15 May 2024

Vertu Motors plc ('Vertu', 'Group')
Final results for the year ended 29 February 2024
Record revenues, substantial cash generation and increased dividend

Vertu Motors, the UK automotive retailer with a network of 188 sales and aftersales outlets, announces its final results for the year ended 29 February 2024 ('Year').

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

"It was pleasing to see the Group successfully navigating a difficult period of trading with declining used car values in the last few months of 2023. Used vehicle prices and margins have now stabilised and there has been strong cash generation from lower working capital reducing net debt below market expectations. During the year, record revenues of £4.72 billion were achieved.

Moving to the new financial year, March and April 2024 were successful months. The Group delivered new retail like-for-like sales volumes ahead of the market decline in March and April. This demonstrates the robustness and strength of the Group's operations.

The Group remains focused and thoughtful around capital allocation."

FINANCIAL SUMMARY

Years ended 29 February	**2024**	**2023**	**2022**
Revenue	£4,719.6m	£4,014.5m	£3,615.1m
Adjusted[1] profit before tax	£37.8m	£39.3m	£80.7m
Profit before tax	£34.6m	£32.5m	£78.8m
Basic Adjusted[1] EPS	8.37p	9.16p	17.92p
Dividends per share	2.35p	2.15p	1.70p
Free Cash Flow	£57.0m	£54.3m	£44.4m
Net (Debt)[2]/ Cash	(£54.0m)	(£75.3m)	£16.2m

HIGHLIGHTS

- Profit before tax rose 6.5% to £34.6m from £32.5m.
- Adjusted[1] profit before tax of £37.8m (FY23: £39.3m), on record revenues of £4.7 billion. Profit in line with current market expectations.
- Operating expenses as a percentage of revenues fell to 9.7% (FY23: 9.9%) reflecting application of strong cost disciplines despite inflationary pressures.
- Used car margins weakened in H2 due to price corrections in the market: values and margins stabilised by the end of the Year.

- Aftersales delivered a strong performance, with like-for-like revenue up 8.6% and Core Group gross profit up £13.2m compared to FY23.
- Free Cash Flow of £57.0m in the Year (FY23: £54.3m) reflecting excellent working capital management and the underlying cash generative nature of the business.
- Net debt[2] of £54.0m as at 29 February 2024, lower than market expectations (FY23: Net debt: £75.3m).
- Final Dividend of 1.50p per share recommended, bringing full year dividend to 2.35p per share (FY23: 2.15p), an increase of 9.3%.
- Net tangible assets per share of 70.5p.
- £7.5m returned to shareholders via repurchase of 11.3m shares during the Year.

CURRENT TRADING AND OUTLOOK

- Strong trading performance delivered in key months of March and April gives confidence for the new financial year.
- Group gained market share in the critical March and April new retail market showing like-for-like decline of 2.6% against market decline in SMMT registrations of 10.8%.
- Fleet volumes and margins remain robust.
- Used vehicle prices have been stable with volumes and margins robust in March and April. Like-for-like used car volumes grew 5.8% year-on-year and gross profit increased.
- Aftersales revenues and profits remain highly resilient and saw growth aided by retention products, such as service plans, and additional numbers of technicians recruited.
- Battery electric vehicle sales growth in the UK has stalled. Government mandated targets increase over the coming years and there is a risk the industry falls short of these targets. With the threat of significant fines on Manufacturers on missing targets, the risk of potential market volatility later in the year and medium-term is elevated.
- In FY25 cash proceeds from disposal of properties of £10.6m are anticipated, approximately £2.6m in excess of book value.
- Group well positioned with stable management and a very strong balance sheet.
- A share buyback approval for the potential purchase of shares for up to £3m has been put in place for the new financial year. Gearing limit of up to 1.5x net debt/EBITDA reconfirmed.

[1] Adjusted to remove non-underlying items
[2] Excludes lease liabilities, includes used vehicle stocking loans

Webcast details

Vertu management will make a webcast available for analysts and investors this morning on the Group's website https://investors.vertumotors.com/results/

For further information please contact:

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CHAIRMAN'S STATEMENT

The Group has again executed well, in what turned out to be a challenging Year, delivering an Adjusted[1] profit before tax of £37.8m, broadly in line with analysts' expectations. There were noteworthy highlights in the Year:

- The successful integration of the significant Helston acquisition completed in December 2022 and the bolt on acquisition of Rowes in October 2023, augmenting the Group's growing presence in the Southwest of England.
- The delivery of operational excellence and digitalisation continued with the full roll-out of the Group's in-house analytics system 'Vertu Insights', a used vehicle stock management tool. Use of this dynamic tool helped the Group to successfully navigate the significant impact of movements in the wholesale used vehicle market in the second half of the Year.
- The roll out of the in-house developed 'Pay Later' product to all Group sites, allowing customers to spread their vehicle repair payments interest free over 3-5 months. This has aided conversion of the sale of repair work identified as part of the Group's vehicle health check process, and reduced costs compared to a third-party solution.
- The successful reduction of vacancy levels, particularly in respect of service technicians.
- A 9.3% increase in the annual dividend per share reflects the Board's confidence in the Group's future trading and continued strong free cash flow generation.
- The return of £7.5m to shareholders through the purchase of 11,343,372 shares for cancellation, representing 3.3% of opening total issued share capital.

The Board welcomed two new non-executive directors during the Year. John Mewett, the Chief Executive Officer of Screwfix, part of the Kingfisher plc group, joined the Board in June 2023. John is responsible for the development of the Screwfix business across the UK, Ireland and France and has over 25 years' retail experience. David Gillard, a Non-Executive Director and the Chair of Audit Committee at Bradford and Sons Limited, a builders' merchant, joined the Board in January 2024. David was previously the Group Finance Director and Deputy to the Managing Partner at DAC Beachcroft LLP, the international law firm. David will replace Ken Lever as chair of the Audit Committee when Ken leaves the Board at the forthcoming AGM after nine years' service. I would like to take this opportunity to thank Ken for his tremendous contribution to the strategy and success of the Group over his nine-year tenure.

The Board is cognisant of possible challenges in the year ahead. These include the impacts of a General Election, high interest rates and a cost-of-living squeeze on consumer confidence. There is additionally, potential for disruption in new vehicle supply as the UK Government seeks to transition to battery electric vehicles and Manufacturers attempt to navigate new emission legislation and potential significant fines. These impacts have the potential to effect revenues and profitability in the short-term. We remain, however, focused on the delivery of the Group's long-term strategic goals, appropriate capital allocation and free cash flow generation.

The Group's performance is, as always, the result of the commitment and hard work of all colleagues. I would like to thank all the team for their continued effort and dedication.

Andy Goss, Chairman

[1] Adjusted to remove non-underlying items

CHIEF EXECUTIVE'S REVIEW

17 years of trading and 100 years of history

March 2024 marked a milestone 17 years of trading of the Group. This followed the £40m purchase back in March 2007 of Bristol Street Group Limited, which operated 32 franchised dealerships and three used vehicle supermarkets. Since this initial acquisition, the Group has grown from 35 to 188 sales outlets and the number of colleagues employed by the Group has risen from 1,700 to over 7,600. Over that same period, revenues have increased from the £0.6 billion delivered by Bristol Street Group in 2006 to the £4.7 billion reported in these results.

Whilst the Vertu Group is a relative youngster in the sector, another significant milestone was reached in March 2024, the centenary of Bristol Street Motors. Officially incorporated on 18 March 1924, Bristol Street Motors operated a single Ford dealership in the heart of Birmingham. Today, Bristol Street Motors Birmingham Ford still operates as part of the Group from the same location as it did 100 years ago. Bristol Street Motors is the Group's largest brand; and is also the most well-known automotive brand in England. This strength comes from 88 locations and substantial marketing activity including TV campaigns, sponsorship of a British Touring Car Championship racing team and the EFL's Bristol Street Motors Trophy cup competition.

The Group has faced several considerable challenges over its short history. A global financial crisis, Brexit, a global pandemic and its impact on supply chains, a shift in powertrains and more normal economic fluctuations. The business has proven to be very resilient in the face of these and indeed has developed significant advantages:

- **Dealer network**
  The Group operates franchised dealerships from a physical network of 143 locations, from as far north as Paisley in Scotland, down to Orpington in the South East and Truro in the South West of England. These locations are pivotal to the delivery of the Group's Mission 'to deliver an outstanding customer motoring experience through honesty and trust' and to serve the requirements of our Manufacturer partners.

- **In-House systems**
  Over the years, the Group has developed in-house bespoke and proprietary systems, including our showroom sales process system, fully integrated with the Group's on-line customer journey, excellent management information systems providing data in real time and used vehicle inventory management systems. The Group currently has 56 in-house developers and robotics specialists.

- **Stable committed management team**
  The stable senior management team have a wealth of sector expertise and the Group has a focus on growing its 'Next Generation' of senior leaders to assure the continued and sustainable delivery of the Group's strategic goals in the long-term.

- **Customer base**
  The Group's 2 million strong customer base enables the Group to focus on retention in sales and service and the further development of ancillary services such as retail cosmetic repair operations.

- **Resilient aftersales operations**
  The Group has a well-established and growing aftersales business. Customer retention initiatives such as over 163,000 live service plans together with focus on the delivery of high levels of customer service aid the resilience of this business.

- **Brand Strength**
  The longevity of the Bristol Street Motors brand along with the Group's continued investment in brand marketing and partnerships mean that Bristol Street Motors remains the most recognised motor retail brands in England. Macklin Motors in Scotland and Vertu also have growing brand awareness. Such awareness is vital in a world of customers searching on the internet and undertaking omni-channel retailing.

- **Strong Manufacturer relationships**
  Operational delivery and strong mutual respect have generated good relationships with the Group's chosen Manufacturer partners. Such relationships are key to the delivery of future scale and provide excellent support to the Group in periods of crisis, such as the pandemic.

- **Balance sheet**
  Significant asset backing, low levels of net debt and strong cash generation enable the Group to continue to deliver on its strategic goals.

- **Values based Group**
  Strong values-based culture and commitment to customer service with the Mission 'to deliver an outstanding customer motoring experience through honesty and trust'.

Strategy Summary

The Group's key long-term strategic goal remains: To deliver growing, sustainable cashflows from operational excellence in the automotive retail sector. The strategic objectives of the Group, which were reviewed during the Year, remain consistent and are summarised below:

- To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, while being mindful of industry development trends, to maximise long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy, together with a focus on cost optimisation and efficiency:
  - Optimise our omnichannel retail offering and promote our brands to drive enquiry levels.
  - Digitalise aftersales processes to improve customer service and productivity.
  - Reduce the cost base of the Group by delivering efficiency using technology.
  - Utilise data driven decision making to generate enhanced returns.
- To develop and motivate the Group's colleagues to ensure operational excellence is delivered constantly across the business.
- To develop ancillary businesses to add revenue and returns that complement the automotive retail dealership business.

Execution of Group Strategy

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on growth opportunities and deliver scale benefits. The following changes to the scale of the Group have been delivered since 1 March 2023.

- *Acquisitions*

The Group completed the acquisition of Rowes Garage Limited ('Rowes') in October 2023. This added four sales outlets in South-West of England and further strengthened the Group's position in the region. These dealerships were rebranded to Bristol Street Motors or Vertu Motors and were fully integrated onto Group systems and processes upon acquisition. The outlets represent the Honda franchise in Plymouth and Truro and a used car sales outlet in Plymouth. In February 2024, the Honda outlet acquired in Plymstock was closed with the business being consolidated into the central Plymouth site. The now empty Plymstock dealership will be refranchised to provide Plymouth with a Volvo outlet in the months ahead. The Group already operates Volvo in the region such as in Truro, Exeter and Barnstaple. The Plymouth used cars outlet will be franchised to represent Renault and Dacia which the Group already represents in Exeter.

- *Multi-franchising and new outlets*

On 24 April 2023, the Group agreed a sub-lease of a former Cazoo outlet in Tamworth, Staffordshire. The outlet opened in July 2023 as a Bristol Street Motornation used car outlet and has performed successfully since opening. The opening follows the strategy of the Group to take opportunities as they arise in strong retail locations for the Group. In the past, outlets which opened as Bristol Street Motornation have been transitioned to Franchise dealerships over time. It is anticipated that Tamworth will be franchised within the next 12 months.

In July 2023, the Group agreed a sub-lease of a former Jaguar dealership in the west of Newcastle upon Tyne. This excellently located dealership site was refurbished for the relocation of the Group's existing Vauxhall franchise from nearby Scotswood Road in the city. Vauxhall opened in this new location in October 2023. Following the move, the substantial freehold dealership vacated by Vauxhall was re-opened on 1 December 2023 as a Ford car and commercial vehicle operation. This follows the award by Ford of Tyne and Wear as a market area to the Group. This additional significant Ford operation augments the existing representation of the brand by the Group in nearby Morpeth, Durham, and Hartlepool.

On 12 September 2023, the Group opened the MG franchise in Chesterfield, alongside the Group's existing Vauxhall dealership. This marks the fourth sales outlet for the MG brand (owned by SAIC of China) operated by the Group, alongside the existing outlets in Beaconsfield, Carlisle and Edinburgh. MG had a 4.3% market share of the UK car market in calendar 2023 having seen significant growth.

On 28 November 2023, Bristol Street Motornation Stockton was re-franchised to Nissan, providing a substantial dealership for this brand in Teesside and augmenting the existing representation of the brand by the Group in nearby Darlington.

The Group has been in discussions with BYD, the world's leading Manufacturer of new energy vehicles, and the Board are delighted to announce that the Group will shortly commence trading at Worcester and Gloucester with BYD.

- *Active Management*

The Board continues to actively manage the Group's portfolio of properties and businesses. This includes assessing further growth opportunities as well as the future potential of existing businesses, utilising strict investment return metrics to ensure discipline in capital allocation.

During the Year, the Group closed operations at its BMW/MINI outlet in Malton, Yorkshire and secured an early exit from the associated leasehold premises. The Group also exited from a Ford operation in Stroud, Gloucestershire, and closed its SEAT Cupra operation, exiting the associated lease, in Birmingham in January 2024. Exiting these sub-scale dealerships has reduced operating expenses, and the Group has retained many of the respective sales and service customers in its nearby York BMW and MINI and Gloucester Ford dealerships, so augmenting revenues and profits at these outlets. Additionally, in existing multi-franchised dealership locations, the Renault/Dacia franchises in Mansfield and the Hyundai Franchise in Morpeth have been relinquished in consultation with the Manufacturers.

In the financial year, the Group continued to generate cash from surplus properties. A surplus dealership in Taunton, acquired in the Helston acquisition, was sold for proceeds of £0.8m and an accident repair centre business and property in Newcastle was disposed of for £1.4m in the period. In addition, a surplus property in Hayle acquired with the Rowes acquisition was sold for proceeds of £1.4m. These transactions collectively generated cash proceeds of £3.6m and a profit on disposal of £0.5m.

Subsequent to the financial year end, planning was formally granted in respect of surplus land adjacent to the Group's Nissan dealership in central Glasgow. This 1.15-acre site had been held by the Group since FY16. The sale has not completed as contractually anticipated, due to the impact of recent legislative changes in Scotland imposing rent controls. The Group continue to work with the developer concerned and the Board consider that a disposal is likely to be completed in FY25.

A further surplus property, acquired with the Helston acquisition in FY23, has been sold following the year end on 13 March 2024. This property in Taunton generated cash proceeds of £0.8m, in line with the asset's carrying value.

Additional surplus properties held by the Group are expected to be disposed of in the next 18 months. In total, in FY25, cash proceeds from disposal of properties of £10.6m are presently anticipated, approximately £2.6m in excess of book value.

Digitalisation Developments

Omni-channel Retail Sales

Consumers continue to value a blended retail experience, with a desire to complete tasks digitally as well as visiting a dealership to touch, feel and test drive their prospective new vehicle ('omni-channel retailing').

In FY24, the Group focused on increasing the number of on-line vehicle sales reservations, as such reservations convert to a sale at more than twice the rate of traditional vehicle sales enquiries. The Group took over 22,000 on-line vehicle reservations in FY24, up 113% on the previous year.

In terms of continued development of the customer journey, changes to the Group's sales experience/process software, built on the same platform that underpins our eCommerce journeys, have been rolled out across the Group. These changes provide further efficiency for the sales teams in the dealerships as well as improving the customer buying journey.

- *Data Model and Customer Data Platform*

During FY24 the Group continued to scale its data capability. Further investment in the data and business intelligence teams, which now number 14 colleagues, were made. This enabled the launch of a comprehensive data warehouse in Q1 FY24. Utilising existing infrastructure, this provides the bedrock of data for the Group and the opportunity to drive further efficiencies across our finance and marketing functions as well as in dealership operations.

This data platform drives the used vehicle pricing algorithm in use in the Group's in-house developed 'Vertu Insights' system. This was rolled out across the Group in FY24 and enables real-time review and updates to used vehicle prices to reflect market conditions, and it also forms the basis of our part exchange valuations to customers on-line. Since completing the rollout of Vertu Insights, the number of used car price changes per day have increased by 150% as the technology, which uses a combination of proprietary and third party machine learning, enables price changes across all vehicles at a location to be moved in line with market supply and demand with a single click. Prices can go up as well as down to maximise profitability. The system is also supported by our innovative QR Code based forecourt pricing approach, where 'windscreen' pricing is updated in real-time, eliminating the need for traditional price boards, which are time consuming to update.

FY24 also saw the introduction of the Group Internal Auction Platform, which allows dealerships to sell part exchanges that do not meet their stock profile to other Group dealerships, instead of them having traditionally been sold via an external remarketing channel. Since launch, over 2,200 used vehicles have been retained in the business to retail, helping with used vehicle inventory supply whilst reducing stock availability to competitors.

The business operates in an increasingly complex technological environment and the above developments can only be undertaken by a business with scale. As with important cyber risk investments, once the platform is developed, scale benefits accrue as more outlets are added to the platform.

- *Digitalisation in Aftersales*

The Year saw increased customer uptake of the digital self-service check-in in the Group's service departments. 60% of customers now check in for their service from home with a third of these going on to use the instore kiosks to safely deposit their vehicle keys. The Group has also seen increased penetration of add-on sales in service from customers using this facility. The functionality of the kiosks is being further enhanced to allow courtesy vehicle collection, customer check out and payment as well as integration with the Group's new Retail smart repair offering, 'Bristol Street Motors Repair Master'.

'Pay Later', an in-house developed deferred payment option for service customers, was fully rolled out during the Year. This has substantially reduced the cost to the business of offering this service, previously provided by a third party. Working capital increased by £1.3m to the end of the financial year following the rollout and no material credit issues have been experienced to date. The offering is an efficient use of capital and has a powerful impact on converting work from Visual Health Check activity. It is driving higher average invoice values.

- *Digitalisation to improve efficiency and reduce cost*

A new substantial project has commenced, investing significant development resource to improve the productivity of the Group's financial processing. The first project, to allow the seamless transfer of vehicles between Group dealerships, including invoicing, transfer of supporting records and payment is currently under development. This functionality will then be utilised to allow similar ease of cross charging for Group parts supply and for services such as cosmetic repairs. The successful implementation of this technology should substantially improve the efficiency of the Group's finance functions. Further opportunities to increase finance efficiency, which should bring cost savings, have also been identified.

Recruiting, Retaining and Developing Colleagues

It is a priority of the Group to develop and motivate the Group's colleagues to ensure the delivery of operational excellence and outstanding customer experiences. The Group has been successful in reducing colleague turnover in recent years. Nevertheless, the Board considers that turnover in the key roles of sales executives and service advisors remains at too high a level. In order to increase colleague stability in all areas, the Group has commenced substantial training and other initiatives to improve recruitment, induction and appraisal processes. For example, every manager is currently undergoing training to improve coaching skills. These initiatives should enhance colleague retention and therefore the Group's ability to deliver operational excellence.

Whilst the number of UK job vacancies has reduced slightly to 0.9 million in January 2024 from the more than 1.0 million seen, throughout much of 2023, (source: ONS: March 2024 labour market overview) workforce recruitment and retention remains a challenge for many UK businesses. Resource constraints, coupled with cost-of-living pressures and the significant increase in the national minimum wage have led to wage inflation, with average weekly income growing in absolute and real terms in the UK. Following the recent increase in the National Minimum Wage, 24.3% of the Group's colleagues are paid at or within 5% of Minimum Wage, up from 12.3%. Such colleagues are no longer able to participate in tax efficient salary sacrifice schemes such as the holiday purchase scheme or making pension contributions. The consequence of these Government actions appears to have led to reduced level of satisfaction amongst these colleagues. A survey conducted in February 2024 saw 72.7% of colleagues ranking the Group as a great place to work (down from 85.9% in the full annual survey). The greatest reductions in satisfaction scores were recorded in roles paid at or just above minimum wage. In the face of such challenges, the Group continues to strive to achieve a reasonable balance between managing the growth of employment costs whilst ensuring that a stable, motivated workforce is in place.

The Group has long been committed to extensive investment in the development of all colleagues to provide opportunity to those who are talented and driven to succeed. Programmes include a degree apprentice scheme, technician apprentice schemes and 'Evolution' development programmes to facilitate progression to management roles in all areas. These programmes are critical to delivering a business which is meritocratic and full of opportunity for colleagues.

Ancillary Businesses

The Group's ancillary business division has a dedicated divisional team to drive the success of the businesses, which include Vansdirect, Aceparts and The Taxi Centre. The Group has a strategy to develop such businesses to add revenue and returns that complement the core dealership businesses.

The Taxi Centre, which has been in operation for over 20 years, delivered 1,066 taxis in the Year (FY23: 854) and importantly generated profit before tax of £1.0m, a significant increase on the £0.5m delivered in FY23. Improved supply of vehicles, and an expansion in the size of the sales team, drove this strong performance.

Aceparts sells parts to customers via Marketplaces, with over 2.5 million listings on eBay, and makes on average 2,000 despatches per day. The business has grown 'direct to consumer' sales from selected suppliers which has allowed sales growth whilst inventory levels have been reduced. Wiperblades.com augments this business with a website sales platform. Wiperblades distribution has been consolidated into the Group's existing warehouse in Sittingbourne in Kent. Aceparts is also a material supplier to our Dealerships for non-manufacturer parts and consumables, facilitated from distribution centres in the Group's existing dealership premises.

Vansdirect had a good year, with a robust financial performance of £2.1m in profit before tax (FY23: £2.8m). Supply dislocation in respect of a number of supplying Manufacturers held back sales volumes in the Year and margins normalised.

Strategic Summary

The Group's experienced management team, strong brands, digital prowess, and financial strength ensure the Group is well positioned to take advantage of opportunities and react quickly to challenges in the sector. The Group will continue to innovate and execute to ensure that it excels in meeting customer needs and responds to the changing external environment in which we operate. Capital is allocated to those activities, locations and franchises that are best placed to meet the competitive challenges arising, provide the best growth opportunities and maximise long-term return on invested capital. The Group will leverage on its proven strengths and execute on cost saving initiatives, continued development of colleagues, accelerating brand growth and pursuing new business opportunities.

Sector Trends

The franchised automotive retail sector continues to evolve with the following trends apparent.

1. **Supply and outlet dynamics**

The supply disruption in the post pandemic period eased as the Year progressed with production flowing more freely once again. This resulted in a 17.9% increase in the number of new vehicles registered in the UK in 2023 (Source: SMMT). Supply was such that pre-registration activity reappeared, which had been largely absent in the last three years. This indicates an excess of supply of inventory versus demand and a return to a supply push environment. There is an expectation of increased competition from Chinese manufacturers as they seek to expand vehicle sales into the relatively low tariff environments in both Europe and the UK as growth in their domestic market has stalled. Governments in the UK and EU are considering the competition aspects of this with the potential for additional tariffs for Chinese producers.

Despite the addition of new entrants such as BYD and GWM ORA, the UK's total number of franchised sales outlets fell 3.2%[2] (133 outlets), to a total of just over 4,200 outlets. This decline in outlets continues the trend of the last few years and should mean increased sales from those outlets which remain.

[2]Source: Auto Retail Networks Report 2024

2. **Electrification**

The Group is supportive of the transition to electrified powertrains in the UK vehicle parc as part of the move to a cleaner environment, particularly in respect of urban air pollution. Investment in training, charging infrastructure, specialised tooling and dedicated battery competence centres has been made to support this transition. The Group has recently received recognition for the efforts made in embracing the transition to 'zero emissions', winning the National Franchised Dealers Association ('NFDA') Green Dealer Award in April 2024. The award was given for the Group's commitment to the Electric Vehicle Accreditation ('EVA') programme, demonstrating dedication to being at the forefront of electric vehicle retailing.

In 2023, the UK Government rolled back the full ban on the sale of new petrol and diesel cars in the UK from 2030 to 2035. Despite this policy announcement, the UK Government have imposed the Vehicle Emission Trading Scheme (VETS) from January 2024. VETS was imposed instead of the much-discussed Zero Emissions Vehicle (ZEV) mandate. VETS represents two schemes which run concurrently, namely the Non-Zero Emission Car Registration Trading Scheme (CRTS) and Non-Zero Emission Car C02 Trading Scheme (CCTS). This is the most aggressive Government imposed environment policy in Europe, pushing BEV vehicle sales through fines rather than incentives.

CRTS requires Manufacturers to achieve specific zero emissions vehicle sales targets, starting at 22% of total car sales and 10% of van sales in 2024. The target rises incrementally each year to 80% for cars and 70% for vans in 2030, and 100% for both by 2035. Manufacturers can generate additional allowances through the purchase of credits from other Manufacturers or through the CCTS scheme. The CCTS scheme looks at the average CO2 of a Manufacturer's registered vehicles in 2021, and if average CO2 is reduced overall in future years, overachievement can be converted into CRTS credits. For every vehicle that does not comply under CRTS the Manufacturer pays a fine of £15,000. If a Manufacturer misses their CCTS target a fine of £86 is levied for every gramme of CO2 over the base line.

The potential fines for Manufacturers from these two schemes are huge (particularly after 2024 as targets ramp up). Increased pressure for the sale of new electric vehicles is evident in response to this complex legislation. Retail demand for electric vehicles remains muted with no financial incentives from Government available, despite the onerous targets and fine regime. Most demand is coming from the fleet and business channels where Government tax incentives are in place. Manufacturers are seeking to stimulate retail demand for these vehicles through the offer of discounted prices and supported finance rates, yet these are clearly costly to their profitability.

Both CRTS and CCTS are only judged at the end of the calendar year and as such it is highly likely that the pressure to generate BEV volumes will further increase as the year progresses and in future years as targets tighten. One outcome may well be a reduction in the supply of Internal Combustion Engine (ICE) vehicles in the second half of FY25 to minimise exposure to regulatory fines. This could, in turn, impact on the size of the UK vehicle market.

A further potential challenge to the transition to BEV discussed in previous reports arose from tightening Rules of Origin requirements where BEVs sold between the EU and UK face 10% tariffs, based on the origin of their components. The introduction of this tariff has been delayed from 1 January 2024 to 2027 which is clearly a helpful development.

The Society of Motor Manufacturers and Traders (SMMT) registration statistics show UK BEV registrations in the period January to April 2024 represented 15.7% of all sales, below the mix achieved in 2023. Growth has been achieved in the fleet and Motability sales channel, rather than retail.

3. Financial Conduct Authority (FCA)

The Financial Conduct Authority (FCA) is currently investigating Discretionary Commission Arrangements (DCAs) within automotive finance. Preliminary findings from the FCA review suggest that motor finance providers, and motor finance credit brokers (including motor dealers) who have engaged in motor finance agreements involving DCAs could be impacted. The Group ceased sales involving DCAs in January 2021. The FCA have indicated that an update on this investigation will be given by September 2024. The Board does not currently consider that provisions are required to be made in respect of any exposures in this area and will update shareholders as the position becomes clearer.

In a separate development, in November 2023, the FCA highlighted concerns regarding the proportion of premiums paid by customers being disbursed in claims in respect of guaranteed asset protection (GAP) insurance. The Group ceased the sale of GAP insurance to customers on 31 January 2024. No provisions have been made.

4. Agency Distribution

Under the agency distribution model, the Manufacturer transacts with the customer for new vehicle sales while the retailer remains the physical touchpoint with the customer and undertakes the sales process, customer contact and vehicle delivery as an agent. The retailer-turned-agent receives a commission on each new vehicle sale. There are varying versions of the agency model proposed and the picture is evolving in terms of such factors as Manufacturers' appetite to change, the legal structure of the model, and the details of operational implementation.

The Group has long operated on an agency basis for a significant proportion of fleet and parts sales. Mercedes-Benz passenger cars moved to a genuine agency model on 1 January 2023 and Volvo from July 2023 in respect of retail new car sales. The Volkswagen Group brands have also implemented agency distribution for their BEV ranges in the retail channel. Honda also moved to agency for the e:Ny1 product from the end of April 2024. A number of others still plan to do so in time.

A number of Manufacturers previously announced they were considering implementing the agency model in the UK, notably Ford and Land Rover. Both recently announced the transition will not now take place.

CURRENT TRADING AND OUTLOOK

- March and April 2024 Trading (the 'Period')

The Board is pleased with the Group's strong trading performance in the critical first two months of the new financial year. Overall, the performance was slightly ahead of the Board's expectations and expectations for the full year are unchanged.

The UK new car market saw a growth in total registrations in March and April 2024 of 7.4% compared to the prior year. This increase arose in the Fleet and Motability channels, whilst registrations to private retail customers saw continued weakness and fell 10.8%.

The Group's volumes of new retail vehicles sold fell only 2.6% in the Period, significantly ahead of the 10.8% market decline, improving share to 4.9% (4.5% in the comparative Period). The Group's Motability sales grew 43.7% like-for-like compared to an increase of 48.5% in the UK Market. The growing mix of Motability sales, along with increased supply of new vehicles generally, continues to weigh on margins. Gross profits per unit on the sale of new retail and Motability vehicles in the Core Group were £2,101 in the Period, a decline of £308 Period-on-period with gross margins normalising to 8.1%. Overall gross profits from the sale of new vehicles were below prior year levels.

The Group's Fleet and Commercial performance remained strong in the Period, generating increased gross profit levels compared to the prior year Period. Group Fleet and Commercial like-for-like volumes grew 6.7% in the Period. Gross profits per unit continued to exceed prior year levels at over £1,300 per unit and consequently gross profits in this channel were above prior year Period levels.

The UK used vehicle market saw relative stability in the post year end period, in respect of both consumer demand and used vehicle prices. Like-for-like volumes of used cars sold by the Group grew 5.8% in the Period year-on-year. Core Group Gross margins on the sale of used cars were robust, growing 0.3% to 7.9%. This margin percentage increase was due to a reduction in average selling prices of almost £2,000 per unit (9.0%) reflecting lower used vehicle prices following the market correction in late 2023. Overall, gross profit from the sale of used vehicles was slightly up on the prior year period.

Like-for-like the Group delivered improved gross profit from all aftersales channels in the Period compared to last year. Service revenues in the Core Group grew by 9.5% with margins stable.

As anticipated, the Core Group saw an increase in operating expenses. Salary costs rose due to the impact of the National Minimum Wage and further success in filling vacancies. Vehicle running costs increased year-on-year due to enhanced depreciation rates being applied and the requirement by manufacturers for larger demonstrator ranges. Interest costs also exceeded prior Period levels because of the impact of increased interest rates.

- Outlook

The Board is encouraged by the strong trading results in the first two months of FY25 and this provides confidence for the remainder of the financial year.

The SMMT recently upgraded its outlook for 2024 to 1.984m registrations (previously 1.974m) with BEV vehicles expected to represent a 19.8% share, (reduced on the previous 21.0% share anticipated). For the four months to April 2024 BEV vehicles have taken a 15.7% share. The softness of BEV retail demand represents a considerable challenge in achieving the ZEV mandate targets for Manufacturers. If unamended this regime, together with the absence of incentives for consumers in the retail market, may cause volatility and disruption in the UK new vehicle market in the near and medium term.

The used vehicle market and pricing is likely to remain robust except potentially in BEV residuals as consumer offers by Manufacturers increase to avoid fines and supply to the used car market increases. A curtailment of supply of new ICE vehicles by Manufacturers to improve the BEV mix in the light of potential fines, could underpin future used vehicle residual values.

The Fleet and Motability markets are likely to remain strong powered by financial tax incentives for BEV vehicles and the need to push BEV product in channels other than retail.

Aftersales demand looks to be well set in the months ahead as the Group benefits from its customer retention strategies. Higher availability of technician resource is another favourable tailwind.

Group Management remains focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives.

Robert Forrester, CEO

CHIEF FINANCIAL OFFICER'S REVIEW

The Group's income statement for the Year is summarised below:

	FY24 £'m	FY23 £'m	Variance %
Revenue	**4,719.6**	**4,014.5**	**17.6**
Gross profit	**516.1**	**448.4**	**15.1**
Operating expenses reported	(456.8)	(399.6)	(14.3)
Adjusted Operating profit	**59.3**	**48.8**	**21.5**
Net Finance Charges	(21.5)	(9.5)	126.3
Adjusted Profit Before Tax	**37.8**	**39.3**	**(3.8)**
Non-Underlying items[3]	(3.2)	(6.8)	52.9
Profit Before Tax	**34.6**	**32.5**	**6.5**
Taxation	(8.9)	(6.9)	(29.0)
Profit After Tax	**25.7**	**25.6**	**0.4**

[3] Non-underlying items represent, share-based payments charge, amortisation of intangible assets, impairment charges and other non-underlying items.

The Group generated an adjusted profit before tax of £37.8m (FY23 £39.3m). Underlying operating profitability declined due to the impact of declining used car vehicle values in the final quarter of 2023 and the consequent impact on used car margins and gross profit generation. Group profit before tax of £34.6m exceeded prior year levels by 6.5% due to lower non-underlying costs incurred in the Year.

Revenue grew to £4.7 billion, a growth of £705.1m (17.6%) compared to the prior year. Acquisitions completed after 1 March 2022 contributed additional revenues of £450.1m, whilst dealerships disposed of or closed in the Year generated a £46.5m reduction in revenues. Revenue in the Core Group increased by £301.5m (7.9%) driven by an increase in fleet and Motability vehicle sales volumes, as new car supply increased.

Acquisition performance is dominated by the £115m Helston acquisition completed in December 2022. This was the largest single acquisition undertaken by the Group and will generate significant shareholder value. All of the acquired dealerships were fully integrated onto Group systems and processes by the first quarter of the Year as anticipated. Synergies have also been delivered as intended, yet despite this, the financial contribution in the Year from this acquisition was below expectations due to the impact of the used car price correction, concentrated in premium businesses in the second half of the Year. Financial performance is now stronger in the ex-Helston dealership as used car prices have stabilised and a robust contribution is anticipated in FY25.

Revenue and Gross Profit by Department

An analysis of total revenue and gross profit by department is set out below:

	FY24 £'m	FY23 £'m	Variance £'m
Revenue			
New	1,452.5	1,121.9	330.6
Fleet & Commercial	1,037.4	897.6	139.8
Used	1,816.2	1,658.2	158.0
Aftersales	413.5	336.8	76.7
Total Group Revenue	**4,719.6**	**4,014.5**	**705.1**
Gross Profit			
New	119.6	98.4	21.2
Fleet & Commercial	55.6	42.3	13.3
Used	122.5	125.2	(2.7)
Aftersales	218.4	182.5	35.9
Total Gross Profit	**516.1**	**448.4**	**67.7**
Gross Margin			
New	8.2%	8.8%	(0.5%)
Fleet & Commercial	5.4%	4.7%	0.7%
Used	6.7%	7.5%	(0.8%)
Aftersales[4]	43.5%	44.5%	(1.0%)
Total Gross Margin	**10.9%**	**11.2%**	**(0.3%)**

[4] Aftersales margin expressed on internal and external revenues

The total and like-for-like volumes of vehicles sold by the Group and trends against market data are set out below:

	Total Units Sold FY24	Total Units Sold FY23	% Variance	Like-for-Like Units Sold FY24	Like-for-Like Units Sold FY23	% Variance
Used retail vehicles	**86,437**	**82,561**	***4.7***	**79,691**	**81,336**	***(2.0)***
Direct new retail cars	35,228	33,727	*4.5*	31,607	33,167	*(4.7)*
Agency new retail cars	1,585	80	-	1,326	80	-
Total new retail cars	36,813	33,807	*8.9*	32,933	33,247	*(0.9)*
Motability cars	19,706	11,029	*78.7*	19,082	10,995	*73.6*
Direct fleet cars	19,474	18,259	*6.7*	18,388	17,813	*3.2*
Agency fleet cars	7,770	5,236	*48.4*	7,770	5,237	*48.4*
Total fleet cars	27,244	23,495	*16.0*	26,158	23,050	*13.5*
Commercial vehicles	17,569	17,710	*(0.8)*	17,276	17,636	*(2.0)*
Total New vehicles	**101,332**	**86,041**	***17.8***	**95,449**	**84,928**	***12.4***
Total vehicles	**187,769**	**168,602**	***11.4***	**175,140**	**166,264**	***5.3***

	UK Market year-on-year change[6]	Group year-on-year change v UK market[5]
New Retail Car	(1.0%)	0.1%
Motability Car	70.2%	3.4%
Fleet Car	26.5%	(13.0%)
Commercial	19.3%	(21.3%)

[5] Represents the year-on-year variance of like-for-like Group volumes compared to the UK trends reported by SMMT

[6] Source SMMT

Used retail vehicles

The used vehicle market in the UK was best described as volatile in the Year, particularly in the second half.

In terms of supply, low new vehicle registrations in the UK from 2020-2022 have meant that generally the supply of older used vehicles into the market remains constrained. Improving new vehicle supply as 2023 progressed allowed for the renewal of large corporate, Motability and daily rental fleets particularly in September. This in turn generated an influx of supply into the used wholesale markets, particularly of sub-3-year-old used petrol vehicles and BEVs. Fleet companies typically held lower-than-market residual values on those vehicles being de-fleeted, so wholesale sellers were willing to accept lower prices to liquidate inventory than previously prevailing market prices, leading to price falls.

Whilst used vehicles have remained a necessity purchase for many consumers, factors like cost-of-living pressures, high interest rates, high vehicle prices following considerable price inflation in 2022 and the first half of 2023, and soaring insurance costs dampened consumer demand. This was particularly pronounced in the more expensive premium segment.

These market dynamics had an impact on wholesale UK used vehicle prices over the Year. Values saw relative stability in the months to August 2023, with prices remaining some 25-30%[7] above historic levels. Gentle monthly downward movements in prices were witnessed in the first half of the financial year in all but BEVs. Used BEV supply had grown rapidly, albeit from a very low base, and outstripped retail demand. Used BEV prices consequently fell significantly, with a 44%[8] correction being seen over the twelve months to August 2023. Later in the financial year, the influx of de-fleet supply, described above, met with more muted demand and so UK wholesale values across all powertrains experienced a significant price correction. Wholesale values fell by 10.3% between October and December (Source: CAPHPI). Premium vehicle values at the higher end of the market saw the greatest declines within this, with CAP reporting drops of 7% -11% in each month, October to December. Used vehicle prices saw greater stability from January 2024 overall, however Premium vehicles within this continued to show greater weakness than the market generally.

The Group continually monitors the used vehicle pricing, demand and supply environment. Monitoring is significantly aided by the in-house developed 'Vertu Insights' system and enhanced by the Group's new data lake. This includes a pricing algorithm to ensure that, in fast-moving market conditions, prices are adjusted to optimise stock turn, volume and margin mix. Retail prices of Group inventory are now frequently changed on used cars both upwards and downwards. The ability to respond quickly to market changes is enhanced by the Group's strong marketing and digital capability.

The Year started with low levels of used vehicle stock as the Group reduced inventory. Group target inventory levels were increased in the first half of the Year reflecting good levels of consumer demand and to take account of increased time needed to prepare vehicles for sale due to the aging parc. Despite the ongoing supply constraints prevalent at the time, the Group was successful in growing inventory levels to 31 August 2023 compared to the opening position. As market conditions changed, and especially in response to the wholesale pricing conditions evident from the end of September 2023, the Group sought to increase stock turn and substantially reduce inventory levels. The Group was successful in driving increased stock turn, delivering like-for-like volume growth of 2.0% in the second half of the financial year. In the first half used volumes declined 5.7% like-for-like, mainly due to the absence of 0% finance used car events. Used vehicle inventory at 29 February 2024 totalled £163.0m, a 5.7% reduction on the opening position and substantial reduction of over £40.0m when compared to half year-end inventory levels (31 August 2023: £205.9m). Approximately £11m of the reduction was due to an 8% fall in the average price of inventory, aided by the market price declines. The remaining £29m reduction was driven by a 16% reduction in the number of used retail vehicles held in stock, a fall of over 1,500 units.

Core Group gross profit from the sale of used vehicles totalled £110.1m for the Year. This represented a £9.7m decrease in Core Group gross profit year-on-year generated from used vehicle sales. The following like-for-like variances compared to last year arose:

- 2.0% decrease in the number of used retail vehicles sold, with this all arising in the first half of the Year. This decline was partly due to being unable to execute 0% finance offer events due to increased interest rates.
- Gross profit per unit £1,447 (FY23: £1,533) reflective of declining used vehicle prices and margins in the second half.
- Average selling price of £20,200, a 1.4% increase.
- Gross margin reduced to 7.2% (FY23: 7.7%) reflective of higher sales prices and reduced gross profit per unit.

Outstanding customer experience on used cars remains vital to the Group’s ongoing success in terms of profitability and future retention of customers. The Group assesses customer experience through an extensive mystery shopping programme and in the majority of the Group via the Judge Service third party platform. Net Promoter Scores recorded via Judge Service throughout the Year have been very strong at c.85%, which the Board believe to be sector leading amongst major market players.

[7]Source: CAPHPI: October 2023 Car market overview
[8] Source: CAPHPI: September 2023 Car market overview

New retail cars and Motability sales

UK retail car registrations declined 1.0% in the year to 29 February 2024. Retail demand has become increasingly muted over the Year, and this is particularly the case for BEVs. Increased supply of new BEV vehicles exceeded retail demand. Manufacturers are facing the challenging combination of slow retail sales, complex new regulatory targets (with related significant fines) related to the share of BEV, and increased competition from new entrants. As a result, significant discounting and finance offers are increasingly apparent to stimulate consumer demand for electric models.

The Group saw like-for-like new retail vehicle volumes decline by 0.9% when compared to the prior year, in line with the market. Overall, the Group increased its UK retail market share to 4.6% (FY23: 4.1%) aided by new dealerships from acquisitions.

UK Motability registrations continued to benefit from pent up demand, as already extended contracts came to an end and supply improved from Manufacturers, rising a significant 70.2%, compared to FY23. The Group's Motability volumes outperformed the market, growing 73.6% on a like-for-like basis and representing an increasing UK market share of 6.2% (FY23: 5.9%). The Group remains Motability's largest partner in the UK with over 41,200 vehicles on the fleet. These vehicles require an annual service funded by Motability in the Group's service departments over the three-year lease period and therefore important to aftersales revenues.

The Group is seeing a dampening effect on new vehicle gross profits as supply push dynamics become more prevalent and impact margins and as the Motability channel increases as a proportion of the new car market. BEV margins are coming under pressure as the need to hit Government targets rises.

The following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £7.0m increase in gross profit generated, driven by the substantial increase in Motability volumes.
- Gross profit per unit of £1,970 (FY23: £2,155) representing the higher mix of lower margin Motability volumes and increasing discounting to drive volumes.
- An average selling price of £24,637 per unit, a 2.9% increase. This is part driven by increased BEV mix which has higher sales prices than internal combustion engine product.
- Gross margin of 8.0% (FY23: 8.8%).

In new vehicles, sales customer experience is measured by the Group's Manufacturer partners. Approximately 70% of the Group's Core sales outlets delivered experience levels above national average levels. This represents significant outperformance and reflects the Group's focus on executing its Mission Statement ''to deliver an outstanding customer motoring experience through honesty and trust.''

Fleet & Commercial vehicle sales

The UK car fleet market has driven the increase in new vehicle registrations in the UK over the Year. Registration volumes in the UK car fleet market have grown 26.5% year-on-year compared to FY23. This growth has been aided by robust demand for electric vehicles through the fleet channel. Within the fleet market, daily rental registrations were up 139%[9] in the Year, as several manufacturers increased volumes in this area. These daily retail volumes are still a long way short of pre-pandemic levels.

Like-for-like, the Group delivered over 26,000 fleet cars in the Year, representing an increase of 13.5% compared to FY23. The Group's performance was below the market trends as the Group kept pricing disciplines to maintain margin and did not undertake significant volumes of low margin daily rental sales. Overall, the Group has a 3.6% (FY23: 3.9%) share of the UK fleet car market.

UK van registrations grew 19.3% in the year to 29 February 2024 as supply pressures eased and demand stabilised. The market started to see increased pre-registration activity and a large number of customers paying for vans, which while registered, were not delivered. These trends therefore tended to flatter registration trends versus actual sales reported. The Group's like-for-like sales of new commercial vehicles fell 2.0% in the Year, largely due to keeping strong pricing disciplines. The Group sold 5.1% of UK new light commercial vehicles in the Year (FY23: 6.1%).

Importantly, the Group saw increased profit generation from its combined fleet and commercial operations, growing Core Group gross profit by £10.0m compared to last year. The following fleet and commercial trends were seen on a like-for-like basis:

- Like-for-like fleet and commercial volumes increased 6.8% and a total of 44,800 vehicles were sold by the Group in this channel.
- An average selling price of £27,382 (FY23: £24,634) reflecting increased BEV sales.
- Record gross profit per unit of £1,203, a rise of 18.2% from £1,018.
- Gross margin rising to a record 5.2% from 4.7%.

[9]Source: SMMT

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating over 42% of total gross profit. The Group is delighted to report that it saw growth in gross profit generation in all major channels of aftersales on a like-for-like basis as set out below:

	Service £'m	Parts £'m	Accident & Smart Repair £'m	Fuel Forecourt £'m	Total £'m
Revenue[10]	169.2	213.8	23.9	11.8	418.7
Revenue[10] change	9.9	21.1	4.3	(2.1)	33.2
Revenue[10] change (%)	6.2%	11.0%	21.8%	(15.1%)	8.6%
Gross profit	123.5	47.0	14.0	0.9	185.4
Gross profit change	5.8	3.8	3.6	-	13.2
Gross margin[11] FY24 (%)	73.0%	22.0%	58.9%	7.8%	44.3%
Gross margin[11] FY23 (%)	73.9%	22.4%	53.3%	6.4%	44.7%
Margin change (%)	(0.9%)	(0.4%)	5.6%	1.4%	(0.4%)

[10] includes internal and external revenues
[11] Aftersales margin expressed on internal and external revenues

- *Service*

At the end of September 2023, there were 41.3 million[12] licensed vehicles in the UK, including commercial vehicles. In January 2024, the UK reached a milestone in that the millionth BEV reached the road. Despite this milestone, BEV still represent a very small proportion of the overall vehicle parc, less than 3%.

Vehicle servicing and repair remains a vital and resilient revenue stream for the Group, benefitting from robust demand aided by the Group's excellent retention and conquest strategies in this area. In the first half of the financial year, the Group faced challenges in meeting demand due to constraints in technician resources, impacting both retail service work and the preparation of used vehicles for sale. In the first half of the Year, the Group averaged 126 technician vacancies and, in response, the Group implemented additional pay measures to enhance the recruitment and retention of technicians. Each technician contributes an average of £115,000 in service and parts gross profit for the Group, underscoring the significance of reducing technician vacancies to capitalise on revenue opportunities. The Group was successful in reducing vacancy levels and bolstering its technician workforce, with a 9.8% increase in like-for-like technician numbers, totalling 914 technicians by the end of the Year (compared to 832 in those same dealerships in February 2023).

The Group has embraced the use of technology to improve productivity in aftersales. Over 60% of eligible customers now check-in for their service or repair on-line in advance of attending the dealership. A third of those customers now also go on to use the check-in kiosks in dealerships. This increases colleague productivity and enhances the customer experience.

The added efficiency and improvement in technician resource has helped the Group achieve greater consistency of execution in its vehicle health check process. This process checks every vehicle in the workshop to identify safety related issues requiring immediate attention and any items which may warrant the customers attention within the next few months. The customer is sent a video from the vehicle technician, highlighting any such items found and then a colleague will contact the customer to ascertain whether they would like the work to be carried out whilst the vehicle is with the dealership. On average, each customer was sold an additional approximately £95 per visit because of this process, aiding average invoice values to reach record levels of over £330 during the Year. The ability to sell identified work to customers was augmented during the Year by the launch of 'Pay Later', which allows customer to spread the cost of their repair, interest free, over 3 to 5 equal instalments. In addition, the Group is now piloting a new technology solution whereby work identified is communicated digitally to the customer who can click to approve the work to be undertaken and can also pay for such work online.

Service performance and delivery of outstanding customer experiences was, negatively impacted in the Year by dislocation in parts supply in respect of certain of the Group's Manufacturer partners and technician shortages. This led to significantly longer repair lead times for some customers and also reduced the efficiency of a number of the Group's service operations. The Group's service departments delivered above average customer experiences as measured by the Manufacturers.

The Group remains committed to excellence of customer service and uses several customer retention strategies to ensure that vehicle sales customers return to the Group for their service. Service plans, through which customers pay monthly or upfront for their annual service, are a vital part of the retention strategy. The Group has over 163,000 live service plans, including manufacturer service plans, which creates significant resilience to future revenue streams.

Reflecting the trends set out above, like-for-like service revenue growth of £9.9m (6.2%) was delivered in the Year. Gross margin percentages on vehicle servicing were 73.0% (FY23: 73.9%) in the Core Group reflecting increased remuneration to address technician resource constraints and hence gross profit generation rose on a like-for-like basis by £5.8m in service.

[12] source www.gov.uk

- *Parts*

The Group's substantial parts operations include traditional wholesale operations, agency distribution centres, on-line parts retailing and accessory sales to dealership customers. These operations supply parts to the Group's service and accident repair operations as well as to other businesses and retail customers in the UK and indeed across the world via the Groups online parts operations. The Group successfully grew like-for-like revenue by £21.1m (11%) from the sale of parts in the Year compared to FY23. Along with price rises, two operational enhancements have helped overall performance. First, improvements in the Group's vehicle health check process as outlined above drove an increase in parts revenues per labour hour sold through the Group's workshops. Secondly, all the Group's dealerships are now serviced by a new Gateshead based central parts sales hub where 21 colleagues handle inbound parts sales calls in respect of retail parts sales. This increased conversions and sales.

Gross profits generated from the sale of parts increased by £3.8m over the Year. Parts margins reduced slightly to 22.0% in the Year reflecting higher selling prices and reduced bonuses from Manufacturers.

- *Accident and Smart Repair*

The Group's accident repair centres are managed separately from the dealership businesses in a standalone division, concentrating solely on the management of accident repair operations. The Group now operates 13 accident repair centres, from Sunderland in the North East to Truro in the South West of England. The successful accident repair business in Yeovil, acquired with the Helston acquisition, was relocated to standalone leasehold premises in October 2023 with an investment of £0.5m. In addition, an accident repair operation in Truro was acquired with the Rowes Garages acquisition on 31 October 2023 and immediately integrated into the Division and Group systems. The introduction of uniform operating systems, specific key performance indicators and focus on higher margin work providers, have all driven performance improvements over the Year.

The Group's Smart Repair operations have two fixed operations in addition to 100 vans, mainly servicing the Group's dealerships' demand for internal repairs to used cars. A new retail focused smart repair operation ('Bristol Street Motors Repair Master') has been created as a new business unit to serve the Group's two million customers. Four vans are currently operational, servicing corporate clients. Services to retail customers have commenced in early April 2024 with a pilot in the Group's Sunderland BMW outlet. The pilot uses the service check-in kiosks in dealerships to determine whether customers require a quote for work. The Group has the aspiration to significantly increase the capacity of this new business offering substantially over the next 18 months.

The Group has delivered a 21.8% increase in revenues generated from the Group's accident and smart repair Core operations and a £3.6m increase in related gross profit.

- *Fuel Forecourt*

In the Core Group, one fuel forecourt is operated by the Group in Widnes. As a result of the tempering of fuel prices from the peaks in FY23, this forecourt saw slightly reduced revenues but a return to more normal gross margins of 7.8% in the Year. Active pricing strategies ensured that the forecourt has maintained market share and delivered increased gross profit.

Operating Expenses

A summary of Group operating expenses is set out below:

	FY24	**FY23**	**FY24 variance to FY23**	
	£'m	**£'m**	**£'m**	**%**
Salary costs	220.0	214.2	5.8	2.7%
Vehicle and valeting costs	45.6	38.0	7.6	20.0%
Marketing costs	35.3	36.5	(1.2)	(3.3%)
Property costs and depreciation	48.1	45.4	2.7	5.9%
Energy costs	8.6	7.9	0.7	9.0%
Other	33.0	33.8	(0.8)	(2.4%)
Core Group operating expenses	**390.6**	**375.8**	**14.8**	**3.9%**
Acquisitions	62.5	14.9	47.6	
Disposals	3.7	8.9	(5.2)	
Group Net Underlying Operating Expenses	**456.8**	**399.6**	**57.2**	
Operating expenses as a % of Revenue	**9.7%**	**9.9%**		**(0.2%)**

Reported underlying operating expenses of £456.8m, increased by £57.2m compared to the year ended 28 February 2023. Dealerships acquired or sold in the period since 1 March 2022 generated a net £42.4m of this increase. Underlying Core Group operating expenses therefore grew, by 3.9%, (£14.8m) compared to last year. Vitally, operating expenses as a percentage of revenue fell to 9.7% (FY23: 9.9%) despite obvious inflationary pressures.

The largest operating cost of the Group is salary costs, which have increased by £5.8m (2.7%) in the Core Group, compared to last year. Salary costs shown in operating expenses exclude the productive cost of the Group's aftersales technicians, which are included in cost of sales. Much of increase in salary costs is the result of the Group's success in reducing outstanding vacancy levels in the Year and the impact of the investment in the Group's Accident and Smart repair business. Salary changes, such as the impact of the minimum wage were broadly offset by reduced commissions and bonus payments because of reduced retail volumes delivered in the Year and by lower profitability reducing management bonuses.

The cost of the Core Group's demonstrator and courtesy vehicle fleet, included within vehicle and valet costs, increased by £6.7m in the Year. The improving supply position and expanding product ranges meant a return to increased demonstrator requirements mandated by Manufacturers. The Group also applied in the Year increased vehicle depreciation rates, reflecting the price correction in the wholesale vehicle market in the Year, to ensure that vehicle carrying values on de-fleet are appropriate. BEV and Premium vehicles, in particular, required higher write-down rates.

The Group reduced its core marketing costs principally as a result of fewer used vehicle events undertaken in the Year. These savings were delivered whilst further enhancing the awareness of the Group's brands. Return on investment is a priority for all marketing spend with a focus on increasing its effectiveness, especially in the digital space, maximising conversion, and a renewed focus on retention rather than conquest activity.

As anticipated, energy was a significant cost headwind for the Group in the first half of the financial year. Successful execution of the Group's energy purchasing strategy, efforts to reduce usage along with the softening in the market price of electricity meant that Core Group energy costs grew just £0.7m over the Year. The Group reduced gas and electricity consumption by 2.0% on a total basis compared to FY23. The Group completed its investment in LED Lighting and solar panel installation totalling £2.8m in FY24. A total of 41 of the Group's dealership now have roof solar installations. 5.9% of the Group's total electricity requirements were self-generated in FY24 by this onsite clean solar energy, with this figure expected to exceed 10% in FY25 as the full year benefit of the installations comes through.

Other costs were tightly controlled delivering a £0.8m saving in the Core Group compared to prior year.

Non-underlying operating expenses

	FY24 £'m	**FY23 £'m**	**FY24 Var to FY23 £'m**
Redundancy costs	0.9	-	0.9
Lease surrender premium	(0.8)	-	(0.8)
Impairment charges	0.1	1.5	(1.4)
Share based payments charge	2.5	2.1	0.4
Amortisation	0.5	0.5	-
Acquisition fees	-	2.7	(2.7)
	3.2	**6.8**	**(3.6)**

The Group undertook a strategic review of aftersales collection and delivery services at the start of the Year. Customer charges for this service were introduced or increased, to match the cost of provision more closely. The number of employed drivers was also significantly reduced in order to match reduced demand levels. This led to a one-off redundancy cost in the Year of £0.9m.

The Group purchased the freehold interest in its Derby multi-site operation in FY23. A premium was received in the Year in respect of the remaining lease obligation from the intermediate landlord. The premium received has been included in non-underlying items due to its one-off nature and size.

Net Finance Charges

Net finance charges are analysed below:

	FY24 £'m	FY23 £'m	FY24 Var to FY23 £'m
New vehicle Manufacturer stocking interest	8.2	3.4	4.8
Mortgage Interest	6.2	1.4	4.8
Interest on bank borrowings	3.8	1.7	2.1
Used vehicle stock funding interest	1.1	0.8	0.3
Interest on lease liabilities	3.5	3.5	-
Interest income	(1.3)	(1.3)	-
Net Finance Charges	**21.5**	**9.5**	**12.0**

The Group saw a significant increase in interest charged by Manufacturers on funded new vehicle inventory. This increase was due to increased interest rates being charged as successive base rate rises took effect, increased average prices of new vehicles in the pipeline and an easing of supply of new vehicles in some franchises so extending the pipeline consigned. The trend was exacerbated in some franchises by reduced interest free stocking periods offered by Manufacturers which resulted in a cost transfer to retailers. Total Group new vehicle stock as at 29 February 2024 was £516m (2023: £427m), up 21%.

Interest on bank borrowings and mortgages increased due to the additional facilities drawn for the acquisition of Helston Garages in December 2022 as well as the impact of increased base rate applicable to the borrowing. To minimise the interest rate risk to the Group, derivative contracts have been entered into. The Group has secured an interest rate cap contract over £50m of mortgage borrowing capping the underlying rate (excluding the applicable margin) to a maximum of 4.50%. In addition, in respect of the RCF, an interest rate swap over £30m of borrowing has been entered into, fixing the underlying SONIA rate charged at 4.42% until March 2025.

Pension Costs

The Group has a closed defined benefit scheme. The last actuarial valuation of the scheme was performed as at 5 April 2021. This valuation showed the scheme had a funding surplus, with no contributions required from the Company to meet the cost of accrued benefits. Expenses are also met by the scheme. No contribution payments are therefore expected for the accounting period beginning 1 March 2024.

The scheme invests in an LDI portfolio which aims to fully hedge the scheme's interest rate and inflation risk to maintain this fully funded position.

On the accounting valuation basis, the scheme is in surplus. A reduction in the surplus arose over the Year relating to movements in the applicable inflation assumptions. Overall, a net actuarial loss of £0.7m was recognised in the Statement of Comprehensive Income for the Year. The accounting surplus on the scheme decreased to £2.5m as at 29 February 2024 (2023: £3.2m).

Tax Payments

The Group's underlying effective rate of tax for the Year was 25.0% (FY23: 19.5%). The overall effective tax rate, increased to 25.6% (FY23: 21.3%) as a result of the increase in the corporation tax rate applied in the Year. The total tax charge for the Year increased to £8.9m from £6.9m. The Group continues to be classified as 'low risk' in a recent review by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Cash Flows

Free Cash Flow of £57.0m (FY23: £54.3m) was generated in the Year:

	FY24 £'m	**FY23 £'m**	**FY24 Var to FY23 £'m**
Operating profit	56.0	42.0	14.0
Depreciation, amortisation, share based payments & other	37.5	34.1	3.4
Movement in working capital	16.7	23.7	(7.0)
Interest and tax payments	(26.2)	(19.0)	(7.2)
Net Cash Inflow from operating activities	**84.0**	**80.8**	**3.2**
Sustaining capital expenditure	(12.4)	(10.3)	(2.1)
Proceeds from sale of property, plant and equipment	3.6	-	3.6
Lease principal repayments	(18.2)	(16.2)	(2.0)
Free Cash Flow	**57.0**	**54.3**	**2.7**

Net cash inflow from operating activities benefited from a cash inflow of £16.7m from a reduction in working capital (FY23: £23.7m). The movements in working capital which resulted in this cash inflow were: A reduction in the Group's used vehicle inventory which generated a £12.6m inflow. An £11.6m inflow arose from an increase in creditors, this represented increased activity in the Group's businesses, including ancillary businesses such as Aceparts, Vansdirect and in the Group's used vehicle procurement business together with an increase in VAT recoverable on certain new vehicle inventory. These two inflows were partially offset by a £7.5m outflow in respect of an increase in trade receivables, arising from increased Fleet and Commercial vehicle sales in the Year.

In addition to the above movements in working capital, the Year saw a significant increase in new vehicle inventory, matched by an equivalent increase in Manufacturer funding shown within creditors, thus having no impact on cash flow overall. This £94.0m movement comprised an increase of new vehicle inventory in the pipeline of approximately £53.0m, a £33m increase in tactical registrations of vehicles purchased to supply the Group's fleet and commercial vehicle operations and an £8m increase in demonstrator vehicles.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £353.4m (2023: £341.4m) underpinned by a freehold and long leasehold portfolio of £311.8m (2023: £306.6m) and net debt (excluding lease liabilities) of £54.0m as at 29 February 2024. The Group's conservative financing and capital structure resulted in a strong tangible net assets position of £235.0m as at 29 February 2024, representing 70.5p per share.

The Group has a committed acquisition debt facility of £93m taken out in December 2022 for three years with the option to extend for a further two years. During the Year, this facility was extended for the first of the two additional years out to December 2026. £44m of this committed facility was drawn as at 29 February 2024 with £49m therefore available undrawn. The Group operated comfortably within all covenants during the Year.

The Group also has long term debt funding in the form of 20-year mortgages totalling £81.5m provided by BMW Financial Services ('BMW FS'). The mortgages are amortising facilities with annual repayments of capital of £4.3m.

The Group makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. While, during the Year, there was some utilisation of the facility, as at 29 February 2024, no amounts were drawn in this facility. The Group has a £50.0m facility under these arrangements and held £163.0m of unencumbered used vehicle inventory at 29 February 2024.

Capital Allocation

Consideration of capital allocation is central to the Board's decision making. The Board believes that the Group's funding structure should remain conservative and that the application of the Group's debt facilities to fund activities or acquisitions which meet the Group's hurdle rates for investment, will enhance return on equity and increase cash profits in the future.

The Group spent £6.0m on acquisitions during the Year, invested £9.2m in multi-franchising or the expansion of capacity at existing dealerships and made a one off investment in solar panels of £2.4m, collectively 'expansion capex'. These cash outflows are excluded from sustaining capital expenditure utilised in the calculation of Free Cash Flow.

Cash returns to shareholders in the form of dividends are an important part of the Company's capital allocation decision making process and remain a priority for the Board. The Group applies a dividend policy of dividends being covered three to four times by adjusted diluted earnings per share. An interim dividend of 0.85p per share was paid in January 2024. The Board recommends a final dividend in respect of the year ended 29 February 2024 of 1.50p per share to be approved at the Annual General Meeting on 25 June 2024. This dividend will be paid, subject to shareholder approval, on 26 July 2024. The ex-dividend date will be 27 June 2024 and the associated record date 28 June 2024. This final dividend brings the total dividend in respect of FY24 to 2.35p per share (FY23: 2.15p), an increase of 9.3%. Against adjusted, fully diluted EPS of 7.83p this dividend is covered 3.3 times in line with the Group's stated policy of 3-4 times.

During the Year, the Group purchased 11,343,372 shares for cancellation, representing 3.3% of opening total issued share capital, for £7.5m. The Board believes that this is an appropriate use of capital and will continue a programme of Buybacks as a relevant element of returns to shareholders, alongside dividend payments. Authority is held for a further £3m buyback programme to be appropriately deployed. £7.8m was spent on dividends paid, representing the final dividend in respect of the year ended 28 February 2023 and interim dividend in respect of the Year.

The Group also deploys capital on its extensive franchised dealership network, expending £24.0m on asset additions in FY24. This included £11.6m of non-sustaining 'expansion capital expenditure' increasing Group capacity to generate revenues. The balance of £12.4m is considered sustaining capital expenditure. For FY25, sustaining capital expenditure is anticipated to be approximately £18.0m, which includes some redevelopment projects to meet revised Manufacturer standards which do not necessarily increase Group capacity. A further £13.8m of expenditure is anticipated in respect of expansion capital expenditure. This high level of activity includes the cost of land purchases to provide additional vehicle compounding for certain of the Group's dealerships. The category also includes the build costs of the Ayr Toyota dealership and the expansion of the Group's Toyota dealership in Chesterfield. The Group has surplus property assets with disposals in FY25 expected to generate cash proceeds of c.£10m, £0.8m of which has already been received after 29 February 2024.

Karen Anderson, CFO

CONSOLIDATED INCOME STATEMENT (AUDITED)

For the year ended 29 February 2024

	Note	Underlying items 2024 £'000	Non-underlying items 2024 (Note 2) £'000	Total 2024 £'000	Underlying items 2023 £'000	Non-underlying items 2023 (Note 2) £'000	Total 2023 £'000
Revenue		4,719,587	-	4,719,587	4,014,544	-	4,014,544
Cost of sales		(4,203,507)	-	(4,203,507)	(3,566,134)	-	(3,566,134)
Gross profit		**516,080**	**-**	**516,080**	**448,410**	**-**	**448,410**
Operating expenses		(456,845)	(3,194)	(460,039)	(399,590)	(6,828)	(406,418)
Operating profit / (loss)		**59,235**	**(3,194)**	**56,041**	**48,820**	**(6,828)**	**41,992**
Finance income	3	1,254	-	1,254	1,300	-	1,300
Finance costs	3	(22,728)	-	(22,728)	(10,842)	-	(10,842)
Profit / (loss) before tax		**37,761**	**(3,194)**	**34,567**	**39,278**	**(6,828)**	**32,450**
Taxation	4	(9,430)	576	(8,854)	(7,663)	746	(6,917)
Profit / (loss) for the year attributable to equity holders		**28,331**	**(2,618)**	**25,713**	**31,615**	**(6,082)**	**25,533**
Basic earnings per share (p)	5			**7.60**			**7.40**
Diluted earnings per share (p)	5			**7.11**			**7.02**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 29 February 2024

	2024 £'000	2023 £'000
Profit for the year	**25,713**	**25,533**
Other comprehensive expenses		
Items that will not be reclassified to profit or loss:		
Actuarial losses on retirement benefit obligations	(737)	(5,973)
Deferred tax relating to actuarial losses on retirement benefit obligations	184	1,493
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	116	172
Deferred tax relating to cash flow hedges	(29)	(43)
Other comprehensive expense for the year, net of tax	**(466)**	**(4,351)**
Total comprehensive income for the year attributable to equity holders	**25,247**	**21,182**

CONSOLIDATED BALANCE SHEET (AUDITED)

As at 29 February 2024

	2024	2023
	£'000	£'000
Non-current assets		
Goodwill and other indefinite life assets	129,092	128,080
Other intangible assets	1,971	2,286
Retirement benefit asset	2,477	3,188
Property, plant and equipment	335,295	328,405
Right-of-use assets	72,886	73,078
Derivative financial instruments	203	507
Total non-current assets	**541,924**	**535,544**
Current assets		
Inventories	761,996	674,380
Trade and other receivables	93,702	85,827
Current tax assets	203	1,654
Cash and cash equivalents	70,599	78,984
	926,500	840,845
Property assets held for sale	7,881	6,077
Total current assets	**934,381**	**846,922**
Total assets	**1,476,305**	**1,382,466**
Current liabilities		
Trade and other payables	(869,931)	(758,594)
Contract liabilities	(13,400)	(13,477)
Borrowings	(4,395)	(29,821)
Lease liabilities	(17,710)	(14,498)
Total current liabilities	**(905,436)**	**(816,390)**
Non-current liabilities		
Borrowings	(120,183)	(124,519)
Lease liabilities	(65,214)	(68,959)
Deferred income tax liabilities	(22,024)	(19,117)
Contract liabilities	(10,075)	(12,104)
Total non-current liabilities	**(217,496)**	**(224,699)**
Total liabilities	**(1,122,932)**	**(1,041,089)**
Net assets	**353,373**	**341,377**
Capital and reserves attributable to equity holders of the Group		
Ordinary share capital	33,760	34,894
Share premium	124,939	124,939
Other reserve	10,645	10,645
Hedging reserve	220	133
Treasury share reserve	(2,056)	(2,653)
Capital redemption reserve	5,967	4,833
Retained earnings	179,898	168,586
Total equity	**353,373**	**341,377**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)

For the year ended 29 February 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Operating profit		56,041	41,992
(Profit)/loss on sale of property, plant and equipment		(516)	102
Profit on lease modification		(411)	(449)
Amortisation of other intangible assets		568	509
Depreciation of property, plant and equipment		17,449	14,510
Depreciation of right-of-use asset		18,254	16,225
Impairment charges		128	1,500
Movement in working capital		16,708	23,737
Share based payments charge		1,965	1,651
Cash inflow from operations		**110,186**	**99,777**
Tax received		552	100
Tax paid		(5,296)	(9,118)
Finance income received		1,099	1,053
Finance costs paid		(22,576)	(10,983)
Net cash inflow from operating activities		**83,965**	**80,829**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(5,966)	(122,066)
Acquisition of freehold and long leasehold land and buildings		(3,003)	(7,468)
Purchases of intangible assets		(253)	(186)
Purchases of other property, plant and equipment		(23,686)	(13,785)
Proceeds from disposal of businesses		204	-
Proceeds from disposal of property, plant and equipment		3,589	179
Net cash outflow from investing activities		**(29,115)**	**(143,326)**
Cash flows from financing activities			
Proceeds from borrowings	7	-	110,570
Repayment of borrowings	7	(29,836)	(23,358)
Principal elements of lease repayments		(18,183)	(16,187)
Purchase of treasury shares		-	(2,000)
Sale of treasury shares		115	744
Cash settled share options		(109)	(180)
Repurchase of own shares		(7,463)	(5,898)
Dividends paid to equity holders		(7,759)	(6,003)
Net cash (outflow)/inflow from financing activities		**(63,235)**	**57,688**
Net decrease in cash and cash equivalents	7	**(8,385)**	**(4,809)**
Cash and cash equivalents at beginning of year		78,984	83,793
Cash and cash equivalents at end of year		**70,599**	**78,984**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

For the year ended 29 February 2024

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2023	34,894	124,939	10,645	133	(2,653)	4,833	168,586	341,377
Profit for the year	-	-	-	-	-	-	25,713	25,713
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(737)	(737)
Tax on items taken directly to equity	-	-	-	(29)	-	-	184	155
Fair value gains	-	-	-	116	-	-	-	116
Total comprehensive income for the year	-	-	-	87	-	-	25,160	25,247
Sale of treasury shares	-	-	-	-	597	-	(482)	115
Repurchase of own shares	-	-	-	-	-	-	(7,463)	(7,463)
Cancellation of repurchased shares	(1,134)	-	-	-	-	1,134	-	-
Dividends paid	-	-	-	-	-	-	(7,759)	(7,759)
Share based payments charge	-	-	-	-	-	-	1,856	1,856
As at 29 February 2024	**33,760**	**124,939**	**10,645**	**220**	**(2,056)**	**5,967**	**179,898**	**353,373**

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

The treasury share reserve relates to shares acquired by Ocorian Limited, the Trustee of Vertu Motors plc's Employee Benefit Trust ("EBT"). The shares were purchased by the Trustee to be held for the purposes of the EBT and may be used to transfer shares to individuals when options are exercised. This could include the Company's Long Term Incentive Plan ("LTIP"), the Company Share Option Plan ("CSOP") or Partnership Share Options ("PSO"), under which each of the executive directors of the Company, the Company's other PDMRs and certain other senior managers are potential participants and is therefore regarded as having a notional interest in these shares.

During the year, 1,273,903 shares were transferred from the EBT on exercise of vested CSOP and PSO awards. 4,391,449 shares remain in the EBT at 29 February 2024.

All issued shares are fully paid.

For the year ended 28 February 2023

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2022	35,942	124,939	10,645	4	(1,586)	3,785	158,152	331,881
Profit for the year	-	-	-	-	-	-	25,533	25,533
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(5,973)	(5,973)
Tax on items taken directly to equity	-	-	-	(43)	-	-	1,493	1,450
Fair value gains	-	-	-	172	-	-	-	172
Total comprehensive income for the year	-	-	-	129	-	-	21,053	21,182
Purchase of treasury shares	-	-	-	-	(2,000)	-	-	(2,000)
Sale of treasury shares	-	-	-	-	933	-	(189)	744
Repurchase of own shares	-	-	-	-	-	-	(5,898)	(5,898)
Cancellation of repurchased shares	(1,048)	-	-	-	-	1,048	-	-
Dividends paid	-	-	-	-	-	-	(6,003)	(6,003)
Share based payments charge	-	-	-	-	-	-	1,471	1,471
As at 28 February 2023	**34,894**	**124,939**	**10,645**	**133**	**(2,653)**	**4,833**	**168,586**	**341,377**

NOTES

For the year ended 29 February 2024

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 England. 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.

Whilst the financial information included in this announcement has been computed in accordance with UK IFRS, this announcement does not itself contain sufficient information to comply with UK IFRS. The Group audited consolidated financial statements that comply with IFRS will be published on the Group's website, www.vertumotors.com.

The consolidated financial statements have 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.

In order to prepare the financial statements on the going concern basis, the Directors have considered detailed financial projections for a period of 12 months from the date of signing the financial statements ('Review Period'). These projections are based on the Group's detailed annual business plan for the year ending 28 February 2025 as well as the known financial performance of the Group in the period subsequent to 29 February 2024, projected forward to cover the Review Period ("Base Case"). The Directors have considered these financial projections in conjunction with the Group's available facilities.

The Directors have also considered sensitivity analysis performed in respect of these forecasts to model the impact of various severe but plausible downside scenarios including reduced volume of new and used car sales, reduced demand from aftersales customers, further increases in the Group's operating cost base and application of an arbitrary amount in respect of potential liabilities arising as a result of ongoing investigations into Discretionary Commission Arrangements by the Financial Conduct Authority. This analysis did not indicate any issues with the Group's ability to operate within its banking facilities during the Review Period.

Based on the forecast information available and the sensitivity analysis performed as set out above, the Directors believe it is appropriate to prepare these financial statements on the going concern basis.

The financial information presented for the years ended 29 February 2024 and 28 February 2023 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 2024 and 2023 financial statements were unqualified. A copy of the statutory accounts for 2023 has been delivered to the Registrar of Companies. Those for 2024 will be delivered following the Company's annual general meeting, which will be convened on 25 June 2024.

Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with UK IFRS. 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 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 2023.

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 Officer. The CODM receives information about the Group overall and therefore there is one operating segment.

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross margin. However, 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 2024

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	413.5	8.7	218.4	42.3	43.5
Used cars	1,816.2	38.5	122.5	23.7	6.7
New car retail and Motability	1,452.5	30.8	119.6	23.2	8.2
New fleet and commercial	1,037.4	22.0	55.6	10.8	5.4
	4,719.6	**100.0**	**516.1**	**100.0**	**10.9**

Year ended 28 February 2023

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	336.8	8.4	182.5	40.7	44.5
Used cars	1,658.2	41.3	125.2	27.9	7.5
New car retail and Motability	1,121.9	27.9	98.4	22.0	8.8
New fleet and commercial	897.6	22.4	42.3	9.4	4.7
	4,014.5	**100.0**	**448.4**	**100.0**	**11.2**

* Margin in aftersales expressed on internal and external revenue. A significant part of the role of the service department is to support the vehicle sales department and therefore internal revenue is considered to be an important element of margin for the purpose of monitoring departmental performance

2. Non-underlying items

	2024 £'000	2023 £'000
Redundancy costs	(872)	-
Lease surrender premium	840	-
Share based payments charge	(2,466)	(2,066)
Amortisation	(568)	(509)
Impairment charges	(128)	(1,500)
Acquisition costs	-	(2,753)
Non-underlying loss before tax	**(3,194)**	**(6,828)**

Redundancy costs included in non-underlying items relate to a reduction in the number of employed drivers following a strategic review of aftersales collection and delivery service during the year.

The lease surrender premium included in non-underlying items relates to a premium received following the purchase of the Group's freehold interest in its Derby multi-site operation, in respect of the remaining lease obligation from the intermediate landlord.

Non-underlying items are presented separately in the Consolidated Income Statement to enhance comparability of trading performance between periods.

Details of current and deferred tax arising in respect of non-underlying items is shown in note 4.

3. Finance income and costs

	2024 £'000	2023 £'000
Interest on short-term bank deposits	1,099	1,053
Net finance income relating to defined benefit pension scheme	155	247
Finance income	**1,254**	**1,300**
Bank loans and overdrafts	(9,924)	(3,112)
Vehicle stocking interest	(9,347)	(4,242)
Lease liability interest	(3,457)	(3,488)
Finance costs	**(22,728)**	**(10,842)**

4. Taxation

	2024 £'000	2023 £'000
Current tax		
Current tax charge	6,437	6,444
Adjustment in respect of prior years	(440)	(1,836)
Total current tax	**5,997**	**4,608**
Deferred tax		
Origination and reversal of temporary differences	2,393	409
Adjustment in respect of prior years	411	1,684
Rate differences	53	216
Total deferred tax	**2,857**	**2,309**
Income tax expense	**8,854**	**6,917**
Profit before taxation	34,567	32,450
Profit before taxation multiplied by the rate of corporation tax in the UK of 24.5% (2023: 19%)	8,469	6,166
Non-qualifying depreciation	768	658
Non-deductible expenses	471	658
Effect on deferred tax balances due to rate change	53	216
IFRS 16	(88)	(65)
Property adjustment	(201)	10
Permanent benefits	(589)	(574)
Adjustments in respect of prior years	(29)	(152)
Total tax expense included in the income statement	**8,854**	**6,917**

A summary of the Group's tax expense in respect of underlying and non-underlying items is as follows:

	Underlying items 2024 £'000	Non-underlying items 2024 £'000	Total 2024 £'000	Underlying items 2023 £'000	Non-underlying items 2023 £'000	Total 2023 £'000
Profit / (loss) before tax	37,761	(3,194)	34,567	39,278	(6,828)	32,450
Taxation	(9,430)	576	(8,854)	(7,663)	746	(6,917)
Profit / (loss) after tax	**28,331**	**(2,618)**	**25,713**	**31,615**	**(6,082)**	**25,533**
Effective tax rate	**24.97%**		**25.61%**	**19.51%**		**21.32%**

The Group's underlying effective rate of tax is 24.97% (2023: 19.51%) which is in line with the standard rate of corporation tax in the UK.

The rate of corporation tax in the UK rose from 19% to 25% on 1 April 2023.

The overall effective tax rate of 25.61% includes tax on non-underlying items (2023: 21.32%).

5. Earnings per share

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

For the purposes of calculating the weighted average shares in issue, shares held by the Group's employee benefit trust are excluded as rights to dividends on such shares have been waived.

Details of the shares held in the Group's employee benefit trust are included in the notes to the consolidated statement of changes in equity.

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 at 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.

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

	2024	**2023**
	£'000	**£'000**
Profit attributable to equity shareholders	25,713	25,533
Non-underlying loss after tax (note 4)	2,618	6,082
Underlying earnings attributable to equity shareholders	**28,331**	**31,615**
Weighted average number of shares in issue ('000s)	338,355	345,239
Potentially dilutive shares ('000s)	23,376	18,703
Diluted weighted average number of shares in issue ('000s)	**361,731**	**363,942**
Basic earnings per share	**7.60p**	**7.40p**
Diluted earnings per share	**7.11p**	**7.02p**
Basic underlying earnings per share	**8.37p**	**9.16p**
Diluted underlying earnings per share	**7.83p**	**8.69p**

6. Dividends per share

Dividends of £7,759,000 were paid in the year ended 29 February 2024 (2023: £6,003,000), 2.30p per share (2023: 1.75p).

A final dividend of 1.50p per share is to be proposed at the Annual General Meeting on 25 June 2024. The ex-dividend date will be 27 June 2024 and the associated record date 28 June 2024. The dividend will be paid, subject to shareholder approval, on 26 July 2024 and these financial statements do not reflect this final dividend payable.

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

	2024 £'000	2023 £'000
Net decrease in cash and cash equivalents	(8,385)	(4,809)
Cash inflow from proceeds of borrowings	-	(110,570)
Cash outflow from repayment of borrowings	29,836	23,358
Cash movement in net debt	**21,451**	**(92,021)**
Capitalisation of loan arrangement fees	186	1,037
Amortisation of loan arrangement fees	(184)	(131)
Increase in accrued loan interest	(76)	(408)
Non-cash movement in net debt	**(74)**	**498**
Movement in net debt (excluding lease liabilities)	**21,377**	**(91,523)**
Opening net (debt)/cash (excluding lease liabilities)	**(75,356)**	**16,167**
Closing net debt (excluding lease liabilities)	**(53,979)**	**(75,356)**
Lease liabilities at 1 March	(83,457)	(88,830)
Capitalisation of new leases	(20,586)	(13,307)
Disposal of lease liabilities	2,936	2,493
Interest element of lease repayments (note 3)	(3,457)	(3,488)
Cash outflow from lease repayments	21,640	19,675
Lease liabilities at 28 February	**(82,924)**	**(83,457)**
Closing net debt (including lease liabilities)	**(136,903)**	**(158,813)**

8. Business combinations

On 31 October 2023, the Group acquired the entire issued share capital of Rowes Garage Limited which operates three Honda outlets in Plymouth, Plymstock and Truro as well as a used car outlet in Plymouth. Total consideration of £10,385,000 was settled from the Group's existing cash resources.

9. Post balance sheet events

On 13 March 2024, the Group disposed of a surplus property in Taunton. The disposal generated cash proceeds of £800,000, in line with the asset's carrying value.