, the Group opened the North East's only Infiniti dealership in Newcastle. This fledgling premium brand owned by Nissan will see the new higher volume Q30 model manufactured from late 2015 in Sunderland in close proximity to this Infiniti outlet.

During the year, the Group also saw the purchase and lease of additional properties adjacent to the Group's successful Waltham Cross Vauxhall operation at a cost of £1.1m. This expansion is facilitating a wider redevelopment of the dealership providing additional showroom, workshop and used car sales display capacity. The development will be complete in time for the September 2015 market.

January 2015 saw the Group open two new outlets at one location in Nottingham. From leased premises, the Group now operates the city's Renault/Dacia outlet and a state of the art Honda motorcycle outlet. The Group now operates six outlets in Nottingham and has more dealerships in the East Midlands than any other region.

Franchise related refurbishments

As noted already above, the Group is investing in franchise related property enhancements across a number of franchises to meet both increased capacity requirements and enhanced Manufacturer standards. This programme is set to continue to the end of 2016 and involves almost every franchise the Group represents. The coming together of manufacturer required investment at the same time across the sector for different Manufacturers is unusual and reflects the fact that such investment was not requested during the recent financial crisis. Group capital expenditure is currently therefore running at high levels and will fall back to much lower levels in due course. This is covered further in the Finance Director's Review.

Disposals and closures

In order to ensure the business is structured to deliver shareholder value, the portfolio is continually reviewed by the Board to ensure franchise representation is optimal and dealerships can generate appropriate returns. During the year, a number of changes were made to the portfolio following such reviews and the Group will continue to identify future opportunities to make such changes over time to maximise return on investment and ensure Group operations are successful.

The two satellite Ford operations acquired with the Gordons of Bolton acquisition have been closed. This process not only generates cash to invest in other opportunities, but enhances volumes of sales and service in the main dealership hubs operated by the Group in the area, so improving operational gearing.

The Group operated a single Suzuki sales outlet in Mansfield. Whilst a successful operation, the Group is keen to have relationships of scale with Manufacturers. It was mutually agreed with Suzuki that the Group would cease this Suzuki franchise operation on 1 April 2015. The outlet is currently being refurbished so as to open an additional Renault/Dacia outlet in the summer. This outlet will complement the Group's existing Renault/Dacia outlets in Nottingham and Derby.

On 1 April 2015, the Group ceased operation of a loss-making Peugeot dealership in Ilkeston in Derbyshire.

The Group ceased operation of its last Motor Nation used car supermarket in Birmingham in September 2014. This closure freed up the premises to be used as an additional vehicle compound for the Group's growing Ford commercial fleet activities, which are adjacent. The closure brought to an end the operation by the Group of non-franchised used car operations under the Motor Nation brand and allows the Group to concentrate on its core activity of operating franchised dealerships.

Other ancillary businesses

In addition to its franchised dealership businesses, the Group has a number of successful ancillary businesses, notably its What Car Leasing operation in partnership with Haymarket Publishing, and Bristol Street Versa, a converter of wheelchair accessible vehicles.

In November 2014, another business was added to this list with the acquisition of Glasgow-based Taxi Centre Limited for net total consideration of £1.0m. This growing business specialises in the sale of taxis to private taxi operators with finance provided via third party finance companies. In the 12 months ended 28 February 2015, the Taxi Centre sold 847 cars and going forward the vast majority of these vehicles will be supplied by the fleet operations of the Group's franchised dealerships.

It is the Group's strategy to expand the scale and scope of these and other ancillary businesses, as the opportunity arises, to the extent that they generate shareholder value and complement the Group's core franchised dealership operations.

Other infrastructure investment

The Group has developed a significant support centre and contact centre facility in Gateshead which operates activities including inbound and outbound service booking, sales enquiry management and customer experience activities which are key to the Group's customer relationship management and retention strategies. Support centre and contact centre activities are currently spread across three separate rented office locations, and in December 2014 the Group acquired a single office building in the same vicinity for consideration of £1.5m. This purchase, made from the liquidator of the previous owner's assets, will enable the Group to vacate the various rented offices so simplifying and reducing total service and occupation costs. This will be achieved by the end of June 2015. Shareholders will have the opportunity to see this new support centre, since it will host the forthcoming Annual General Meeting.

Digital marketing and environment

It is clear that customers now expect the physical property assets deployed in the automotive retail sector to be matched by effective and engaging on-line assets. The Group continues to invest 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 and, in particular, as the shift to mobile platforms continues.

The online environment is increasingly important throughout the entire customer motoring experience: in purchasing a car and in having it serviced. Customers expect us to be joined up between departments and also with our Manufacturer partners. An example of this is the need to have an effective Live Chat function to respond quickly to a vast array of customer enquiries and queries late into the night. The Group has successfully developed a dedicated Live Chat team and this is now adding significant value to the business, including facilitating incremental vehicle sales and service bookings.

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 has consistently ranked in the top two performers for the total number of visits for sales and aftersales in the UK automotive retail franchised sector in 2014 (Source: Google Hitwise). In addition, the Group operates the successful What Car Leasing business, a car leasing consumer website, in partnership with Haymarket Publishing.

In terms of vehicle sales, the Group directly sold 15,046 vehicles (2014: 11,410) from email and phone leads from on-line assets representing 15% (2014: 13%) of retail new and used vehicle sales volumes. 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 and is likely to strongly influence customers who contact or visit dealerships directly having researched on the web. As a result, Group marketing activities are now reflective of the digital revolution and email marketing, pay for click campaigns and search engine optimisation are all now as core to the Group as traditional press and radio campaigns. The latter, however, still remain important. Marketing investments of a digital and traditional nature must generate a substantial return on investment and these returns are monitored every six months to ensure this is the case.

Within the dealership environment, it is clear that the customer expects a seamless transition from the on-line experience to that in the showroom. Over the coming months, the Group will replace several paper-based elements of its vehicle sales process such as collecting information from and presenting offers to customers with a tablet-based system which will further enable this transition and enhance the customer experience. The new processes and systems should also increase the productivity of our sales teams. The Group is also implementing technology to enable videos to be sent to both service and sales customers, to augment the customer experience and enhance sales conversion.

Operating review

Market dynamics

Market conditions in terms of new vehicle sales volumes to consumers continued their run of improvement driven by a buoyant consumer environment in the UK, a consistent flow of excellent new cars and attractive consumer finance offers from Manufacturers. As anticipated, the double digit growth of recent years has subsided to single figure growth of UK private new car registrations. In the second half of the year it became evident, as a result of this slowing growth, that the market was becoming characterised by higher levels of self-registration by retailers creating a disconnect between the actual sales of vehicles to private customers by retailers and vehicles registered as "retail" as measured by the SMMT. Retailers are financially motivated to self-register new vehicles in order to either achieve volume targets set by Manufacturers or to take advantage of bulk purchasing deals on offer. These cars are then sold into the retail market as used cars. The strength of registrations is explained by the combined effects of the weakness of the wider European market particularly Russia, the strength of Sterling versus the Euro, and attractive finance deals, combined with the comparatively robust business and consumer confidence in the UK. 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 on the Continent. The UK is currently their market of choice.

Lower fuel prices, enhanced fuel efficiency, low rate finance deals and affordable service plan packages are all contributing to lowering the cost of motoring in the UK. As a result of these factors, the UK private retail market rose 8.4% in the financial year. In a reversal of last year's trend, premium franchises outperformed volume franchises in the UK private retail sector, with registrations up 10.0% in premium franchises and 7.5% in volume franchises.

New car fleet registrations in the UK rose by 9.8% in the year. The significant growth in the fleet market, particularly in the second half of the year, has been partly driven by the same supply push actions from Manufacturers as noted above for the private retail market and an increasingly fast growth UK economy.

The light commercial vehicle market, comprising vans, saw strengthening demand throughout the year as business confidence remained robust and the economy expanded. In particular, the growth of internet shopping at the expense of the High Street, has led to a continued demand for vans for home deliveries and this trend is expected to continue. UK van market registrations rose by 12.1% as a consequence.

The used car market in the UK saw limited growth in the period with substitution of traditional used car customers into new cars evident as low monthly payments on new car personal contract purchase ("PCP") offers had an impact. To some extent, this was offset in the market by self-registered cars being sold through the used car channel and the rise of used car PCP offers which are increasingly making used cars more affordable against new car offers.

The increase in supply into the used car market from additional part exchanges taken in by retailers has led to softer used car prices from September 2014 onwards in the wholesale markets. This feeds through into potentially lower used car margins in the market place, but also provides retailers with the ability to grow used car volumes compared to recent years when supply was very much more constrained.

The market for service, parts and accident repair services saw growth in the period arising from the impact of successive years of rising new car sales. The 0-3 year vehicle parc is once again building and this cohort of car owners is very loyal to franchised dealer networks for servicing. Increased service loyalty to franchised dealers is also raising service revenues due to more customers having service plans typically of three years in duration. These plans are largely monthly payment schemes which lock in prices for customers to a fixed monthly amount making servicing budgetable and affordable.

The sector is also witnessing a continued decline in the number of dealerships each year as many franchises trim outlet numbers in order to provide operational gearing benefits to the remaining retailers. Investment requirements in larger and refurbished outlets are moving in tandem with these trends. Sales and profit per sales outlet are therefore likely to increase as a consequence.

Revenues, margins and profitability

Revenues in the year increased by 23.2% (£390.4m) to £2,074.9m (2014: £1,684.5m). This reflected the impact of acquisitions made during the year (£68.1m) and the full year impact of prior year acquisitions (£164.4m). Closed operations resulted in a £14.8m year on year revenue reduction. Like-for-like revenues grew by 11.4% (£172.7m) reflecting higher volumes of vehicle sales and growth in service, parts and accident repair centre activities. The Group delivered over 140,000 new and used vehicles in the year.

Overall gross margin fell to 11.0% (2014: 11.4%) due to the increase in the mix of vehicle sales which outstripped the growth in higher margin aftersales operations in the period. There is a lag effect in the growth of aftersales revenues in the years following rises in vehicle sales as the latter takes time to feed into significant changes to the size and shape of the wider vehicle parc. This dynamic reflects the more defensive nature of aftersales revenues and profits and usually works in a positive manner in the event of a vehicle sales slowdown.

Overall vehicle revenues grew by 24.0% in the year and amounted to 91.9% of total revenues (2014: 91.3%), whereas total aftersales revenues grew by 14.3% and amounted to 8.1% of total revenues (2014: 8.7%). This does not reflect under performance in aftersales by the Group since aftersales revenues will continue to grow in the coming years on the back of the vehicle sales growth already experienced.

Adjusted[1] EBITDA increased by 21.6% to £28.7m in the year ended 28 February 2015 (2014: £23.6m). Adjusted[1] operating profit grew by 26.8% to £22.7m (2014: £17.9m) due to both like-for-like growth in the core dealerships and, significantly, 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. No exceptional items arose in the current period (2014: charge £1.2m). Adjusted[1] profit before tax rose by 25.7% to £22.0m (2014: £17.5m).

1. adjusted for exceptional charges, amortisation of intangible assets and share based payments charge. No exceptional items arose in the year ended 28 February 2015

Vehicle unit sales analysis

	2015 Core	**2015 Acquired[2]**	**2015 Total**	**2014 Total[3]**	**Total % Variance**	**Like-for-Like % Variance**
New retail cars	32,269	3,590	35,859	30,625	17.1%	6.4%
Motability cars	9,651	898	10,549	8,747	20.6%	10.9%
Fleet and commercial vehicles	29,371	1,256	30,961	25,760	20.2%	16.0%
Total New vehicles	**71,291**	**5,744**	**77,369**	**65,132**	**18.8%**	**10.8%**
Used retail vehicles	58,362	5,084	63,446	54,411	16.6%	9.2%
	129,653	**10,828**	**140,815**	**119,543**	**17.8%**	**10.1%**

2. relates to businesses acquired or developed subsequent to 1 March 2014 with businesses migrating into core once they have been in the Group for over 12 months

3. 2014 volumes include businesses acquired in the year ended 28 February 2014

Revenue and Margins

Year ended 28 February 2015

	Revenue £'m	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
New car retail and Motability	679.4	32.7	50.9	22.3	7.5
New fleet and commercial	498.5	24.0	12.3	5.4	2.5
Used cars	728.9	35.2	75.5	33.1	10.4
Vehicle sales	1,906.8	91.9	138.7	60.8	7.3
Aftersales[4]	168.1	8.1	89.4	39.2	43.5
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

Year ended 28 February 2014

	Revenue £'m	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
New car retail and Motability	534.4	31.7	40.8	21.2	7.6
New fleet and commercial	420.4	25.0	10.2	5.3	2.4
Used cars	582.6	34.6	63.2	32.9	10.8
Vehicle sales	1,537.4	91.3	114.2	59.4	7.4
Aftersales[4]	147.1	8.7	78.0	40.6	43.1
	1,684.5	**100.0**	**192.2**	**100.0**	**11.4**

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

Vehicle sales

New retail car volumes sold (excluding Motability Scheme sales) rose by 6.4% in the year on a like-for-like basis. This compared to an increase of 8.4% in UK private new car registrations and 8.2% for those franchises which the Group represents. The Group's operations performed strongly in the period and the Board considers that the shortfall between the Group's like-for-like sales volume growth and the registration data is explained by the registration data reported by the SMMT including self-registered vehicles by retailers and manufacturers when the Group's sales volumes exclude them.

Volumes of sales on the Motability Scheme rose by 10.9% on a like-for-like basis against a 6.3% growth in UK Motability registrations. This outperformance was helped by an increase in focus in the dealerships on this key customer category and is reflected in the fact that the Group was awarded Motability Dealer Group of the year 2014 by Motability themselves. Motability sales have near 100% retention into service operations in the three years following sale so this growth in sales should auger well for future servicing profitability.

Gross profit per unit increased in new car retail and Motability sales due to the Group's higher mix of premium sales. Margin percentages declined to 7.5% (2014: 7.6%) reflecting higher average sales prices driven by increased premium franchise sales and rising vehicle prices in the volume sector as advantageous PCP offers allow consumers to purchase higher specification models. Average sales prices on new vehicle sales rose from £13,342 in H1 (2014: £12,170) to £13,639 in H2 (2014: £12,950).

The Group benefitted from the rise in new car fleet registrations during the year. The Group has significant fleet operations and the Group benefits disproportionately when the fleet market rises due to its size, expertise and infrastructure. The Group's like-for-like car fleet volumes rose by 16.0%. The story was similar in the light commercial vehicle sales arena. The Group's like-for-like volumes of commercial vehicles increased by 16.1% during the year reflecting continued market share gains against registrations in the UK up 12.1%. The Group's margins in fleet and commercial sales improved to 2.5% (2014: 2.4%). Increased numbers of dealership based local business specialists are helping to deliver these gains in volume and margin and, in addition, acquisitions undertaken in recent years have enriched the mix of fleet business undertaken. Overall, in the year the Group delivered over 30,000 fleet and commercial units for the first time.

The Group's used vehicle volumes grew by 16.6% in total and by 9.2% on a like-for-like basis. The UK used car market was reported to be stable during the first half of the year with constrained supply resulting in stable prices and margins. In the second half of the year the market returned to a more typical seasonal depreciation cycle. These revised market conditions were a consequence of retailer self-registration and an increase in the supply of "nearly new" late plate vehicles which compete head on with highly competitive finance-led new vehicle offers. In addition, rising new car sales increased the general supply of used cars into the market. The used car market is no longer supply constrained as it has been since 2009. These trends tended to reduce used car margins achieved in the second half of the year.

The Group's total used car gross margin fell to 10.4% (2014: 10.8%), whilst gross profit per unit strengthened slightly to £1,190 (2014: £1,161). These margin trends at the Group level were impacted by the increasing premium mix of the Group with franchises such as Jaguar and Land Rover having higher sales prices and higher gross profit per unit but lower margin percentages. On a like-for-like basis, used vehicle gross margins increased from 11.5% to 11.6% with the first half being the period of margin growth. The Group increased like-for-like used car gross profits by £8.1m in the period representing an increase of 14%.

The strong like-for-like growth in used vehicle volumes of 9.2% in the period was ahead of the market. Whilst sales of self-registered cars aided this growth, there was clear substitution of used car customers into new cars in the period due to the availability of excellent finance offers on new cars and the need of the Group to hit stretching Manufacturer new car targets. The strong reported growth by the Group in used car volume comes on the back of three years of like-for-like growth and reflects the inherent strength of the Group in used cars through sales and stock management processes. This growth in used vehicle volume and underlying margin represents an excellent result. With supply constraints on used cars now relaxing, further volume growth should be possible.

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 where customers are unlikely to return to the dealership), marketing via a sophisticated customer relationship management process using the Group's dedicated contact centre in Gateshead and technology such as email reminders, SMS and on-line service booking facilities. Further retention is driven through the extensive sale of service plans and delivering an outstanding customer experience when customers visit. The latter is aided by extensive training programmes and is monitored by a significant commitment to mystery shops to the service department.

The Group continues to make progress in each of these areas. For example, the Group now has over 71,000 customers paying monthly for service and MOT (where appropriate) via the Group's three year service plan product (2014: 55,397). In addition, significant numbers of service plans operated by Manufacturers are also in place. These plans are helping the Group to take market share from the independent aftersales market in the service area and drive consistent servicing revenue growth.

The Group saw like-for-like revenues in all aftersales activities increase by 2.6% and like-for-like gross profits grow by £2.3m (3.3%) in the period. It should be noted that like-for-like aftersales revenues, excluding petrol forecourts operated by the Group, rose 3.3%. Service revenues rose 3.5% on a like-for-like basis, representing the fifth successive year of growth in this area. Overall aftersales margins strengthened to 43.5% (2014: 43.1%) and aftersales generated 39.2% of Group gross profits.

An increased focus on technician's efficiency, the impact of higher volumes and the Group's vehicle health check (VHC) process have contributed to the strengthening in aftersales margin. The latter seeks to ensure that all customer vehicles visiting the Group's dealerships are given a full mechanical health check by a fully qualified technician which identifies any service work which may be required and presents the customer with a clear and costed explanation of any such work identified. The performance of this process is monitored daily to ensure that the Group's customers are given the best opportunity to enjoy a trouble-free motoring experience. The increased car parc of cars sold by the Group in recent periods augurs well for the future of the Group's aftersales business.

The accident repair centre sector experienced a further year of stabilisation, and there is increasing evidence that industry capacity reductions have led to a greater balance in supply and demand in this sector. The Group's accident repair centre revenues grew 5.5% on a like-for-like basis and margins improved further to 65.8% (2014: 65.6%). The Group now operates nine accident repair centres.

Supply of Manufacturer parts continues to be a vital part of the franchised dealer model. Parts revenues rose 2.9% on a like-for-like basis with margins stable. Parts represents 26.8% (2014: 27.5%) of total aftersales gross profitability.

The Group operates a number of petrol forecourts with total revenues in the period of £14.2m. The fall in fuel prices resulted in a 5.4% fall in like-for-like petrol forecourt revenues in the period whilst stronger margins saw gross profits rise by £0.1m. The fall in revenues in the forecourts resulted in lower overall aftersales revenue growth in the period than may have been anticipated, particularly in the second half.

Robert Forrester
Chief Executive

Finance Directors' Review

Operating expenses

Cost control is a key discipline in UK automotive retail given the tight margins and the highly competitive trading environment. Strong cost control is essential both to achieve the benefits of operational gearing from growing sales activity in the core Group, and in the turning round of underperforming businesses acquired by the Group. The Group adopts a highly detailed business planning approach for all dealerships, profit centres and cost centres. This involves both annual zero based plans created for existing businesses and similar plans established for new acquisitions. 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 economies are maximised without compromising on the customer experience.

Operating expenses rose from £174.3m to £205.3m, but as a percentage of revenues reduced to 9.9% (2014: 10.3%) demonstrating operational gearing benefits and enhancing overall profitability and return levels. Underlying operating expenses rose £9.1m (5.8%) year on year. Nearly two thirds of this increase relates to employment costs due to:

- increased commissions and other variable incentives payable as a result of higher levels of sales and improved profitability at department, dealership and Group level;

- increases in vehicle sales departments' headcount to ensure the Group takes full advantage of higher sales volume levels as the market opportunity grows; and
- further investment in contact centres and other central functions to support the Group's growth and customer experience.

The Group has increased its like-for-like advertising expenditure during the year by £1.4m (10.9%) in order to capitalise upon the growing, but increasingly competitive, UK vehicle market. The allocation of this expenditure by channel of advertising (press, TV, radio, on-line) is planned on the basis of a sophisticated algorithmic model which calculates the return on investment by channel, based upon an analysis of historic spend and sales data. This is an example of the Group's use of its significant base of high quality management information to ensure that decisions on substantial recurring items of expenditure are made and validated on a scientific basis, with choices made based upon data analysis.

Interest charges

Net finance costs in the period increased by £0.3m to £0.7m (2014: £0.4m) due to interest payable on a one-off basis on amounts relating to previous periods due to HMRC, shown as other finance costs in the table below.

	Year ended 28 February 2015	**Year ended 28 February 2014**
	£'m	**£'m**
Bank interest payable	0.6	0.7
Other finance costs	0.4	-
New vehicle stocking interest income	(0.2)	(0.1)
Pension fund: net interest income	(0.1)	(0.2)
	0.7	**0.4**

Taxation

The effective rate of tax for the year was 21.2% (2014: 21.5%). The current year rate is in line with the standard UK corporation tax rate of 21.2% 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.

Cashflows and capital expenditure

The Group's net cash at 28 February 2015 was £15.7m (2014: £31.4m).

The Group continues to have a high cash conversion, generating an operating cash inflow of £26.1m from an adjusted operating profit of £22.7m in the financial year. The year ended 28 February 2014 included several one-off items which generated a positive movement in working capital of £23.8m. In the 2015 financial year increases in inventory and receivables due to the growth of the fleet and commercial operations were offset by higher levels of receipts from service plan and warranty customers and accelerated receipts from consumer finance partners. Additionally, demonstrator inventory requirements from Manufacturer partners resulted in a net working capital outflow of £2.9m.

The Group invested £36.6m in the year which can be analysed as follows:-

	£m
Acquisition of businesses	17.4
Dealership development projects:	
Purchase of property	7.3
Refurbishment projects	7.0
New support centre property	1.6
IT and other ongoing capital expenditure	3.3
	36.6

The principal items of expenditure are described in the Chief Executive's Review. The Group has several dealership development projects planned for the 2015/16 year. Several of the Group's Manufacturer partners are currently increasing their dealership size and facility requirements and are therefore encouraging retailers to upgrade dealership premises. Consequently, the Group anticipates that expenditure on current dealership redevelopment projects will be in the order of £9.8m in the 2015/16 financial year. In addition, planned new dealership developments totalling £12.8m are also anticipated in 2015, which will add further capacity to the Group's operations.

During the year the Group disposed of three surplus properties for proceeds of £1.9m, realising a loss on disposal of £0.2m, which has been included in operating expenses. The Group now has five surplus properties remaining with a net book value of £4.8m and realised £0.7m (book value) in respect of one of the properties subsequent to the year-end. Two of these properties are shown as property assets held for sale in the balance sheet. The Group during the year also disposed of the Altrincham Nissan dealership as a going concern, realising net proceeds of £0.8m.

Financial Position

The Group has a strong balance sheet with shareholders' funds of £179.6m (2014: £163.4m), representing net assets per share of 52.7p (2014: 48.5p). Tangible net assets per share were 38.3p (2014: 36.4p). The balance sheet is underpinned by a freehold and long leasehold property portfolio of £126.6m (2014: £105.6m).

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 2015, freehold locations represented 50% of locations (2014: 50%).

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and Manufacturer partners. As at 28 February 2015, the Group had in place a bank loan of £3.5m 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 2015. 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 had £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. 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 2015, the Group had cash balances of £19.3m (2014: £36.9m) and, as a consequence, net cash of £15.7m (2014: net cash of £31.4m). The cash position at 28 February 2015 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 £20m. The Group refinanced its banking facilities shortly after the year end as set out below. 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 2015 of £3.0m (2014: £3.1m). During the year, and in line with the funding programme agreed with the Trustees in 2013, the Group made cash contributions to the scheme of £0.4m (2014: £0.4m). This scheme is closed to future membership and accrual.

Post balance sheet events

On 30 March 2015, the Group refinanced its borrowing facilities, converting the £15.0m acquisition facility (available until September 2016) into a committed £20.0m acquisition facility which can be increased to £40.0m (extension currently uncommitted) and available until 31 March 2019. The overdraft and other money market facilities of £35m were increased to £45m and are available until 31 March 2016. The interest rates and other terms on these refinanced facilities are all more favourable to the Group than those on the former facilities as set out above.

On 31 March 2015, the Group closed a small sales outlet representing Suzuki in Mansfield and one of the peripheral sales outlets of the Bolton Ford business acquired in November 2014. On 10 April 2015, the Group also closed a small Peugeot sales outlet in Ilkeston. There were no significant costs associated with these closures.

On 24 April 2015, the Group disposed of the second peripheral freehold sales outlet acquired with the Bolton Ford business in November 2014, for a consideration of £0.7m, which equates to the net book value of this property.

On 30 April 2015 the Group exchanged contracts to acquire the business and certain assets of Bradford Jaguar from a subsidiary of Jardine Motors Group. The estimated consideration for this leasehold acquisition is £0.9m including goodwill of £0.75m. On 30 April 2015 the Group acquired the business and certain assets of Bury Land Rover from a subsidiary of Pendragon PLC. The total consideration for this leasehold acquisition was £7.0m including goodwill of £7.0m. The consideration for both of these acquisitions has been settled from the Group's existing resources.

Michael Sherwin
Finance Director

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 28 February 2015

	Note	2015 £'000	2014 £'000
Revenue			
Continuing operations		2,006,849	1,684,532
Acquisitions		68,063	-
		2,074,912	**1,684,532**
Cost of sales			
Continuing operations		(1,785,542)	(1,492,335)
Acquisitions		(61,301)	-
		(1,846,843)	**(1,492,335)**
Gross profit			
Continuing operations		221,307	192,197
Acquisitions		6,762	-
		228,069	**192,197**
Operating expenses			
Continuing operations		(197,912)	(174,293)
Acquisitions		(7,422)	-
		(205,334)	**(174,293)**
Operating profit before amortisation, share based payments charge and exceptional charges			
Continuing operations		23,395	17,904
Acquisitions		(660)	-
		22,735	**17,904**
Amortisation of intangible assets		(405)	(293)
Share based payments charge		(645)	(195)
Exceptional charges	3	-	(1,180)
Operating profit		**21,685**	**16,236**
Finance income	2	353	331
Finance costs	2	(1,040)	(725)
Profit before tax, amortisation, share based payments charge and exceptional charges		22,048	17,510
Amortisation of intangible assets		(405)	(293)
Share based payments charge		(645)	(195)
Exceptional charges	3	-	(1,180)
Profit before tax		**20,998**	**15,842**
Taxation	4	(4,459)	(3,414)
Profit for the year attributable to equity holders		**16,539**	**12,428**
Basic earnings per share (p)	5	**4.87**	**4.15**
Diluted earnings per share (p)	5	**4.78**	**4.11**
Basic adjusted earnings per share (p)	5	**5.15**	**4.69**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 28 February 2015

	Note	2015 £'000	2014 £'000
Profit for the year		**16,539**	**12,428**
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Actuarial losses on retirement benefit obligations		(461)	(1,558)
Deferred tax relating to actuarial losses on retirement benefit obligations		97	450
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	7	49	102
Deferred tax relating to cash flow hedges	7	(10)	(25)
Other comprehensive expense for the year, net of tax		**(325)**	**(1,031)**
Total comprehensive income for the year attributable to equity holders		**16,214**	**11,397**

CONSOLIDATED BALANCE SHEET (AUDITED)

As at 28 February 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Goodwill and other indefinite life assets		50,867	43,152
Other intangible assets		1,905	1,209
Retirement benefit asset		3,003	3,069
Property, plant and equipment		135,153	116,188
Trade and other receivables		-	192
		190,928	**163,810**
Current assets			
Inventories		394,287	334,452
Trade and other receivables		53,500	42,971
Property assets held for sale		1,866	-
Cash and cash equivalents		19,254	36,948
Total current assets		**468,907**	**414,371**
Total assets		**659,835**	**578,181**
Current liabilities			
Trade and other payables		(459,250)	(391,772)
Deferred consideration		(1,518)	(1,300)
Current tax liabilities		(6,028)	(5,161)
Derivative financial instruments		(25)	-
Borrowings		(3,423)	(2,000)
Total current liabilities		**(470,244)**	**(400,233)**
Non-current liabilities			
Borrowings		(161)	(3,512)
Derivative financial instruments		-	(74)
Deferred consideration		(291)	(1,300)
Deferred income tax liabilities		(3,699)	(4,049)
Deferred Income		(5,806)	(5,634)
		(9,957)	**(14,569)**
Total liabilities		**(480,201)**	**(414,802)**
Net assets		**179,634**	**163,379**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares		34,091	33,678
Share premium		96,810	96,729
Other reserve		10,645	8,820
Hedging reserve	7	(17)	(56)
Retained earnings		38,105	24,208
Shareholders' equity		**179,634**	**163,379**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)
For the year ended 28 February 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Operating profit		21,685	16,236
Loss on sale of property, plant and equipment		186	40
Amortisation of other intangible assets		405	293
Depreciation of property, plant and equipment		5,915	5,670
Impairment of freehold property		-	1,180
Impairment of preference shares receivable		192	-
Movement in working capital		(2,887)	23,778
Share based payments charge		617	195
Cash generated from operations		**26,113**	**47,392**
Tax received		182	35
Tax paid		(4,653)	(2,385)
Finance income received		219	137
Finance costs paid		(933)	(658)
Net cash generated from operating activities		**20,928**	**44,521**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(17,437)	(39,438)
Acquisition of freehold and long leasehold land and buildings		(8,929)	(4,509)
Purchases of intangible assets		(347)	(443)
Purchases of property, plant and equipment		(9,849)	(9,577)
Proceeds from disposal of business (net of cash, overdraft and borrowings)		752	1,926
Proceeds from disposal of property, plant and equipment		1,964	82
Net cash outflow from investing activities		**(33,846)**	**(51,959)**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		119	47,672
Repayment of borrowings	8	(2,000)	(8,000)
Dividends paid to equity holders		(2,895)	(2,526)
Net cash inflow from financing activities		**(4,776)**	**37,146**
Net (decrease) increase in cash and cash equivalents	**8**	**(17,694)**	**29,708**
Cash and cash equivalents at beginning of year		36,948	7,240
Cash and cash equivalents at end of year		**19,254**	**36,948**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

For the year ended 28 February 2015

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2014	**33,678**	**96,729**	**8,820**	**(56)**	**24,208**	**163,379**
Profit for the year	-	-	-	-	16,539	16,539
Actuarial losses on retirement benefit obligations	-	-	-	-	(461)	(461)
Tax on items taken directly to equity	-	-	-	(10)	97	87
Fair value gains	-	-	-	49	-	49
Total comprehensive income for the year	-	-	-	39	16,175	16,214
New ordinary shares issued	413	81	1,825	-	-	2,319
Dividend paid	-	-	-	-	(2,895)	(2,895)
Share based payments charge	-	-	-	-	617	617
As at 28 February 2015	**34,091**	**96,810**	**10,645**	**(17)**	**38,105**	**179,634**

The other reserve is a merger reserve, arising from shares issued for shares as consideration, to the former shareholders of acquired companies. The increase in the year reflects the issue of shares as part consideration for Hillendale Group Limited, The Taxi Centre Limited and Easy Vehicle Finance Limited.

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 losses 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**

NOTES

For the year ended 28 February 2015

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 2014. 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 2015 and 2014 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 2015 and 2014 financial statements were unqualified. A copy of the statutory accounts for 2014 has been delivered to the Registrar of Companies. Those for 2015 will be delivered following the Company's annual general meeting, which will be convened on 23 July 2015.

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 2014.

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.

Year ended 28 February 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
New car retail and Motability	679.4	32.7	50.9	22.3	7.5
New fleet and commercial	498.5	24.0	12.3	5.4	2.5
Used cars	728.9	35.2	75.5	33.1	10.4
Vehicle sales	1,906.8	91.9	138.7	60.8	7.3
Aftersales*	168.1	8.1	89.4	39.2	43.5
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

Year ended 28 February 2014

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
New car retail and Motability	534.4	31.7	40.8	21.2	7.6
New fleet and commercial	420.4	25.0	10.2	5.3	2.4
Used cars	582.6	34.6	63.2	32.9	10.8
Vehicle sales	1,537.4	91.3	114.2	59.4	7.4
Aftersales*	147.1	8.7	78.0	40.6	43.1
	1,684.5	**100.0**	**192.2**	**100.0**	**11.4**

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

2. Finance income and costs

	2015 £'000	2014 £'000
Interest on short term bank deposits	50	55
Vehicle stocking interest	163	82
Net finance income relating to Group Pension Scheme	140	194
Finance income	**353**	**331**
Bank loans and overdrafts	(642)	(703)
Other finance costs	(398)	(22)
Finance costs	**(1,040)**	**(725)**

3. Exceptional charges

	2015 £'000	2014 £'000
Impairment of fixed assets	-	1,180
	-	**1,180**

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

4. Taxation

	2015 £'000	2014 £'000
Current tax		
Current tax charge	5,214	4,526
Adjustment in respect of prior years	(96)	241
Total current tax	**5,118**	**4,767**
Deferred tax		
Origination and reversal of temporary differences	(469)	(148)
Adjustment in respect of prior years	(203)	(666)
Rate differences	13	(539)
Total deferred tax	**(659)**	**(1,353)**
Income tax expense	**4,459**	**3,414**
Comprising:		
Taxation – excluding exceptional charges	4,459	3,414
Taxation – exceptional charges	-	-
	4,459	**3,414**
Factors affecting taxation expense in the year:		
Profit before taxation and exceptional charges	20,998	17,022
Exceptional charges	-	(1,180)
Profit before taxation from continuing operations	**20,998**	**15,842**
Profit before taxation multiplied by the rate of corporation tax in the UK of 21.17% (2014: 23.08%)	4,445	3,656
Non-qualifying depreciation	325	301
Non-deductible expenses	109	436
Rate differences	13	(539)
Small companies rate	-	(2)
Property adjustment	(76)	46
Permanent benefits	(58)	(51)
Utilisation of unprovided deferred tax	-	(8)
Adjustments in respect of prior years	(299)	(425)
Total tax expense included in the income statement	**4,459**	**3,414**

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014, and from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 21.17%.

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.

	2015	**2014**
	£'000	**£'000**
Profit attributable to equity shareholders	16,539	12,428
Amortisation of intangible assets	405	293
Share based payments charge	645	195
Exceptional charges	-	1,180
Tax effect of adjustments	(86)	(68)
Adjusted earnings attributable to equity shareholders	**17,503**	**14,028**
Weighted average number of shares in issue ('000s)	339,797	299,367
Potentially dilutive shares ('000s)	6,410	3,263
Diluted weighted average number of shares in issue ('000s)	**346,207**	**302,630**
Basic earnings per share	**4.87p**	**4.15p**
Diluted earnings per share	**4.78p**	**4.11p**
Basic adjusted earnings per share	**5.15p**	**4.69p**
Diluted adjusted earnings per share	**5.06p**	**4.64p**

6. Dividends per share

The dividends paid in the year to 28 February 2015 were 0.85p per share in total (2014: 0.75p per share). A final dividend in respect of the year ended 28 February 2015 of 0.7p per share is to be proposed at the annual general meeting on 23 July 2015. The ex-dividend date will be 25 June 2015, and the associated record date 26 June 2015. This dividend will be paid, subject to shareholder approval, on 28 July 2015 and the financial statements do not reflect this dividend payable.

The last date for shareholders to elect for the Dividend Re-Investment Plan (DRIP) will be 3 July 2015 (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:

	2015 £'000	2014 £'000
At beginning of year	(56)	(133)
Fair value gains on derivative financial instruments during the year	49	102
Deferred taxation on fair value gains during year	(10)	(25)
At end of year	**(17)**	**(56)**

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

	2015 £'000	2014 £'000
Net (decrease) increase in cash and cash equivalents	(17,694)	29,708
Cash outflow from repayment in borrowings	2,000	8,000
Cash movement in net cash	**(15,694)**	**37,708**
Capitalisation of loan arrangement fees	48	30
Amortisation of loan arrangement fees	(120)	(88)
Non-cash movement in net cash	**(72)**	**(58)**
Movement in net cash	**(15,766)**	**37,650**
Opening net cash (debt)	**31,436**	**(6,214)**
Closing net cash	**15,670**	**31,436**

9. Acquisitions

On 6 May 2014 the Group acquired the entire issued share capital of Hillendale Group Limited which operates a Land Rover dealership in Nelson, Lancashire and a Jaguar dealership in Bolton, Lancashire, for consideration of £8,040,000. £2,000,000 of consideration was satisfied through the issue of 3,410,475 ordinary shares in the company issued at 58.64p. The remaining £6,040,000 consideration was satisfied in cash from the Group's existing cash resources.

On 5 November 2014 the Group acquired the entire issued share capital of The Taxi Centre Limited and Easy Vehicle Finance Limited (together "the Taxi Centre Limited") which source vehicles for private operators in the taxi sector and is located in Paisley, Scotland. Total consideration for the acquisition was £2,060,000. £200,000 of this consideration was satisfied through the issue of 343,053 ordinary shares in the Company, issued at a price of 58.30p. A further £400,000 has been included in consideration in respect of an earn out arrangement which specifies that a percentage of profit before tax for each of the three years following acquisition will be payable to the seller. The earn out arrangement has been ascribed a fair value based on a current estimate of the present value of future profitability of the business. £109,000 has been included in current 'deferred consideration' in respect of the estimated amount payable within one year and £291,000 has been included in non-current 'deferred consideration' in respect of the estimated amount payable in greater than one year. The remaining consideration has been met from the Group's existing cash resources.

On 7 November 2014 the Group acquired the trade and certain assets of two Ford main dealerships in Bolton and Wigan, and two satellite operations in Walkden and Horwich from Gordons (Bolton) Limited for total consideration of £11,027,000, of which £10,918,000 was met from the Group's existing cash resources. There is a further £109,000 deferred consideration payable on the first anniversary of the acquisition completion date.

On 26 August 2014 the Group acquired part of the business and certain assets of Addison Motors Limited trading as Benfield Alfa Romeo, Benfield Chrysler, Benfield Jeep and Benfield Fiat Service Centre in Newcastle. On 21 October 2014 the Group acquired the trade and assets of 3e Autos, trading as Nottingham Motor Company, operating as Renault Authorised Repairers in Nottingham. On 28 November 2014 the Group acquired the trade and assets of a Nissan dealership in Halifax from Lightcliffe Limited. Total consideration for these acquisitions of £1,006,000 was met from the Group's existing cash resources.

Measurement period adjustment

On 12 June 2013 the Group acquired the entire issued share capital of Albert Farnell Limited. The Group recognised in the 2014 financial statements a provisional fair value for net assets acquired of £13,737,000 and a provisional fair value for goodwill of £17,439,000.

Within the measurement period following acquisition and in accordance with IFRS3, the purchase price allocation has been finalised. This included an exercise to search for other material separately identifiable intangible assets such as brand value, supplier agreements, franchise relationships and customer relationships. As a result of this, a value of £7,373,000 has been ascribed to franchise relationships reflecting the ability to sell manufacturer vehicles and to offer manufacturer standard aftersales services in a particular geographic area. This amount has been reclassified from goodwill to other indefinite life assets, and a corresponding deferred tax liability of £1,475,000 has been recognised. The directors' judgement is that this intangible asset has an indefinite useful life and therefore will be reviewed for impairment on an annual basis.

The finalisation of the purchase price allocation also resulted in a reduction in the fair value of tangible fixed assets acquired of £488,000.

In accordance with IFRS3, the measurement period adjustment has been reflected in these financial statements as if the final purchase price allocation had been completed at the acquisition date. The impact of this was to increase the value of "Goodwill and indefinite life assets" by £1,963,000, decrease the value of 'Property, plant and equipment' by £488,000 and increase the value of 'Deferred income tax liabilities' by £1,475,000 from the figures previously reported at 28 February 2014.

10. Post balance sheet events

On 30 March 2015, the Group refinanced its borrowing facilities, converting the £15.0m acquisition facility (available until September 2016) into a committed £20.0m acquisition facility which can be increased to £40.0m (extension currently uncommitted) and available until 31 March 2019. The overdraft and other money market facilities of £35m were increased to £45m and are available until 31 March 2016. The interest rates on these refinanced facilities are all more favourable to the Group than those on the former facilities.

On 31 March 2015, the Group closed a small sales outlet representing Suzuki in Mansfield and one of the peripheral sales outlets of the Bolton Ford business acquired in November 2014. On 10 April 2015, the Group also closed a small Peugeot sales outlet in Ilkeston. There were no significant costs associated with these closures.

On 24 April 2015, the Group disposed of the second peripheral freehold sales outlet acquired with the Bolton Ford business in November 2014, for a consideration of £0.7m, which equates to the net book value of this property.

On 30 April 2015 the Group exchanged contracts to acquire the business and certain assets of Bradford Jaguar from a subsidiary of Jardine Motors Group. The estimated consideration for this leasehold acquisition is £0.9m including goodwill of £0.75m. On 30 April 2015 the Group acquired the business and certain assets of Bury Land Rover from a subsidiary of Pendragon PLC. The total consideration for this leasehold acquisition was £7.0m including goodwill of £7.0m. The consideration for both of these acquisitions has been settled from the Group's existing cash resources.