11 May 2016

Vertu Motors plc (“Vertu” or “Group”)

Final results for the year ended 29 February 2016
Strong aftersales performance drives record revenues and profits

Vertu Motors plc, the UK automotive retailer with a network of 127 sales and aftersales outlets across the UK, announces its audited results for the year ended 29 February 2016.

	Year ended 29 February 2016	**Year ended 28 February 2015**	**% Change**
Revenue	£2,423.3m	£2,074.9m	16.8%
Adjusted EBITDA*	£35.5m	£28.7m	23.7%
Adjusted operating profit*	£28.6m	£22.7m	26.0%
Adjusted profit before tax*	**£27.4m**	**£22.0m**	**24.5%**
Adjusted earnings per share*	6.46p	5.15p	25.4%
EBITDA	£34.5m	£28.0m	23.2%
Operating profit	£27.2m	£21.7m	25.3%
Profit before tax	**£26.0m**	**£21.0m**	**23.8%**
Earnings per share	**6.06p**	**4.87p**	**24.4%**
Operating cash inflow	£65.8m	£26.1m	152.1%
Net cash	£23.1m	£15.7m	47.1%
Net assets per share	58.0p	52.7p	10.1%
Tangible net assets per share	38.3p	38.3p	0.0%
Dividend per share	**1.30p**	**1.05p**	**23.8%**

* adjusted for amortisation of intangible assets and share based payments charge.

Operational Highlights

	Increase/(decrease) year-on-year	
	Total	**Like-for-Like**
Group revenues	16.8%	7.3%
Service revenues	13.9%	6.5%
Volumes :		
New retail vehicles	11.0%	4.0%
Motability vehicles	8.4%	1.6%
Fleet new cars	0.9%	(4.2%)
Commercial new vehicles	32.3%	22.0%
Used retail vehicles	13.0%	8.0%

- Since 1 March 2015, acquired 16 dealerships including Audi, Honda, Volkswagen, Mercedes-Benz, Jaguar and Land Rover
- Improvement in recently acquired businesses driving gross margin, revenue and profit growth
- Continued improvement in aftersales performance - gross margins increased to 44.8% (2015: 43.5%)
- Post balance sheet date raised £35m to fund future acquisitions: Board expects significant deployment in coming months
- Trading in March and April 2016 ahead of prior year - Board remains confident about the Group’s prospects for the current year

Robert Forrester, Chief Executive of Vertu said:

"We have delivered significant revenue growth, which together with tight control of costs, has resulted in record profitability. This profitability, combined with strong cash flow, gives the Board the confidence to significantly increase the dividend. We are particularly pleased with our aftersales performance. The last three years of strong new car sales, coupled with the Group's success in selling service plans to used car customers, provides the Group with good visibility of this recurring high margin income stream.".

"We have added further strength to the operational management team to support future growth and we continue to review a number of further acquisition opportunities."

"Our acquisitions have been integrated quickly and efficiently and are performing encouragingly. March and April have been good months. We see a stabilisation of the new car market at these high levels. The Board looks to the future with confidence."

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Notes to Editors

Vertu, the UK automotive retailer with a proven growth strategy, is the fifth largest automotive retailer in the UK with a network of 127 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell, South Hereford Garages 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 124 franchised sales outlets and 3 non-franchised sales operations from 105 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.farnelljaguar.com / www.vertuvolkswagen.com / www.southherefordgarages.co.uk / www.vertumercedes-benz.com

Chairman's Statement

The Board is reporting another year of strong growth, with record levels of revenue, operating profit, earnings per share and dividends.

In my first Chairman's statement to shareholders last year, I explained that I was struck by three features of the Group: that the Group is set for growth, well positioned with Manufacturer partners and in a healthy financial position. These results confirm all three of these features and I remain optimistic about the Group's growth prospects, as well as confident of its resilience.

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 requires in order to deliver a sustainable long term return for shareholders.

Today, I am pleased to announce that Pauline Best joins the Board as a Non-Executive Director with effect from 1 June 2016. Pauline is an experienced Human Resources professional who is currently the Global People and Organisation Director of Specsavers and whose previous roles include Global Leadership and People Capability Director for Vodafone and Human Resources Director of Talkland. The need to work to attract and retain the best available talent is a priority, as sector growth highlights skill shortages and as new ways of working develop in the digital age. These issues are high on the Board's agenda, which is why I have sought to add Pauline's skills to the Board at this time.

Following Ken Lever's appointment to the Board last year, he will assume the roles of Chairman of the Audit Committee and Senior Independent Director following this year's Annual General Meeting.

UK European Union Referendum

The Board is following the UK European Union referendum debate closely and is maintaining contact with its Manufacturer partners regarding their scenario planning for both potential outcomes. As the UK is a significant importer of vehicles manufactured in continental Europe, the stability of trade relationships and currency will be important for both automotive retailers and Manufacturers.

Dividends

The Board has proposed an increase in the final dividend for 2016, payable on 26 July 2016, to 0.85 pence per share (2015: 0.7p), which, when taken together with the interim dividend paid in January 2016 of 0.45 pence per share (2015: 0.35p), provides a total dividend for the year of 1.30 pence per share (2015: 1.05p), representing an increase of 23.8%. The ex-dividend date will be 23 June 2016 and the associated record date 24 June 2016. The Group's dividend strategy is set out in more detail in the Chief Financial Officer's Review.

Current trading and outlook

The Group has traded ahead of the current year financial plan and the prior year in March and April 2016 ("the post year-end period"). Increasing sales and a strong aftersales performance, together with an increased contribution from recently acquired dealerships are enabling the Group to drive profits forward again.

In the post year-end period, aftersales margins rose from 45.2% to 46.7% with like-for-like revenue increases. Service like-for-like revenues rose 7.0% and continued to benefit from the successful customer retention initiatives being executed by the Group. Overall aftersales profitability increased on a like-for-like basis in the post year-end period.

The post year-end period includes March, which remains the most significant month for the profitability of UK automotive retail. The post year-end period saw a continuation of growth in the UK private new car market in terms of vehicle registrations. In the post year-end period, the Group has seen stable new retail volumes and a slight decline in gross margin. The Group has seen strong growth in fleet and commercial volume margins. Overall, the profit contribution from new vehicle sales in retail and business channels is flat on a like-for-like basis.

The Group's like-for-like used vehicle retail volumes were up 5.9% in the post year-end period continuing the sustained, long term growth in performance. The impact of the changes made to the Group's marketing in the second half of last year, along with a continued focus on the management of used vehicle inventory, have contributed to this performance. Used vehicle margins were stronger during the post year-end period and the combination of increased volumes and margin has led to a significant increase in year on year profitability.

Given trading in March and April 2016 and the encouraging improvements we are seeing in the acquired businesses, the Board remains confident about the Group's prospects for the current year.

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. The team has created a unique culture, which is in place consistently across our businesses, and has delivered record profitability.

P. Jones
Non-Executive Chairman

Chief Executive's Review

Strategy

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 currently believes that capital can continue to 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. Pursuant to this strategy, the Group undertook a number of further significant acquisitions in the year and, in March 2016, undertook an equity placing of £35m (gross) to fund the continuation of this strategy. The addition of further dealerships and new franchise partners to the Group's portfolio will enable the Board to deliver its goal of replicating the market share of Manufacturers in the UK in the Group's portfolio of franchised dealerships. This goal provides diversified profit streams so reducing the Group's exposure to variations in individual manufacturers' performance.

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. Key performance indicators, such as local market share, in addition to colleague and customer satisfaction scores, are the key drivers for management at all levels. The Board is pleased to note that 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 95% (2015: 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 consistent, values-driven culture across the business. In addition to several individual dealerships winning Manufacturer excellence awards, the Group was also recognised for the second consecutive year within the Honda franchise for having the best UK dealerships in 2015. The Group was also Motability dealer group of the year for the second consecutive year, demonstrating further evidence of a relentless focus on achieving high levels of customer satisfaction and performance.

The success of the Group's strategy is evidenced by the rapid growth since the first acquisition in 2007 and the turnaround and integration of acquired dealerships to date. The Group will be 10 years old in November and has become a very significant player in the UK automotive sector. The Group is currently ranked fifth in the UK by revenue (source: Motortrader). Many of the acquisitions undertaken in recent periods have still to become fully established in margin terms and this provides the Group with further opportunity to deliver improved margins and grow organic profit over the medium term.

Business Model

The Group's business model enables the delivery of enhanced business performance from acquired dealerships through the implementation of consistent business processes and systems and tight operational management. Many of the Group's acquisitions are turnaround opportunities and a number are new start-up dealerships sharing similar characteristics, including a weak customer database and consequently an aftersales business performing below its potential. The aftersales activities have significantly higher margins compared to vehicle sales (2016: 44.8% in aftersales and 7.2% in vehicle sales), and the Group's business model works to improve and then maximise the aftersales performance and hence margins. Growing the aftersales potential is fundamentally a function of increasing the sale of new and used cars by the dealership in the locality.

The application of this business model relies heavily on strong, high quality management teams in order to deliver the required returns over time. The recruitment, development and retention of high performing automotive 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 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 believes these functions and teams provide substantial operational benefits to the Group, a key competitive advantage and a strong foundation from which to further scale the business. This advantage is recognised by the Group's Manufacturer partners who encourage this investment and many are keen for their franchises to be served by these centralised functions.

As part of a regular Board discipline, the Group continually reviews all operations to ensure they will deliver value in the medium term. Underperforming businesses requiring improvement are highlighted with specific turnaround plans established with measures and milestones. The Board monitors performance on a monthly basis. 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 value is generated.

New Revenue Streams

The Group operates several small incubator businesses which trade in areas parallel to the Group's core automotive retail activities. In total, these growing activities made a contribution to the Group of £0.5m during the period:

- Bristol Street Versa Mobility Solutions supplies wheelchair accessible vehicles to customers who require conversion from standard vans. Many of the converted vans are sourced from Group franchises, providing purchasing synergies for the supplying dealerships. The business is now the fourth largest in its sector in the UK and has commenced export activities.
- Taxi Centre supplies new and used vehicles to private hire taxi operators throughout the UK, and also sources vehicle finance for its customers.
- What Car? Leasing is a joint venture with Haymarket Publishing which provides to third party automotive retailers, an internet portal for selling new vehicles on private contract hire. The Group brings its considerable internet marketing expertise to this venture and operates the web platform. There are a number of initiatives planned to deepen this relationship.
- Lease Cars Direct is an internet business which sells the Group's new vehicles on lease finance products and delivered 1,066 cars in the financial year.
- Ace Parts, acquired in December 2015, is an on-line, non-franchised vehicle parts business selling parts to both retail customers and independent garages. The Group has plans to expand the non-franchised business and also to leverage the expertise into the selling of franchised parts to consumers and businesses. This is likely to include white-labelling with well known portals and brands, and one platform has already been launched.

The Group will continue to examine opportunities to leverage its existing operations and know-how in potential new ventures, particularly opportunities associated with the growth of digital channels to market.

Portfolio development

During the year, the Group has continued to invest in its growth strategy and has expanded the number of sales and aftersales outlets from 116 at 28 February 2015 to 127 sales outlets at 11 May 2016 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 105 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	**2016**	**2015**
Ford	22	23
Vauxhall	14	14
Honda	12	9
Nissan	10	9
Peugeot	7	9
Hyundai	7	7
Renault / Dacia	7	5
Volkswagen	6	5
SEAT	5	5
Land Rover	5	4
Citroen/DS	4	4
Mazda	4	4
Fiat	4	4
Mercedes-Benz/smart	3	-
Jaguar	3	1
Alfa Romeo	2	3
Volvo	2	2
Jeep	1	2
Infiniti	1	1
Škoda	1	-
Audi	1	-
Suzuki	-	1
	121	112
Other franchised outlets		
Honda Motorcycles	2	2
Volkswagen Commercials	1	-
	3	2
Non-franchised outlets		
Bristol Street Versa (wheelchair accessible vehicles)	1	1
Used car non-franchised operation	2	1
	3	2
Total sales outlets	127	116

Acquisitions and investment

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

Ford – our largest franchise partner

Ford is the Group's largest franchise partner in both profit terms and number of sales outlets. The Group is the third largest Ford dealer in the UK and Ford has been the UK market leader in car and commercial vehicle sales volumes for decades. In calendar year 2015, Ford had a market share of 12.7% of the total new car market.

In May 2015, the new Wigan Ford dealership, which the Group built for £2.1m after acquiring this business in November 2014 from Gordons of Bolton, was opened and relocated. This dealership now represents the brand appropriately in this important Lancashire town and provides a high quality customer environment. In September 2015, the Group disposed of Horwich Ford, a satellite sales outlet and petrol forecourt.

In the summer of 2015, the Group completed the redevelopment of Orpington which is now a Ford Store, one of a number of large scale dealerships in the UK which sells the complete Ford product range including the Mustang and Vignale premium range. In February 2016, the £1.0m redevelopment of Birmingham Bristol Street to become a Ford Store was completed. This is an important dealership for the Group, located in the heart of Birmingham city centre. It is where the original Bristol Street Motors business was founded and remains a major operation of the Group to this day. The current financial year will see further redevelopments in Bolton, Stoke and Gloucester as the Group continues to invest in the Ford Store format.

Vauxhall

The Group has carried out a major redevelopment and enlargement of the Waltham Cross Vauxhall dealership which has involved acquiring and reconfiguring two adjacent properties to significantly increase the used car and service department capacity. The acquisition of the properties was completed in 2014 costing £1.1m, and a further investment of £0.9m was completed in the period which has transformed the capacity of the dealership.

In addition, the Group has upgraded the Vauxhall showrooms and facilities in the Carlisle, Crewe, Keighley, Durham and Newcastle dealerships to provide enhanced new vehicle display facilities and an improved customer experience. The Group is the first major group to complete the refurbishment of its Vauxhall portfolio to the latest corporate standards.

Honda

The Group is the largest Honda dealership group in Europe with 12 outlets. Three outlets were acquired, for a consideration of £2m, in Stockton, Nottingham and Derby in January 2016. The Group has also expanded the service capacity at Mansfield and refurbished its Sunderland Honda business to latest corporate standards. Work is about to commence to add a Honda sales outlet in Morpeth alongside the current Ford operation. This will be the only Honda representation in the county of Northumberland.

The Group is also planning to acquire the freeholds of the recently acquired Nottingham and Derby dealerships from Honda in the coming weeks.

Nissan

Nissan has been a fast growing franchise within the Group's portfolio in recent years.

Following changes in Nissan franchise representation in Scotland, from 1 April 2015 the Group became the sole franchise partner for Nissan in Glasgow. Nissan sales outlets in the City were reduced from four to two, being the Group's existing Glasgow South dealership, and a further temporary outlet in the North of the City. The Group has acquired a prominent city centre property which it is currently redeveloping to create a landmark dealership. It is expected that this will be completed in the autumn of 2016.

Renault/Dacia

The Renault/Dacia franchise is successfully rebuilding its UK market share, and the Group continues to invest alongside this growth. During the period, the Group opened a new sales outlet in Mansfield in an existing Group dealership and also opened a sales outlet in temporary premises in Leeds.

Hyundai

Hyundai is a growing franchise which the Group is delighted to support as it establishes itself a significant brand in the UK. Hyundai represented 3.35% of the total new car market in the calendar year 2015.

Until January 2016, the Group operated a multi-franchised Renault/Dacia and Hyundai dealership in Exeter. In order to maximise the market opportunities for both franchises, the Group invested £2.4m to acquire a separate dealership property in close proximity to the existing business and invested a further £0.5m to refurbish the new property to Hyundai's latest corporate standards. The new dealership began operation in January 2016.

The Group has also invested £0.4m in the two Hyundai sales outlets in Edinburgh which were acquired in late 2013, developing the showroom capacity and enhancing customer facing facilities. In late May 2016, Hyundai will open in the existing Group dealership in Bristol alongside Mazda. This will bring the Group's Hyundai representation to 8 outlets.

Volkswagen Group – Volkswagen, Volkswagen Commercials and Audi

In October 2015, the Group invested £14.4m (including £1.5m deferred for two years) to acquire three Volkswagen Group outlets in Hereford representing the Audi, Volkswagen Passenger Cars and Volkswagen Commercial Vehicle franchises. This acquisition also included two Volkswagen Group parts distribution operations and a stand-alone used car operation.

During the period, the Group also invested £0.9m in redeveloping and upgrading the Mansfield and Nottingham South Volkswagen Passenger Car dealerships. A further investment to reconfigure the Group's Nottingham North Volkswagen Passenger Car dealership has commenced which will complete all the Group's upgrading of its Volkswagen portfolio.

The emissions issue surrounding the Volkswagen Group from September 2015 onwards has had no material impact on the Group's operations. The Volkswagen Group brands have seen profit perform ahead of last year on a like-for-like basis during the period from 1 January 2016 to 30 April 2016.

Jaguar and Land Rover

The Jaguar Land Rover business in the UK is undertaking an exercise to bring together the ownership of the two franchises within market areas and, where possible, within the same property footprint.

In May 2015, the Group acquired Bury Land Rover for £7.0m and Bradford Jaguar for £0.8m. In September 2014, the Group acquired a major dealership freehold property in Leeds for £5.2m which was vacated by its former operator in November 2015. The building is currently being refurbished to Land Rover standards and the Group will relocate its existing Land Rover and the newly acquired Leeds Jaguar operation from their current leased premises to this freehold site by the end of 2016. The Leeds Jaguar outlet was acquired on 3 May 2016 for consideration of £0.7m.

There is a considerable amount of investment planned between now and the end of 2018 as the remainder of the Group's Jaguar Land Rover portfolio is redeveloped to incorporate the latest corporate standards and capacity requirements.

Addition of Mercedes-Benz

On 1 March 2016, the Group acquired Greenoaks Mercedes-Benz comprising three dealerships in Ascot, Slough and Reading for £30.9m (including £3.5m deferred for 12 months). The dealerships include Mercedes AMG performance cars in Ascot and smart in Ascot and Reading. This acquisition introduced Mercedes-Benz to the Group's franchise portfolio and further develops the strategy of balancing both premium and volume franchise within the overall portfolio.

Continued Review of the Portfolio

As a result of the continued review of the portfolio during the year, the Group took actions to dispose of, close or refranchise several operations.

In April 2015, a Peugeot dealership in Ilkeston was closed, and in July 2015, the Dunfermline Peugeot business was sold. Also in July 2015, the Mansfield Suzuki sales outlet was refranchised to become a new Renault and Dacia outlet.

During the year, the Group reviewed its long-term strategy with regard to its six petrol forecourt operations. Petrol forecourts at Stroud and Dunfermline were closed in order to provide extra used car capacity at these locations and enhance returns. In addition, forecourts at Walkden and Horwich were sold during the year realising £2.1m. The Group now operates two profitable petrol forecourts.

In October 2015, the Group ceased sales operations at two multi-franchised dealerships being Cheltenham Alfa Romeo and Bristol Jeep. As noted above, the Group plans to replace Jeep with Hyundai in Bristol.

Management

The Group has always benefitted from a stable senior management team which has grown as the Group has expanded. In order to ensure that the Group's current and future growth is appropriately controlled, the Group has strengthened its operational management team. On 1 March 2016, David Crane, who joined the Group when it was established in 2006, moved from the role of Commercial Director to become Chief Operations Officer. In addition, two new appointments have been made to the CEO Committee (the Group's Operational Board) in recent months. Firstly, Tim Tozer, formerly Chairman of Vauxhall Motors and President and CEO of Mitsubishi Motors Europe, joined the Group on 1 March 2016 as Divisional Director responsible for the Peugeot, Hyundai, Mazda and Fiat Group franchises. Tim brings significant automotive experience to the Group and adds further operational management bandwidth to the senior team. Liz Cope, formerly VP Global Marketing for Vax and Global Brand and Research Director for Dyson, joined the Group on 1 April 2016. This important appointment reflects the growing importance of a structured and consistent approach to marketing, to support the development and growth of the business in all channels.

On 1 January 2016, the Group also created the position of Group Aftersales Director and appointed Calum Thomson, who has worked in the Group since 2007. He has extensive experience of the aftersales function in automotive retail businesses. This new position will ensure that the Group's business model, which drives the growth of the higher margin aftersales revenues, is given the right senior management focus and co-ordination in terms of aftersales best practice, training, recruitment and development.

Operating review

Market dynamics

Market conditions for new vehicle sales to consumers continued their run of growth driven by a continuation of the positive consumer and business environment in the UK, and a consistent flow of excellent new model introductions. The strength of registrations is also explained by the combined effects of the weakness of the wider European market, the weakening of other export markets particularly China, the relative strength of Sterling versus the Euro and attractive finance deals provided by captive finance companies. The majority of new vehicles sold in the UK are supplied by the European sales operations of global Manufacturers and the UK remains their market of choice.

As a result of these factors, the UK private retail market rose 3.9% in the financial year. Premium franchises continued to outperform volume franchises in the UK private retail sector, with registrations up 7.3% in premium franchises and 1.7% in volume franchises.

New car fleet registrations in the UK rose by 9.5% in the year. This continued growth in the fleet market has been partly driven by the same supply push actions from Manufacturers noted above.

The light commercial vehicle market, comprising vans, saw strengthening demand throughout the year as business confidence remained robust and the economy expanded. 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 13.2% as a consequence.

The used car market in the UK grew by approximately 2% in the period. Stronger growth was evident in the 0-3 year old segment following the increase in supply as the growth in the new car market in recent years takes its effect in the used wholesale markets. This provides retailers with the ability to grow used car volumes compared to previous 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 0-6 year vehicle parc is growing, including the 0-3 year parc in particular, and this cohort of car owners is very loyal to franchised dealer networks for servicing. Increased service loyalty to franchised dealers from customers with older cars 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 vehicle servicing both budgetable and affordable. The corporate fleet market for servicing is also seeing considerable growth as the fleet parc expands and represents a considerable aftersales opportunity. Growth in the servicing market results in higher demand for parts.

A further dynamic is that Manufacturer franchising policy and the impact of market forces are trimming UK dealership numbers. This is providing operational gearing benefits to the remaining retailers. This effect and a growing market means that the average number of new car sales per dealership is estimated to be 482 in 2016, a 46 vehicle increase on 2015 and significantly ahead of the figure ten years ago. Investment requirements in larger and modernised outlets are moving in tandem with these trends.

Revenues, margins and profitability

Revenue and Margins

Year ended 29 February 2016

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
Aftersales[1]	189.0	7.8	102.9	39.1	44.8
New car retail and Motability	796.5	32.9	59.3	22.5	7.4
New fleet and commercial	587.6	24.2	17.6	6.7	3.0
Total new vehicles	1,384.1	57.1	76.9	29.2	5.6
Used cars	850.2	35.1	83.5	31.7	9.8
	2,423.3	**100.0**	**263.3**	**100.0**	**10.9**

Year ended 28 February 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
Aftersales[1]	168.1	8.1	89.4	39.2	43.5
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
Total new vehicles	1,177.9	56.7	63.2	27.7	5.4
Used cars	728.9	35.2	75.5	33.1	10.4
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

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

These results record the fourth consecutive year of growth in Group revenues and profits. Over the last five years revenues have more than doubled, growing by 123% from £1,088m to £2,423m and adjusted[2] profit before tax has grown by 275% from £7.3m to £27.4m.

Revenues in the period increased by 16.8% (£348.4m) to £2,423.3m (2015: £2,074.9m). This included the impact of acquisitions made during the year (£94.9m) and the full year impact of prior year acquisitions (£143.0m). Like-for-like revenues grew by 7.3% (£142.6m) with growth across all revenue channels. Closed operations resulted in a £32.1m year on year revenue reduction.

Overall vehicle revenues grew by 17.2% in the year and amounted to 92.2% of total revenues (2015: 91.9%), whereas total aftersales revenues grew by 12.4% and amounted to 7.8% of total revenues (2015: 8.1%). 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 works in a counter-cyclical, positive manner in the event of a vehicle sales slowdown. On a like-for-like basis, gross margins were stable at 11.0% despite the increase in vehicles sales mix. This reflected the growing maturity of the Group's portfolio as the business model was applied to under-performing businesses to good effect. Overall gross margin achieved was 10.9% (2015: 11.0%).

Adjusted[2] EBITDA increased by 23.7% to £35.5m in the year ended 29 February 2016 (2015: £28.7m). Adjusted[2] operating profit grew by 26.0% to £28.6m (2015: £22.7m) 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 that have been acquired. Adjusted[2] profit before tax rose by 24.5% to £27.4m (2015: £22.0m).

2. adjusted for amortisation of intangible assets and share based payments charge.

Aftersales

The Group's aftersales operations, which include 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. While aftersales represents 7.8% of Group revenues, it accounts for 39.1% of gross margin, so management focus on maintaining and improving performance in this area is crucial to the Group's overall results. The Group's business model increases 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 by 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 by real customers to the service departments.

The Group continues to make real progress in each of these areas. For example, the Group now has over 89,000 customers paying monthly for service via the Group's three year service plan product (2015: 71,031 customers). In addition, significant numbers of service plans operated by Manufacturers are also in place. The total of 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. For example, used car customers coming back for a service 12 months after purchase has risen from 35% in 2012 to 44% in 2015. Furthermore, the Group has sold over 30,000 Motability vehicles in the last three years, each of which is on a three year service arrangement, adding a further resilient income stream.

As the market for service and repair expands with the vehicle parc, the Group has some substantial opportunities to grow the volume of the higher margin activities of the Group. This will be as much in expanding market share in the corporate fleet service arena as in the retail sector.

The future development and growth of the service operations going forward will also depend on addressing key matters such as recruiting, training and retaining more technicians and revising shift and resource patterns to make greater use of the physical capacity of the dealerships. As the vehicle parc expands, the challenge will be to grow capacity and convenience to customers without resorting to larger dealerships and further capital expenditure.

The Group saw like-for-like revenues in all aftersales activities increase by 4.8% and like-for-like gross profits grow by £6.5m (7.7%) in the period. Service revenues rose 6.5% on a like-for-like basis, representing the sixth successive year of growth in this key high margin area. Overall aftersales margins strengthened to 44.8% (2015: 43.5%).

The improvement in aftersales margins has been achieved in each of the service, parts and accident repair centre activities as a result of a relentless focus on the detailed operational performance in each department. The Group's vehicle health check (VHC) process has been further embedded into the business. This seeks to ensure that all customer vehicles visiting the Group's dealerships are given a full mechanical health check by a fully manufacturer-trained technician to identify any service work which may be required. The results are then presented to the customer with a clear and costed explanation of any such work identified, including via digital media. 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 accident repair centre sector delivered another year of improved revenue and margins as demand has started to outstrip supply in the channel. The Group's accident repair centre revenues grew 8.0% on a like-for-like basis and margins improved further to 66.2% (2015: 66.0%). The Group now operates 11 accident repair centres.

Supply of Manufacturer parts continues to be a vital part of the franchised dealer model. Parts revenues rose 5.5% on a like-for-like basis, margins improved to 23.3% (2015:22.8%).

Vehicle sales

Vehicle unit sales analysis

	2016 Core	2016 Acquired[3]	2016 Total	2015 Total[4]	Total % Variance	Like-for-Like % Variance
New retail cars	36,489	3,301	39,790	35,859	11.0%	4.0%
Motability cars	10,484	951	11,435	10,549	8.4%	1.6%
Fleet and commercial vehicles	32,517	2,606	35,123	30,961	13.4%	6.4%
Total New vehicles	**79,490**	**6,858**	**86,348**	**77,369**	**11.6%**	**4.6%**
Used retail vehicles	66,582	5,120	71,702	63,446	13.0%	8.0%
	146,072	**11,978**	**158,050**	**140,815**	**12.2%**	**6.2%**

3. relates to businesses acquired or developed subsequent to 1 March 2015 with businesses migrating into core once they have been in the Group for over 12 months

4. 2015 volumes include businesses acquired in the year ended 28 February 2015

New retail car volumes sold (excluding Motability Scheme sales) rose by 4.0% in the year on a like-for-like basis. This compared to an increase of 3.9% in UK private new car registrations and 3.0% for those franchises which the Group represents. The outperformance compared to the market data was weighted to the second half when the Group's new retail car volumes grew by 7.3% against UK registrations which grew by 4.7%. The Group's operations performed strongly in the financial year achieving Manufacturers' targets at consistently high levels. Overall, new retail car volumes rose 11.0% to nearly 40,000 vehicles.

Volumes of sales on the Motability Scheme rose by 1.6% on a like-for-like basis against a 2.9% decline in UK Motability registrations. This outperformance was helped by a continued focus in the dealerships on this key customer category and is reflected in the fact that, for the second consecutive year, the Group was awarded Motability Dealer Group of the Year 2015 by Motability.

Gross profit per unit has continued to rise in new car retail and Motability sales due to the Group's growing mix of premium sales and retail sales rising faster than the lower margin Motability channel. Margin percentages were 7.4% (2015: 7.5%) reflecting higher average sales prices driven by increased premium franchise sales and rising vehicle prices in the volume sector as PCP offers continue to allow consumers to purchase higher specification models. Average sales prices on new vehicle sales rose from £14,213 in H1 (H1 2015: £13,342) to £14,738 in H2 (H2 2015: £13,639). Gross profit per unit rose to its highest ever level in H2.

The Group has significant fleet operations and a shift in sales mix away from supply to lower margin daily rental channels resulted in continued improved margins and slightly lower volumes. Consequently, the Group's like-for-like car fleet volumes fell by 4.2% whilst margins and profitability both improved. In the light commercial vehicles sales channel, the Group's like-for-like volumes of commercial vehicles increased by 22.0% during the year reflecting continued market share gains against registrations in the UK up 13.2%. The Group's margins in fleet and commercial sales improved to 3.0% (2015: 2.5%) and are now at record levels. Overall, the Group delivered growth in light commercial vehicle volumes of 32.3% and combined fleet and commercial volumes of 35,000 vehicles.

The Group is a successful retailer of used cars. For the first time over 70,000 used cars were retailed and overall year on year volume growth was 13.0%. The strong like-for-like growth in used vehicle volumes of 8.0% in the period was significantly ahead of the market and represents the Group's ninth consecutive half year period of like-for-like used car volume growth. This strong growth in like-for-like used car volume, which accelerated in the second half of the period (H1: 4.2%, H2: 12.2%), reflects both the inherent strength of the Group in used cars through sales and stock management processes and the impact of more effective marketing, both on-line and off-line from 1 October onwards. During the year, the Group adopted a more centralised approach to used car marketing with increased TV advertising and more nationally co-ordinated campaigns. The impact of this approach has been to improve sales volumes and like-for-like profitability. The appointment of the new Chief Marketing Officer will provide further momentum to ensure the Group gains marketing benefits from its scale.

The Group's used car gross margin was 9.8% (2015: 10.4%), and gross profit per unit was £1,165 (2015: £1,190). On a like-for-like basis, used vehicle gross margin was 10.3% (2015: 10.6%). The slightly lower margin effect was more than offset by higher volumes and related at least in part to the increased premium content within the Group. The Group increased like-for-like used car gross profits by £3.8m in the period representing an increase of 5.2%. The Group sought, and delivered, an increase in overall used car profitability trading off higher volumes against slightly lower margins.

Robert Forrester

Chief Executive

Chief Financial Officer's Review

Operating expenses

The Group's strategy is to grow a scaled automotive retail group through making acquisitions, and the Group's business model plots the delivery of enhanced business performance from the acquired dealerships. At the core of this model is a disciplined framework of cost control which is all the more important given the tight margins and the highly competitive trading environment which characterise the UK automotive retail sector. Strong cost control is also key to achieving the benefits of operational gearing from the growing sales activity within the Group. The Group's cost control framework is built around a highly detailed business planning approach which is undertaken annually for all dealerships, profit centres and cost centres. The same zero based business planning approach is applied to all new dealerships and any acquired businesses, with detailed three year plans being prepared as part of the investment appraisal. Once the business plans are established, costs are benchmarked on a monthly basis for every dealership against the business plans, internal benchmarks and recognised industry key performance indicators to maintain control and to identify opportunities for profit improvement. The Group's central purchasing function also pursues cost efficiencies and scale purchasing benefits in the procurement of utilities and other goods not-for-resale.

Operating expenses rose from £205.3m to £234.6m. As a percentage of revenues, operating expenses in the continuing operations improved to 9.6% (2015: 9.9%). This ratio has been reduced consistently over the last 4 years from 11.14% to 9.6%. Underlying operating expenses rose by £12.5m year on year. The majority 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 dealership's mature; and
- further investment in contact centres and other central functions, including on-line, to support the Group's growth

The Group increased its investment in like-for-like advertising expenditure during the year by £2m in order to raise share of voice to increase market share particularly in used cars. This increase in total expenditure also saw a shift towards TV and on-line and away from press reflecting changes and shifts in consumer behaviour. In the core brands of Bristol Street Motors and Macklin Motors, used car marketing messages were unified in order to reduce unnecessary and conflicting marketing. This leveraging of the power of the brands has had a significant positive impact on sales.

Interest charges

Net finance costs in the period increased by £0.5m to £1.2m (2015: £0.7m) due to higher vehicle stocking interest payable on new vehicle funding facilities as the supply push from Manufacturer partners has increased vehicle pipelines awaiting sale. In addition, the growth of the Group has also resulted in more franchises being added where new vehicle funding costs are more prevalent.

	Year ended 29 February 2016	Year ended 28 February 2015
	£'m	**£'m**
Bank interest payable	0.6	0.6
Other finance costs	0.4	0.4
New vehicle stocking interest expense (income)	0.4	(0.2)
Pension fund: net interest income	(0.2)	(0.1)
	1.2	**0.7**

Taxation

The effective rate of tax for the year was 20.3% (2015: 21.2%). The current year rate is broadly in line with the standard UK corporation tax rate 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 as this rate declines to 17% by 2020.

Cashflows and capital expenditure

The Group's net cash at 29 February 2016 was £23.1m (2015: £15.7m).

The Group continues to have a strong cash conversion, generating an operating cash inflow of £65.8m from an adjusted operating profit of £28.6m in the financial year. During the period this was aided by an inflow of £30.5m generated from working capital. The major components of this movement were: lower VAT payments during the period due to the increase in new vehicle consignment inventory levels (£14.4m) leading to more input VAT being reclaimed; accelerated receipts from consumer finance partners (£6.0m), reductions in fully paid vehicle inventories as Manufacturer partners reconfigured their supply chains (£4.4m) and increase in service plan receipts from customers as the number of service plans increased (£2.2m). With a cash conversion of profits of over two times, the Board does not expect this to be the normalised position for cash generation. It is possible that some of these amounts may reverse in future periods as vehicle flows from Manufacturer partners' evolve, however the Group will continue to maintain its focus on managing working capital tightly.

The Group invested £45.3m in the year which can be analysed as follows:-

	£'m
Acquisition of businesses	24.6
New dealership development projects:	
Purchase of property	6.3
New dealership build	1.8
Existing dealership capacity increases	4.5
Refurbishment projects	3.2
New support centre property development	0.7
IT and other ongoing capital expenditure	4.2
	45.3

The principal items of expenditure are described in the Chief Executive's Review. The Group has several dealership development projects planned for the 2016/17 year. Several of the Group's Manufacturer partners are currently increasing their dealership size and facility requirements and are therefore encouraging retailers to redevelop dealership premises. Consequently, the Group anticipates that expenditure on current dealership redevelopment projects will be approximately £11m in the 2016/17 financial year. In addition, planned new dealership developments, including freehold purchases, totalling £16.5m are also anticipated in 2016, which will add further capacity to the Group's operations and are similar in nature to acquisition expenditure.

The Group is currently rolling out a Group-wide, in-house developed showroom system built around the use of computer tablet technology by sales teams. This will be rolled out by the end of September 2016 and has contributed to increased levels of IT expenditure in the year. The system is anticipated to increase the efficiency of the sales process and deliver enhanced customer experiences.

During the year, the Group disposed of three surplus properties for proceeds of £3.1m, with no significant gain or loss realised on disposal.

Financial Position

The Group has a strong balance sheet with shareholders' funds of £197.9m (2015: £179.6m), representing net assets per share of 58.0p (2015: 52.7p) as at 29 February 2016. Tangible net assets per share were 38.3p (2015: 38.3p). The balance sheet is underpinned by a freehold and long leasehold property portfolio of £138.2m (2015: £126.6m).

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 29 February 2016, freehold locations represented 51% of locations (2015: 50%).

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and Manufacturer partners. As at 29 February 2016, the Group had an acquisition facility of £20.0m available until March 2019 of which £14m was drawn. Interest is payable on this facility at LIBOR plus 1.1%. 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 £45m of overdraft and other money market facilities with Barclays Bank. On the overdraft, interest was paid on drawn amounts at 1.1% above Base Rate, and on the money market facilities interest was paid at 1.1% 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 29 February 2016, the Group had cash balances of £43.9m (2015: £19.3m) and, as a consequence, net cash of £23.1m (2015: net cash of £15.7m). The cash position at 29 February 2016 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. On 31 March 2016 the Group completed an equity placing raising £35m before expenses. These funds, in addition to its acquisition loan facility and on-going cash generation, will be used to fund the Group's on-going acquisition strategy.

Having utilised a portion of the Group's acquisition debt facilities in order to finance in particular the Greenoaks Mercedes-Benz acquisition in March 2016, it is the Group's intention to refinance these borrowings by raising a long term debt facility. It is envisaged that this refinancing will amount to some £50m and will take place during the first half of the current financial year.

Pensions

The Bristol Street defined benefit pension scheme, which is accounted for on the basis of IAS 19 (revised), showed a surplus as at 29 February 2016 of £4.4m (2015: £3.0m). 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 (2015: £0.4m). This scheme is closed to future membership and accrual.

On 1 October 2015, the Group acquired the entire share capital of SHG Holdings Limited which included the SHG Pension Scheme, also a defined benefit pension scheme closed to future membership and accrual. On the basis of IAS19 (revised), this scheme showed a surplus as at 29 February 2016 of £1.7m and SHG Holdings Limited made no cash contributions during the year on the basis that it is fully funded under the technical provisions.

Dividends

The Group's strategy is to continue to grow by acquiring further dealerships, and establishing and maintaining sufficient financial resources to deploy in the pursuit of this strategy is a key element of the Board's consideration of and its approach to capital management. In addition, in common with the whole UK automotive retail sector, the Group is currently in the process of a major dealership investment and refurbishment programme required by the Group's Manufacturer partners, which will run until 2018. This in turn is a further element of the Board's consideration of capital management. Taking account of acquisition opportunities and capital investment plans, the Board also recognises the vital role of dividends in delivering total shareholder return.

The Group paid its first dividend of 0.5 pence per share in 2011 and this has been progressively increased each year to 1.05 pence per share in 2015. Last year, the Board indicated its intention to adopt an earnings dividend cover moving closer to four times and this pay-out ratio was arrived at taking into account the competing requirements of acquisitions, capital investment and short term shareholder returns. The Board has proposed an increase in the final dividend for 2016, payable on 26 July 2016, to 0.85 pence per share (2015: 0.7p), which, when taken together with the interim dividend paid in January 2016 of 0.45 pence per share (2015: 0.35p), provides a total dividend for the year of 1.30 pence per share (2015: 1.05p), representing an increase of 23.8% and a dividend cover of 4.9 times (2015: 4.9 times) based upon adjusted earnings per share. The ex-dividend date will be 23 June 2016 and the associated record date 24 June 2016. It is the Board's intention that the dividend cover will reduce to closer to four times over the next three years.

The proposed full year dividend of 1.30 pence represents an annualised cash dividend of £5.2m (2015: £3.9m). The distributable reserves in the parent company balance sheet as at 29 February 2016 were £43.8m (2015: £25.4m).

At this level of pay-out the Board does not consider there to be any significant risks to the Group's ability to continue to pay dividends in accordance with this pay-out strategy other than those listed in the Strategy Report in the annual report and financial statements.

Post balance sheet events

On 1 March 2016, the Group refinanced its borrowing facilities, converting the £20m acquisition facility into a £40m facility available until September 2017, after which it reverts to £20m available until March 2019. In addition a further £10m facility was established which is available until November 2016. The overdraft and money market facilities of £45m were increased to £58m at the same time. The interest rates and other terms on these refinanced facilities are all similar to those on the former facilities as set out above.

Also on 1 March 2016, the Group acquired the entire issued share capital of Sigma Holdings Limited for a total cash consideration of £21.9m (of which £3.5m was deferred for 12 months) and in addition £9m of vendor loans were settled in cash on completion. The acquired business, trading as Greenoaks Mercedes-Benz, operates three Mercedes-Benz dealerships in Reading, Ascot and Slough, with the Reading and Ascot outlets also representing the smart franchise, and Ascot being an AMG performance centre. Each of the three dealerships operates from freehold premises and the transaction included goodwill and other intangibles of £13.0m.

On 31 March 2016, the Group undertook an equity placing of 56,000,000 new ordinary shares at a price of 62.5p per share to raise £35.0m (gross) to fund further acquisitions.

On 2 May 2016, the Group acquired the business and certain assets of Leeds Jaguar from a subsidiary of Inchcape PLC. The estimated consideration for this leasehold acquisition is £0.65m including goodwill of £0.5m.

Michael Sherwin
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Revenue			
Continuing operations		2,328,332	2,074,912
Acquisitions		94,947	-
		2,423,279	**2,074,912**
Cost of sales			
Continuing operations		(2,074,925)	(1,846,843)
Acquisitions		(85,075)	-
		(2,160,000)	**(1,846,843)**
Gross profit			
Continuing operations		253,407	228,069
Acquisitions		9,872	-
		263,279	**228,069**
Operating expenses			
Continuing operations		(224,165)	(205,334)
Acquisitions		(10,466)	-
		(234,631)	**(205,334)**
Operating profit before amortisation and share based payments charge			
Continuing operations		29,242	22,735
Acquisitions		(594)	-
		28,648	**22,735**
Amortisation of intangible assets		(558)	(405)
Share based payments charge		(911)	(645)
Operating profit		**27,179**	**21,685**
Finance income	2	173	353
Finance costs	2	(1,390)	(1,040)
Profit before tax, amortisation and share based payments charge		27,431	22,048
Amortisation of intangible assets		(558)	(405)
Share based payments charge		(911)	(645)
Profit before tax		**25,962**	**20,998**
Taxation	3	(5,282)	(4,459)
Profit for the year attributable to equity holders		**20,680**	**16,539**
Basic earnings per share (p)	4	**6.06**	**4.87**
Diluted earnings per share (p)	4	**5.92**	**4.78**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Profit for the year		**20,680**	**16,539**
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on retirement benefit obligations		680	(461)
Deferred tax relating to actuarial (gains) / losses on retirement benefit obligations		(137)	97
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	6	23	49
Deferred tax relating to cash flow hedges	6	(6)	(10)
Other comprehensive income / (expense) for the year, net of tax		**560**	**(325)**
Total comprehensive income for the year attributable to equity holders		**21,240**	**16,214**

CONSOLIDATED BALANCE SHEET (AUDITED)
As at 29 February 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Goodwill and other indefinite life assets		69,209	50,867
Other intangible assets		1,672	1,905
Retirement benefit asset		6,097	3,003
Property, plant and equipment		150,361	135,153
		227,339	**190,928**
Current assets			
Inventories		530,406	394,287
Trade and other receivables		63,416	53,500
Property assets held for sale		537	1,866
Cash and cash equivalents		43,915	19,254
Total current assets		**638,274**	**468,907**
Total assets		**865,613**	**659,835**
Current liabilities			
Trade and other payables		(630,912)	(459,250)
Deferred consideration		(241)	(1,518)
Current tax liabilities		(3,647)	(6,028)
Derivative financial instruments		-	(25)
Borrowings		(6,756)	(3,423)
Total current liabilities		**(641,556)**	**(470,244)**
Non-current liabilities			
Borrowings		(14,011)	(161)
Deferred consideration		(1,659)	(291)
Deferred income tax liabilities		(4,450)	(3,699)
Deferred Income		(6,078)	(5,806)
		(26,198)	**(9,957)**
Total liabilities		**(667,754)**	**(480,201)**
Net assets		**197,859**	**179,634**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares		34,127	34,091
Share premium		96,901	96,810
Other reserve		10,645	10,645
Hedging reserve	6	-	(17)
Retained earnings		56,186	38,105
Shareholders' equity		**197,859**	**179,634**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)
For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Operating profit		27,179	21,685
(Profit)/loss on sale of property, plant and equipment		(26)	186
Amortisation of other intangible assets		558	405
Depreciation of property, plant and equipment		6,803	5,915
Impairment of preference shares receivable		-	192
Movement in working capital		30,515	(2,887)
Share based payments charge		781	617
Cash generated from operations		**65,810**	**26,113**
Tax received		4	182
Tax paid		(7,704)	(4,653)
Finance income received		36	219
Finance costs paid		(1,451)	(933)
Net cash generated from operating activities		**56,695**	**20,928**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(24,565)	(17,437)
Acquisition of freehold and long leasehold land and buildings		(6,475)	(8,929)
Purchases of intangible assets		(325)	(347)
Purchases of other property, plant and equipment		(13,977)	(9,849)
Proceeds from disposal of business (net of cash, overdraft and borrowings)		2,137	752
Proceeds from disposal of property, plant and equipment		1,120	1,964
Net cash outflow from investing activities		**(42,085)**	**(33,846)**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		127	119
Proceeds from borrowings	7	18,288	-
Repayment of borrowings	7	(4,441)	(2,000)
Dividends paid to equity holders		(3,923)	(2,895)
Net cash inflow/(outflow)from financing activities		**10,051**	**(4,776)**
Net increase/(decrease) in cash and cash equivalents	**7**	**24,661**	**(17,694)**
Cash and cash equivalents at beginning of year		19,254	36,948
Cash and cash equivalents at end of year		**43,915**	**19,254**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
For the year ended 29 February 2016

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2015	34,091	96,810	10,645	(17)	38,105	179,634
Profit for the year	-	-	-	-	20,680	20,680
Actuarial gains on retirement benefit obligations	-	-	-	-	680	680
Tax on items taken directly to equity	-	-	-	(6)	(137)	(143)
Fair value gains	-	-	-	23	-	23
Total comprehensive income for the year	-	-	-	17	21,223	21,240
New ordinary shares issued	36	91	-	-	-	127
Dividend paid	-	-	-	-	(3,923)	(3,923)
Share based payments charge	-	-	-	-	781	781
As at 29 February 2016	**34,127**	**96,901**	**10,645**	**-**	**56,186**	**197,859**

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 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**

NOTES

For the year ended 29 February 2016

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, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. 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 2015. 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 29 February 2016 and 28 February 2015 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 2016 and 2015 financial statements were unqualified. A copy of the statutory accounts for 2015 has been delivered to the Registrar of Companies. Those for 2016 will be delivered following the Company's annual general meeting, which will be convened on 20 July 2016.

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 those of the Group's financial statements for the year ended 28 February 2015.

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. 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.

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 margin. Therefore, to increase transparency, the Group has included below an additional voluntary disclosure analysing revenue and gross margin within the reportable segment.

Year ended 29 February 2016

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
Aftersales*	189.0	7.8	102.9	39.1	44.8
New car retail and Motability	796.5	32.9	59.3	22.5	7.4
New fleet and commercial	587.6	24.2	17.6	6.7	3.0
Total new vehicles	1,384.1	57.1	76.9	29.2	5.6
Used cars	850.2	35.1	83.5	31.7	9.8
	2,423.3	**100.0**	**263.3**	**100.0**	**10.9**

Year ended 28 February 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
Aftersales*	168.1	8.1	89.4	39.2	43.5
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
Total new vehicles	1,177.9	56.7	63.2	27.7	5.4
Used cars	728.9	35.2	75.5	33.1	10.4
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

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

2. Finance income and costs

	2016 £'000	2015 £'000
Interest on short term bank deposits	36	50
Vehicle stocking interest	-	163
Net finance income relating to defined benefit pension schemes	137	140
Finance income	**173**	**353**
Bank loans and overdrafts	(619)	(642)
Vehicle stocking interest	(572)	-
Other finance costs	(199)	(398)
Finance costs	**(1,390)**	**(1,040)**

3. Taxation

	2016 £'000	2015 £'000
Current tax		
Current tax charge	5,598	5,214
Adjustment in respect of prior years	(258)	(96)
Total current tax	**5,340**	**5,118**
Deferred tax		
Origination and reversal of temporary differences	395	(469)
Adjustment in respect of prior years	(145)	(203)
Rate differences	(308)	13
Total deferred tax	**(58)**	**(659)**
Income tax expense	**5,282**	**4,459**

Factors affecting taxation expense in the year:

	2016 £'000	2015 £'000
Profit before taxation from continuing operations	25,962	20,998
Profit before taxation multiplied by the rate of corporation tax in the UK of 20.08% (2015: 21.17%)	5,213	4,445
Non-qualifying depreciation	245	325
Non-deductible expenses	412	109
Effect on deferred tax balances due to rate change	(308)	13
Property adjustment	153	(76)
Permanent benefits	(30)	(58)
Adjustments in respect of prior years	(403)	(299)
Total tax expense included in the income statement	**5,282**	**4,459**

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015, and from 20% to 19% with effect from 1 April 2016. Accordingly, the Group's profits for this accounting period are taxed at a rate of 20.08%.

4. 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.

	2016	**2015**
	£'000	**£'000**
Profit attributable to equity shareholders	20,680	16,539
Amortisation of intangible assets	558	405
Share based payments charge	911	645
Tax effect of adjustments	(112)	(86)
Adjusted earnings attributable to equity shareholders	**22,037**	**17,503**
Weighted average number of shares in issue ('000s)	341,080	339,797
Potentially dilutive shares ('000s)	8,388	6,410
Diluted weighted average number of shares in issue ('000s)	**349,468**	**346,207**
Basic earnings per share	**6.06p**	**4.87p**
Diluted earnings per share	**5.92p**	**4.78p**
Basic adjusted earnings per share	**6.46p**	**5.15p**
Diluted adjusted earnings per share	**6.31p**	**5.06p**

5. Dividends per share

Dividends of £3,923,000 were paid in the year to 29 February 2016 (2015: £2,895,000), 1.15p per share (2015: 0.85p). A final dividend in respect of the year ended 29 February 2016 of 0.85p per share is to be proposed at the annual general meeting on 20 July 2016. The ex-dividend date will be 23 June 2016, and the associated record date 24 June 2016. This dividend will be paid, subject to shareholder approval, on 26 July 2016 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 1 July 2016 (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 Capita on 0871 664 0300 (*Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.* Overseas shareholders are best to use: *+44 371 664 0300 Calls outside the United Kingdom will be charged at the applicable international rate)* or visit www.capitaassetservices.com.

6. 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:

	2016	2015
	£'000	£'000
At beginning of year	(17)	(56)
Fair value gains on derivative financial instruments during the year	23	49
Deferred taxation on fair value gains during year	(6)	(10)
At end of year	**-**	**(17)**

The cash flow hedge during the current and previous year relates to an interest rate swap used to fix the interest rate on an outstanding term loan. The interest rate swap expired during the year on final repayment of the underlying term loan.

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

	2016	2015
	£'000	£'000
Net increase / (decrease) in cash and cash equivalents	24,661	(17,694)
Cash inflow from proceeds of borrowings	(18,288)	-
Cash outflow from repayment of borrowings	4,441	2,000
Cash movement in net cash	**10,814**	**(15,694)**
Borrowings acquired	(3,409)	-
Capitalisation of loan arrangement fees	201	48
Amortisation of loan arrangement fees	(128)	(120)
Non-cash movement in net cash	**(3,336)**	**(72)**
Movement in net cash	**7,478**	**(15,766)**
Opening net cash	**15,670**	**31,436**
Closing net cash	**23,148**	**15,670**

8. Acquisitions

On 1 May 2015, the Group acquired the business and assets of Bury Land Rover in Lancashire from a subsidiary of Pendragon PLC. Total consideration amounted to £7,011,000 and was settled in cash from the Group's existing resources.

On 12 May 2015, the Group acquired the business and assets of Bradford Jaguar in West Yorkshire from a subsidiary of Lancaster plc. Total consideration amounted to £825,000 and was settled in cash from the Group's existing resources.

On 5 June 2015, the Group acquired the entire issued share capital of Blacks Autos Limited, which operated a Skoda dealership in Darlington. Total consideration amounted to £1,576,000 including retention payable of £250,000. The remaining balance was settled in cash from the Group's existing resources.

On 1 October 2015, the Group acquired the entire issued share capital of SHG Holdings Limited which operates three outlets representing Audi, Volkswagen passenger cars and Volkswagen commercials in Hereford, two Volkswagen Group parts distribution operations in Gloucester and Hereford and a used car and aftersales facility in South Herefordshire. Consideration for the acquisition of £12,933,000 was met from the Group's existing cash resources. A further £1,500,000 is payable after 2 years dependent on certain performance criteria.

On 1 December 2015, the Group acquired the entire issued share capital of Who's Ace Holdings Limited which operates a well-established on-line vehicle parts business headquartered in Sittingbourne, Kent. Total consideration for the acquisition was nil.

On 25 January 2016, the Group acquired the trade and certain assets of three Honda dealerships in Stockton, Nottingham and Derby from Lookers plc for total consideration of £2,054,000 met from the Group's existing cash resources.

9. Post balance sheet events

On 1 March 2016, the Group refinanced its borrowing facilities, converting the £20,000,000 acquisition facility into a £40,000,000 facility available until September 2017, after which it reverts to £20,000,000 available until March 2019. In addition a further £10,000,000 facility was established which is available until November 2016. The overdraft and money market facilities of £45,000,000 were increased to £58,000,000 at the same time. The interest rates and other terms on these refinanced facilities are all similar to those on the former facilities.

Also on 1 March 2016, the Group acquired the entire issued share capital of Sigma Holdings Limited for a total cash consideration of £21,900,000 (of which £3,500,000 was deferred for 12 months) and in addition £9,000,000 of vendor loans were settled in cash on completion. The acquired business, trading as Greenoaks Mercedes-Benz, operates three Mercedes-Benz dealerships in Reading, Ascot and Slough, with the Reading and Ascot outlets also representing the smart franchise, and Ascot being an AMG performance centre. Each of the three dealerships operates from freehold premises and the transaction included goodwill and other intangibles of £13,000,000.

On 31 March 2016, the Group undertook an equity placing of 56,000,000 new ordinary shares at a price of 62.5p per share to raise £35,000,000 (gross) to fund further acquisitions.

On 2 May 2016, the Group acquired the business and certain assets of Leeds Jaguar from a subsidiary of Inchcape PLC. The estimated consideration for this leasehold acquisition is £650,000 including goodwill of £500,000.