7 October 2020

Vertu Motors plc ("Vertu", "Group")
Unaudited interim results for the six months ended 31 August 2020
Emerging strongly from the Lockdown

Vertu Motors plc, the automotive retailer with a network of 135 sales and aftersales outlets across the UK, announces its interim results for the six months ended 31 August 2020 ("the Period").

HIGHLIGHTS

- The Group delivered Adjusted[1] profit before tax of £4.7m with no exceptional items in the Period, on sales of £1.12bn, despite 10 weeks of closed sales showrooms:
    - Quarter one saw a loss of £14.3m due to the lockdown
    - Quarter two, in contrast, generated a profit of £19.0m, significantly in excess of the prior year period profit of £3.8m, emerging from lockdown with a very motivated team
    - Result aided by government support in the form of the furlough grant and business rates relief
- Very strong cash flow performance – operating cash flow of £80.0m in the period and period end net cash[2] of £36.5m
- Net tangible assets per share of 46.5p (2019: 46.1p)
- Delivered £10m of annualised cost savings
- Significantly progressed technology advancements driving Group's omni-channel capabilities (with strong customer uptake) and higher colleague productivity levels
- Record trading performance delivered in key month of September
- The result for the 7 months to September 2020 gives the board confidence that a strong financial outcome will be delivered in the full financial year
- Group well positioned to benefit from continued consolidation

[1] Adjusted to remove share-based payments and amortisation of intangible assets
[2] Excludes IFRS 16 liabilities and is net of used vehicle stocking loans

Six months ended 31 August 2020:

	Total			Like-for-like			SMMT Registrations	
	Q1 FY21 % Var to Q1 FY20	Q2 FY21 % Var to Q2 FY20	H1 FY21 % Var to H1 FY20	Q1 FY21 % Var to Q1 FY20	Q2 FY21 % Var to Q2 FY20	H1 FY21 % Var To H1 FY20	Q1 FY21 % Var to Q1 FY20	Q2 FY21 % Var to Q2 FY20
Group Revenues	(64.2%)	9.3%	(32.0%)	(65.4%)	4.8%	(34.7%)		
Service Revenues[3]	(56.3%)	15.9%	(21.7%)	(58.1%)	9.7%	(25.5%)		
Volumes:								
Used Retail Vehicles	(73.4%)	5.9%	(34.0%)	(74.1%)	1.9%	(35.7%)		
New Retail Vehicles	(56.4%)	12.7%	(31.9%)	(59.3%)	3.4%	(37.0%)	(60.5%)	(2.2%)
Motability Vehicles	(66.3%)	19.4%	(28.4%)	(67.8%)	11.7%	(32.6%)	(67.9%)	9.4%
New Fleet Cars[4]	(63.6%)	(23.4%)	(46.1%)	(66.3%)	(29.2%)	(50.2%)	(69.3%)	(21.1%)
New Commercial Vehicles	(67.0%)	0.2%	(38.8%)	(67.0%)	0.2%	(38.8%)	(65.7%)	(13.2%)

[3] Includes internal and external revenues
[4] Includes agency volumes

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

"The energised Vertu team delivered a safe operating environment for customers and colleagues and an outstanding trading performance as lockdown was eased. Individual records in used cars, aftersales and new cars were set across the Group. We did the basics well and have increased investment in omni-channel technology, which has been received enthusiastically by customers. Vertu made a profit in the first half, we have taken £10m of annualised costs out of the business and period end net cash was £36m. This is an exceptional performance in the circumstances. We are well placed for the opportunities that an uncertain future offers.

I would like to thank all my colleagues, our manufacturer partners, our customers and our other key suppliers for their hard work and support during this unprecedented period."

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/

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

CHAIRMAN'S STATEMENT

I am pleased to report that the Group has delivered a resilient, profitable result in this unprecedented period. This result is arguably better than other publicly quoted motor retail groups and reflects well on all management and colleagues within the Group. I would like to personally express my appreciation and thanks to the whole Vertu team. The pandemic has been costly and traumatic for the automotive industry and retail sector yet, in our case, some good has come from the challenges. The Group moved quickly to new ways of working, providing a safe environment and making sure the colleagues of the Group were supported and communicated with continually. The business has emerged from the lockdown stronger in many ways for the experience and colleagues have certainly repaid the support the Group provided. We believe the Group has outperformed what has been a strong market rebound in the last few months. The strength of the trading performance post 1 June and the strong result in September, results in the Board being increasingly confident of a strong outturn for the financial year as a whole.

The executive management of the Group, through clear communication and prompt and decisive action, provided excellent leadership throughout the lockdown and with the strong support and involvement of all colleagues the Group has executed exceptionally throughout the Period. The following key themes illustrate this:

- **Financial stability**

  The Group has always had one of the strongest balance sheets in the sector. During the Period stock levels were reduced, generating significant positive cash flow. Costs were well controlled throughout, with capacity levels carefully matched to demand as the Group emerged from the lockdown. The actions taken led to the Group being able to report an improved net cash position at the end of the Period.

- **Resilience**

  At a time when customer communication was more vital than ever, the Group's centralised customer contact centre in Gateshead was able to switch seamlessly to home working using the established telephony technology. This enabled sales and aftersales enquiries, as well as customer queries, to be handled efficiently. A considerable vehicle order bank was built during the lockdown. From the national lockdown on the 23 March, vehicle repair operations were kept open in the vast majority of Group dealerships, in order to keep key workers and essential businesses on the road. The momentum of building activity during the lockdown gave the business a head start with which to take advantage of the favourable market conditions as the dealerships reopened. The size and location of the Group's dealership showrooms also helped to mitigate some of the pandemic's impact on the wider retail sector. The dealerships tend to be in out of town locations, accessible by car and with plenty of space to ensure social distancing can be maintained.

- **New ways of working**

  The lockdown afforded the time and motivation to further develop the business, in particular in the area of technology. Colleagues took quickly to new ways of working and this enabled the application of more speed in the roll out of process and systems changes with less upheaval. Enhanced omni-channel retail capability allows customers to increasingly transact with the Group as seamlessly from home as they can in person in a dealership. Vehicles can be purchased contactlessly. The Group's in-house development team, working tirelessly from home delivered further integration of systems to vastly improve operating efficiency. Colleagues no longer accompanied customers on test drives and this not only increased efficiency, but customers seem to prefer it. This is a great example of a "forced" innovation that is likely to be kept in the business in the long-term.

The Board are optimistic that the Group's proven track record of execution and strong balance sheet will allow a new period of expansion to commence, to deliver a business of greater scale. An increased acquisition pipeline is in place and it was pleasing to see the purchase of the first dealership since the lockdown on 1 October, with more on the horizon. I would like to thank colleagues at all levels for their extraordinary effort in not only keeping the Group operating through lockdown, but in helping it emerge as a stronger business.

Andy Goss, Chairman

CHIEF EXECUTIVE'S REVIEW

Update on Strategy Execution and Associated Risks

The Group's key long-term strategic objectives were summarised in the Annual Report and are re-iterated below:

- To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise long-run returns.
- To be at the forefront of omni-channel retailing and digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy.
- To reduce the cost base of the Group through scale economies and using digitalisation of processes.
- To develop and motivate the Group's colleagues to ensure consistency of operational delivery across the business.
- To develop ancillary businesses to add revenue and returns which complement the core business.

Growth

Importance of Scale and Brand

To deliver long-term value to the Group's owners, the Group's strategy is to continue to grow through acquiring both volume and premium franchised dealerships. Scale benefits include: a national online and offline co-ordinated marketing strategy, based on strong brands, to maximise the benefits of the Group's unique national footprint, online platforms, scaled highly efficient contact centres, franchise management dedication, purchasing efficiencies and access to competitive consumer finance packages for the Group's customers.

Further consolidation of the sector by large-scale national brands is likely to continue in the months and years ahead. The Group currently operates a small number of brands in the UK, Bristol Street Motors, Macklin Motors, Farnell and Vertu Motors. Bristol Street Motors remains one of the longest established and the number two automotive retail brand in the UK, despite only representing the Group's volume franchises in England. Bristolstreet.co.uk is one of the most visited websites in the sector and the brand is supported by extensive TV campaigns across England. In Scotland, Macklin Motors is the Group's sole brand north of the border, with strong and growing brand awareness.

Bristol Street Motors and Macklin Motors are the current programme sponsors of Formula One coverage on Channel 4 south and north of the border respectively. Farnell operates Jaguar Land Rover franchises in the North of England and has been associated with the brands since 1948. Vertu Motors is the newest of the Group's vehicle sales brands. Customer awareness has been boosted recently by a TV marketing campaign in the Period and sponsorship of a Channel 4 car related series. Vertumotors.com, was repositioned as a customer facing website, rather than purely an investor web platform, to increase customer awareness of the Group's major premium franchises branded Vertu. The Group will continue to invest in the Vertu brand which it hopes to make a very major player in the premium franchised dealership space in the UK.

Portfolio Development and Changes

As part of the strategy for scale, the Group seeks to add additional Manufacturer partners, not currently represented in the portfolio, to facilitate additional growth opportunities. The Group also continues to evaluate and execute multi-franchising actions in its locations to maximise the profitability of each location. Increased flexibility of formats and Manufacturer requirements are likely to aid this process and the current pandemic is likely to also accelerate this trend.

Reflective of the above, the Group added the Citroen brand to its existing Ford dealership operations in Worcester in August, with a similar action anticipated in Macclesfield in January.

The Kia franchise in the UK is highly regarded by franchised retailers with the brand coming third in the recent NFDA dealer attitude survey out of all Manufacturers. The Group was pleased to have acquired its first Kia outlets late in the previous financial year, in Bradford and Edinburgh. Further growth has now been undertaken when on 1 October, the Group acquired Nottingham Kia from Sandicliffe for £1.9m, including used vehicle inventory with a value of £1.8m, together with a short-term lease on the dealership premises. Relocation of the business is anticipated in due course. The dealership acquired had revenues of £28.5m and loss before tax of £0.3m in 2019. The Group's entry into the Kia franchise and subsequent expansion in 2020 added an excellent franchise to the Group's portfolio and a partnership of increasing scale.

In the wake of the current situation, we anticipate an acceleration of network changes for franchised retailers. Potential opportunities for growth for those established retail groups with a proven track record, strong financial position and positive relationship with Manufacturers are therefore increasing.

Omni-channel Retailing

Digitalisation of Sales

The environment in the first half has driven an acceleration in the role of omni-channel capability for automotive purchases. The Group has been at the forefront of developments to provide customers with innovative ways to purchase and interact online. The Group was the first retailer in 2017 to offer full online retailing of used cars in the UK. That said, the relative complexity of a vehicle purchase which potentially includes financing, warranty and other products, as well as a vehicle to trade in means the number of transactions completed 'purely' online within automotive retail remains extremely low.

The Group continued its innovative approach to omni-channel retailing in the Period, simplifying the customer journey to ensure that the online and physical buying experiences are as identical, seamless and contactless as possible. The following recent enhancements have been built into our bespoke and internally developed showroom systems:

- Consumers can reserve a car online for a fee, so effectively taking the car off-market while the deal is finalised. Uptake of this functionality has been excellent, with many more customers now starting their buying journey online but completing their journey in a dealership.
- Customers can book a virtual or physical sales appointment online and these are facilitated with sales executives who can share their screen as easily with customers online as they can with customers physically on the premises.
- Sales documentation, including those of a compliance nature, are 'signed' via SMS to the customer's mobile, avoiding the need for a dealership visit at all, if that is the customer's preference.

A "Bricks and Clicks" Strategy

Whilst more customers than ever before are starting their buying journey online, most customers buy from their local dealership and the majority still want to undertake a test drive. The Group witnessed a reduction in enquiries initiated in person, through dealership visits, post lockdown. This reduction in 'walk-in' traffic was more than offset by an increase in sales enquiries originating online or by phone. Local sales and aftersales support is an increasingly important factor in many vehicle buying decisions. The Group retains a high proportion of its vehicle sales customers into service and this aids overall long-term sales retention. A "bricks and clicks" model is crucial in this sector, with the Group's network of physical dealerships across the UK at the centre of its customer offering and vital for the delivery of service and repair work to our customers.

Cost Reduction

Enhanced scale of operations allows the Group to maximise on purchasing benefits, provide process efficiencies with common systems and technology and to gain marketing synergies from promoting a larger network for each of the Group's brands.

A key feature of the Group's digitalisation strategy has been to use system integration and development (particularly using an increasing number of inhouse robotics specialists) to enhance productivity and reduce the cost base of the Group. Enhanced integration of the Group's sales showroom and financial systems has facilitated significant efficiency improvements in processing vehicle sale transactions. This has enabled to Group to reduce cost in the key area of vehicle administration, for example. Further enhancements are being undertaken to expand the use of robotic processes to provide improved efficiency, in areas such as vehicle invoicing and taxation. These initiatives formed a key part of the cost reduction programme in the Period which reduced Group headcount by 345, yielding expected annualised savings of £10m. This programme was completed by July 2020 and the associated reorganisation costs of £0.8m reduced underlying profits in the Period.

Motivated, Professional Colleagues

A key aspect of the Group, which drives performance and consistency, is to have one, consistent Group culture. Delivery of the Group's Mission Statement ("To deliver an outstanding customer motoring experience through honesty and trust") through application of the Group's Values ("Professionalism, Passion, Recognition, Integrity, Respect, Opportunity and Commitment") is at the core of how we do business. The Group must have the right people in management and colleague positions and have a culture that promotes excellence, energy and urgency and is intolerant of mediocrity. In this way, the basics of the business are executed, and customers delighted.

To reinforce this culture in this strangest of periods, the Group undertook significant communication direct to colleagues whether in the business or on furlough. Videos were extensively utilised and feedback from colleagues was very appreciative. They understood throughout, the challenges, opportunities and management actions being undertaken. Shorter term goal setting was used to focus all colleagues on key goals as the Group reopened following the lockdown. A three-month plan was established from 1 May, which focused everyone on the following five areas:

- Keep colleagues and customers safe through appropriate safety and social distancing measures. One-way systems, daily temperature checking for colleagues, Perspex shields and sanitisation stations were put in place in all of our business locations prior to reopening and remain in place.
- Ensure a culture of working together to drive cross departmental, dealership and divisional benefits.
- Balance colleague resource in the ramp back to full capacity.
- Fanatical focus on cost and cash management, including a goal to deliver a reduction in used vehicle stock levels to generate cash.
- Management to lead from the front motivating colleagues.

By the end of July, when most of the Group's dealerships were operating at close to full capacity, a second two-month plan was launched. This was aimed at maximising performance in August and September, taking advantage of the favourable market conditions. These two-month goals were focused on the pillars of 'Speed', 'Simplicity' and 'Confidence' and required focus on consistent execution, as well as applying the changes in systems and processes developed to aid efficiency. We were delighted with the way colleagues understood and actioned these focus areas across the Group. The Period has undoubtedly strengthened the Group culture and increased consistency.

I would like to personally thank every Vertu colleague for their hard work and commitment during the Period. I am proud to be the leader of such an exceptional team of people, who treat others the way they themselves would like to be treated.

Responding to Regulatory Change

FCA

The FCA has now published their final findings in connection with the review of motor finance. The recommendations of this review are required to be implemented by 28 January 2021 and vary the way commission for the sale of finance products can be earned. The prominence of disclosures of the nature of the commissions earned are also to be enhanced.

The Group has always considered regulatory compliance to be a core operational competence and vital to putting the customer first. The Group uses one in-house, electronic showroom system to ensure consistency of process in this important area of regulatory compliance, as well as to provide customers with the right information to select the financial and other products which best suit their needs. This gives the Group the ability to respond to such regulatory changes quickly and effectively.

The Group is well advanced in discussions with its retail finance partners to ensure that commission models used in future are aligned to the recommendations of the FCA review. The Group expects to fully trial the amended models before the end of the calendar year, for roll out across the Group in advance of the stated deadlines. Our current modelling suggests that the changes will not have a material impact on Group earnings from finance commission. Ultimately, however, this will be, to some extent, impacted by how competitors in the market react to the changes. The changes do therefore pose a future earnings risk, which the Board will monitor.

UK withdrawal from the EU

At this stage, the UK's future trading arrangements with the European Union remain unclear and may change the terms of trade for new vehicles in particular. Given the vast majority of new cars sold in the UK are imported from the EU, these changes may have a significant future impact on the Group.

In the absence of an agreement on the future arrangements as part of a customs union (which appears highly likely), a change to the timing of new vehicle consignment stock invoicing to retailers is possible. The Group currently receives invoices, on which it can reclaim input VAT, from several of its Manufacturer partners when a vehicle leaves the assembly line following production, regardless of where this may be located within the EU. The VAT is currently then reclaimed by the Group, whilst the invoice is included in trade creditors until the vehicle is sold or a prolonged period expires utilising Manufacturer funding lines. Changes to future VAT regimes on imports may change the timing of VAT cash flows in this regard. The most material current VAT advantage arises in the Group's extensive Ford Division.

In anticipation of the changes to VAT regimes from 1 January 2021, Ford is proposing to amend their invoicing process for vehicles imported into the UK. Ford retailers are to become the 'importer of record' which means in future, vehicles will be invoiced and funded net of VAT. This will change the timing of VAT cash flows to the Group in respect of Ford funded new vehicles. The Group has 22 Ford dealerships and the change is anticipated to reduce the Group's current cash flow advantage in respect of VAT by up to £15m, depending on seasonality.

Strategic Summary

Our experienced management team and relative financial strength, compared to many others in the wider sector, mean that we are well positioned to take advantage of the opportunities arising and are ambitious to do so. We will continue to innovate and execute to meet changes in customers' needs and to respond to regulatory change. We will ensure that capital is allocated to those activities, locations and franchises that are best placed to meet the competitive challenges arising and to provide the best growth opportunities and maximise return on invested capital. We will leverage our proven strengths, execute on our business ideas such as cost saving initiatives, enhancing operational efficiency, deliver brand growth through marketing and pursue other new business opportunities.

OPERATING PERFORMANCE REVIEW

This unprecedented Period was very much characterised by two distinct phases. Quarter 1 (March to May) saw the peak registration month of March increasingly impacted by a pre-lockdown slowdown until the national lockdown was initiated on 23 March. The business was then significantly impacted for the remainder of the quarter. Quarter 2 (June to August) saw the progressive end of lockdown and a considerable rebound in activity. Reviewing the two quarters separately is therefore important and this is reflected in the analysis below.

	Q1 FY21 £'000	Q2 FY21 £'000	H1 FY21 £'000	Q1 FY20 £'000	Q2 FY20 £'000	H1 FY20 £'000	Q1 FY21 % Var to Q1 FY20	Q2 FY21 % Var to Q2 FY20
Revenue								
New	132,246	214,639	346,885	299,283	172,819	472,102	(55.8%)	24.2%
Fleet & Commercial	77,111	147,454	224,565	225,748	164,732	390,480	(65.8%)	(10.5%)
Used	92,544	357,329	449,873	335,182	318,605	653,787	(72.4%)	12.2%
Aftersales	30,375	67,634	98,009	66,749	63,990	130,739	(54.5%)	5.7%
Total Group Revenue	**332,276**	**787,056**	**1,119,332**	**926,962**	**720,146**	**1,647,108**	**(64.2%)**	**9.3%**
Gross Profit								
New	11,727	11,618	23,345	19,384	14,270	33,654	(39.5%)	(18.6%)
Fleet & Commercial	3,623	4,979	8,602	7,113	6,024	13,137	(49.1%)	(17.3%)
Used	7,623	33,548	41,171	27,854	24,939	52,793	(72.6%)	34.5%
Aftersales	16,507	39,923	56,430	37,079	36,034	73,113	(55.5%)	10.8%
Total Gross Profit	**39,480**	**90,068**	**129,548**	**91,430**	**81,267**	**172,697**	**(56.8%)**	**10.8%**
Gross Margin								
New	8.9%	5.4%	6.7%	6.5%	8.3%	7.1%	2.4%	(2.9%)
Fleet & Commercial	4.7%	3.4%	3.8%	3.2%	3.7%	3.4%	1.5%	(0.3%)
Used	8.2%	9.4%	9.2%	8.3%	7.8%	8.1%	(0.1%)	1.6%
Aftersales[5]	47.0%	50.9%	49.7%	46.5%	47.7%	47.1%	0.5%	3.2%
Total Gross Margin	**11.9%**	**11.4%**	**11.6%**	**9.9%**	**11.3%**	**10.5%**	**2.0%**	**0.1%**

[5] Aftersales margin expressed on internal and external revenues

Volumes of vehicles sold by the Group on a like-for-like basis were:

	Q1 FY21	Q2 FY21	H1 FY21	Q1 FY20	Q2 FY20	H1 FY20	Q1 FY21 % Var to Q1 FY20	Q2 FY21 % Var to Q2 FY20
Used retail vehicles	**5,813**	**22,590**	**28,403**	**22,446**	**22,166**	**44,612**	**(74.1%)**	**1.9%**
New retail cars	4,771	6,684	11,455	11,731	6,465	18,196	(59.3%)	3.4%
Motability cars	910	2,507	3,417	2,826	2,244	5,070	(67.8%)	11.7%
Direct fleet cars	1,478	2,587	4,065	5,136	3,879	9,015	(71.2%)	(33.3%)
Agency fleet cars	752	1,014	1,766	1,484	1,208	2,692	(49.3%)	(16.1%)
Total fleet cars	2,230	3,601	5,831	6,620	5,087	11,707	(66.3%)	(29.2%)
Commercial vehicles	1,965	4,315	6,280	5,951	4,308	10,259	(67.0%)	0.2%
Total New vehicles	**9,876**	**17,107**	**26,983**	**27,128**	**18,104**	**45,232**	**(63.6%)**	**(5.5%)**
Total vehicles	**15,689**	**39,697**	**55,386**	**49,574**	**40,270**	**89,844**	**(68.4%)**	**(1.4%)**

UK Market (SMMT)		
New retail car	(60.5%)	(2.2%)
Motability car	(67.9%)	9.4%
Fleet car	(69.3%)	(21.1%)
Commercial	(65.7%)	(13.2%)

March to May Quarter

The Group incurred an adjusted loss before tax of £14.3m in the March to May quarter ("Q1"), a shortfall of £27.4m on the prior year period (2019: Profit before tax of £13.1m).

In Q1, total registrations of new cars in the UK fell by 65.2%, representing a decline year on year of over half a million vehicles, because of the closure of the retail network during lockdown. March activity started off strongly, but was increasingly impacted by the uncertainty over Covid-19 and the progressively tighter lockdown rules. Showrooms closed on 24 March, perhaps the busiest week for new vehicle deliveries in the year and in the historically most profitable month for motor retail, driven by the plate change. The delivery of new and used vehicles was severely curtailed as were aftersales operations in the final week of the month. March profitability was therefore reduced on expected levels.

During the lockdown, the Group maintained marketing activity and continued to build a vehicle order bank via online and telephone orders. Colleagues worked in the sales contact centres from home and General Managers remained in place in the dealerships to facilitate the taking of orders remotely and the delivery of limited numbers of vehicles to key workers. The demand for new vans was very noticeable, as home courier services took off and the Group's Vansdirect on-line business in South Wales saw a significant rise in demand which bolstered fleet and commercial order take. Like-for-like sales of new retail and Motability cars fell to 39.0% of prior year levels, fleet and commercial sales to 33.4% and used retail vehicles to 25.9% of prior year in Q1. In Q1, total Group gross profit from the sale of vehicles fell by £31.4m compared to the prior year. The Group's twelve Scottish dealerships remained unable to undertake deliveries from dealerships until after the end of the quarter.

After the 23 March 2020, the vast majority of the Group's aftersales operations remained open for key worker and essential service vehicles, on reduced capacity. This resulted in the generation of total aftersales gross profits of £16.5m, which was £20.6m below the same quarter last year. This activity increased during the quarter as the lockdown restrictions eased and by 31 May 46% of the Group's technicians were back in the business. Aftersales activity was significantly aided by the excellent work undertaken by the Group's centralised reception and service booking operations, which worked seamlessly from kitchen tables and back bedrooms in colleagues' homes in the North East of England. There is no doubt that the centralised approach to many of the Group's back office functions and uniform IT infrastructure and systems aided the Group's ability to be flexible and to retain momentum.

The Group took all available actions to mitigate this significant reduction in activity and profitability by reducing its costs during this period.

Remuneration costs represent the largest component of the Group's operating expense and whilst savings were made through the furloughing of colleagues, the Group paid colleagues in excess of the amounts received from the Job Retention Grant. No colleague was paid below the national minimum wage and colleagues were not capped at the maximum grant received of £2,500 per month. This protected colleagues' earnings during this critical time (paying 80% of average earnings if above the £2,500 level). In addition, the Group's Senior Management, who remained at work, volunteered to take a 20% reduction in salary and all members of the plc board elected to take a 30% reduction in salary for the period from 1 April to the end of May. Gross pay was £4.5m in excess of the grant receipt in the quarter, for those colleagues on furlough leave. The Group initially placed up to 80% of Group colleagues on furlough leave, this then declined over time as activity increased. The resultant receipt from the Government's Job Retention Grant significantly supported the Group in this period, with the grant receipt totalling £17.7m. Business rates relief generated a further year on year cost saving of £1.5m for the Group in the quarter and will continue until the end of March 2021.

Other costs were reduced significantly, particularly when showrooms were closed, to conserve cash. Group centralised supplier arrangements facilitated swift actions to be taken to remove costs. In addition, the Group received substantial support from certain third-party suppliers who reduced or suspended charges. The Group's Manufacturer partners were also excellent in the period in taking steps to reduce franchise costs, some of which continue.

June to August Quarter

The quarter to 31 August ("Q2") generated a profit of £19.0m, significantly more than the prior year period profit of £3.8m, with some record breaking departmental performances being witnessed within this strong result.

The easing of lockdown restrictions on 1 June allowed the Group's dealership sales operations located in England to reopen and our aftersales operations to return to capacity. The Group's 12 Macklin Motors sales outlets, located in Scotland, opened later on 29 June, however, were able to recommence deliveries from dealerships earlier. The following departmental trends were seen in Q2.

Used retail vehicles

Strong post-lockdown demand from customers was witnessed and exceeded expectations. The reasons for this include, consumers wishing to avoid public or shared transport, increased savings levels by consumers during lockdown and the absence of alternative spending options, such as holidays, hospitality and entertainment. The Group continued to grow volumes of used vehicles sold as compelling marketing campaigns also boosted sales enquiries. Like-for-like volumes and revenues increased 1.9% and 8.1% respectively and record levels of used vehicle profit were delivered by the Group during the quarter.

The used vehicle market in the UK, in contrast to seasonal norms, experienced very strong pricing conditions throughout Q2. Tight supply of vehicles following the lockdown coincided with a period of robust consumer demand. Part of the supply constraint related to wholesale auctions, which were not allowed to restart until later post lockdown than the retail network. Logistics constraints were significant and the move to online only auctions, meant lower trade volumes for much of the quarter helping to underpin values. The Group recognised the pricing and supply environment ensuring appropriate high margins were obtained in the quarter on the available stock.

The beneficial pricing environment and good demand resulted in core gross profit generated from used vehicle sales in Q2 increasing by £7.7m compared to the prior year, due principally to enhanced margin retention. The prior year, in contrast, saw used car pricing weakness and margin pressure. Gross profit per unit on a like-for-like basis increased to record levels of £1,436 from £1,116 (28.7%). This growth in profitability contributed to used gross margin percentages improving from 7.9% to 9.5% on a like-for-like basis, despite increased average selling prices.

The Group continued to ensure lean stock management and high stock turns. In-house stock management systems were further developed in the lockdown period, providing even better real time data to ensure the correct stock levels and valuations were applied. This new bespoke system called 'Vertu Analytics' uses various industry data sets such as Autotrader, BCA and Cazana as well as Group data. It is now in the process of being rolled out Group-wide and is expected to further improve used vehicle stock management and pricing.

New retail cars and Motability sales

Demand for new cars was weaker in the lockdown than used cars and was slower to rebuild momentum. UK retail registrations fell by 19.2% in the month of June compared to the prior year. June registration statistics were undoubtedly impacted by less pre-registration and other tactical registration activity in the market year on year, as there were supply constraints and reduced push by Manufacturers. This is a continuing feature of the market, as halted and disrupted production due to lockdowns and social distancing feeds through. In addition, logistics constraints also reduced supply in June, though this aspect has now been resolved.

In the vast majority of franchises, volume targets were reduced or removed by Manufacturers. The rise in consumer demand seen in used cars was replicated in new cars in July which saw UK new retail registrations rising 20.4% year on year. In August, a traditionally low month for new retail volumes, a 1.7% decline in UK registrations arose as a result of a combination of tightening of supply in some franchises and the impact in the prior year of WLTP related registrations. Underlying consumer demand remained robust and this was witnessed in the building of strong order banks for the September market. Overall, Q2 saw UK new retail registrations fall 2.2%. In contrast, the Group overperformed and took market share, growing like-for-like new retail volumes by 3.4% in the same quarter.

UK Motability sales operations closed completely during lockdown, re-opening for new applications from 1 July. In Q2, UK registrations in this channel grew by 9.4%, reflective of definitive pent up consumer demand as deferred contracts were renewed. The Group's Motability volumes in Q2 grew 11.7% on a like-for-like basis representing outperformance.

Despite the increase in the volume of new retail and Motability vehicles sold by the Group, like-for-like gross profits from this channel in Q2 fell £3.6m year on year. Significantly reduced quarterly manufacturer volume bonus income receipts in June (representing the period, April to June) was the primary reason for this decline. The lockdown impact on vehicle sales volumes in the April to June period inevitably reduced volume bonus earnings recognised at the end of the calendar quarter in June. The resultant lack of bonus income meant that total gross profit per unit fell 28.6% on a like-for-like basis in Q2. The Group's new vehicle margin percentages declined from 8.3% to 5.4% in the quarter on a like-for-like basis. Underlying new retail margins, excluding this quarterly volume bonus drop-in effect in June, were robust.

Fleet & Commercial vehicle sales

The UK car fleet market declined 21.1% in Q2. A lack of demand from the daily rental market, principally due to reductions in leisure and airport travel, along with reduced demand from corporate fleets, due to market uncertainty and potentially also increased home working, drove this decline. Like-for-like the Group delivered 3,601 fleet cars in Q2, representing a decline of 29.2%, which was behind the market. This reflects the mix of franchises held by the Group, with some Manufacturers moving away from this low margin channel to preserve profit and to reflect constrained supply.

The SMMT reported a 13.2% decline in registrations of commercial vehicles in the UK in Q2, as large corporate players took longer to restart than the consumer-led car market following lockdown. The Group's like-for-like sales volumes of new commercial vans was significantly ahead of these market trends, increasing slightly by 0.2% in Q2. This was aided by very strong performance from the Vansdirect business and the Group taking share from competitors seeking to reduce their working capital demands by reducing their exposure to fleet channels.

Like-for-like gross profit per unit in the Fleet and Commercial channel fell by 4.7% to £609 (Q2 FY20: £639). Like-for-like gross profit generation from fleet and commercial sales fell £1.2m in Q2. As with new vehicles, these trends were a reflection of the lack of calendar quarter volume bonus receipts in June, driven by the reduction in volumes in the lockdown period.

Aftersales

In Q2, pent up demand from customers whose vehicles reached service intervals in the lockdown aided growth in the Group's vehicle servicing departments, driving an 9.7% increase in the Group's like-for-like service revenues. The like-for-like gross margin percentage on vehicle servicing rose to 79.8% (Q2 FY20: 77.8%). Higher average invoice values on retail work were achieved through the

Group's effective vehicle health check processes. The introduction of individual timed appointments for customers, to ensure social distancing in dealerships, allowed more time for the Group's Service Advisors to better explain identified work to customers, aiding improved sales conversion. In addition, the Group saw a higher retail mix of work in workshops with private consumer demand more evident than business users from the fleet sector and this enhanced margins. Fleet servicing demand was back to normal levels by August. Similarly, warranty work has been muted post lockdown compared to normal and this also aided margins and productive efficiency.

In contrast to the strong performance in service, parts and accident repair like-for-like revenues fell 8.9% in Q2. Fewer motoring journeys led to less accidents, reducing accident repair work and trade parts sales to accident repair centres. In addition, the previously announced changes to parts distribution within the Vauxhall network also had a reducing effect on the Group's parts sales and profitability.

Overall, like-for-like gross profits in aftersales rose £1.8m in Q2 driven by the strong service performance.

Acquisitions

Acquisitions from the prior year contributed an additional £0.4m of profit in Q2. The Yorkshire Volkswagen acquisitions contributed most of this profit, with the remaining acquisitions at breakeven performance for the quarter. These results exceed the original acquisition business plans. All acquired businesses are fully integrated onto Group systems and we are pleased with the progress made to date.

Current trading - September

The Group's trading performance in September was significantly ahead of prior year and original budget levels. The month's profit represented a record month in terms of the Group's profitability. Across the business activity levels remained strong as the post lockdown trends continued and are summarised below:

September Performance	**Year on Year % Change**		
	Total	**Like-for- Like**	**SMMT**
Group Revenues	19.7	13.9	
Service Revenues[6]	17.6	10.8	
Volumes:			
Used Retail Vehicles	13.5	8.9	
New Retail Vehicles	14.5	6.3	(1.1)
Motability Vehicles	17.3	8.0	4.3
New Fleet Cars[7]	(18.4)	(27.5)	(5.8)
New Commercial Vehicles	53.3	53.3	26.4

[6] Includes internal and external revenues
[7] Includes agency volumes

Group revenue rose substantially in the month aided by acquisitions, like-for-like volume increases and higher average selling prices.

Service activity continued to benefit from pent up demand with like-for-like revenue up 10.8%, aided by an extra working day year on year. Used vehicles saw very strong like-for-like volume growth of 8.9% together with continued high gross margin levels, reflecting constrained supply.

In new vehicles, despite evident supply constraints for certain manufacturers, the Group delivered a like-for-like volume increase in the new retail channel of 6.3%, ahead of UK market registrations which fell by 1.1%. Market registrations dipped due to lower levels of pre-registration and tactical activity with actual sales to consumers in the month reflecting robust consumer demand and order take through the summer. Motability sales also grew on a like-for-like basis by 8% as post-lockdown volumes benefited from pent up demand.

The fleet car market continued to be impacted by trends seen in the first half. Tactical registrations, supply constraints, weaker daily rental demand and uncertainty in the corporate company car market all weighed on the market in the month. Like-for-like fleet car volumes fell 27.5% with a reduced profit impact since this is a low margin channel.

In contrast, new commercial vehicle sales were up 53.5% in volume terms on a like-for-like basis. This reflected the Group taking significant share in a strong market driven principally by the rise of courier services and delivery of online purchases. Competitor actions to preserve working capital led to their exiting of the channel in some cases and the Group taking share. In addition, Vansdirect, the Group's online commercial vehicle channel, continued its significant growth.

The Group continued to benefit from the rates holiday on showrooms and started to see the cost savings from the cost reduction programme coming through aiding profitability.

Outlook

The Board is confident in the prospects for the Group. With its strong balance sheet, well invested systems and omni-channel technology and experienced leadership team, the Board believes that the Group is strategically very well placed to capitalise on the challenges and consequent opportunities in the UK motor retail sector. The Board is actively considering several opportunities for the expansion of the Group and expects such consolidation opportunities will be significant over the coming months and years. At the same time, dealership numbers in the UK are likely to face downward pressure. This should improve the profit potential of those that remain, with more scaled operations gaining from cost and marketing synergies.

As we write this report, the Government is again increasing the restrictions related to Covid-19 in the UK. September witnessed a rise in the occurrence of Covid-19 cases and increased incidence of self-isolation amongst colleagues around the Group. This has had no material impact on financial performance to date, but clearly represents an uncertainty. The pandemic is likely to dominate the environment certainly for the next six months at least. While the essential tenor of this report about the future is optimistic, the prospects for the next six months remain uncertain and the impact on the business is unclear. In addition, there is uncertainty over the UK's departure from the EU and rising unemployment due to the pandemic. The prospects for the remainder of the financial year remain as uncertain as the virus itself and therefore the outlook for FY21 trading performance is subject to risks and should be viewed in this context.

Despite this uncertain environment, following the strong trading performance seen since 1 June the Board is increasingly confident of a strong financial outcome for the financial year as a whole.

Robert Forrester, CEO

CHIEF FINANCIAL OFFICER'S REVIEW

The Group's income statement for the Period is summarised below, including analysis of Q1 and Q2 results:

	Q1 FY21 £'000	Q2 FY21 £'000	H1 FY21 £'000	Q1 FY20 £'000	Q2 FY20 £'000	H1 FY20 £'000	% Var
Revenue	**332,277**	**787,055**	**1,119,332**	**926,962**	**720,146**	**1,647,108**	**(32.0%)**
Gross profit	**39,480**	**90,068**	**129,548**	**91,429**	**81,268**	**172,697**	**(25.0%)**
Operating expenses (gross)	(68,914)	(73,148)	(142,062)	(76,210)	(75,359)	(151,569)	6.3%
Job Retention Scheme Grant	17,733	5,050	22,783	-	-	-	-
Operating expenses (net)	(51,181)	(68,098)	(119,279)	(76,210)	(75,359)	(151,569)	21.3%
Adjusted Operating (loss) profit	**(11,701)**	**21,970**	**10,269**	**15,219**	**5,909**	**21,128**	**(51.4%)**
Net Finance Charges	(2,618)	(2,965)	(5,583)	(2,147)	(2,100)	(4,247)	(31.5%)
Adjusted (Loss) Profit Before Tax	**(14,319)**	**19,005**	**4,686**	**13,072**	**3,809**	**16,881**	**(72.2%)**
Non-Underlying items[8]			(712)			(782)	
Profit Before Tax			**3,974**			**16,099**	
Taxation			(1,426)			(3,100)	
Profit After Tax			**2,548**			**12,999**	

[8]Non-underlying items represent share-based payments and amortisation of intangible assets

Operating Expenses

In Q1 and in the light of the impact of the national lockdown, the Group took decisive action to minimise costs as outlined above. As a consequence of these actions, total Group operating expenses, excluding the Job Retention Grant receipt, were 9.6% lower than the same quarter in the prior year. This represented a saving of £10m in the Core Group, with the total inclusive of the impact of acquired businesses. Relief on business rates in respect of the Group's showrooms saved £1.5m of this total. Savings were delivered on almost every other cost line in the business.

The focus on cost reduction carried into Q2, where a core saving of £5.9m was delivered. This saving reduced total Group operating expenses, ignoring the furlough grant receipt, by 2.9%. Business rates relief saved £2.4m in this period, helping to offset the Group's investment in PPE for the re-opening of dealerships totalling £0.6m.

The application of technological improvements to improve efficiency, allowed the Group to remove costs from some key areas. Future costs will be reduced by this restructuring programme which was completed in July at a cost of £0.8m. This restructuring is expected to generate annual cost savings of approximately £10m going forward.

The Group disposed of a surplus property asset in the Period generating cash proceeds of £0.8m and a profit on disposal, included within the underlying result of £0.4m.

Net Finance Charges

Net finance charges rose year on year by £1.3m as analysed below:

	H1 FY21 £'m	H1 FY20 £'m	Variance £'m
New vehicle Manufacturer stocking interest	2.7	1.7	1.0
Interest on bank borrowings	0.9	0.7	0.2
Used vehicle stock funding interest	0.2	0.3	(0.1)
Interest on lease liabilities	1.9	1.8	0.1
Interest income	(0.1)	(0.2)	0.1
Net finance charges	**5.6**	**4.3**	**1.3**

The bulk of the increase in net finance charges arose with a £1.0m increase in interest charged by Manufacturers on funded new vehicle inventory. Few vehicles were added to the new vehicle pipeline during the lockdown period, as factory production halted, however, with no material deliveries possible, the existing pipeline aged with more stock becoming interest bearing. Manufacturers aided franchise network cashflows by deferring vehicle adoptions and associated cash outflows. This also increased interest costs, though a number of Manufacturers also reduced interest rates as a support. Interest bearing new vehicle stock in the Group was on average £80m higher in Q1 compared to the previous year. As the dealerships opened post lockdown and vehicle deliveries could re-commence, the Group has been successful in significantly reducing the new vehicle stock pipeline. Total new vehicle stock at 31 August 2020 was £342m (29 February 2020: £475m, 31 August 2019: £418m). Supply constraints also had an impact on reducing new vehicle pipeline stocks below last year's levels.

The Group took action to protect liquidity by drawing an additional £10m on the revolving credit facility in early March. The increase in interest on bank borrowings relates to this increase in drawings, together with a 0.8% increase in the margin charged on bank borrowings following the previously announced waiver of covenants obtained for H1. The margin charged on this borrowing will revert to previous levels on 1 December 2020.

Pension Costs

The accounting surplus on the Group's closed defined benefit pension scheme was £8.4m at 31 August 2020 (29 February 2020: £8.9m). During the Period, there have been changes in the financial and demographic assumptions underlying the calculation of the liabilities. In particular, the discount rate has fallen, due to reductions in corporate bond yields and the expectation of future inflation has increased slightly. The effect of these changes in assumptions was an increase in liabilities of £1.6m. The hedging strategy in place within the scheme investment portfolio meant that the Period saw a gain on assets of £1.1m, largely offsetting the increase in liabilities. In total, an actuarial loss of £0.5m was recognised in the Statement of Comprehensive Income in the Period.

Tax Payments

In the July 2020 Finance Act, it was enacted that the previously announced reduction in the rate of corporation tax to 17% will no longer occur. This meant that the rate of corporation tax in the UK will instead be held at 19%. This has resulted in the Group's deferred tax obligations being measured at the higher rate of 19% in the Period (2019 H1: 17%). The Group's underlying effective rate of tax for the Period therefore increased to 32.9% as a consequence of this deferred tax adjustment and the overall effective tax rate to 35.9% (2019 H1: 19.2%). The Group continues to be classified as "low risk" 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. All payments of tax obligations are up to date.

Cash Flows

The Group generated cash from operating activities of £80.0m from an operating profit of £9.6m reflecting the actions of management to manage liquidity during the pandemic. Significant working capital reductions were secured and this generated a net cash inflow of £64.2m in the Period. The Group is up to date on all creditor payments including rent, VAT, employment and corporation taxes.

A significant element of the working capital inflow relates to the build-up in Q2 of a VAT creditor, totalling £34.2m at 31 August 2020 (2019: VAT debtor of £2m). This VAT creditor relates to the strong sales rate and reduced level of new vehicle stock supply witnessed since 1 June. This amount was paid to HMRC at the end of September 2020, in line with the normal payment date.

The Group also reduced used vehicle inventory by £18.4m over the Period. As the majority of the Group's used vehicle stock is unencumbered by vehicle stocking loans, this reduction fed straight into the cash resources of the Group. Fully paid new vehicle stock levels have also been reduced by £9.1m in the Period.

During the pandemic, capital expenditure was reviewed and reduced where appropriate. The Group continued with the redevelopments during lockdown of the remaining Land Rover businesses in Nelson, Lancashire and Bradford, Yorkshire. These are now complete and bring to end the Arch developments in our Farnell Jaguar Land Rover businesses.

Financing and capital structure

The Group has a balance sheet with shareholders' funds of £265.8m (2019 H1: £275.3m) underpinned by a freehold and long leasehold portfolio of £213.2m (2019 H1: £209.1m) and net cash (excluding lease liabilities) of £36.5m at 31 August 2020. The Group's conservative financing and capital structure results in a strong tangible net assets position of £164.6m at 31 August 2020.

The Group has a committed acquisition debt facility of £62m, maturing in February 2024, with the potential to add a further £15m which is currently uncommitted. £54m of this committed facility was drawn as at 31 August 2020. As a consequence of the losses incurred in Q1, waivers were obtained in respect of the covenants in place in respect of this facility. Latest projections show that the Group is anticipated to be able to operate comfortably within these covenants for the remainder of the financial year, however, at reduced headroom compared to historic levels. A relaxation of covenants has therefore been obtained for the remainder of the financial year to 28 February 2021 in order to re-establish headroom to the previous levels.

The Group's Adjusted net cash position of £49.2m is stated excluding £12.7m of used car stocking loans (2019: £22.5m). These used car stocking loans with third party banks are subject to interest and are secured on the related used vehicle inventories. The Group has a £45m facility under these arrangements but uses these facilities selectively, and this has acted to the benefit of the Group in the Period, as significant cash was able to be generated from reducing used vehicle stock levels, aiding liquidity. This resulted in repayment of certain amounts of used car stocking loans given the Group's strong cash position. The Group had £102.8m of used vehicle inventory at 31 August 2020 (2019 H1: £105.4m).

Shareholder returns

The Board remains cognisant of the importance of dividends to total shareholder returns. The need to ensure liquidity in the short-term resulted in no final dividend for the year ended 29 February 2020 being declared. The Board anticipate that payment of dividends will resume in the next financial year to February 2022, dependent on the financial performance of the Group. The Board is mindful of the substantial amounts of Government support received in the current financial year.

Another important element of shareholder return can be share buyback programmes, particularly in an environment of share price weakness. The Board will evaluate the benefits of such a programme in 2021.

Karen Anderson, CFO

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2020

	Note	Six months ended 31 August 2020			Six months ended 31 August 2019			Year ended 29 February 2020		
		Underlying items	Non-underlying items (Note 4)	Total	Underlying items	Non-underlying items (Note 4)	Total	Underlying items	Non-underlying items (Note 4)	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue		1,119,332	-	1,119,332	1,647,108	-	1,647,108	3,064,530	-	3,064,530
Cost of sales		(989,784)	-	(989,784)	(1,474,411)	-	(1,474,411)	(2,730,473)	-	(2,730,473)
Gross profit		**129,548**	**-**	**129,548**	**172,697**	**-**	**172,697**	**334,057**	**-**	**334,057**
Operating expenses		(119,279)	**(712)**	(119,991)	(151,569)	(782)	(152,351)	(301,878)	(15,706)	(317,584)
Operating profit		**10,269**	**(712)**	**9,557**	**21,128**	**(782)**	**20,346**	**32,179**	**(15,706)**	**16,473**
Finance income	5	96	-	96	216	-	216	405	-	405
Finance costs	5	(5,679)	-	(5,679)	(4,463)	-	(4,463)	(9,561)	-	(9,561)
Profit before tax		**4,686**	**(712)**	**3,974**	**16,881**	**(782)**	**16,099**	**23,023**	**(15,706)**	**7,317**
Taxation	6	(1,541)	**115**	(1,426)	(3,161)	61	(3,100)	(4,523)	193	(4,330)
Profit for the period attributable to equity holders		**3,145**	**(597)**	**2,548**	**13,720**	**(721)**	**12,999**	**18,500**	**(15,513)**	**2,987**
Basic earnings per share (p)	7			**0.69**			**3.48**			**0.81**
Diluted earnings per share (p)	7			**0.69**			**3.45**			**0.80**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 August 2020

	Note	Six months Ended 31 August 2020 £'000	Six months Ended 31 August 2019 £'000	Year ended 29 February 2020 £'000
Profit for the period		**2,548**	**12,999**	**2,987**
Other comprehensive (expense) / income				
Items that will not be reclassified to profit or loss:				
Actuarial (loss) / gain on retirement benefit obligations	9	(521)	1,377	2,400
Deferred tax relating to actuarial loss / (gain) on retirement benefit obligations		99	(234)	(408)
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges		(150)	(429)	(468)
Deferred tax relating to cash flow hedges		38	73	80
Other comprehensive (expense) / income for the period, net of tax		**(534)**	**787**	**1,604**
Total comprehensive income for the period attributable to equity holders		**2,014**	**13,786**	**4,591**

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2020

	Note	31 August 2020 £'000	31 August 2019 £'000	29 February 2020 £'000
Non-current assets				
Goodwill and other indefinite life assets	11	99,315	109,729	99,315
Other intangible assets		1,934	2,330	2,120
Retirement benefit asset	9	8,365	7,840	8,867
Property, plant and equipment		230,280	224,391	229,148
Right of use assets		81,391	78,557	87,013
		421,285	**422,847**	**426,463**
Current assets				
Inventories		477,525	566,037	639,177
Trade and other receivables		66,309	60,131	71,720
Cash and cash equivalents		102,958	72,679	40,839
		646,792	**698,847**	**751,736**
Property assets held for sale		-	1,401	417
Total current assets		**646,792**	**700,248**	**752,153**
Total assets		**1,068,077**	**1,123,095**	**1,178,616**
Current liabilities				
Trade and other payables		(612,000)	(660,673)	(716,270)
Deferred consideration		-	(100)	-
Current tax liabilities		(1,462)	(6,459)	(2,935)
Contract liabilities		(12,042)	(10,085)	(10,974)
Borrowings		(12,731)	(22,488)	(25,547)
Lease liabilities		(17,574)	(15,426)	(14,071)
Total current liabilities		**(655,809)**	**(715,231)**	**(769,797)**
Non-current liabilities				
Borrowings		(53,745)	(43,571)	(43,657)
Lease liabilities		(73,701)	(72,516)	(82,823)
Derivative financial instruments		(643)	(454)	(493)
Deferred income tax liabilities		(8,848)	(5,636)	(8,179)
Contract liabilities		(9,519)	(10,341)	(10,294)
Total non-current liabilities		**(146,456)**	**(132,518)**	**(145,446)**
Total liabilities		**(802,265)**	**(847,749)**	**(915,243)**
Net assets		**265,812**	**275,346**	**263,373**
Capital and reserves attributable to equity holders of the Group				
Ordinary share capital		36,917	37,042	36,917
Share premium		124,939	124,939	124,939
Other reserve		10,645	10,645	10,645
Hedging reserve		(519)	(375)	(407)
Treasury share reserve		(787)	(602)	(803)
Capital redemption reserve		2,810	2,685	2,810
Retained earnings		91,807	101,012	89,272
Total equity		**265,812**	**275,346**	**263,373**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2020

	Note	Six months ended 31 August 2020 £'000	Six months ended 31 August 2019 £'000	Year ended 29 February 2020 £'000
Cash flows from operating activities				
Operating profit		9,557	20,346	16,473
Profit on sale of property, plant and equipment		(399)	(34)	(238)
Amortisation of intangible assets		218	321	595
Depreciation of property, plant and equipment		13,583	12,342	25,374
Impairment charges		-	-	16,878
Change to fair value of contingent consideration		-	-	(2,500)
Movement in working capital	10	64,197	1,791	(23,563)
Share based payments charge		425	416	619
Cash inflow from operations		**87,581**	**35,182**	**33,638**
Tax received		188	362	362
Tax paid		(2,281)	(2,857)	(5,348)
Finance income received		21	132	237
Finance costs paid		(3,649)	(2,705)	(5,792)
Interest paid on lease liabilities		(1,870)	(1,761)	(3,595)
Net cash inflow from operating activities		**79,990**	**28,353**	**19,502**
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(182)	(1,547)	(12,398)
Acquisition of freehold land and buildings		(1,313)	(1,421)	(1,421)
Purchases of intangible assets		(34)	(54)	(155)
Purchases of other property, plant and equipment		(6,733)	(7,058)	(14,180)
Proceeds from disposal of property, plant and equipment		840	1,374	3,255
Net cash outflow from investing activities		**(7,422)**	**(8,706)**	**(24,899)**
Cash flows from financing activities				
Proceeds from borrowings	8	10,000	-	2,381
Repayment of borrowings	8	(12,816)	(678)	-
Principal elements of lease repayments		(7,633)	(6,577)	(13,392)
Purchase of treasury shares		-	-	(401)
Repurchase of own shares		-	(2,319)	(2,749)
Dividends paid to equity shareholders		-	(3,913)	(6,122)
Net cash outflow from financing activities		**(10,449)**	**(13,487)**	**(20,283)**
Net increase/(decrease) in cash and cash equivalents	8	**62,119**	**6,160**	**(25,680)**
Cash and cash equivalents at beginning of period		40,839	66,519	66,519
Cash and cash equivalents at end of period		**102,958**	**72,679**	**40,839**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2020

	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 2020	36,917	124,939	10,645	(407)	(803)	2,810	89,272	263,373
Profit for the period	-	-	-	-	-	-	2,548	2,548
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(521)	(521)
Tax on items taken directly to equity	-	-	-	38	-	-	99	137
Fair value losses	-	-	-	(150)	-	-	-	(150)
Total comprehensive income for the period	**-**	**-**	**-**	**(112)**	**-**	**-**	**2,126**	**2,014**
Sale of treasury shares	-	-	-	-	16	-	(16)	-
Share based payments charge	-	-	-	-	-	-	425	425
As at 31 August 2020	**36,917**	**124,939**	**10,645**	**(519)**	**(787)**	**2,810**	**91,807**	**265,812**

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

For the six months ended 31 August 2019

	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 2019	37,661	124,939	10,645	(19)	(602)	2,066	101,953	276,643
Adoption of IFRS 16	-	-	-	-	-	-	(9,167)	(9,167)
Balance at 1 March 2019 adjusted	37,661	124,939	10,645	(19)	(602)	2,066	92,786	267,476
Profit for the period	-	-	-	-	-	-	12,999	12,999
Actuarial gain on retirement benefit obligations	-	-	-	-	-	-	1,377	1,377
Tax on items taken directly to equity	-	-	-	73	-	-	(234)	(161)
Fair value losses	-	-	-	(429)	-	-	-	(429)
Total comprehensive income for the period	**-**	**-**	**-**	**(356)**	**-**	**-**	**14,142**	**13,786**
Repurchase of own shares	-	-	-	-	-	-	(2,420)	(2,420)
Cancellation of shares	(619)	-	-	-	-	619	-	-
Dividends paid	-	-	-	-	-	-	(3,912)	(3,912)
Share based payments charge	-	-	-	-	-	-	416	416
As at 31 August 2019	**37,042**	**124,939**	**10,645**	**(375)**	**(602)**	**2,685**	**101,012**	**275,346**

For the year ended 29 February 2020

	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 2019	37,661	124,939	10,645	(19)	(602)	2,066	101,953	276,643
Adoption of IFRS 16	-	-	-	-	-	-	**(9,208)**	(9,208)
Balance at 1 March 2019 adjusted	37,661	124,939	10,645	(19)	(602)	2,066	92,745	267,435
Profit for the year	-	-	-	-	-	-	2,987	2,987
Actuarial gains on retirement benefit obligations	-	-	-	-	-	-	2,400	2,400
Tax on items taken directly to equity	-	-	-	80	-	-	(408)	(328)
Fair value losses	-	-	-	(468)	-	-	-	(468)
Total comprehensive income for the year	-	-	-	**(388)**	-	-	**4,979**	**4,591**
Sale of treasury shares	-	-	-	-	200	-	(200)	-
Purchase of treasury shares	-	-	-	-	(401)	-	-	(401)
Repurchase of own shares	-	-	-	-	-	-	(2,749)	(2,749)
Cancellation of repurchased shares	(744)	-	-	-	-	744	-	-
Dividend paid	-	-	-	-	-	-	(6,122)	(6,122)
Share based payments charge	-	-	-	-	-	-	619	619
As at 29 February 2020	**36,917**	**124,939**	**10,645**	**(407)**	**(803)**	**2,810**	**89,272**	**263,373**

NOTES

For the six months ended 31 August 2020

1. Basis of Preparation

Vertu Motors plc is a Public Limited Company which is quoted on the A*i*M Market and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2020 and similarly the period ended 31 August 2019 has neither been audited nor reviewed by the auditors. The financial information for the year ended 29 February 2020 has been based on information in the audited financial statements for that year.

The information for the year ended 29 February 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified under section 498 of the Companies Act 2006.

2. Accounting policies

In line with International Accounting Standard 34 and the Disclosure and Transparency Rules of the Financial Conduct Authority, these condensed interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 29 February 2020.

3. 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.

Six months ended 31 August 2020	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales[9]	98.0	8.8	56.4	43.6	49.7
Used cars	449.9	40.2	41.2	31.8	9.2
New car retail and Motability	346.9	31.0	23.3	18.0	6.7
New fleet & commercial	224.5	20.0	8.6	6.6	3.8
Total	**1,119.3**	**100.0**	**129.5**	**100.0**	**11.6**

Six months ended 31 August 2019	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales[9]	130.7	7.9	73.1	42.3	47.1
Used cars	653.8	39.7	52.8	30.6	8.1
New car retail and Motability	472.1	28.7	33.7	19.5	7.1
New fleet & commercial	390.5	23.7	13.1	7.6	3.4
Total	**1,647.1**	**100.0**	**172.7**	**100.0**	**10.5**

Year ended 29 February 2020	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales[9]	258.1	8.4	143.5	43.0	46.9
Used cars	1,235.4	40.3	102.1	30.6	8.3
New car retail and Motability	862.5	28.1	62.7	18.8	7.3
New fleet & commercial	708.5	23.2	25.8	7.6	3.6
Total	**3,064.5**	**100.0**	**334.1**	**100.0**	**10.9**

[9] Margin in aftersales expressed on internal and external turnover

4. Non-underlying items

	Six months ended 31 August 2020 £'000	Six months ended 31 August 2019 £'000	Year ended 29 February 2020 £'000
Impairment charges	-	-	(16,878)
Change to fair value of contingent consideration	-	-	2,500
Net impairment charges	-	-	(14,378)
Share based payment charge	(494)	(461)	(733)
Amortisation	(218)	(321)	(595)
Non-underlying loss before tax	**(712)**	**(782)**	**(15,706)**
Tax on non-underlying items above	115	61	193
Non-underlying loss after tax	**(597)**	**(721)**	**(15,513)**

5. Finance income and costs

	Six months ended 31 August 2020 £'000	Six months ended 31 August 2019 £'000	Year ended 29 February 2020 £'000
Interest on short-term bank deposits	21	132	237
Net finance income relating to Group pension scheme	75	84	168
Finance income	**96**	**216**	**405**
Bank loans and overdrafts	(870)	(739)	(1,418)
Vehicle stocking interest	(2,939)	(1,963)	(4,548)
Lease liability interest	(1,870)	(1,761)	(3,595)
Finance costs	**(5,679)**	**(4,463)**	**(9,561)**

6. Taxation

In the July 2020 Finance Act, it was enacted that the previously announced reduction in the UK rate of corporation tax to 17% will no longer occur and the corporation tax rate will instead be held at 19%. This has resulted in the Group's deferred tax obligations now being measured at a rate of 19% in the Period (2019 H1: 17%). The Group's underlying effective rate of tax for the period therefore increased to 32.9% and the overall effective tax rate to 35.9% (2019 H1: 19.2%), reflecting this deferred tax rate change. The Group continues to be classified as "low risk" 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. All payments of tax obligations are up to date.

7. 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 period or the diluted weighted average number of ordinary shares in issue in the period.

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

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

	Six months ended 31 August 2020	Six months ended 31 August 2019	Year ended 29 February 2020
	£'000	£'000	£'000
Profit attributable to equity shareholders	2,548	12,999	2,987
Non-underlying items (note 4)	597	721	15,513
Adjusted earnings attributable to equity shareholders	**3,145**	**13,720**	**18,500**
Weighted average number of shares in issue ('000s)	367,158	373,195	370,470
Potentially dilutive shares ('000s)	633	3,809	4,348
Diluted weighted average number of shares in issue ('000s)	**367,791**	**377,004**	374,818
Basic earnings per share	**0.69p**	**3.48p**	**0.81p**
Diluted earnings per share	**0.69p**	**3.45p**	**0.80p**
Underlying earnings per share	**0.86p**	**3.68p**	**4.99p**
Diluted underlying earnings per share	**0.86p**	**3.64p**	**4.94p**

At 31 August 2020, there were 369,173,981 shares in issue (including 2,013,484 held in Treasury).

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

	31 August 2020 £'000	31 August 2019 £'000	29 February 2020 £'000
Net increase in cash and cash equivalents	62,119	6,160	(25,680)
Cash inflow from proceeds of borrowings	(10,000)	-	(2,381)
Cash outflow from repayment of borrowings	12,816	678	-
Cash movement in net cash	**64,935**	**6,838**	**(28,061)**
Capitalisation of loan arrangement fees	-	117	118
Amortisation of loan arrangement fee	(88)	(88)	(175)
Non cash movement in net cash	**(88)**	**29**	**(57)**
Movement in net cash/(debt)	**64,847**	**6,867**	**(28,118)**
Opening net cash/(debt)	**(28,365)**	**(247)**	**(247)**
Closing net cash/(debt) excluding lease liabilities	**36,482**	**6,620**	**(28,365)**
Lease liabilities transitional adjustment	-	(87,961)	(87,961)
Lease liabilities at 1 March 2020	(96,894)	-	-
Capitalisation of new leases	(2,014)	(6,558)	(22,325)
Cash outflow from lease repayments	7,633	6,577	13,392
Impact of IFRS 16	**(91,275)**	**(87,942)**	**(96,894)**
Closing net debt	**(54,793)**	**(81,322)**	**(125,259)**

9. Retirement benefit asset

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections which were closed to new entrants and future accrual on 31 May 2003, with another section closed to new entrants in July 2003 and future accrual in October 2013. The Group has applied IAS 19 (revised) to the scheme. During the six month period ended 31 August 2020, there have been changes in the financial and demographic assumptions underlying the calculation of the liabilities. In particular, the discount rate has fallen due to reductions in corporate bond yields, and the expectation of future inflation has increased slightly. The effect of these changes in assumptions was an increase in liabilities of £1,604,000. The hedging strategy in place within the scheme investment portfolio meant that the Period saw a gain on assets of £1,083,000, largely offsetting the increase in liabilities. In total, an actuarial loss of £521,000 was recognised in the Statement of Comprehensive Income.

10. Cash flow from movement in working capital

The following adjustments have been made to reconcile from the movement in working capital balance sheet headings to the amount presented in the cash flow as the movement in working capital. This is in order to more appropriately reflect the cash impact of the underlying transactions.

For the six months ended 31 August 2020

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(612,000)	
Contract liabilities			(21,561)	
At 31 August 2020	477,525	66,309	(633,561)	
At 29 February 2020	639,177	71,720	(737,538)	
Balance sheet movement	**161,652**	**5,411**	**(103,977)**	
Acquisitions	2	293	(96)	
Movement excluding business combinations	**161,654**	**5,704**	**(104,073)**	**63,285**
Pension related balances				56
Decrease in capital creditor				928
Increase in interest accrual				(72)
Movement in working capital				**64,197**

For the six months ended 31 August 2019

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(660,673)	
Deferred consideration			(100)	
Contract liabilities			(20,426)	
At 31 August 2019	566,037	60,131	(681,199)	
At 28 February 2019	618,675	62,893	(740,777)	
Balance sheet movement	**52,638**	**2,762**	**(59,578)**	
Acquisitions	-	47	60	
Deferred consideration on acquisitions	-	-	4,000	
Movement excluding business combinations	**52,638**	**2,809**	**(55,518)**	**(71)**
Pension related balances				51
Decrease in capital creditor				1,938
Increase in interest accrual				(26)
Increase in share repurchase accrual				(101)
Movement in working capital				**1,791**

For the year ended 29 February 2020

	Inventories £'000	Current trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(716,270)	
Contract liabilities			(21,268)	
At 29 February 2020	639,177	71,720	(737,538)	
At 28 February 2019	618,675	62,893	(740,777)	
Balance sheet movement	**(20,502)**	**(8,827)**	**(3,239)**	
Acquisitions	6,563	286	(2,380)	
Deferred consideration on acquisitions	-	-	4,100	
Movement excluding business combinations	**(13,939)**	**(8,541)**	**(1,519)**	**(23,999)**
Pension related balances				131
Decrease in capital creditor				422
Increase in interest accrual				(117)
Movement in working capital				**(23,563)**

11. Goodwill and other indefinite life assets

	31 August 2020 £'000	31 August 2019 £'000	29 February 2020 £'000
Goodwill	72,228	83,319	72,228
Other indefinite life assets – Franchise relationships	27,087	26,410	27,087
At end of period	**99,315**	**109,729**	**99,315**

12. Risks and uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors include: failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses, failure to meet competitive challenges to our business model or sector, advances in vehicle technology providing customers with mobility solutions which bypass the dealer network, inability to maintain current high quality relationships with manufacturer partners, economic conditions, including the potential consequences of the UK decision to leave the EU, impacting trading, market driven fluctuations in used vehicle values, litigation and regulatory risk, failure to comply with health and safety policy, failure to attract, develop and retain talent, failure of Group information and telecommunication systems, malicious cyber-attack, availability of credit and vehicle financing, use of estimates, currency risk and the ongoing financial impact of the global COVID-19 pandemic.

All of the above principal risks are consistent with those detailed in the Annual Report for the year ended 29 February 2020.

The Board continually review the risk factors which could impact on the Group achieving its expected results and confirm that the above principal factors will remain relevant for the final six months of the financial year ending 28 February 2021.

Alternative Performance Measures

Set out below are the definitions and sources of various alternative performance measures which are referred to throughout the Interim Financial Report. All financial information provided is in respect of the Vertu Motors plc Group.

Definitions

Like-for-like	Dealerships that have comparable trading periods in two consecutive financial years, only the comparable period is measured as "like-for-like". This measure is used when analysing performance in Q2.
H1 FY21	The six month period ended 31 August 2020
H1 FY20	The six month period ended 31 August 2019
Q2 FY21	The three month period ended 31 August 2020

Q2 FY20	The three month period ended 31 August 2019
Q1 FY21	The three month period ended 31 May 2020
Q1 FY20	The three month period ended 31 May 2019
Adjusted	Adjusted for amortisation of intangible assets and share based payments, as these are unconnected with the ordinary business of the Group.
Aftersales gross margin	Aftersales gross margin compares the gross profit earned from aftersales activities to total aftersales revenues, including internal revenue relating to service and vehicle preparation work performed on the Group's own vehicles. This is to properly reflect the real activity of the Group's aftersales departments.

Adjusted (loss)/profit before tax	**Q1 FY21 £'000**	**Q2 FY21 £'000**	**H1 FY21 £'000**	**Q1 FY20 £'000**	**Q2 FY20 £'000**	**H1 FY20 £'000**
(Loss)/profit before tax	(14,578)	18,552	3,974	12,692	3,407	16,099
Amortisation	113	105	218	165	156	321
Share based payment charge	146	348	494	215	246	461
Adjusted (loss)/profit before tax	**(14,319)**	**19,005**	**4,686**	**13,072**	**3,809**	**16,881**

Adjusted net cash	**31 August 2020 £'000**	**31 August 2019 £'000**
Cash and cash equivalents	102,958	72,679
Borrowings	(53,745)	(43,571)
Adjusted net cash	49,213	29,108
Used car stocking loans	(12,731)	(22,488)
Net cash	**36,482**	**6,620**

Tangible net assets per share

	31 August 2020 £'000	**31 August 2019 £'000**
Net assets	265,812	275,346
Less:		
Goodwill and other indefinite life assets	(99,315)	(109,729)
Other intangible assets	(1,934)	(2,330)
Tangible net assets	164,563	163,287
Deferred tax on above adjustments	6,230	6,576
Tax adjusted tangible net assets	**170,793**	**169,863**
Tangible net assets per share	**46.5p**	**46.1p**

At 31 August, there were 369,173,981 shares in issue (2019: 370,413,984) of which 2,013,484 were held by the Group's employee benefit trust (2019: 1,582,786).

Q2 like-for-like reconciliations:

Revenue by department

			Q2 FY21 like-for-like			
	H1 FY21 Group revenue £'m	**Q1 FY21 Group revenue £'m**	**Q2 FY21 Group revenue £'m**	**Q2 FY21 Acquisitions revenue £'m**	**Q2 FY21 Disposals revenue £'m**	**Q2 FY21 Like-for-like revenue £'m**
New car retail and Motability	**346.9**	132.2	214.7	(17.0)	-	197.7
New fleet and commercial	**224.5**	77.1	147.4	(0.3)	-	147.1
Used cars	**449.9**	92.6	357.3	(19.9)	-	337.4
Aftersales	**98.0**	30.4	67.6	(3.8)	-	63.8
Total revenue	**1,119.3**	**332.3**	**787.0**	**(41.0)**	**-**	**746.0**

			Q2 FY20 like-for-like			
	H1 FY20 Group revenue £'m	**Q1 FY20 Group revenue £'m**	**Q2 FY20 Group revenue £'m**	**Q2 FY20 Acquisitions revenue £'m**	**Q2 FY20 Disposals revenue £'m**	**Q2 FY20 Like-for-like revenue £'m**
New car retail and Motability	**472.1**	299.3	172.8	-	(0.9)	171.9
New fleet and commercial	**390.5**	225.8	164.7	-	(0.1)	164.6
Used cars	**653.8**	335.2	318.6	-	(6.5)	312.1
Aftersales	**130.7**	66.7	64.0	-	(0.5)	63.5
Total revenue	**1,647.1**	**927.0**	**720.1**	**-**	**(8.0)**	**712.1**

Aftersales revenue by department

			Q2 FY21 like-for-like			
	H1 FY21 Aftersales revenue £'m	**Q1 FY21 Aftersales revenue £'m**	**Q2 FY21 Aftersales revenue £'m**	**Q2 FY21 Acquisitions revenue £'m**	**Q2 FY21 Disposals revenue £'m**	**Q2 FY21 Like-for-like revenue £'m**
Parts	**57.7**	18.9	38.8	(1.7)	-	37.1
Accident repair	**2.0**	0.5	1.5	(0.3)	-	1.2
Parts and accident repair	**59.7**	19.4	40.3	(2.0)	-	38.3
Service	**53.9**	15.7	38.2	(2.4)	-	35.8
Total revenue [10]	**113.6**	**35.1**	**78.5**	**(4.4)**	**-**	**74.1**

			Q2 FY20 like-for-like			
	H1 FY20 Aftersales revenue £'m	**Q1 FY20 Aftersales revenue £'m**	**Q2 FY20 Aftersales revenue £'m**	**Q2 FY20 Acquisitions revenue £'m**	**Q2 FY20 Disposals revenue £'m**	**Q2 FY20 Like-for-like revenue £'m**
Parts	**83.4**	42.3	41.1	-	(0.4)	40.7
Accident repair	**3.1**	1.5	1.6	-	-	1.6
Parts and accident repair	**86.5**	43.8	42.7	-	(0.4)	42.3
Service	**68.8**	35.8	33.0	-	(0.3)	32.7
Total revenue [10]	**155.3**	**79.6**	**75.7**	**-**	**(0.7)**	**75.0**

[10] Inclusive of both internal and external revenue

Gross profit by department

			Q2 FY21 like-for-like			
	H1 FY21 Group gross profit £'m	**Q1 FY21 Group gross profit £'m**	**Q2 FY21 Group gross profit £'m**	**Q2 FY21 Acquisitions gross profit £'m**	**Q2 FY21 Disposals gross profit £'m**	**Q2 FY21 Like-for-like gross profit £'m**
New car retail and Motability	**23.3**	11.7	11.6	(1.0)	-	10.6
New fleet and commercial	**8.6**	3.6	5.0	(0.2)	-	4.8
Used cars	**41.2**	7.6	33.6	(1.4)	-	32.2
Aftersales	**56.4**	16.5	39.9	(2.4)	-	37.5
Total gross profit	**129.5**	**39.4**	**90.1**	**(5.0)**	**-**	**85.1**

			Q2 FY20 like-for-like			
	H1 FY20 Group gross profit £'m	**Q1 FY20 Group gross profit £'m**	**Q2 FY20 Group gross profit £'m**	**Q2 FY20 Acquisitions gross profit £'m**	**Q2 FY20 Disposals gross profit £'m**	**Q2 FY20 Like-for-like gross profit £'m**
New car retail and Motability	**33.7**	19.4	14.3	-	(0.1)	14.2
New fleet and commercial	**13.1**	7.1	6.0	-	-	6.0
Used cars	**52.8**	27.9	24.9	-	(0.4)	24.5
Aftersales	**73.1**	37.1	36.0	-	(0.3)	35.7
Total gross profit	**172.7**	**91.5**	**81.2**	**-**	**(0.8)**	**80.4**

Aftersales gross profit by department

			Q2 FY21 like-for-like			
	H1 FY21 Aftersales gross profit £'m	**Q1 FY21 Aftersales gross profit £'m**	**Q2 FY21 Group gross profit £'m**	**Q2 FY21 Acquisitions gross profit £'m**	**Q2 FY21 Disposals Gross profit £'m**	**Q2 FY21 Like-for-like gross profit £'m**
Parts	**12.8**	4.4	8.4	(0.3)	-	8.1
Accident repair	**1.3**	0.3	1.0	(0.2)	-	0.8
Parts and accident repair	**14.1**	4.7	9.4	(0.5)	-	8.9
Service	**42.3**	11.8	30.5	(1.9)	-	28.6
Total gross profit	**56.4**	**16.5**	**39.9**	**(2.4)**	**-**	**37.5**

			Q2 FY20 like-for-like			
	H1 FY20 Aftersales gross profit £'m	**Q1 FY20 Aftersales gross profit £'m**	**Q2 FY20 Group gross profit £'m**	**Q2 FY20 Acquisitions gross profit £'m**	**Q2 FY20 Disposals Gross profit £'m**	**Q2 FY20 Like-for-like gross profit £'m**
Parts	**18.3**	9.0	9.3	-	(0.1)	9.2
Accident repair	**2.1**	1.1	1.0	-	-	1.0
Parts and accident repair	**20.4**	10.1	10.3	-	(0.1)	10.2
Service	**52.7**	27.0	25.7	-	(0.2)	25.5
Total gross profit	**73.1**	**37.1**	**36.0**	**-**	**(0.3)**	**35.7**

Operating expenses

				Q2 FY21 like-for-like		
	H1 FY21 £'m	**Q1 FY21 £'m**	**Q2 FY21 £'m**	**Q2 FY21 Acquisitions £'m**	**Q2 FY21 Disposals £'m**	**Q2 FY21 Like-for-like £'m**
Operating expenses (net)	**119.3**	51.2	68.1			
Job Retention Scheme Grant	**22.8**	17.7	5.1			
Adjusted operating expenses (gross)	**142.1**	**68.9**	**73.2**	(4.4)	-	68.8

				Q2 FY20 like-for-like		
	H1 FY20 £'m	**Q1 FY20 £'m**	**Q2 FY20 £'m**	**Q2 FY20 Acquisitions £'m**	**Q2 FY20 Disposals £'m**	**Q2 FY20 Like-for-like £'m**
Adjusted operating expenses	**151.6**	76.2	75.4	-	(0.7)	74.7