

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

If you sell or transfer, or have sold or otherwise transferred, all of your Ordinary Shares, please send this document together with the accompanying Proxy Form as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer is or was effected for onward transmission to the purchaser or transferee, save that you should not forward or transmit such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document and the accompanying Proxy Form.

This document is being sent to you solely for the purpose of convening the Annual General Meeting referred to below and to provide information to you as a member of the Company to help you to decide how to cast your vote in respect of the Resolutions. No reliance may be placed on this document for any other purpose.



*(Registered in England and Wales with registered number 05984855)*

### **Notice of 2016 Annual General Meeting**

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**Your attention is drawn to the letter from the Chairman of the Company which is set out in part 1 of this document, which includes a recommendation that you vote in favour of the Resolutions to be proposed at the Annual General Meeting to be held at Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA at 10.00 a.m. on 20 July 2016.**

Notice of the Annual General Meeting is set out in part 2 of this document. A Proxy Form for use in connection with the Annual General Meeting accompanies this document and should be completed by Shareholders and returned in accordance with the instructions printed thereon as soon as possible and in any event to be received by no later than 10.00 a.m. on 18 July 2016. If you hold Ordinary Shares through CREST you may appoint a proxy by completing and transmitting a CREST proxy instruction to Capita Asset Services (CREST participant ID RA 10) so that it is received by no later than 10.00 a.m. on 18 July 2016. Completion and return of a Proxy Form or CREST proxy instruction will not preclude Shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

Copies of this document, the service agreements or letters of appointment of each of the Directors, and any applicable deeds of indemnity relating to the Directors will be available for inspection free of charge during normal business hours on any week day (except Saturdays, Sundays and public holidays) at Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA from the date of this notice until the conclusion of the AGM.

Copies of this document are also available during such period at the Company's website: [www.vertumotors.com/investors](http://www.vertumotors.com/investors)

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## EXPECTED TIMETABLE

Posting of this document and Proxy Form to Shareholders	20 June 2016
Latest time and date for receipt of Proxy Forms for the Annual General Meeting	10.00 a.m. on 18 July 2016
Record Date for the Annual General Meeting	Close of business on 18 July 2016
Annual General Meeting	10.00 a.m. on 20 July 2016
Proposed date for payment of final dividend	26 July 2016

*Note: Each of the dates and times in the above timetable are subject to change. All times stated are British Summer Time.*

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>Act</b>	the Companies Act 2006, as amended
<b>AGM or Annual General Meeting</b>	the annual general meeting of the Company to be held at the registered offices of the Company at Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA at 10.00 a.m. on 20 July 2016, or any adjournment thereof, notice of which is set out in part 2 of this document
<b>AGM Notice</b>	the notice of the AGM set out in part 2 of this document
<b>Articles</b>	the articles of association of the Company that are proposed to be adopted at the AGM, as summarised in part 4 of this document
<b>Board or Directors</b>	the directors of the Company
<b>Business Day</b>	any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business
<b>certificated or in certificated form</b>	an Ordinary Share which is not in uncertificated form (that is, not in CREST)
<b>Company</b>	Vertu Motors plc (registered number 05984855)
<b>CREST</b>	the relevant systems (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form of which Euroclear is the operator as defined by the CREST Regulations
<b>Directors' Remuneration Report</b>	the directors' remuneration report for the year ended 29 February 2016, which is set out on pages 48 to 61 (inclusive) of the Company's 2016 Annual Report
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001, as amended
<b>Existing Share Capital</b>	the 397,269,839 Ordinary Shares currently in issue as at the date of this document
<b>Euroclear</b>	Euroclear UK & Ireland Limited
<b>General Resolutions</b>	each of the Resolutions other than the LTIP Resolution
<b>Group</b>	the Company and its subsidiary undertakings (as defined in the Act)
<b>LTIP</b>	the Vertu Motors plc 2013 Long Term Incentive Plan
<b>LTIP Resolution</b>	the ordinary resolution numbered 13 set out in the AGM Notice and to be proposed at the Annual General Meeting
<b>LTIP Rules</b>	the rules of the LTIP (a summary of the proposed changes to which is set out in part 3 of this document), as amended from time to time
<b>Ordinary Shares</b>	ordinary shares of 10p each in the capital of the Company
<b>Proxy Form</b>	the form of proxy enclosed with this document for use by Shareholders in connection with the AGM
<b>Resolutions</b>	the resolutions to be proposed at the AGM as set out in the AGM Notice
<b>Shareholders</b>	holders from time to time of Ordinary Shares
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>uncertificated or in uncertificated form</b>	recorded on a register of securities maintained by Euroclear in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

*All references in this document to £ or p are to the lawful currency of the United Kingdom.*

## PART 1 – LETTER FROM THE CHAIRMAN OF THE COMPANY



(Registered in England and Wales with registered number 05984855)

### **Registered office:**

Vertu House  
Fifth Avenue Business Park  
Team Valley  
Gateshead  
Tyne and Wear  
NE11 0XA

20 June 2016

Dear Shareholder

### **2016 Annual General Meeting**

#### **Introduction**

I enclose, in part 2 of this document, the formal notice of the Annual General Meeting of the Company which is to be held at the registered offices of the Company at Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA at 10.00 a.m. on 20 July 2016.

I hope to see as many of you as possible at the AGM, which is the main opportunity each year for the Board to engage with shareholders, to answer your questions and to listen to your views.

#### **Summary of the resolutions to be proposed at the Annual General Meeting**

At the AGM, the following resolutions will be proposed:

##### **Resolution 1 – Annual Report and Accounts (ordinary resolution)**

Company law requires the Directors to present to Shareholders the Company's and Group's annual accounts for the year ended 29 February 2016, together with their report and the auditors' report, all of which are contained within the Group's 2016 Annual Report.

##### **Resolution 2 – Reappointment of the auditors (ordinary resolution)**

The Company is required to appoint auditors at each annual general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. At the AGM shareholders will be asked to confirm the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors.

##### **Resolution 3 – Authority for the Directors to fix the auditors' remuneration (ordinary resolution)**

This resolution will authorise the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

##### **Resolution 4 – Declaration of a final dividend (ordinary resolution)**

Shareholders are being asked to approve and declare a final dividend of 0.85p per Ordinary Share for the year ended 29 February 2016. If approved and declared at the AGM, the final dividend will be paid on 26 July 2016 to all holders of Ordinary Shares on the register of members of the Company at the close of business on 24 June 2016.

### **Resolutions 5, 6, 7 and 8 – Re-election of Directors (ordinary resolutions)**

The articles of association of the Company require that, at the AGM, newly appointed Directors and one third of all the other Directors shall retire by rotation. At the AGM Robert Forrester, Nigel Stead, Pauline Best and William Teasdale will retire and will offer themselves for re-election. Resolutions 5, 6, 7 and 8 propose the re-election of Robert Forrester, Nigel Stead, Pauline Best and William Teasdale respectively, as directors.

### **Resolution 9 – Approval of the Directors' Remuneration Report (ordinary resolution)**

The purpose of resolution 9 is to approve the Directors' Remuneration Report, set out on pages 48 to 61 (inclusive) of the Annual Report and Accounts for the year ended 29 February 2016.

The vote is advisory in nature and no entitlement to remuneration is conditional on the passing of the resolution.

### **Resolution 10 – Authority to allot shares (ordinary resolution)**

This resolution proposes to grant the Directors authority under section 551 of the Act to allot shares or grant such subscription or conversion rights up to a maximum aggregate nominal value of £26,484,600 representing approximately two-thirds of the Existing Share Capital, but subject to the proviso that half of such sum (being shares with an aggregate nominal value of £13,242,300) may only be allotted in connection with a rights issue or similar pre-emptive share issue. Resolution 10 replaces the authority to allot shares passed at the annual general meeting of the Company held on 23 July 2015.

As at close of business on 17 June 2016, the Company did not hold any treasury shares.

The Directors have no present intention to exercise the authority conferred by this resolution.

This resolution complies with the Investment Association Share Capital Management Guidelines issued in July 2014.

### **Resolution 11 – Disapplication of pre-emption rights (special resolution)**

Resolution 11 asks shareholders to grant the Directors authority to allot equity securities or to sell treasury shares for cash in connection with a rights issue or otherwise, on a non pre-emptive basis, up to an aggregate nominal value of £1,986,300, being approximately 5% of the Existing Share Capital. This resolution replaces the authority granted to the Directors at last year's annual general meeting. The Directors believe that an authority to issue up to approximately 5% of the Company's issued share capital for cash without first offering the securities to existing holders is in the best interests of Shareholders as a whole as it will give the Company flexibility to access funds at short notice if required to take advantage of strategic opportunities that create shareholder value.

In addition, the Directors also confirm that in accordance with the Statement of Principles, they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, unless shareholders have been notified and consulted in advance.

The Directors have no present intention to exercise the authority conferred by this resolution.

### **Resolution 12 – Purchases of own shares by the Company (special resolution)**

Resolution 12 seeks authority for the Company to make market purchases of up to 39,726,000 of its own Ordinary Shares, representing approximately 10% of the Existing Share Capital. The price payable must not be more than 5% above the average market value of an Ordinary Share for the five Business Days before the purchase is made and, in any event, not less than 10p per share, being the nominal value of each Ordinary Share. The Directors do not currently have any intention of exercising the authority granted by this resolution. This power will only be used if the Directors consider that to do so would be in the best interests of Shareholders generally and would increase the earnings per share of those Ordinary Shares that are not re-purchased. Any such shares would be cancelled or held in treasury. Resolution 12 would replace a similar resolution passed at the 2015 annual general meeting of the Company.

#### **Resolution 12 – Purchases of own shares by the Company (special resolution) (continued)**

On 15 June 2016, the total number of options to subscribe for ordinary shares in the Company amounted to 16,653,663. This represented 4.192 per cent of the Company's issued ordinary share capital (excluding treasury shares) on that date. If this authority to purchase shares was exercised in full the options would represent 4.658 per cent of the issued ordinary share capital (excluding treasury shares) as at 15 June 2016. The Company does not have any outstanding share warrants.

#### **Resolution 13 – Approval of amendment of the LTIP (ordinary resolution)**

Resolution 13 seeks approval for the amendment of the LTIP, following a review by the remuneration committee. When the LTIP was adopted in 2013, the Company committed to obtain shareholder approval to any change to the LTIP Rules which materially benefitted the LTIP Participants. Although the remuneration committee do not believe that the changes require shareholder approval, it proposes that such approval be obtained as best practice.

A summary of the principal changes proposed in the LTIP Rules is set out in part 3 of this document. The Company's major shareholders have been consulted on the proposed change to the LTIP.

#### **Resolution 14 – Approval of adoption of new articles of association (special resolution)**

Resolution 14 seeks approval for the adoption of new articles of association of the Company, following a review by the directors. The Company's articles of association were last reviewed in 2010 and the Articles reflect changes in legislation and market practice since that date.

A summary of the material changes made by the Articles is set out in part 4 of this document.

#### **Proxy Form**

If you are unable to attend the AGM, a Proxy Form is enclosed for you to complete (according to the instructions printed on it) and return to be received by no later than 10.00 a.m. on 18 July 2016. Completion and submission of the Proxy Form will not prevent you from attending and voting at the AGM if you subsequently find that you are able to do so. CREST Members can cast their votes using CREST electronic proxy voting (further details of which are set out in note 7 on page 10 of the AGM Notice).

#### **Recommendation**

**Your Directors believe that the General Resolutions are in the best interests of the Company and Shareholders as a whole. Accordingly, they unanimously recommend that you vote in favour of each General Resolution, as they intend to do in respect of their own beneficial holdings in the Company.**

The Executive Directors will be granted awards under the LTIP and have consequently played no part in the consideration of the LTIP by the Remuneration Committee or the Board.

**Your Remuneration Committee believes that the LTIP Resolution is in the best interests of the Company and Shareholders as a whole. Accordingly, each member of the Remuneration Committee recommends that you vote in favour of the LTIP Resolution (resolution number 13) as he intends to do in respect of his own beneficial holding in the Company.**

Yours faithfully

**Peter Jones**

*Non-executive Chairman*

## PART 2 – NOTICE OF ANNUAL GENERAL MEETING



(Registered in England and Wales with registered number 05984855)

Notice is hereby given that an annual general meeting of Vertu Motors plc (the **Company**) will be held at Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA at 10.00 a.m. on 20 July 2016 for the purposes set out below.

In this Notice, references to the **directors** shall be construed as references to the directors of the Company from time to time.

### Ordinary Business

1. To receive the accounts for the financial year ended 29 February 2016, together with the reports of the directors and of the auditors thereon.
2. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the directors of the Company to determine the remuneration of the auditors of the Company.
4. To declare a final dividend for the financial year ended 29 February 2016 of 0.85p per ordinary share of 10p in the capital of the Company, to be paid on 26 July 2016 to members whose names appear on the register of members in respect of such shares at the close of business on 24 June 2016.
5. To re-elect as a director Robert Forrester, who retires in accordance with the Company's articles of association and who is eligible for re-election.
6. To re-elect as a director Nigel Stead, who retires in accordance with the Company's articles of association and who is eligible for re-election.
7. To elect as a director Pauline Best, who retires in accordance with the Company's articles of association and who is eligible for election.
8. To re-elect as a director William Teasdale, who retires in accordance with the Company's articles of association and who is eligible for re-election.
9. To approve the directors' remuneration report for the financial year ended 29 February 2016.

### Special Business

As special business, to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 10 and 13 as **ordinary resolutions** and as to resolutions 11, 12 and 14 as **special resolutions** of the Company:

10. THAT, subject to and in accordance with article 15.1 of the articles of association of the Company, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company (**Rights**):
  - 10.1 up to an aggregate nominal amount of £13,242,300; and

10.2 up to an additional aggregate nominal amount of £26,484,600 provided that such Rights are offered by way of a rights issue to holders of ordinary shares of 10p each in the capital of the Company (**Ordinary Shares**) on the register of members at such record date(s) as the directors may determine, where the shares or equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective number of Ordinary Shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter

and provided that:

- (a) save as referred to in paragraphs (b) and (c) below, this authority shall, unless renewed, varied or revoked by the Company, expire on 20 October 2017 or, if earlier, the conclusion of the next annual general meeting of the Company;
- (b) the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted or Rights to be granted, and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and
- (c) this resolution revokes and replaces all unexercised authorities previously granted to the directors in accordance with section 551 of the Act to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

11. THAT, subject to the passing of resolution 10 set out in the notice of this meeting, the directors be given the general power in accordance with section 570 of the Act to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 10 set out in this notice of meeting or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that:

11.1 this power shall be limited to:

11.1.1 the allotment of equity securities in connection with an offer by way of a rights issue:

- (a) to the holders of ordinary shares of 10p each in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and
- (b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

11.1.2 the allotment (otherwise than pursuant to paragraph 11.1.1 above) of equity securities up to an aggregate nominal amount of £1,986,300;

11.2 the power granted by this resolution will expire on 20 October 2017 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and



- 11.3 this resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.
12. THAT the Company be and is generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006 (the **Act**), to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company (**Ordinary Shares**) on such terms and in the manner as the directors of the Company may from time to time determine provided that:
- 12.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 39,726,000 (representing approximately 10% of the Company's issued ordinary share capital as at the date of this notice);
- 12.2 the minimum price which may be paid for such Ordinary Shares shall be 10p per share;
- 12.3 the maximum price which may be paid for an Ordinary Share shall not be more than 5% above the average market value of an Ordinary Share for the five business days immediately preceding the date on which the contract for the purchase is made;
- 12.4 unless previously renewed, varied or revoked, the authority conferred shall expire on 20 October 2017 or, if earlier, at the conclusion of the Company's next annual general meeting provided that:
- 12.4.1 the Company may make a contract or contracts to purchase Ordinary Shares under this authority prior to its expiry which will or may be executed wholly or partly after the expiry of this authority; and
- 12.4.2 the Company may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.
13. THAT the amended rules of the Vertu Motors plc Long Term Incentive Plan 2013 in the form set out in the draft, a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification, and the principal features of which are summarised in part 3 of this document, be and are approved.
14. THAT the articles of association in the form produced to the meeting and initialled by the Chairman for the purposes of identification be and are approved in substitution for, and to the exclusion of, the Company's existing articles of association.

Dated: 20 June 2016

**By Order of the Board**

Registered Office:

**Karen Anderson**  
Company Secretary

Vertu House  
Fifth Avenue Business Park  
Team Valley  
Gateshead  
Tyne and Wear  
NE11 0XA

**Notes:**

**Appointment of proxies**

1. If you are a member of the Company at the time set out in note 11 below, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the annual general meeting and you should have received a proxy form with this notice of meeting. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrars, Capita Asset Services on 0871 664 0300 (calls cost 12p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday.) or, if calling from outside the UK, on +44 371 664 0300. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the annual general meeting to represent you. Details of how to appoint the Chairman of the annual general meeting or another person as your proxy using the proxy form are set out in the notes on that proxy form. If you wish your proxy to speak on your behalf at the annual general meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the enclosed proxy form.
4. Appointment of a proxy does not preclude you from attending the annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person, your proxy appointment will automatically be terminated.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the annual general meeting or any adjournment thereof.

#### **Appointment of proxy using hard copy proxy form**

6. To appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
  - received by the Company's Registrars no later than 10.00 a.m. on 18 July 2016 or, if this annual general meeting is adjourned, not less than 48 hours before the time of the adjourned meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

#### **Appointment of proxies through CREST**

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting convened by this notice and any adjournment(s) thereof by utilising the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (**CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in note 6 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Appointment of proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### **Termination of proxy appointments**

9. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Asset Services no later than 10.00 a.m. on 18 July 2016.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.

### **Alteration of proxy appointments**

10. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions. Any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### **Entitlement to attend and vote**

11. Only those members registered on the Company's register of members at close of business on 18 July 2016 or, if the annual general meeting is adjourned, at close of business two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

### **Corporate representatives**

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

### **Documents on display**

13. Copies of this document, the LTIP Rules, marked up to show the proposed changes, and the service contracts or letters of appointment and deeds of indemnity of each of the directors will be available for inspection at the offices of Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the annual general meeting.

In addition, a copy of the proposed new articles of association of the Company will also be available for inspection at the offices of Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the annual general meeting.

### **Biographical details**

14. Other than for Pauline Best, biographical details of each director of the Company who is being proposed for election or re-election by shareholders, including their membership of board committees, are set out in the annual report and accounts posted to shareholders with this notice. On the date of the AGM, Kenneth Lever will take over chairmanship of the audit committee.

Pauline Best was appointed as a non-executive director with effect from 1 June 2016.

Pauline Best (53) is currently Global People and Organisation Director at Specsavers Optical Group having joined them in 2008. Between 1996 and 2007 Pauline held a number of HR roles at Vodafone Group PLC including Global Leadership and People Capability Director and prior to this was the HR Director at Talkland International (UK) Ltd.

Pauline is a member of the nomination committee and of the remuneration committee of the Company. On the date of the AGM, she will take over chairmanship of the remuneration committee from Nigel Stead.

## Communication

15. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, can be found at [www.vertumotors.com](http://www.vertumotors.com).
16. Except as provided above, members who have general queries about the annual general meeting should contact the Company Secretary at Vertu Motors plc, Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA or at [cosec@vertumotors.com](mailto:cosec@vertumotors.com) or on 0191 491 2121 (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the Chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

## Share capital

17. As at 6pm on 17 June 2016, the Company's issued share capital comprised the Existing Share Capital. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 17 June 2016 is 397,269,839.

The website referred to in note 15 will include information on the number of shares and voting rights.

## Questions

18. Any member attending the meeting has the right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:
  - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

## Nominated persons

19. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (**Nominated Person**):
  - You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (**Relevant Shareholder**) to be appointed or to have someone else appointed as a proxy for the meeting.
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights.
  - Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

### PART 3 – LTIP –PROPOSED CHANGES

This section summarises the changes proposed to the LTIP as approved and adopted in 2013. All other provisions remain unchanged. The grant of LTIP awards for the year 2016 to 2017 will be deferred until after the AGM (rather than taking place in the 6 week period following announcement of interim or final results).

#### 1. Performance targets

The vesting of awards under the LTIP is dependent upon the extent to which specified performance targets have been achieved. To date, LTIP awards have been granted subject to performance conditions based on absolute and relative total shareholder return (TSR) targets (with an equal weighting).

In accordance with the rules of the LTIP, the Remuneration Committee may set different performance conditions in respect of future awards. Accordingly, the Remuneration Committee proposes that for future awards, vesting will be dependent upon:

- **Absolute TSR as regards 50% of the award** –continuing to provide a direct link between shareholder return and management incentive; and
- **Return on equity as regards 50% of the award** –providing increased strategic alignment and representing a metric that is both better understood and not overly dependent on factors beyond the control of participants (compared to the previous metric of comparative TSR)

The proposed targets are set out below.

The proposed targets are set out below.

The size of the Company has increased since the LTIP was introduced and expectations for absolute TSR growth have been adjusted to factor in this difference in size and maintain targets that are aligned with the growth expectations from the current size of the Company.

Awards will vest on a straight line for performance between threshold and maximum vesting points.

Metric	Vesting (% of award)		Target
Absolute TSR	Threshold vesting	0%	26% absolute growth over three years
	Maximum vesting	50%	42% absolute growth over three years
Return on Equity	Threshold vesting	0%	8% average over three years
	Maximum vesting	50%	10% average over three years

Return on Equity will be calculated using the average annual adjusted profit after tax divided by the average Company's group net assets over the performance period.

The Remuneration Committee envisages that these new performance conditions will apply to future awards under the LTIP. Any change in performance conditions will be explained and justified to shareholders through the Company's report and accounts.

#### 2. Holding period

Awards will continue to vest following the end of a three year performance period but may then be made subject to a further holding period and will, ordinarily, only be released to participants following the end of that holding period. The Remuneration Committee intends that all LTIP awards granted after the AGM will be subject to a holding period of two years.

### **3. LTIP – Approved Performance Share Plan**

The LTIP Rules have been amended to include a schedule which provides for the grant of tax advantaged options over shares to a value of £30,000. In summary the arrangement will operate by granting a participant:

- a) an ordinary nil cost LTIP award over the same number of shares (with the same value) as would be the case but for the introduction of the APSP; and
- b) a tax advantaged option over shares with a value at grant of up to £30,000 and an exercise price equal to the market value of a share at the date of grant.

At exercise, the LTIP award and tax advantaged option are exercised simultaneously but on terms that the extent to which the LTIP award may be exercised is scaled back to reflect the gain made on exercise of the tax advantaged option. Provided the tax advantaged option is exercised at least three years after the date of grant and the requirements of the legislation governing such options are met, the gain realised on the exercise of the tax advantaged option will be tax efficient, being subject to capital gains tax on the disposal of the shares relating to that gain.

In accordance with the rules of the LTIP as approved in 2013, a participant cannot be granted awards in any year over shares with a value in excess of 125% of his/her basic salary for that financial year (or for the preceding financial year, if greater) unless exceptional circumstances arise. It is not proposed that the limit be increased, however, because of the scale back feature, the shares subject to the tax-advantaged option are not taken into account for the purposes of the limit.

#### **PART 4 – ARTICLES –PROPOSED CHANGES**

This section summarises the main changes that are proposed to the Company's articles of association. The articles were last reviewed in 2010 so the Board considered it appropriate to complete a review to ensure that they reflect current legislation, corporate governance recommendations and market practice. The principal differences between the Articles and the Company's current articles of association are summarised below:

1. the Articles reflect current market practice and give the directors flexibility to comply with most amendments to statute or corporate governance recommendations. The Board may call general meetings whenever it thinks fit and on the request of the members, pursuant to the provisions of the Act;
2. the Articles now include a cap on fees payable to directors, as recommended by the Association of British Insurers;
3. where the directors make calls upon members of the Company in respect of any moneys unpaid on the shares, if such sums are not paid on the times specified, the Articles provide that interest shall be payable at a rate not exceeding 15% per annum. Previously there was no cap on interest;
4. as recommended by corporate governance guidelines, the Articles do not contain provisions to permit the appointment of alternate directors;
5. the Articles do not contain provisions in relation to conversion of shares into stock, to be in compliance with the Act; and
6. in line with market practice, the Board is entitled at its discretion to decline to register a transfer of shares unless the three conditions in article 8.3 of the Articles are satisfied.