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VERTU Motors plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 29 February 2016

...built on trust

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Vertu Motors plc Mission Statement

"To deliver an outstanding customer motoring experience through honesty and trust"

Strategic Report

The Directors present their strategic report on the affairs of the Group and Company, for the year ended 29 February 2016.

Business Review and Future Developments

The review of the business for the year is contained in the Chairman's Report, Chief Executive's Review and Chief Financial Officer's Review. This includes details of acquisitions and likely future developments. It remains your Board's intention to deliver shareholder value and develop the Group through strategic acquisitions supplemented by the focused organic growth of its existing businesses.

The Group has a number of Key Performance Indicators ("KPI's") by which it monitors its business. These include sales and gross margins by channel; an analysis of these KPI's is set out in the Chief Executive's Review on page 15.

Principal 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, as set out below, are not an exhaustive list of all the potential risks and uncertainties that could adversely impact the Group's results:

STRATEGY

Description of risk	Impact	Mitigation
Failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses	Stalled growth of the Group and associated shareholder returns Reputation risk	• Maintain strong relationships with manufacturer partners to ensure that the Group remains a valued and relevant candidate for any potential franchised network development opportunities. • Availability of resources to fund expansion ensured through both committed bank facilities and positive cash generation within the Group • Thorough reviews of acquisition opportunities to ensure Group investment hurdles are met • Established process for swift integration of acquired businesses into the Group
Failure to meet competitive challenges to our business model or sector	Loss of customers to competitors Reduced profitability	• The Group's scale, technological capability and diversification creates the ability to capitalise on market opportunity • Customer experience focus of the Group attracts customer loyalty • Ongoing monitoring to identify emerging competitive threats and act on these quickly

BRAND PARTNERS AND REPUTATION

Description of risk	Impact	Mitigation
Inability to maintain current high quality relationships with manufacturer partners	Impact on our ability to retain existing contracts and to take on new opportunities for growth	• Group vision and values set the tone from the top to deliver strong service to our Group stakeholders • Constant focus on improvement in performance and effective communication with our manufacturer partners to ensure that our objectives are closely matched to theirs

Principal Risks and Uncertainties (continued)

ECONOMIC, POLITICAL AND ENVIRONMENTAL

Description of risk	Impact	Mitigation
Economic conditions impacting trading	Volume and margin are effected particularly in vehicle sales	• Close monitoring of UK and European economic conditions • Maintain close relationships with manufacturer partners • Focus on retention initiatives particularly in aftersales
Market may drive fluctuation in used vehicle values	Used vehicle margin is effected and value of used vehicle inventory may decline	• Daily monitoring of used vehicle market to detect pricing movements • Real time inventory management and control to enable the Group to react quickly to pricing declines

LEGAL AND REGULATORY

Description of risk	Impact	Mitigation
Litigation and regulatory risk in an environment of ever increasing regulatory scrutiny	Litigation or breaching regulations could have a financial impact or reputational impact	• Policies and procedures are in place to ensure compliance with relevant regulations, adherence to which is overseen by the Compliance Committee • Risk management programme in place aimed at preventing issues in the first instance but also providing appropriate response to any issues that do arise • Continuation of Group focus on customer experience and a partnership approach with its manufacturer partners, to minimise impact of Block Exemption regulation changes
Failure to comply with Health and Safety (H&S) Policy	Injury to customers or colleagues	• Group has a dedicated H&S Manager • Group H&S Committee monitors compliance and recommends any corrective or preventative actions • Training for all colleagues • Specific H&S dashboard developed, monitoring KPI's • Independent external H&S audits carried out

PEOPLE

Description of risk	Impact	Mitigation
Failure to attract, develop and retain talent	Unable to deliver on business plans Colleagues who lack motivation and engagement	• Annual colleague satisfaction survey and action planning based upon the results • Significant investment in formalised training and development programmes delivered by in-house training department and external trainers as appropriate • Talent review and succession plans in place

SYSTEMS AND TECHNOLOGY

Description of risk	Impact	Mitigation
Failure of Group Information or telecommunication systems	Business is interrupted	• Robust business continuity process has been developed • Operation of this process is regularly tested, reviewed and updated as necessary
Group is targeted for malicious cyber attack	Business is interrupted Dated is compromised	• Robust business continuity process has been developed • Policy prohibits installation of non-Group software • Firewall and anti-virus protocols active and reviewed regularly • Penetration and vulnerability testing reviewed regularly to assess new threats

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

FINANCE AND TREASURY		
Description of risk	**Impact**	**Mitigation**
Availability of credit and vehicle financing	Inability to secure funding impacting on distribution sales or expansion opportunities	• Detailed working capital cash flow monitoring in place • Maintain relationships with key banks, financing arrangements in place until 30 March 2019 • Leverage Group relationship with OEM finance companies and retail finance providers
Use of estimates	Variance in accounting judgement impacts profitability	• Key accounting judgements are reviewed on a regular basis to ensure these remain appropriate • Regular review of changes in accounting standards framework to assess any likely impact on the Group
Currency risk	Fluctuation in exchange rates impact the profitability of our manufacturer partners which may change their prices or support packages to the dealer network	• Portfolio of manufacturer partners spreads potential risk • No material foreign exchange transactions are undertaken directly by the Group

Financial position and performance

A comprehensive analysis of the business during the year and the position at the year end is contained within the Chairman's Statement, the Chief Executive's Review and the Chief Financial Officer's Review.

Strategic Report (continued)

Chairman's Statement

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

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

Board changes

One of my key roles as Chairman is to ensure that the composition of the Board is continually reviewed to ensure that it provides the Group with the strategic oversight, vision and governance that it requires in order to deliver a sustainable long term return for shareholders.

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

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

UK European Union Referendum

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

Dividends

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

Current trading and outlook

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

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

Chairman's Statement (continued)

Current trading and outlook (continued)

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

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

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

We have a first rate, scalable and highly motivated operational team and I would like to take this opportunity to thank every colleague for their dedication and hard work during the year. The team has created a unique culture, which is in place consistently across our businesses, and has delivered record profitability.

P. Jones
Non-Executive Chairman

Chief Executive's Review

Strategy

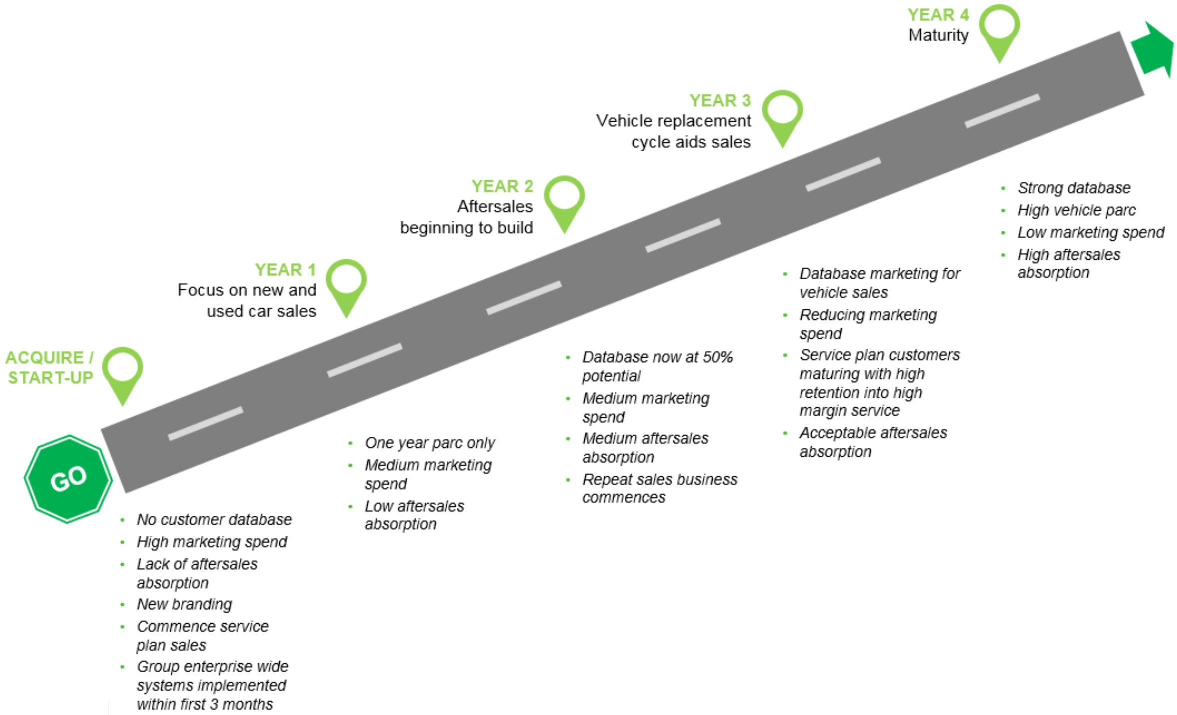
The Board has maintained a consistent strategy since flotation in December 2006 to grow a scaled automotive retail group initially through acquiring principally volume franchised dealerships and, more recently, by adding premium franchised dealerships. The Group will continue to acquire dealerships across the volume and premium spectrum as the Board currently believes that capital can continue to be invested in additional dealerships to deliver significant return on investment to shareholders in the short and medium term. The fragmented nature of the UK automotive retail sector means that significant growth potential remains. Pursuant to this strategy, the Group undertook a number of further significant acquisitions in the year and, in March 2016, undertook an equity placing of £35m (gross) to fund the continuation of this strategy. The addition of further dealerships and new franchise partners to the Group's portfolio will enable the Board to deliver its goal of replicating the market share of Manufacturers in the UK in the Group's portfolio of franchised dealerships. This goal provides diversified profit streams so reducing the Group's exposure to variations in individual manufacturers' performance.

The Group's Mission Statement is "to deliver an outstanding customer motoring experience through honesty and trust". Achieving this Mission should secure significant gains in vehicle sales and market share in our local territories. The resultant increase in each local vehicle parc, coupled with high levels of customer retention, is designed to deliver higher aftersales activity levels, thereby allowing the Group to grow profitability over time. Key performance indicators, such as local market share, in addition to colleague and customer satisfaction scores, are the key drivers for management at all levels. The Board is pleased to note that a significant majority of dealerships deliver above average customer satisfaction scores in sales and service, as measured by our Manufacturer partners. Used car customer satisfaction is now measured in every dealership and 95% (2015: 93%) of used car customers would recommend the Group to friends and family. Colleague satisfaction scores, measured in July each year, are very strong and reflect a consistent, values-driven culture across the business. In addition to several individual dealerships winning Manufacturer excellence awards, the Group was also recognised for the second consecutive year within the Honda franchise for having the best UK dealerships in 2015. The Group was also Motability dealer group of the year for the second consecutive year, demonstrating further evidence of a relentless focus on achieving high levels of customer satisfaction and performance.

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

Business Model

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



The application of this business model relies heavily on strong, high quality management teams in order to deliver the required returns over time. The recruitment, development and retention of high performing automotive retail professionals is, therefore, of paramount importance and the Group has developed a culture which seeks to attract and retain top performers. As the Group expands, the management capacity and bandwidth to allow further controlled expansion is continually assessed by the Board.

In addition to management, the Group has invested in systems and central functions at its support centre in Gateshead in the North East of England. This provides significant benefits to the Group from scale, engaging in extensive sales and aftersales marketing and customer experience enhancing activities. The Board believes these functions and teams provide substantial operational benefits to the Group, a key competitive advantage and a strong foundation from which to further scale the business. This advantage is recognised by the Group's Manufacturer partners who encourage this investment and many are keen for their franchises to be served by these centralised functions.

Chief Executive's Review (continued)

Business Model (continued)

As part of a regular Board discipline, the Group continually reviews all operations to ensure they will deliver value in the medium term. Underperforming businesses requiring improvement are highlighted with specific turnaround plans established with measures and milestones. The Board monitors performance on a monthly basis. Operations deemed not to be able to meet return on investment hurdles in the medium term are identified and are either closed, disposed of or refranchised, to ensure value is generated.

New Revenue Streams

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

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

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

Portfolio Development

During the year, the Group has continued to invest in its growth strategy and has expanded the number of sales and aftersales outlets from 116 at 28 February 2015 to 127 sales outlets at 11 May 2016 through a significant number of acquisitions and the opening of new start-up dealerships. In the same period, the Group ceased operations in four sales outlets. The Group operates sales outlets from 105 locations highlighting an element of multi-franchising at a number of the Group's locations.

The current portfolio of the Group is summarised below:

Sales outlet numbers	**May**	**February**
Car franchised outlets	**2016**	**2015**
Ford	22	23
Vauxhall	14	14
Honda	12	9
Nissan	10	9
Peugeot	7	9
Hyundai	7	7
Renault / Dacia	7	5
Volkswagen	6	5
SEAT	5	5
Land Rover	5	4
Citroen/DS	4	4
Mazda	4	4
Fiat	4	4
Mercedes-Benz/smart	3	-
Jaguar	3	1
Alfa Romeo	2	3
Volvo	2	2
Jeep	1	2
Infiniti	1	1
Škoda	1	-
Audi	1	-
Suzuki	-	1
	121	112
Other franchised outlets		
Honda Motorcycles	2	2
Volkswagen Commercials	1	-
	3	2
Non-franchised outlets		
Bristol Street Versa (wheelchair accessible vehicles)	1	1
Used car non-franchised operation	2	1
	3	2
Total sales outlets	127	116

Chief Executive's Review (continued)

Acquisitions and investment

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

Ford – our largest franchise partner

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

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

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

Vauxhall

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

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

Acquisitions and investment (continued)

Honda

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

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

Nissan

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

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

Renault/Dacia

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

Hyundai

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

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

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

Volkswagen Group – Volkswagen, Volkswagen Commercials and Audi

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

Acquisitions and investment (continued)

Volkswagen Group – Volkswagen, Volkswagen Commercials and Audi (continued)

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

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

Jaguar and Land Rover

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

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

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

Addition of Mercedes-Benz

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

Continued Review of the Portfolio

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

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

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

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

Management

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

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

Operating review

Market dynamics

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

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

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

The light commercial vehicle market, comprising vans, saw strengthening demand throughout the year as business confidence remained robust and the economy expanded. The growth of internet shopping at the expense of the High Street has led to a continued demand for vans for home deliveries and this trend is expected to continue. UK van market registrations rose by 13.2% as a consequence.

The used car market in the UK grew by approximately 2% in the period. Stronger growth was evident in the 0-3 year old segment following the increase in supply as the growth in the new car market in recent years takes its effect in the used wholesale markets. This provides retailers with the ability to grow used car volumes compared to previous years when supply was very much more constrained.

Strategic Report (continued)

Chief Executive's Review (continued)

Operating review (continued)

Market dynamics (continued)

The market for service, parts and accident repair services saw growth in the period arising from the impact of successive years of rising new car sales. The 0-6 year vehicle parc is growing, including the 0-3 year parc in particular, and this cohort of car owners is very loyal to franchised dealer networks for servicing. Increased service loyalty to franchised dealers from customers with older cars is also raising service revenues due to more customers having service plans typically of three years in duration. These plans are largely monthly payment schemes, which lock in prices for customers to a fixed monthly amount, making vehicle servicing both budgetable and affordable. The corporate fleet market for servicing is also seeing considerable growth as the fleet parc expands and represents a considerable aftersales opportunity. Growth in the servicing market results in higher demand for parts.

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

Revenues, margins and profitability

Revenue and Margins

Year ended 29 February 2016

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

Year ended 28 February 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
Aftersales[1]	168.1	8.1	89.4	39.2	43.5
New car retail and Motability	679.4	32.7	50.9	22.3	7.5
New fleet and commercial	498.5	24.0	12.3	5.4	2.5
Total new vehicles	1,177.9	56.7	63.2	27.7	5.4
Used cars	728.9	35.2	75.5	33.1	10.4
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

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

Chief Executive's Review (continued)

Operating review (continued)

Revenues, margins and profitability (continued)

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

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

Overall vehicle revenues grew by 17.2% in the year and amounted to 92.2% of total revenues (2015: 91.9%), whereas total aftersales revenues grew by 12.4% and amounted to 7.8% of total revenues (2015: 8.1%). There is a lag effect in the growth of aftersales revenues in the years following rises in vehicle sales as the latter takes time to feed into significant changes to the size and shape of the wider vehicle parc. This dynamic reflects the more defensive nature of aftersales revenues and profits and works in a counter-cyclical, positive manner in the event of a vehicle sales slowdown. On a like-for-like basis, gross margins were stable at 11.0% despite the increase in vehicles sales mix. This reflected the growing maturity of the Group's portfolio as the business model was applied to under-performing businesses to good effect. Overall gross margin achieved was 10.9% (2015: 11.0%).

Adjusted[2] EBITDA increased by 23.7% to £35.5m in the year ended 29 February 2016 (2015: £28.7m). Adjusted[2] operating profit grew by 26.0% to £28.6m (2015: £22.7m) due to both like-for-like growth in the core dealerships and, significantly, the turnaround in profitability of the dealerships acquired over recent years. This improvement provides further evidence of the effectiveness of the Group's business model in improving the profitability of underperforming businesses that have been acquired. Adjusted[2] profit before tax rose by 24.5% to £27.4m (2015: £22.0m).

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

Aftersales

The Group's aftersales operations, which include servicing, supply of parts and accident repairs, represent a vital element of the Group's business model since significantly higher returns are generated than those achieved in vehicle sales. While aftersales represents 7.8% of Group revenues, it accounts for 39.1% of gross margin, so management focus on maintaining and improving performance in this area is crucial to the Group's overall results. The Group's business model increases customer retention in the higher margin service arena through the consistent execution of a number of core strategies. Driving service revenues has an additional positive benefit in enhancing parts sales through the Group's workshops. Core retention strategies include a focus on driving increased vehicle sales to build a local vehicle parc (as opposed to distance sales where customers are unlikely to return to the dealership), marketing via a sophisticated customer relationship management process using the Group's dedicated contact centre in Gateshead and technology such as email reminders, SMS and on-line service booking facilities. Further retention is driven through the extensive sale of service plans and by delivering an outstanding customer experience when customers visit. The latter is aided by extensive training programmes and is monitored by a significant commitment to mystery shops by real customers to the service departments.

Aftersales (continued)

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

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

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

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

The improvement in aftersales margins has been achieved in each of the service, parts and accident repair centre activities as a result of a relentless focus on the detailed operational performance in each department. The Group's vehicle health check (VHC) process has been further embedded into the business. This seeks to ensure that all customer vehicles visiting the Group's dealerships are given a full mechanical health check by a fully manufacturer-trained technician to identify any service work which may be required. The results are then presented to the customer with a clear and costed explanation of any such work identified, including via digital media. The performance of this process is monitored daily to ensure that the Group's customers are given the best opportunity to enjoy a trouble-free motoring experience.

The accident repair centre sector delivered another year of improved revenue and margins as demand has started to outstrip supply in the channel. The Group's accident repair centre revenues grew 8.0% on a like-for-like basis and margins improved further to 66.2% (2015: 66.0%). The Group now operates 11 accident repair centres.

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

Chief Executive's Review (continued)

Operating review (continued)

Vehicle sales

Vehicle unit sales analysis

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

3. relates to businesses acquired or developed subsequent to 1 March 2015 with businesses migrating into core once they have been in the Group for over 12 months
4. 2015 volumes include businesses acquired in the year ended 28 February 2015

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

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

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

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

Chief Executive's Review (continued)

Operating review (continued)

Vehicle sales (continued)

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

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

Robert Forrester
Chief Executive

Operating expenses

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

Operating expenses rose from £205.3m to £234.6m. As a percentage of revenues, operating expenses in the continuing operations improved to 9.6% (2015: 9.9%). This ratio has been reduced consistently over the last 4 years from 11.14% to 9.6%. Underlying operating expenses rose by £12.5m year on year. The majority of this increase relates to employment costs due to:

- increased commissions and other variable incentives payable as a result of higher levels of sales and improved profitability at department, dealership and Group level;
- increases in vehicle sales departments' headcount to ensure the Group takes full advantage of higher sales volume levels as the market opportunity grows and dealership's mature; and
- further investment in contact centres and other central functions, including on-line, to support the Group's growth

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

Interest charges

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

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

Taxation

The effective rate of tax for the year was 20.3% (2015: 21.2%). The current year rate is broadly in line with the standard UK corporation tax rate for the period and the Board expects that the Group's tax rate should remain close to the headline UK Corporation Tax rate in the future as this rate declines to 17% by 2020.

Cashflows and capital expenditure

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

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

The Group invested £43.5m in the year which can be analysed as follows:-

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

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

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

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

Financial Position

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

The Board continues to seek to balance those dealerships in freehold and leasehold premises and to be conservative in terms of the lease terms entered into, favouring lease breaks and open market value rent reviews. As at 29 February 2016, freehold locations represented 51% of locations (2015: 50%).

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and Manufacturer partners. As at 29 February 2016, the Group had an acquisition facility of £20.0m available until March 2019 of which £14m was drawn. Interest is payable on this facility at LIBOR plus 1.1%. During the period, the Group comfortably complied with all of the financial covenants in respect of these borrowings, which include loan to value, net debt to EBITDA and interest and lease costs to EBITDAR.

In addition to these loan facilities, the Group had £45m of overdraft and other money market facilities with Barclays Bank. On the overdraft, interest was paid on drawn amounts at 1.1% above Base Rate, and on the money market facilities interest was paid at 1.1% above LIBOR. The Group operated with cash balances for much of the year and these additional facilities are utilised to fund significant peak working capital requirements following plate change months. As at 29 February 2016, the Group had cash balances of £43.9m (2015: £19.3m) and, as a consequence, net cash of £23.1m (2015: net cash of £15.7m). The cash position at 29 February 2016 reflects the seasonal reduction in working capital, typical of the industry, which arises at the month end prior to a plate change month. Consequently, the year-end cash position is higher than the normalised cash balances throughout the remainder of the year by approximately £20m. On 31 March 2016 the Group completed an equity placing raising £35m before expenses. These funds, in addition to its acquisition loan facility and on-going cash generation, will be used to fund the Group's on-going acquisition strategy.

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

Pensions

The Bristol Street defined benefit pension scheme, which is accounted for on the basis of IAS 19 (revised), showed a surplus as at 29 February 2016 of £4.4m (2015: £3.0m). During the year, and in line with the funding programme agreed with the Trustees in 2013, the Group made cash contributions to the scheme of £0.4m (2015: £0.4m). This scheme is closed to future membership and accrual.

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

Dividends

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

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

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

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

Post balance sheet events

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

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

Post balance sheet events (continued)

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

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

Michael Sherwin
Chief Financial Officer
11 May 2016

Main Board Directors

The Board currently comprises the Directors outlined below.

Peter Jones – Non-Executive Chairman

Peter (59) has extensive industry background including his joint ownership of the successful independent motor group Bramall and Jones Ltd; Commercial Director at Inchcape Retail; CEO of C.D. Bramall plc and Commercial Director of Rover Cars UK & Ireland. From 2008 to 2013, Peter served as an Executive Director of Lookers plc including the CEO role from October 2009 to the end of December 2013.

William Teasdale – Non-Executive Director

Bill (73) is a Non-Executive Director of a number of private companies including British Engines Limited and Bedmax Limited. He was Non-Executive Director and Chairman of the Audit Committee at Reg Vardy plc between 2002 and 2006. Prior to this, he was the Senior Partner at the Newcastle upon Tyne office of PricewaterhouseCoopers LLP. Bill has substantial experience of corporate transactions and within the quoted company environment.

Ken Lever – Non-Executive Director

Ken (62) is a former partner of Arthur Andersen and has held senior executive director roles in many listed companies including Alfred McAlpine plc, Albright & Wilson plc and Tomkins plc. Ken was CFO of Numonyx in Switzerland from April 2008 to September 2010, and was CEO of Xchanging plc from June 2011 until 11 December 2015. Ken is also a Non-Executive Director of Gresham House Strategic plc, Blue Prism plc, FM Insurance Company Limited and DAC Beachcroft LLP. From 2007 to 2013, Ken was a Member of the Accounting Council of the Financial Reporting Council (formerly the UK Accounting Standards Board).

Nigel Stead - Non-Executive Director

Nigel (66) was previously CEO of Lex Autolease, the UK's largest contract hire and leasing group and a Director of the British Vehicle Rental and Leasing Association. He has also been a Non-Executive Director of Motability Operations Group plc, APD Global Research Limited and Universal Salvage plc. Nigel is currently a Non-Executive Director of Prohire plc and Merrion Fleet Management Limited.

Robert Forrester – Chief Executive

Robert (46) was a Director of Reg Vardy plc between 2001 and 2006 where he held the roles of Finance Director and Managing Director. Robert qualified as a chartered accountant with Arthur Andersen. He is also a member of the Economic Growth Board of the Confederation of British Industry.

Michael Sherwin – Chief Financial Officer

Michael (57) has extensive retail, transactional and public market experience. From 1999 to 2008, Michael was Group Finance Director of Games Workshop Group PLC, a FTSE listed consumer goods company. Michael is a qualified Chartered Accountant having trained with Price Waterhouse, where he held positions in the UK, Paris and Sydney. He was also Non-Executive Director of Plusnet plc, an AIM listed internet business, from 2004-2007.

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Corporate and Social Responsibility Report

Introduction

Corporate and Social Responsibility ("CSR") is at the very core of our Group's culture and values and the CSR strategy falls into four main areas:

- Health and Safety
- Environmental Management
- Colleagues
- Vertu in the Community

1. Health and Safety

A consistent Group-wide approach is taken with regards to Health and Safety and environmental matters. A Health and Safety Committee, now chaired by the CEO, meets monthly to consider all aspects of our Health and Safety performance, including reviewing any incidents, and considering how to spread best practice across the Group. All line managers receive comprehensive, externally provided training to ensure they understand relevant legislation and the scope of their responsibility in this critical area. There are clear lines of responsibility which are communicated to all colleagues. The General Manager is the main responsible individual at each dealership for all Health and Safety matters supported by a dealership Health and Safety Co-ordinator. A Group Health and Safety Manager is responsible for; monitoring compliance with Health and Safety systems, providing support and advice to the General Managers, as well as continually assessing the quality of our systems, outputs and recommending improvements. The Health and Safety Committee also reports monthly to the Board, and key findings are communicated regularly to Senior and General Managers to retain a focus on Health and Safety matters.

This year has seen significant further progress in the management of Health and Safety within the Group. Our Health and Safety Dashboard, which focuses on key risk areas within the Dealerships, has become a cornerstone of our processes with consistent reporting on any shortfalls being provided to the Board. This has allowed us to quickly identify any locations where the required level of concentration on this critical area is falling short and allows us to generate corrective actions.

In order to manage the Health and Safety risk involved in driving we have implemented telematics devices into the cars of our younger drivers as they were identified as our largest risk population, and this system gives us real time reporting on driver behaviour. The resultant change in driver behaviour has had a positive impact on the number of at fault accidents we have suffered in the year.

During the year, each location has had an independent external audit to assess adherence to our Health and Safety Operating System. The results of these audits has been encouraging with most Dealerships scoring very highly, and only a small number of failed audits. The audit output has also provided a list of improvements to be addressed at each dealership and attending to these will again raise the bar on delivering a safe environment for Customers and Colleagues. This audit process will now be repeated annually as an independent check of our process strength.

2. Responsible Sourcing

All of the Group's business locations are situated within the UK and operate in strict compliance with all applicable labour relations laws. We have no presence, either directly or via sub-contractors, in any areas which present any risk of the exploitation of men, women or children in the workplace. We work with vehicle manufacturers and other suppliers who manage their supply chains in a responsible way, free from the exploitation of labour.

3. Environment and Greenhouse Gas Emissions Reporting

The Group's strategy on environmental matters is to ensure legal and regulatory compliance as well as seeking to manage costs through effective resource allocation. The Automotive Retail sector is not regarded as a high environmental impact sector. During the year, the Group complied with the Energy Savings Opportunity Scheme Regulations 2014 ('ESOS') to undertake a mandatory energy assessment of our sites. We used the results of this assessment to identify further energy saving opportunities and to encourage best practice throughout the Group.

- **Reducing Carbon and Waste**

During the year, we have continued to assess, monitor and manage our energy use. Also where practicable, we have implemented measures designed to reduce our activities' environmental impact, which, over time, we anticipate will help reduce our carbon footprint. To conserve energy, we continue, to install LED lighting schemes, fix luminair and movement sensors, limit the duration of periods when full lighting is used on our sites out of hours, keep external doors closed when not in use, and fit suitable insulation to limit the escape of heat.

4. Colleagues

The Group seeks to fulfil the career aspirations and potential of all colleagues. The Board seeks to create an environment in which every colleague enjoys coming to work, feels motivated in everything that they do and takes pride in their contribution to the Group. The enthusiasm and dedication of colleagues is a vital factor in the Group's success. In order to develop a culture that is positive and contributes to the Group performance, seven core values are used extensively in the business to signpost desired behaviours. These are set out below:

- **Values**
  - **Passion**

    We are proud of our Company and dedicated to its purpose. We are enthusiastic, enjoy challenges and are eager for success.
  - **Respect**

    We are friendly and courteous in all our relationships with colleagues, customers and suppliers.
  - **Professionalism**

    We are reliable and consistent and we excel in the standards and presentation of our people, products and premises.
  - **Integrity**

    We are trustworthy and honest in all that we say and do and take responsibility for our own actions.
  - **Recognition**

    We appreciate the endeavours of our colleagues. We praise their achievements and enjoy celebrating their success.
  - **Opportunity**

    We have a vision of what can be achieved and provide colleagues with personal development, supportive training and exciting career progression.
  - **Commitment**

    We are all determined to achieve total customer satisfaction by providing a service built on trust.

4. Colleagues (continued)

• Employment Policies

The Group's aim is to attract and retain the best people in the automotive retail sector while observing best practice in employment policies and procedures through a commitment to:

- Offering equal opportunities in recruitment and promotion;
- The continuous development of all colleagues;
- Encouraging internal promotion;
- Using progressive, consistent and fair selection methods;
- Offering family friendly policies and ensuring colleagues are treated with respect and dignity in an environment where no form of intimidation or harassment is tolerated.

All appointments are made solely on the basis of a person's suitability for a particular post and without reference to gender, sexual orientation, age, ethnic origin, religion or disability (except when there is a genuine occupational requirement). The principle of equality also applies to career development opportunities and training.

Employment of disabled people is considered on merit with regard only to the ability of the applicant to carry out the function required. Arrangements to enable disabled people to carry out the function required will be made if it is reasonable to do so. A colleague becoming disabled would, where appropriate, be offered retraining and support to continue in their role where possible.

The Group pays attractive salaries and additional benefits to dedicated people. Every permanent colleague is offered entry into the Group's pension scheme. The Group encourages colleagues to become shareholders in the Company through participation in the Group's share schemes; including an all-colleague Share Incentive Plan.

Number of Group colleagues by gender:

	At 29 February 2016			At 28 February 2015		
	Female	**Male**	**Total**	**Female**	**Male**	**Total**
Directors	-	6	6	-	6	6
Senior Managers	5	44	49	4	40	44
All Colleagues	1,180	3,483	4,663	1,013	3,164	4,177

• Communication

The Group is committed to providing colleagues with information on matters of concern to them on a regular basis. Individual achievement is recognised publicly and privately to reinforce behaviours in line with the Group's Values and Mission Statement. 'Working together' as teams is also vital and at the heart of this is good communication. The Group utilises many formal and informal channels to achieve this, for example, the Chief Executive produces a blog several times a week, regular news updates are posted onto a Group wide intranet site and printed Group newsletters are produced three times a year. Each General Manager undertakes a monthly Team Brief, updating colleagues in small groups on relevant issues impacting the Group and the dealership, these meetings seek to reinforce the Group's values and contribute to the creation of a Group culture.

Corporate and Social Responsibility Report (continued)

4. Colleagues (continued)

- **Communication (continued)**

The Group operates several award schemes covering all colleagues. These schemes are intended to recognise and reward talented and committed individuals throughout the Group. For example, the CEO Awards are announced each December whereby a number of managers are recognised for their performance. The Group also operates 'The Masters' Club Awards, whereby a number of high performing non-management colleagues from across the Group are recognised for their performance. The recipients range from sales executives, service advisors and technicians to drivers, cleaners, valeters and receptionists. Every year the Group runs a "mastermind" competition for sales colleagues to test their knowledge and understanding of the product range in their franchise. Finalists are invited to an event at Vertu House hosted by Senior Management. These award programmes are designed to reward and reinforce behaviours underpinning both Group financial performance and other strategic objectives such as the delivery of an outstanding customer experience.

5. Vertu in the Community

The scope of our involvement in the community includes both charity and community support.

- **Charity Support**

The Group is proud to work with a diverse and broad range of national charities and local projects. In the last two years the Group has raised over £90,000 for Children in Need. This year the Group supported the following charities:

- BEN (Motor and Allied Trades Benevolent Fund)
- Children in Need

- **Community Support**

As the Group has expanded so has the scope of the Group's involvement in the community as part of our wider corporate and social responsibility strategy. The projects chosen to be supported reflect the diversity and depth within the business and the desire of colleagues to be an active part of the communities the dealerships serve. Across the country, the dealerships support a range of local charities, including East Cheshire Hospice, Samaritans of Tyneside, St Oswald's Hospice in Newcastle and Cumbria Flood Victims.

In the local community, the dealerships also support a range of sporting and recreational initiatives including Dunston Silver Band, Newcastle Eagles Basketball Club, Northampton Town Football Club Academy plus a variety of youth sports clubs across the country.

Directors' Report

The Directors present their annual report and the audited financial statements on the affairs of the Group and Company, for the year ended 29 February 2016.

Principal Activities

The principal activity of the Group is the sale of new cars, motorcycles and commercial vehicles and used vehicles, together with related aftersales services. The principal activity of the Company is the provision of management services to all subsidiary statutory entities.

Business Review and Future Developments

The review of the business for the year is contained in the Chairman's Report, Chief Executive's Review and Chief Financial Officer's Review. This includes details of acquisitions and likely future developments. It remains your Board's intention to deliver shareholder value and develop the Group through strategic acquisitions supplemented by the focused organic growth of its existing businesses.

The UK market for the sale and servicing of motor vehicles is well developed and represents all of the major global vehicle manufacturers. The UK consumer has consistently demonstrated its demand for vehicles evidenced by the relatively short vehicle change cycle in this country. The vehicle retail market in the UK, however, remains highly fragmented with the Top 10 group's representing just 21% of all outlets and in the year ended 29 February 2016 the Group had just a 3.3% share of UK private car registrations. These market dynamics support the Group's strategy of growth through both acquisition and organic improvement.

VIABILITY STATEMENT

Assessment of prospects

The Group's business model and strategy are central to an understanding of its prospects. The Group's strategy is to grow a scaled automotive retail group in both volume and premium motor retail franchises, by acquisition or organic growth through enhanced performance. Further details of the Group's strategy can be found on page 7 of the Strategic Report. The nature of the Group's activities is long-term and the business model is open-ended. The group's current overall strategy has been in place since flotation in 2006, subject to the ongoing monitoring and development described below.

Decisions relating to acquisitions and significant investment in dealership locations are made by reference to both consideration of balance within the existing Group's portfolio and the projects' expected achievement, within a three to five year time frame, of a range of financial metrics including target EV/EBITDA ratios, IRR and ROCE.

The assessment process and key assumptions

The Group's prospects are assessed primarily through its strategic planning process. This process includes a detailed annual business plan review, led by the CEO through the Chief Executive's Committee.

The Board participates fully in the annual process through both the review and approval of the annual business plan and through annual strategic reviews. Part of the Board's role is to consider whether the plan continues to take appropriate account of the external environment including macroeconomic, political, social and technological changes. The output of the annual review process is an analysis of the risks that could prevent the plan from being delivered and financial forecasts highlighting the impact of the strategic plan. The latest updates to the strategic plan were finalised in February 2016 following this year's review. This considered the Group's current position and the development of the business as a whole, and the Board assessed the viability of the Company over the three year period to 28 February 2019.

Directors' Report (continued)

VIABILITY STATEMENT (continued)

The assessment process and key assumptions (continued)

The Directors believe that a three year period is appropriate as:

- The Group's financial forecasting accompanies this period.
- Revolving credit facilities sought by the Group typically have a three to four year duration at inception of the facilities.

Financial forecasts were prepared for the three year period to 28 February 2019, so that two years nine months remains at the time of approval of this year's annual report. The first year of the financial forecasts comprised of the Group's detailed business plan. Years two and three of the forecasts are extrapolated from the first year, based on the overall content of the strategic plan.

The key assumptions in the financial forecasts, include:

- The core group with no acquisitive growth beyond a known pipeline, reflecting the Strategic and Brand Partners principal risks set out on page 2 of the Strategic Report.
- Prudent growth assumptions in both volume and margin, reflecting the Risks set out on pages 2 to 4 of the Strategic Report.

The Board carried out a robust assessment of the principal risks facing the Group and the purpose of the principal risks on pages 2 to 4 is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained below.

Assessment of viability

Although the strategic plan reflects the Directors' estimate of the future prospects of the business, the Board has also considered the potential impact on the Group of a number of scenarios over and above those included in the plan, that would represent serious threats to its liquidity. The principal risks and mitigation steps that the Board considered as part of this viability assessment are set out in pages 2 to 4 of the Strategic Report. The Group also mitigates the principal risks it faces through the diverse revenue generation from all parts of the vehicle cycle, range of franchise representation and investment in complementary business streams together with regular monitoring to identify change quickly. The Board believes that the Group is well placed to manage its business risk successfully.

Viability statement

Based on their assessment of prospects and viability as set out above, the Directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 28 February 2019.

Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Preparation paragraph in note 1 to the Consolidated Financial Statements.

Results and Dividends

The results for the year are set out in the consolidated income statement on page 64. The Group's profit from ordinary activities after taxation for the year was £20,680,000 (2015: £16,539,000).

The dividend paid in the year to 29 February 2016 was £3,923,000 (1.15p per share) (2015: £2,895,000 (0.85p per share)). A final dividend in respect of the year ended 29 February 2016 of 0.85p per share, is to be proposed at the annual general meeting on 20 July 2016. The ex-dividend date will be 23 June 2016 and the associated record date 24 June 2016. The dividend will be paid on 26 July 2016, and these financial statements do not reflect this final dividend payable.

Company Number

The registered number of the Company is 05984855.

Business at the Annual General Meeting ("AGM")

At the AGM, a separate shareholders' resolution is proposed for each substantive matter. We will issue to shareholders the Company's annual report and financial statements together with the notice of AGM, giving not less than the requisite period of notice. The notice sets out the resolutions the Directors are proposing and has explanatory notes for each. At the AGM, Directors' terms of appointment are available for inspection and, as well as dealing with formal AGM business, the Board takes the opportunity to update shareholders on the company's trading position. The Chairman and each committee chairman are available to answer questions put by shareholders present.

Appointment and Powers of the Company's Directors

Appointment and removal of Directors is governed by the Company's articles of association (the Articles), the UK Corporate Governance Code (the Code), the Companies Acts and related legislation. Subject to the Articles (which shareholders may amend by special resolution), relevant legislation and any directions given by special resolution, the Company and its Group is managed by its board of Directors. By resolutions passed at Company general meetings, the shareholders have authorised the Directors: (i) to allot and issue ordinary shares; and (ii) to make market purchases of the company's ordinary shares (in practice, exercised only if the Directors expect it to result in an increase in earnings per share). Details of movements in the Company's share capital are given in note 28 to the consolidated financial statements. The Company has not repurchased any of its own shares during the financial year to 29 February 2016.

Directors and their interests in shares

Brief particulars of the Directors are listed on page 25. Further details of the Board composition are contained in the Corporate Governance Report and details of Directors' service contracts are contained in the Remuneration Committee Report. The Directors who served during the year ended 29 February 2016 and up to the date of signing the financial statements were:

P Jones
R T Forrester
M Sherwin
W M Teasdale
N Stead
K Lever (appointed 1 June 2015)
D M Forbes (resigned 23 July 2015)

The Directors retiring at the AGM are R Forrester, N Stead and W M Teasdale who, being eligible, each offer themselves for re-election.

Directors' Report (continued)

Directors and their interests in shares (continued)

Directors who held office at 29 February 2016 and their respective interests in the Company's issued ordinary share capital are shown in the table below. At the date of this report, the numbers of Company shares held has increased by Director's participation in the placing of shares in the Company on 1 April 2016 as shown in the table below. All holdings shown are beneficial. There is no current policy requiring Directors to hold a minimum number of Company shares.

	11 May 2016 Ordinary Shares	28 February 2016 Ordinary Shares	28 February 2015 Ordinary Shares
P Jones	1,405,000	1,125,000	1,000,000
R T Forrester	6,712,973	6,632,973	6,612,754
M Sherwin	412,597	364,597	348,687
K Lever	-	-	-
W M Teasdale	648,450	616,450	616,450
N Stead	80,500	56,500	56,500

Details of related party transactions, which include transactions between Directors and Group companies, are given in note 34.

Indemnities to Directors

In line with market practice and the Company's Articles, each Director has the benefit of a deed of indemnity from the Company, which includes provisions in relation to duties as a Director of the Company or an associated company, qualifying third party indemnity provisions and protection against derivative actions. Copies of these are available for shareholders' inspection at the AGM.

Share Capital

As at 29 February 2016, the Company's issued share capital comprised a single class: ordinary shares of 10 pence each. The Articles permit the creation of more than one class of share, but there is currently none other than ordinary shares. Details of the Company' share capital are set out in note 28 to the accounts. All issued shares are fully paid. The Company issued 362,254 new shares during the financial year to 29 February 2016, pursuant to exercises of employee share options. Subsequent to the financial year end, on 1 April 2016, the Company issued 56,000,000 new ordinary shares of 10p each shares pursuant to a placing.

The rights and obligations attaching to the Company's ordinary shares are set out in the Articles. The Company is currently authorised to issue up to two-thirds of its current issued share capital pursuant to a resolution passed at its 2015 AGM.

Directors' Report (continued)

Voting Rights, Restrictions on Voting Rights and Deadlines for Voting Rights

Shareholders (other than any who, under the Articles or the terms of the shares they hold, are not entitled to receive such notices) have the right to receive notice of, and to attend and to vote at, all general and (if any) applicable class meetings of the company. A resolution put to the vote at any general or class meeting is decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is properly demanded. At a general meeting, every member present in person has, upon a show of hands, one vote, and on a poll, every member has one vote for every 10 pence nominal amount of share capital of which they are the holder. In the case of joint holders of a share, the vote of the member whose name stands first in the register of members is accepted to the exclusion of any vote tendered by any other joint holder. Unless the Board decides otherwise, a shareholder may not vote at any general or class meeting or exercise any rights in relation to meetings whilst any amount of money relating to his shares remains outstanding. A member is entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting. Further details regarding voting can be found in the notes to the notice of the AGM. To be effective, electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than 48 hours before a general meeting. The Articles may be obtained from Companies House in the UK or upon application to the Company Secretary. Other than those prescribed by applicable law and the Company's procedures for ensuring compliance with it, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the Articles and prevailing legislation. The Directors are not aware of any agreement between holders of the Company's shares that may result in restrictions on the transfer of securities or the exercise of voting rights. No person has any special rights of control over the Company's share capital.

Contracts

None of the Directors had an interest in any contract with the Group (other than their service agreement or appointment terms and routine purchases of vehicles for their own use) at any time during the financial year to 29 February 2016.

The Company and members of its Group are party to agreements relating to banking, properties, employee share plans and motor vehicle franchises which alter or terminate if the Company or Group Company concerned undergoes a change of control. None is considered significant in terms of its likely impact on the business of the Group as a whole.

Derivatives and Financial Instruments

The Group's treasury activities are operated within policies and procedures approved by the Board, which include defined controls on the use of financial instruments managing the Group's risk. The major financial risks faced by the Group relate to interest rates and funding. The policies agreed for managing these financial risks are summarised below.

The Group finances its operations by a mixture of shareholders' equity funds and bank borrowings and trade credit from both suppliers and manufacturer partners. To reduce the Group's exposure to movements in interest rates, the Group seeks to ensure that it has an appropriate balance between fixed and floating rate borrowings.

Details of the current borrowing facilities of the Group are given in pages 22 and 23 of the Strategic Report.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and other reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Directors' Report (continued)

Colleagues

The policies of the Group on equal opportunities, including those of disabled colleagues and colleague involvement, are set out in the Corporate and Social Responsibility Report on pages 27 to 30.

Health and Safety

The policies of the Group on health and safety, as well as goals and controls in place are set out in the Corporate and Social Responsibility Report on pages 27 to 30.

Directors' statement as to disclosure of information to Auditors

In the case of each person who was a Director of the Group at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Group's auditors are unaware, and;
- each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK an Republic of Ireland', and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' Responsibilities (continued)

The Directors are responsible for the maintenance and integrity of the Company's website (www.vertumotors.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Main Board Directors section of this Annual Report, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Directors' and Strategic Reports include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Michael Sherwin
Chief Financial Officer
11 May 2016

Corporate Governance Report

The UK Corporate Governance Code

This Corporate Governance Report (the 'Report') is intended to give shareholders an understanding of the Group's governance procedures. As an AIM listed Company, Vertu Motors plc does not have to comply with the UK Corporate Governance Code (2014) (the 'Code') published by the Financial Reporting Council. However, the Board embraces the principles of good corporate governance. Although the Group does not choose to voluntarily comply with the Code in full, the Report describes how the relevant principles and provisions set out in the Code were applied to the Company and Group during the financial year and will continue to be relevant for the forthcoming financial year. The Company does not yet comply with all of the Code requirements relating to 'effectiveness' and does not yet make available its Committee terms of reference, but complies with all other areas.

Board Composition

Board composition is continually reviewed to ensure that it provides the Group with the strategic oversight, vision and governance that it needs in order to deliver a sustainable long term return for shareholders. It is the Board's intention that going forward, Non-Executive Directors will ordinarily rotate every six years, in line with current corporate Governance best practice.

Ken Lever joined the Board on 1 June 2015 as a Non-Executive Director. Ken brings a wealth of City, technology and finance experience to the Group having held senior roles as both CEO and Finance Director in several major listed companies. He also is a former member of the Accounting Council of the Finance Reporting Council (formerly the UK Accounting Standards Board).

During the year under review, the Board was made up of six members comprising two Executive Directors and four Non-Executive Directors. P Jones, K Lever and N Stead are considered to be independent. Details of all Directors can be found on page 25.

The Board and its Committees

The role of the Board is to have responsibility for generating shareholder value over the long term by setting the Group's strategy, ensuring that appropriate resources are available to enable the Group to meet its objectives and to monitor the delivery of those objectives within an effective framework of internal controls. The Board has a defined set of responsibilities which are formalised into a Schedule of Matters Reserved for the Board and these include:

- Strategy and management – responsibility for long-term success of the Company and Group, commercial strategy, and approval of the expansion of the Group through acquisition or any significant disposals
- Financial reporting and controls – review and approval of the annual business plan and capital budget, major capital expenditure projects and any significant changes to these, all trading or results statements and the annual financial statements
- Internal controls – reviewing the effectiveness of internal control processes to support strategy
- Risk – approval of the Group's risk appetite, determining the nature and extent of significant risks the Group is willing to take to achieve its objectives

Executive Management have limits on the decisions delegated to them by the Board.

The Board and its Committees (continued)

Key Areas of Board Focus During the Year				
STRATEGY	**FINANCIAL PERFORMANCE**	**GOVERNANCE**	**SHAREHOLDER ENGAGEMENT**	**RISK**
Approval of acquisitions completed during the financial year Group strategy review Business development Reviewing M&A opportunities Approval of annual business plan and capex budget Interim and final dividend	Approval of the FY2015 full year results and FY2016 interim results Monthly management accounts Long range forecast and funding requirement planning	Appointment of K. Lever as Non-Executive Director Re-appointment of auditors FCA application (for changes of control) Monitoring Compliance and Health and Safety Committees	Annual General Meeting Meetings with key shareholders on results roadshows and during recent equity raise	Annual review of key Group risks and mitigating controls

Board Meetings

The Board meetings are structured to allow the Board sufficient time to discuss and review financial performance, achievement of objectives, development of the Group's strategy, operational performance and risk and internal controls. Standing agenda items are discussed at each Board meeting, which include:

- Chief Executive's Report – update on performance, strategic opportunities, property matters and management
- Chief Financial Officer's Report – includes the latest financial information for the Group
- Health and Safety Report – Summary of training undertaken throughout the Group, risk management plus commentary on any reported incidents
- Compliance Report – summary of regulatory developments and minutes of the latest Compliance Committee meeting
- Investor Relations ('IR') Report – update on market trends, share register movements and summary of IR activity
- Risk Matrix – consideration of key strategic risks

Corporate Governance Report (continued)

Committees Responsibilities

The table below shows the key committees and their responsibilities.

	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATIONS COMMITTEE	CEO COMMITTEE	COMPLIANCE COMMITTEE	HEALTH AND SAFETY COMMITTEE
Members	PLC BOARD COMMITTEES					
	• W. Teasdale (Chair) • P. Jones • K Lever • N Stead	• N Stead (Chair) • P Jones • W Teasdale • K Lever	• P Jones (Chair) • W Teasdale • N Stead • K Lever	• R T Forrester • M Sherwin • 7 Senior Managers	• M Sherwin (Chair) • W. Teasdale • 6 Senior Managers	• R. T. Forrester (Chair) • 3 Senior Managers • H & S Manager
Delegated authorities	• Financial reporting • Financial risk management • Internal control	• Remuneration policy • Incentive plans • Performance targets	• Balance of the Board • Leadership of the Group	• Review, communication, delivery and management of Group strategy and day to day operations	• Compliance with laws and regulations (excluding Health & Safety and environmental) • Whistleblowing procedures • Communication with regulators where required	• Compliance with Health & Safety and environmental law and regulations • Developing Group best practices
Reviews	• Full year and half year results • Accounting policies • Terms of engagement of auditors • Internal audit	• Achievement of performance targets for short and long term incentives • Senior management pay	• Composition of the Board • Skills, knowledge & experience on the Board • Diversity	• Group HR and IT strategy • Allocation of resources (financial and colleague) • Group performance	• Adequacy and effectiveness of Group policies in response to current law and regulation • Licences and consents required • Internal audit	• Health & Safety policies and procedures • Health & Safety audits • Accident statistics and causes
Recommends	• Re-appointment of auditors • Audit tender • Auditors' remuneration	• Level and structure of Executive remuneration • Remuneration policy	• Appointments to the Board • Election/re-election of Directors at Annual General Meeting	• Annual business plan to the Board • Acquisition opportunities to the Board • Group Vision	• Training • Policy change • Remedial or pre-emptive action	• Training • Policy change • Remedial or pre-emptive action
Monitors	• Integrity of financial statements • Effectiveness of internal controls and risk management • Internal audit function • Legal & regulatory requirements	• Appropriateness of Remuneration policy	• Independence of Non-Executive Directors • Succession planning	• Performance against key performance indicators, plans and prior year • Compliance with group risk management strategy, policy and procedures	• Appropriate retail finance metrics • Indicators of non-compliance with policy • Any relevant complaints • Legal and regulatory developments	• Accidents and near misses • Changes to law and regulations • New sites to the Group and redevelopments • Other changes in working practice
Approves	• Statements in Annual Report concerning internal controls and risk management	• Remuneration policy • Remuneration packages for Executive Directors • Design of long term incentive plans	• External appointments for Executive Directors • Skills profile for Non-Executive Directors	• Appointments to dealership management positions • Performance related remuneration of dealership colleagues • Operational process and changes	• Reports to the Board • Submissions to relevant authorities • Changes to relevant policies and processes • Training programmes • Whistleblowing procedures	• Reports to the Board • Changes to relevant policies • Training programmes

Leadership

During the financial year the Board met 10 times in person and on other occasions by telephone. The number of meetings attended by each Director was as follows:

	Board Meetings		Audit Committee Meetings		Nominations Committee Meetings		Remuneration Committee Meetings	
	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended	Scheduled	Attended
P Jones	10	10	-	-	2	2	3	3
R T Forrester	10	10	-	-	-	-	-	-
W M Teasdale	10	10	3	3	2	2	3	3
M Sherwin	10	10	-	-	-	-	-	-
N Stead	10	10	3	3	2	2	3	3
K Lever*	8	7	2	2	1	1	1	1
D M Forbes**	3	3	-	-	-	-	-	

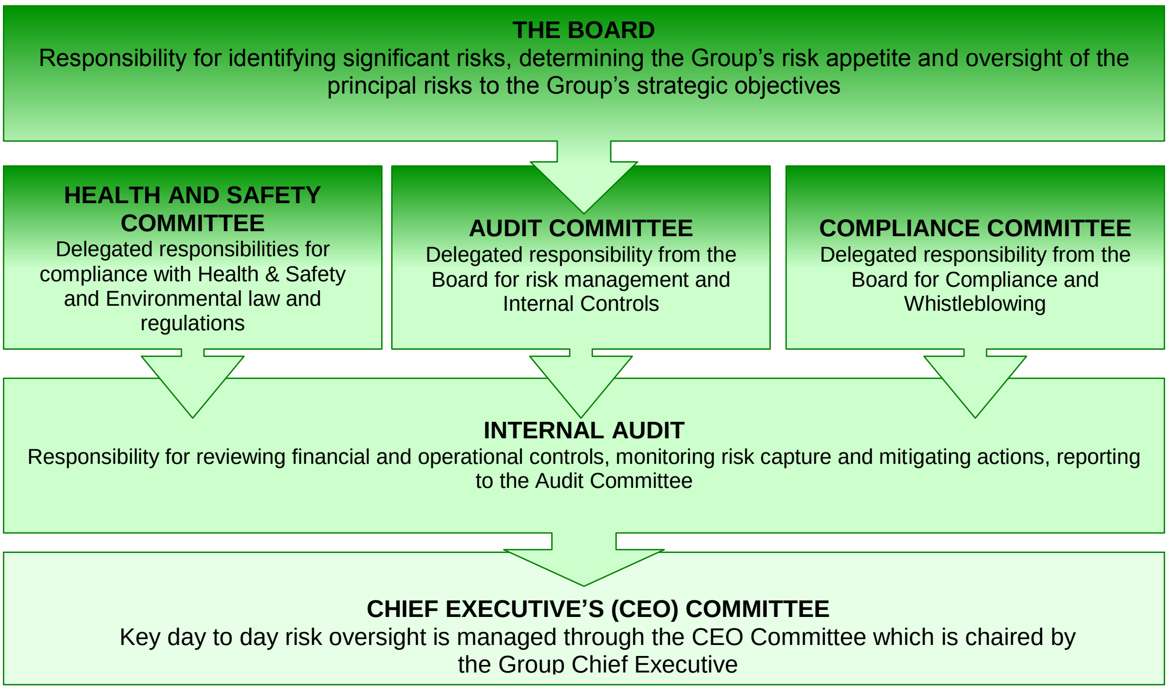
* Ken Lever was appointed on 1 June 2015

** D M Forbes resigned 23 July 2015

The Board seeks to ensure that the necessary financial and human resources are in place for the Group to be able to meet its objectives, to review management performance and to ensure that its obligations to its shareholders are understood and met. Whilst the executive responsibility for running the Group rests with the Chief Executive (R T Forrester) and the Chief Financial Officer (M Sherwin), the Non-Executive Directors fulfil an essential role in ensuring that the strategies proposed by the Executive Directors are fully discussed and critically examined prior to adoption. They also scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance, both financial and non-financial.

All Directors appointed by the Board must retire and seek election at the first Annual General Meeting following their appointment. One third of the other Directors are then required to retire and submit themselves for re-election each year so that all Directors are required to retire and submit themselves for re-election at least once in every three years. R Forrester, N Stead and W M Teasdale are to retire and submit themselves for re-election at the 2016 Annual General Meeting. The Board is satisfied that plans are in place for orderly succession for appointments to the Board and senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

Risk Management Process



ACCOUNTABILITY

Financial and Business Reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. A statement of the Directors' responsibilities for preparing the Annual Report and financial statements is set out on pages 36 and 37. The statement by the auditors about their reporting responsibilities is given on page 63.

Risk Management and Internal Controls

The Board is responsible for establishing and maintaining adequate internal controls over regular financial reporting for the Group, including the consolidation process. There is a comprehensive system of internal controls in place, including the Annual Business Plan ("Plan") which is reviewed and approved by the Board. Monthly actual results are reviewed by management against both the Plan and prior year results. All data to be consolidated in the Group's financial statements is reviewed thoroughly by management to ensure that it complies with relevant accounting policies and the financial reporting presents a true and fair reflection of the financial performance and position of the Group.

The Board has overall responsibility for risk management and is advised of key risks facing the Group on a regular basis with a formal review of the most significant risks annually, or more frequently if required. The Board takes a proactive approach to the management of all forms of risk, and views risk management as a vital constituent of its commitment to provide value protection and growth for its various stakeholders. The internal controls system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can, therefore, only provide reasonable, rather than absolute, assurance against material misstatement or loss. The Board regularly reviews the risks to which the Group is exposed, as well as the operation and effectiveness of the system of internal controls.

The day to day responsibility for compliance and certain regulatory activities has been delegated to the Compliance Committee. This includes the Group's compliance with regulation under the requirements of the Financial Conduct Authority (FCA), the Advertising Standards Authority, the Trading Standards Institute, the Data Protection Act and all other applicable regulations.

Oversight of health and safety and environmental regulatory risk is delegated to the Health and Safety Committee.

The Board's approach involves identification of material risks that may restrict the Group's ability to meet its objectives, the assessment of these risks in terms of impact, likelihood and control effectiveness, and the establishment of risk management strategies. For some key risks, where it is considered necessary, specialist advice is sought from external agencies and professional advisers.

The principal risks facing the Group can be found with the Strategic Report on pages 2 to 4.

AUDIT COMMITTEE AND AUDITORS

The Board has delegated responsibility for risk management and internal controls to the Audit Committee. Details of the Committee's activities during the year can be found on pages 44 and 45.

REMUNERATION

The Remuneration Committee has responsibility for developing the Company's remuneration policy and monitoring its implementation. Details of the Committee's activities along with the Remuneration Report can be found on pages 48 to 61.

Corporate Governance Report (continued)

RELATIONS WITH SHAREHOLDERS

The Board understands that effective communication is essential to enable shareholders to gain a clear understanding of the Group's strategy and business model. The Chief Executive and the Chief Financial Officer are in regular communication with institutional investors throughout the year and keep in close contact with the Company's corporate brokers who play an important role in ensuring shareholders' views are heard. The Board reviews a report of shareholder activity at each Board meeting and receives regular updates on all communications between major shareholders and any Director or the Company's NOMAD.

Shareholders are also kept informed of Company performance through regular press releases. These are made available to the London Stock Exchange and on the Company's website. Presentations were held for analysts at the Group's full year and half year announcements and pursuant to the recent equity raise, and several investors and analysts visited the Group central services centre with management during the course of the year.

Annual General Meeting ("AGM")

The 2016 AGM will take place on 20 July 2016. The AGM gives all shareholders an opportunity to meet the Board and ask any questions they have regarding the Group. The Board encourages participation of private shareholders at the AGM, however, the Board understands that it is not always possible for shareholders to attend. For this reason a prepaid reply form is sent to shareholders to enable them to give their views should they be unable to attend the AGM in person. Details of voting on resolutions at the AGM are made available on the Company's website.

By order of the Board

Karen Anderson
Company Secretary
11 May 2016

AUDIT COMMITTEE REPORT

Audit Committee Membership and Meetings

The Audit Committee is comprised of Committee Chairman, W M Teasdale and the other Non-Executive Directors of the Group, namely, K Lever, N Stead and P Jones. The Committee met three times during the financial year and attendance is shown in the table on page 41.

Only members of the Committee are required to attend Committee meetings, however, other individuals (such as the Chief Executive, Chief Financial Officer, Group Risk Manager and external auditors) are able to attend by invitation.

The key responsibilities of the Committee are set out in the table on page 40.

Activities during the year

During the year the Committee focused on the following matters:

- Review of the interim and year-end financial statements for the Group
- Review of the consistency and appropriateness of the accounting policies
- Review of the methods used to account for significant transactions, completeness of disclosures and material areas in which significant judgements had been applied
- Review of the effectiveness of internal controls, risk assessment process, the assurance process and changes to significant risks
- Approval of the terms of engagement, strategy, scope and effectiveness of external auditors

Significant Issues

As part of the reporting and review process, the Committee has discussed the significant issues considered in relation to the financial statements and how those issues were addressed.

During the year the Committee considered the following key risks, accounting issues and judgements:

Significant issue	Action taken
Recognition of intangible assets including goodwill	Consideration of the fair value of assets or businesses acquired during the financial year including the existence of intangible assets such as customer relationships, franchise relationships, supplier agreements, brands and goodwill. Management prepared a detailed paper with supporting calculations in the case of each material acquisition. The Committee challenged the methodology, assumptions, proposed useful lives and proposed disclosures set out by management. The Committee concluded that the useful lives and allocations of fair values to intangible assets set out in notes 14 and 15 of the financial statements were appropriate and approved the disclosures.

AUDIT COMMITTEE REPORT (continued)

Significant Issues (continued)

Significant issue	Action taken
Carrying value of goodwill, other intangibles and tangible assets	Management performed a detailed impairment review on the goodwill, other intangibles and tangible assets, in the financial statements of the Group. The Committee challenged the methodology, assumptions, and sensitivity analysis used by management. The Committee also considered the independent review by the external auditors. The Committee concluded that the carrying amounts shown in notes 14, 15 and 17 of the financial statements were appropriate and approved the disclosures.
Viability and Going concern	Management have reviewed the Group's current financial position and have prepared financial projections. The projections assume that profits earned from new and used car sales will remain stable throughout 2016/17; the aftersales business and recent acquisitions will continue to show growth; UK interest rates will grow gradually over the next three years; manufacturer partners will remain in production and supply on normal terms of trade, and there will be no significant downturn in the global economic environment. These projections, even after allowing for sensitivity analysis to accommodate a reasonable downside scenario (including weaker trading and adverse movements in interest rates), indicate that the Group would be able to manage its operations so as to comfortably remain within its current funding facilities and in compliance with its banking covenants. The Committee challenged the assumptions used and also considered the review conducted by the external auditors. The Committee concluded that the Board is able to make the Viability and Going Concern statements on page 31 and 32.
Share based payments	Management have ascribed a fair value to share options issued during the financial year. This is estimated using a fair value model, populated with a number of assumptions. The Committee reviewed and challenged these assumptions and also considered the review conducted by the external auditors. The Committee concluded that the assumptions applied and resultant fair value were appropriate.
Pension benefits	Obligations under the "Bristol Street Pension Scheme", which is a defined benefit scheme in which accrual ceased on 31 May 2003, are recognised in the balance sheet. The value recognised is the present value of the obligations calculated by independent actuaries. Obligations under the SHG Pension Scheme, which is a defined benefit scheme in which accrual ceased on 31 October 2013, have been recognised in the balance sheet from the date of acquisition of SHG Holdings Limited by the Group on 1 October 2015. The value recognised is the present value of the obligations calculated by independent actuaries. The Committee reviewed the assumptions applied in calculating these obligations (set out in note 27) at 29 February 2016 and confirmed that these were appropriate.
Manufacturer bonus income	A significant proportion of revenue is received from manufacturer partners in the form of rebates and volume related bonuses. A Group wide revenue recognition policy is in place in respect of this income. Management allocate responsibility to Divisional Finance Directors, as nominated 'franchise experts' to ensure bonus programmes are fully understood and communicated to Dealership teams. The Group's internal audit function reviews the treatment of manufacturer bonus income recognition on a dealership by dealership basis. The Committee also considered the review performed by the external auditors. The Committee concluded that it was satisfied with the revenue recognition policy, and with the appropriateness of the controls currently in operation, over manufacturer bonus income recognition.

AUDIT COMMITTEE REPORT (continued)

Financial and Business Reporting

The Committee is responsible for monitoring the integrity of the financial statements including the Group's annual and half-yearly results and ensuring they are fair, balanced and understandable.

The external auditors also provide an auditors' report to the members providing an independent opinion on the truth and fairness of the Group's financial statements. This report can be found on pages 62 and 63.

Risk Management and Internal Controls

The Group has well established risk management and internal control processes. These are regularly subject to audit and the results are reported to the Audit Committee and the Board for their review.

Day to day management of risk is delegated to the Chief Executive's Committee, which consists of the Chief Executive, the Chief Financial Officer, the General Counsel and the eight Divisional Operations Directors of the Group.

The Audit Committee confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

Internal Audit

The Group Risk Manager reports regularly on the audits carried out in each dealership which, for the financial year ended 29 February 2016, covered both balance sheet and sales process audits. The Group Risk Manager and his team met with the Committee without the presence of management.

External Audit

The Audit Committee has recommended to the Board that a resolution be put to shareholders at the Annual General Meeting to reappoint PricewaterhouseCoopers LLP as auditors of the Company for a further year subject to their continued satisfactory performance. PricewaterhouseCoopers LLP have been appointed as auditors to the Company for the previous eight financial years. In accordance with ethical standards requirements the audit partner responsible for the engagement was subject to rotation after five years. No tender has been conducted. The Committee reviewed the effectiveness, independence and objectivity of the external auditors and no matters of concern were raised during the financial year to 29 February 2016.

The external auditors attend some of the Committee meetings and the Committee meets with the external auditors without management present.

Independence of the Independent Auditors

Both the Audit Committee and the Independent Auditors have in place safeguards to avoid the Independent Auditors' objectivity and independence being compromised. The Group's policy with regard to services provided by the Independent Auditors, PricewaterhouseCoopers LLP, is as follows:

- Statutory audit services

The Independent Auditors, who are appointed annually by the shareholders, undertake this work. The Independent Auditors also provide regulatory services and formalities relating to shareholder and other circulars. The Committee reviews the Independent Auditors' performance on an ongoing basis.

- Further assurance services (this includes work relating to acquisitions and disposals)

The Group's policy is to appoint PricewaterhouseCoopers LLP to undertake this work where their knowledge and experience is appropriate for the assignment. The Board reviews their independence and expertise on every assignment. Other professional services firms are employed in certain cases on acquisition and disposal related assignments.

AUDIT COMMITTEE REPORT (continued)

Independence of the Independent Auditors (continued)

- Other non-audit services

The Independent Auditors are not permitted to provide internal audit, risk management, litigation support or remuneration advice. The provision of other non-audit services, is assessed on a case by case basis, depending on which professional services firm is best suited to perform the work. These safeguards, which are monitored by the Committee, are regularly reviewed and updated to ensure they remain appropriate. The appointment of PricewaterhouseCoopers LLP to provide non-audit services requires Board approval for any assignment with fees above a set financial limit. The Independent Auditors report to the Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence, including the rotation of key members of the audit team. PricewaterhouseCoopers LLP have formally confirmed this to the Board. The disclosure of non-audit fees paid to PricewaterhouseCoopers LLP during the year is included in note 7 to the consolidated financial statements.

W M Teasdale
Chairman of Audit Committee
11 May 2016

Remuneration Committee Report

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 29 February 2016. This Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee (the Committee) in accordance with the spirit, principles and, as far as is reasonably practical, the requirements of the Companies Act 2006, the Quoted Companies Alliance Remuneration Guidance, the Investment Association's principles of Remuneration and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, notwithstanding that, as the Company is listed on AIM, these regulations do not all strictly apply. This report is split into two sections;

- the Directors' remuneration policy sets out the Company's intended policy on Directors' remuneration from 1 March 2016; and
- the annual report on remuneration sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the year to 29 February 2016 and is subject to an advisory shareholder vote at this year's AGM.

The information in the Directors' Remuneration Report set out on pages 56 to 58 highlighted as being subject to audit has been audited by the Group's auditors.

Remuneration outcomes for the year to 29 February 2016

Annual bonus opportunities are based both on the achievement of adjusted profit before tax targets including adjustments to reflect the contribution from operating units acquired or disposed of during the year, and the Group's relative position in customer satisfaction indices. Bonuses of 115% of basic salary have been awarded to the Executive Directors in respect of profit related bonus for the year ended 29 February 2016, which reflects the financial results of the Group for the year relative to expectations at the beginning of the financial year.

The long-term incentives awards made to Executive Directors under the Long Term Incentive Plan ("LTIP") during the year ending 29 February 2016, detailed later in this report, may vest in May 2018. These awards took the form of £Nil value share options where the vesting is subject to targets based on the achievement of absolute growth in the Company's total shareholder return ('TSR'), and relative growth in TSR against FTSE small cap index (excluding investment trusts).

Key remuneration decisions for the year to 29 February 2017

The Committee considered current trends in the market in which the Company is operating and in particular, the high level of salary control being imposed by Senior Management on the rest of the Group. The Remuneration Committee have recommended that from 1 March 2016, R T Forrester's basic salary will increase by £15,000 to £265,000 per annum and M Sherwin's basic salary will increase by £20,000 to £210,000 per annum. A £5,000 per annum increase in Non-Executive Directors' fees has been recommended with effect from 1 June 2016.

The annual profit bonus structure agreed for the year commencing 1 March 2016, is consistent to that adopted for the previous year save that the profit targets for bonus earnings have been increased to reflect anticipated trading results for the coming year.

In developing the remuneration policy for Executive Directors for the year to 29 February 2017, the Committee considered the form and level of awards to be made under the LTIP. In summary, the Committee decided that these awards will again be £Nil cost share options under the LTIP subject to return on shareholders' equity and absolute growth in TSR over the next three years. The awards for the forthcoming year have yet to be finalised.

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE (CONTINUED)

Conclusion

The Directors' remuneration policy which follows this annual statement sets out the Committee's principles on remuneration for the future and the annual report on remuneration provides details of remuneration for the year ended 29 February 2016. The Committee will continue to be mindful of shareholder views and interests, and we believe that our Directors' remuneration policy continues to be aligned with the achievement of the Company's business objectives. Material changes to remuneration policy will only be made after consultation with major shareholders. We hope that we can rely on your votes in favour of the annual report on remuneration.

By Order of the Board:

N. Stead
Chairman of Remuneration Committee
11 May 2016

REMUNERATION POLICY

The policy of the Committee is to ensure that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package to Executive Directors, including long-term incentive plans, to attract, retain and motivate individuals of the calibre required to ensure that the Group is managed successfully in the interests of shareholders. In addition, the Committee's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related consistent with the balance of remuneration paid to Directors and Senior Management in the automotive retail sector.

Future Policy Table

The main elements of the remuneration package of Executive Directors are set out below:

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
BASIC SALARY			
Attract and retain high calibre Executive Directors to deliver strategy	Paid in 12 equal monthly instalments during the year.	Reviewed annually to reflect role, responsibility and performance of the individual and the Group, and to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Committee has regard to, *inter alia,* the Group's revenue, profitability, market worth and business sector. There is no prescribed maximum increase. Annual rates are set out in the annual report on remuneration for the current year and the following year.	None
BENEFITS			
Provide benefits consistent with role	Currently these consist of the option of a company car, or access to an employee car ownership scheme, health insurance, life assurance premiums and the opportunity to join the Company's savings related share option scheme ("SAYE"). The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Group.	The cost of providing benefits is borne by the Company and varies from time to time.	None

REMUNERATION POLICY (continued)

Future Policy Table (continued)

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
ANNUAL BONUS			
Incentivises achievement of business objectives by providing rewards for performance against annual profit targets.	Paid in cash after the end of the financial year to which it relates.	It is the policy of the Committee to cap maximum annual bonuses. The level of such caps are reviewed annually and are set at an appropriate percentage of annual salary. The maximum bonus is 135% of basic salary in respect of profit related bonus.	Targets are based on adjusted profit before tax of the Group. The Committee sets threshold and maximum targets on an annual basis. A sliding scale operates between threshold and maximum performance. No bonus is payable where performance is below the threshold. Payment of any bonus is subject to overriding discretion of the Committee.
LONG-TERM INCENTIVES			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares	Grant of £Nil cost options under the LTIP. Options vest at least 3 years from grant subject to the achievement of performance conditions, with a further 2 year holding period required following the vesting period (applicable to LTIP options granted post 29 February 2016) and may not be exercised after the 10th anniversary of grant. The Committee may, at its discretion, structure awards as qualifying LTIP awards consisting of both an HMRC tax qualifying option and an LTIP award. Qualifying LTIP awards enable the participant and the Company to benefit from tax advantaged treatment in respect of part of the award without increasing the pre-tax value delivered to participants. The qualifying LTIP awards will be structured as a tax qualifying option and an LTIP award with the vesting of the LTIP award scaled back to take account of any gain made on the exercise of the tax advantaged option.	Maximum permitted annual award of options under the LTIP is 125% of basic salary. Tax qualifying options may be granted. Shares subject to a tax qualifying option granted as part of a qualifying LTIP award are not taken into account for the purposes of the individual limits because, as referred to in the operation column, the LTIP award will be scaled back to reflect the gain made on the exercise of the tax advantaged option.	Vesting is subject to targets based on the achievement of return on shareholders' equity and absolute growth in the Group's total shareholder return ("TSR").

REMUNERATION POLICY (continued)

Future Policy Table (continued)

PENSION			
Attract and retain Executive Directors for the long term by providing funding for retirement	All Executive Directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions.	The Group makes payments of up to 16.5% of basic salary into any pension scheme or similar arrangement as the Executive Director may reasonably request. Such payments are not counted for the purposes of determining bonus or LTIP levels.	None

Notes to the Policy Table
Performance conditions

The Committee selected the performance conditions as they are central to the Group's strategy and are the key metrics used by the Executive Directors to oversee the operations of the business. The performance targets for the annual bonus are determined annually by the Committee, with maximum bonus typically requiring a substantial out performance of the Company's financial target.

The initial performance target for the annual bonus is based on adjusted profit before tax. This target takes account of both the Group's budget for the year and of market expectations after taking account of the pre-close update issued at the end of the previous year. For the year ending 28 February 2017 the initial performance target is £30.0m (including the Greenoaks acquisition completed on 1 March 2016), and is adjusted during the year to reflect the impact of acquisitions and disposals.

The performance target for the LTIP is based on both absolute growth in the Company's total shareholder return ('TSR') and return on equity.

Differences from remuneration policy for all employees

All employees of the Company are entitled to base salary and many other colleague benefits. The opportunity to earn a bonus is made available to all management colleagues in the Group. The maximum opportunity available is based on the seniority and responsibility of the role.

Share options are only granted under the LTIP to selected Senior Executives and Executive Directors.

Statement of consideration of employment conditions of employees elsewhere in the Group

The Committee receives reports on an annual basis on the level of any pay rises awarded across the Group and takes these into account when determining salary increases for Executive Directors. In addition, the Committee receives regular reports on the structure of remuneration for Senior Management in the tier below the Executive Directors and uses this information to ensure a consistency of approach for the most senior Managers in the Group. The Committee also approves the award of any long-term incentives.

The Committee does not specifically invite colleagues to comment on the Directors' remuneration policy, but it does take note of any comments made by colleagues.

Statement of consideration of shareholder views

The Chairman of the Committee consults with major shareholders from time to time or where any significant remuneration changes are proposed, in order to understand their expectations with regard to Executive Directors remuneration and reports back to the Committee. The last time the Committee consulted with certain major shareholders was in relation to the amendments to the LTIP performance criteria for the current year grant to be made in July 2016. Any other concerns raised by individual shareholders are also considered, and the Committee also takes into account emerging best practice and guidance from major institutional shareholders.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.

Any new Executive Director's regular remuneration package would include the same elements and be in line with the policy table set out earlier in this Directors' remuneration policy, including the same limits on performance related remuneration.

Where an internal candidate is promoted to the Board the original grant terms and conditions of any bonus or share award made before that promotion will continue to apply, as will membership of any of the Group's pension arrangements.

Reasonable relocation and other similar expenses may be paid if appropriate.

Directors' service contracts, notice periods and termination payments

Provision	Policy	Details
Notice periods in Executive Directors' service contracts	12 months by Company or Executive Director	Executive Directors may be required to work during the notice period.
Compensation for loss of office	No more than 12 months' basic salary and benefits (including company pension contributions).	
Treatment of annual bonus on termination	Bonuses which have already been declared are payable in full. In the event of termination by the Company (except for cause) pro-rated bonus to the end of the notice period is payable at the discretion of the Remuneration Committee.	
Treatment of LTIP awards	Unvested awards will normally lapse on cessation of employment. However, for Good leavers the Committee shall determine whether the award is released on the normal release date or on some other date. The extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the performance period. Following release, good leavers may exercise their options within 12 months (or such a period as the Committee determines). Good leaver awards that have vested but not been released (i.e. during the holding period) will ordinarily continue to the normal release date when they will be released to the extent vested. The Committee retains the discretion to release awards earlier. LTIP awards of other leavers will cease to be exercisable following notice of cessation of employment, unless the Committee determines otherwise in exceptional circumstances.	Good leavers circumstances comprise death, illness, injury, disability, retirement, transfer of employing business outside Group or exceptional circumstances at the discretion of the Committee.

Remuneration Committee Report (continued)

Directors' service contracts, notice periods and termination payments (continued)

Exercise of discretion	Intended only to be relied upon to provide flexibility in exceptional or inequitable circumstances.	The Committee's determination will take into account the particular circumstances of the Executive Director's departure and the recent performance of the company and will be detailed in the next published Remuneration Committee Report.
Outside appointments	Subject to approval	Board approval must be sought.
Non-Executive Directors	Re-election	All Non-Executives are subject to re-election every three years. No compensation payable if required to stand down.

In the event of the negotiation of a compromise or settlement agreement between the Company and a departing Director, the Committee may make payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements.

The Committee may also include the reimbursement of fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

Date of service contracts/letters of appointment

DIRECTOR	Date of service contract/ letter of appointment
P. Jones	1 January 2015
R. T. Forrester	20 December 2006
M. Sherwin	4 January 2010
N. Stead	8 December 2011
W. M. Teasdale	24 March 2016
K. Lever	1 June 2015

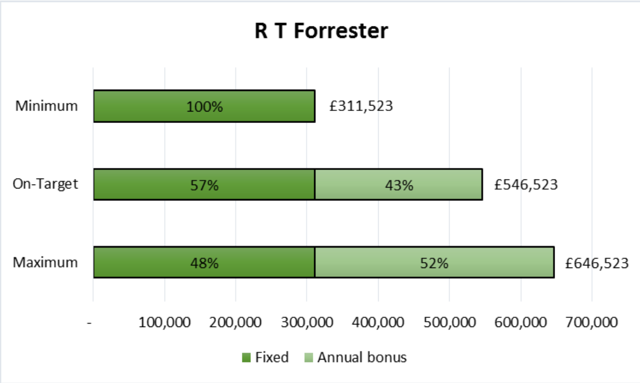
Copies of Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

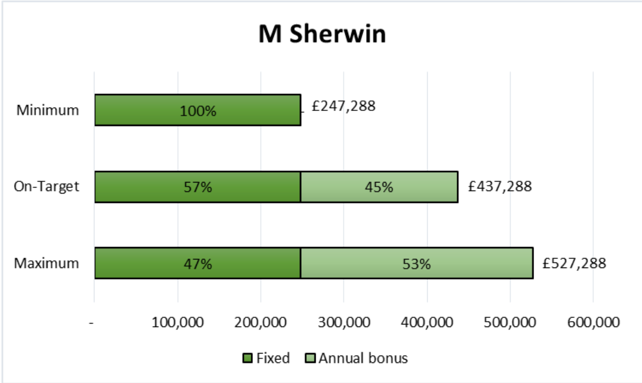
Total 2016/17 remuneration opportunity

The chart below illustrates the remuneration that would be paid to each of the Executive Directors under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable (annual bonus awards); and (iii) Multiple year (LTIP awards) which are set out in the future policy table above. There is no element for multiple year (LTIP Awards) in this table this year as no options (under the LTIP or otherwise) are capable of vesting in the financial year to 29 February 2016, as the earliest vesting date for such outstanding options is 20 August 2016.

Total 2016/17 remuneration opportunity (continued)





Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for the 2016/17 financial year plus pension and benefits.
Annual Bonus	Annual bonus awards based on adjusted profit before tax.

The on-target scenario assumes that for the annual bonus, adjusted profit is in line with financial targets.

Non-Executive Directors' fee policy

The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors are not entitled to a bonus, they cannot participate in the Company's share option scheme and they are not eligible for pension arrangements.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
NON-EXECUTIVE DIRECTOR FEES ('NED')			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy	NED fees are determined by the Board within the limits set out in the Articles of Association Paid in 12 equal monthly instalments during the year. Non-executive directors may be eligible for benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.	Annual rate set out in the annual report on remuneration for the current year and the following year. No prescribed maximum annual increase. The cost of providing benefits is borne by the Company and varies from time to time.	None

Directors’ Remuneration Report

Information subject to audit

Single total figure of remuneration

The remuneration of the Directors who served during the period from 1 March 2015 to 29 February 2016 is as follows:

	Basic Salary £’000	Fees £’000	Benefits £’000	Annual Bonuses £’000	Total £’000
Executive Directors					
R T Forrester	250	-	2	296	548
M Sherwin	190	-	2	225	417
Total	**440**	**-**	**4**	**521**	**965**
Non-Executive Directors					
P Jones	-	70	1	-	71
K Lever	-	26	-	-	26
W M Teasdale	-	50	1	-	51
N Stead	-	35	1	-	36
D M Forbes	-	14	-	-	14
Total	**-**	**195**	**3**	**-**	**198**
Aggregate Directors emoluments	**440**	**195**	**7**	**521**	**1,163**

The remuneration of the Directors who served during the year from 1 March 2014 to 28 February 2015 is as follows:

	Basic Salary £’000	Fees £’000	Benefits £’000	Annual Bonuses £’000	Total £’000
Executive Directors					
R T Forrester	250	-	2	267	519
M Sherwin	190	-	2	203	395
Total	**440**	**-**	**4**	**470**	**914**
Non-Executive Directors					
P Jones	-	18	-	-	18
P R. Williams	-	58	-	-	58
D M Forbes	-	35	-	-	35
W M Teasdale	-	50	-	-	50
N Stead	-	35	-	-	35
Total	**-**	**196**	**-**	**-**	**196**
Aggregate Directors emoluments	**440**	**196**	**4**	**470**	**1,110**

The benefits above include items such as vehicle insurance cover and medical and life assurance premiums.

Directors’ Remuneration Report (continued)

Annual bonus

Bonuses are earned by reference to the financial year and paid following the end of the financial year. The target adjusted profit before tax (adjusted, inter alia, to reflect the contribution from operating units acquired or disposed of during the financial year) was £23.9m. The bonuses accruing to the Executive Directors in respect of the year ended 29 February 2016 are shown below:

	Threshold performance required	Maximum performance required	Actual performance	Bonus as a % of salary			
				R Forrester		M Sherwin	
				Max	Actual	Max	Actual
Adjusted profit before tax (£’000)	21,105	28,500	27,400	130%	115%	130%	115%
Bonus receivable (% of basic salary)	40%	130%	115%		£287,500		£218,500

In addition to the profit related bonus shown above, a maximum 30% of basic salary was available as a bonus if the Group achieved stretching targets in respect of customer satisfaction. To earn maximum bonus, 85% of Group sales and service departments had to achieve above national average customer satisfaction (CSI), as measured by our manufacturer partners. R Forrester received £8,333 and M Sherwin received £6,333 in respect of such bonus out of potential maximum CSI bonus for the financial year of £75,000 and £57,000 respectively.

Directors' Pension Entitlements

The Company has paid £36,665 (2015: £41,250) in contributions in respect of pension entitlement during this financial year in respect of R T Forrester and £27,548 (2015: £31,350) in respect of M Sherwin.

Directors' Share Options

The movement in share options held by the Directors during the year ended 29 February 2016 is as follows:

	Number at 1 March 2015	Lapsed in Year	Granted in Year	Number at 29 February 2016
R T Forrester	793,679	-	205,128	998,807
M Sherwin	595,260	-	153,846	749,106

Details of share options granted during the year are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise price (pence)	Market value on date of grant (pence)	Number of options granted
R T Forrester	LTIP	16 June 2015	16 June 2018	16 June 2025	Nil	65.0	205,128
M Sherwin	LTIP	16 June 2015	16 June 2018	16 June 2025	Nil	65.0	153,846

Vesting of LTIP Options granted during the financial year ended 29 February 2016 is dependent upon the total shareholder return (“TSR”) achieved by the Company over a three year period commencing on 1 March 2015.

Directors' Share Options (continued)

Vesting of one half of the LTIP options is dependent on absolute growth in the Company's TSR, and the other half dependent on the Company's TSR performance as compared to the TSR achieved by the FTSE small cap index (excluding investment trusts). All TSR calculations will be based on the average of opening and closing share prices over a 10 Business Day period prior to the commencement and end of the performance period.

The absolute TSR growth target for the options granted in the year ended 29 February 2016 require the Company's TSR over the three year performance period to have grown by more than 25%. For TSR growth between 25% and 100% over the three year period, the half of the options subject to the absolute TSR growth target will vest on a straight-line basis, from nil vesting at 25% or less growth to 100% vesting at 100%.

The relative TSR performance condition, applying to the other half of the LTIP options granted to date, will be as follows:

Ranking of Company TSR*	Proportion of award vesting
Below median	0%
Above 90th percentile	100%
Between median and 90th percentile	Straight line vesting 0 – 100%

*Based on FTSE small cap index (excluding investment trusts)

Directors' Remuneration Report (continued)

Information not subject to audit

Statement of Directors' shareholding

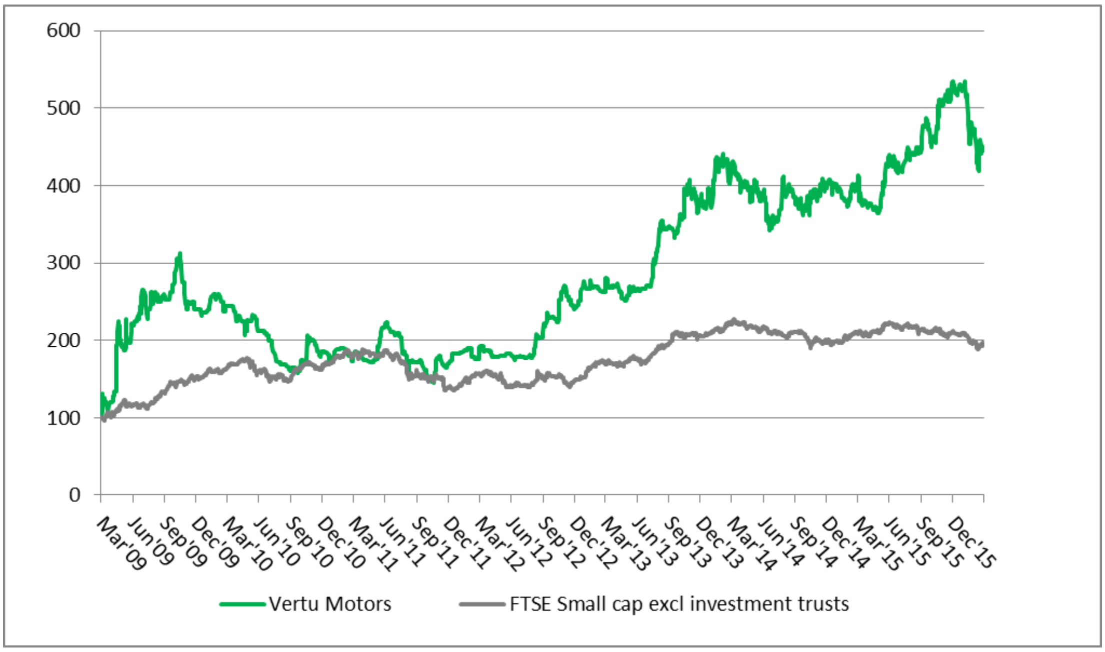
The Directors who held office at 29 February 2016 and their connected persons had interests in the issued share capital of the Company as at 29 February 2016 as follows:

	Number of shares held (including by connected persons)		Unvested share options subject to performance conditions[2]	
	29 February 2016	**28 February 2015**	**29 February 2016**	**28 February 2015**
R T Forrester	6,632,973	6,612,754	998,807	793,679
M Sherwin	364,597	348,687	749,106	595,260
P Jones	1,125,000	1,000,000	-	-
Ken Lever	-	-	-	-
W M Teasdale	616,450	616,450	-	-
N Stead	56,500	56,500	-	-

[2] The Directors hold no vested but unexercised share options.

Performance graph

The chart below shows the Company's seven-year annual Total Shareholder Return ("TSR") performance against the FTSE small cap index (excluding investment trusts), which is considered to be an appropriate comparison to other public companies of a similar size.



The middle market price of the shares as at 29 February 2016 was 65.8p (28 February 2015: 58.9p) and the range during the financial year was 53.8p to 78.4p (2015: 51.8p to 65.0p).

Change in remuneration of Chief Executive

The following table sets out the change in the Chief Executive's salary, benefits and bonus between the years ended 28 February 2015 and 2016 compared with the average percentage change in each of those components for the employees of the Group.

	Increase in Base Salary	Change in benefits	Change in bonus
CEO	0.0%	0.0%	10.9%
Employees	4.5%	0.0%	2.3%

Relative importance of spend on pay

The table below sets out the total spend on pay in the years ended 28 February 2015 and 2016 compared with other disbursements from profit (i.e. the distributions to shareholders).

	Spend in the year ended 29 February 2016 £'000	Spend in the year ended 28 February 2015 £'000	% change
Spend on remuneration (including Directors)	149,020	129,601	15.0
Profit distributed by way of dividend	3,923	2,895	35.5

Shareholders' Vote on Remuneration at the 2015 AGM

2015 Directors' Remuneration Report	**Number**	**Proportion of Votes cast**
Votes cast in favour	171,760,235	93.5%
Votes cast against	11,999,063	6.5%
Total votes cast in favour or against	**183,759,298**	**100%**
Votes withheld	25,198,813	

Implementation of remuneration policy for the year ending 28 February 2017

The annual salaries and fees to be paid to Directors in the year ending 28 February 2017 are set out in the table below, together with any increase expressed as a percentage.

	Annual Salary/fees		
	29 February 2016 £'000	28 February 2015 £'000	Increase %
R T Forrester	265	250	6.0
M Sherwin	210	190	10.5
P Jones	74	70	5.4
K Lever	39	35	10.7
W M Teasdale	54	50	7.5
N Stead	39	35	10.7

The basis for determining annual bonus payments for the year to 28 February 2017 is set out in the future policy table in the Remuneration Committee Report (page 50 to 52).

The Committee intends to grant options under the LTIP in 2016/17. These options will be £Nil cost options over a value of shares subject to a maximum of 125% of salary where the vesting is subject to targets based on the achievement of return on shareholders' equity targets and the achievement of absolute growth in the Company's total shareholder return ("TSR") , measured over a three year period from 1 March 2016. Part of the LTIP awards can take the form of a tax advantaged qualifying option over shares to the limit prescribed by the applicable tax legislation (currently £30,000).

Consideration by the Directors of matters relating to Directors’ remuneration

The Committee

The Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors. The Committee’s terms of reference are available from the Company Secretary. The members of the Committee during the financial year were N. Stead (Chairman), W M Teasdale, P Jones and K Lever. Nigel Stead, was appointed to Chairman of the Remuneration Committee from 23 July 2015, following the resignation of D M Forbes.

Independent Auditors' Report to the members of Vertu Motors plc

Report on the group financial statements

Our opinion

In our opinion, Vertu Motors plc's group financial statements ("the financial statements"):

- give a true and fair view of the state of the group's affairs as at 29 February 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements included within the Annual Report and Financial Statements (the "Annual Report") comprise:

- the Consolidated Balance Sheet as at 29 February 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the members of Vertu Motors plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Vertu Motors plc for the year ended 29 February 2016.

Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

11 May 2016

Consolidated Income Statement

For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Revenue			
Continuing operations		2,328,332	2,074,912
Acquisitions		94,947	-
		2,423,279	**2,074,912**
Cost of sales			
Continuing operations		(2,074,925)	(1,846,843)
Acquisitions		(85,075)	-
		(2,160,000)	**(1,846,843)**
Gross profit			
Continuing operations		253,407	228,069
Acquisitions		9,872	-
		263,279	**228,069**
Operating expenses			
Continuing operations		(224,165)	(205,334)
Acquisitions		(10,466)	-
	6	**(234,631)**	**(205,334)**
Operating profit before amortisation and share based payments charge			
Continuing operations		29,242	22,735
Acquisitions		(594)	-
		28,648	**22,735**
Amortisation of intangible assets		(558)	(405)
Share based payments charge		(911)	(645)
Operating profit		**27,179**	**21,685**
Finance income	10	173	353
Finance costs	10	(1,390)	(1,040)
Profit before tax, amortisation and share based payments charge		27,431	22,048
Amortisation of intangible assets		(558)	(405)
Share based payments charge		(911)	(645)
Profit before tax		**25,962**	**20,998**
Taxation	11	(5,282)	(4,459)
Profit for the year attributable to equity holders		**20,680**	**16,539**
Basic earnings per share (p)	12	**6.06**	**4.87**
Diluted earnings per share (p)	12	**5.92**	**4.78**

Consolidated Statement of Comprehensive Income

For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Profit for the year		**20,680**	**16,539**
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on retirement benefit obligations	27	680	(461)
Deferred tax relating to actuarial (gains) / losses on retirement benefit obligations	27	(137)	97
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	29	23	49
Deferred tax relating to cash flow hedges	29	(6)	(10)
Other comprehensive income / (expense) for the year, net of tax		**560**	**(325)**
Total comprehensive income for the year attributable to equity holders		**21,240**	**16,214**

Consolidated Balance Sheet

As at 29 February 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Goodwill and other indefinite life assets	14	69,209	50,867
Other intangible assets	15	1,672	1,905
Retirement benefit asset	27	6,097	3,003
Property, plant and equipment	17	150,361	135,153
		227,339	**190,928**
Current assets			
Inventories	19	530,406	394,287
Trade and other receivables	21	63,416	53,500
Property assets held for sale	20	537	1,866
Cash and cash equivalents	22	43,915	19,254
Total current assets		**638,274**	**468,907**
Total assets		**865,613**	**659,835**
Current liabilities			
Trade and other payables	23	(630,912)	(459,250)
Deferred consideration	16	(241)	(1,518)
Current tax liabilities		(3,647)	(6,028)
Derivative financial instruments		-	(25)
Borrowings	24	(6,756)	(3,423)
Total current liabilities		**(641,556)**	**(470,244)**
Non-current liabilities			
Borrowings	24	(14,011)	(161)
Deferred consideration	16	(1,659)	(291)
Deferred income tax liabilities	25	(4,450)	(3,699)
Deferred income	26	(6,078)	(5,806)
		(26,198)	**(9,957)**
Total liabilities		**(667,754)**	**(480,201)**
Net assets		**197,859**	**179,634**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares	28	34,127	34,091
Share premium	28	96,901	96,810
Other reserve	28	10,645	10,645
Hedging reserve	29	-	(17)
Retained earnings		56,186	38,105
Shareholders' equity		**197,859**	**179,634**

These financial statements on pages 64 to 107 have been approved for issue by the Board of Directors on 11 May 2016:

Robert Forrester
Chief Executive

Michael Sherwin
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Operating profit		27,179	21,685
(Profit) / loss on sale of property, plant and equipment	6	(26)	186
Amortisation of other intangible assets	15	558	405
Depreciation of property, plant and equipment	17	6,803	5,915
Impairment of preference shares receivable		-	192
Movement in working capital	31	30,515	(2,887)
Share based payments charge		781	617
Cash generated from operations		**65,810**	**26,113**
Tax received		4	182
Tax paid		(7,704)	(4,653)
Finance income received		36	219
Finance costs paid		(1,451)	(933)
Net cash generated from operating activities		**56,695**	**20,928**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	16	(24,565)	(17,437)
Acquisition of freehold and long leasehold land and buildings		(6,475)	(8,929)
Purchases of intangible assets		(325)	(347)
Purchases of other property, plant and equipment		(13,977)	(9,849)
Proceeds from disposal of business (net of cash, overdrafts and borrowings)	16	2,137	752
Proceeds from disposal of property, plant and equipment		1,120	1,964
Net cash outflow from investing activities		**(42,085)**	**(33,846)**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		127	119
Proceeds from borrowings	30	18,288	-
Repayment of borrowings	30	(4,441)	(2,000)
Dividends paid to equity holders		(3,923)	(2,895)
Net cash inflow / (outflow) from financing Activities		**10,051**	**(4,776)**
Net increase / (decrease) in cash and cash equivalents	30	**24,661**	**(17,694)**
Cash and cash equivalents at beginning of year		19,254	36,948
Cash and cash equivalents at end of year	22	**43,915**	**19,254**

Consolidated Statement of Changes in Equity

For the year ended 29 February 2016

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

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

For the year ended 28 February 2015

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

Notes to the Consolidated Financial Statements

For the year ended 29 February 2016

1. Accounting Policies

Basis of Preparation

Vertu Motors plc is a Public Limited Company which is listed on the Alternative Investment Market (AiM) 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 consolidated financial statements of Vertu Motors plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Standards Interpretations Committee ("IFRS-IC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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.

The consolidated financial statements include the results of all subsidiaries wholly owned by Vertu Motors plc as listed on pages 117 and 118 of the annual report. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 29 February 2016 by virtue of s479A of Companies Act 2006. Certain other subsidiaries, which are also listed below, have taken the exemption from preparing individual accounts for the year ended 29 February 2016 by virtue of s394A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption or exemption from the preparation of individual accounts (as appropriate), the parent company Vertu Motors plc has given a statutory guarantee of all the outstanding liabilities as at 29 February 2016 of the subsidiaries listed below, further details of which are provided in note 32.

The subsidiaries which have taken an exemption from an audit for the year ended 29 February 2016 by virtue of s479A Companies Act 2006 are:

Bristol Street First Investments Limited
Bristol Street Fourth Investments Limited
Vertu Motors (Knaresborough) Limited
Hillendale LR Limited
Hillendale Group Limited
The Taxi Centre Limited
Macklin Property Limited
Tyne Tees Finance Limited
Grantham Motor Company Limited
Vertu Motors (Property) Limited
Albert Farnell Limited
Easy Vehicle Finance Limited

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 29 February 2016 by virtue of s394A of Companies Act 2006 are:

Blake Holdings Limited
Bristol Street (No.1) Limited
Bristol Street (No.2) Limited
Bristol Street Fifth Investments Limited
Bristol Street Fleet Services Limited
Bristol Street Group Limited
Bristol Street Limited
BSH Pension Trustee Limited
Merifield Properties Limited
Motor Nation Car Hypermarkets Limited
Dunfermline Autocentre Limited
Widnes Car Centre (1994) Limited
Compare Click Call Limited
K C Motability Solutions Limited
Bristol Street Commercials (Italia) Limited
Newbolds Garage (Mansfield) Limited
National Allparts Limited
Peter Blake (Chatsworth) Limited
Peter Blake (Clumber) Limited
Peter Blake Limited
Typocar Limited
Vertu Fleet Limited
Vertu Motors (Finance) Limited
Vertu Motors (Retail) Limited
Boydslaw 103 Limited
Vertu Motors (Pity Me) Limited
Widnes Car Centre Limited
Vertu Motors (Durham) Limited
Dobies (Carlisle) Limited
Vertu Motors (AMC) Limited
Brookside (1998) Limited
Nottingham TPS LLP

1. Accounting Policies (continued)

Basis of Preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out in note 4.

The Directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

Standards and interpretations adopted by the Group in the year ended 29 February 2016

- IFRS 14, 'Regulatory deferral accounts'
- Amendments to IFRIC 21, 'Levies'
- Amendment to IAS 1, 'Presentation of financial statements'
- Amendment to IAS 16, 'Property, plant and equipment'
- Amendments to IFRS 11, 'Joint arrangements on acquisitions'
- Amendment to IAS 27, 'Separate financial statements'

The adoption of the new standards and amendments above have had no significant impact on the financial statements of the Group.

New standards and interpretations issued but not yet effective and not early adopted

IFRS 9, 'Financial instruments'

IFRS 15, 'Revenue from contracts with customers'

IFRS 16, 'Leases'

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

Measurement period adjustment

The Group assesses the fair value of assets acquired and finalises purchase price allocation within the measurement period following acquisition and in accordance with IFRS3. This includes an exercise to search for other material separately identifiable intangible assets such as brand value, supplier agreements, franchise relationships and customer relationships.

The finalisation of the purchase price allocation may result in a change in the fair value of assets acquired.

In accordance with IFRS3, measurement period adjustments are reflected in the financial statements as if the final purchase price allocation had been completed at the acquisition date.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Vertu Motors plc and its subsidiary undertakings. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date at which control is transferred to the Group and they are excluded from the consolidated financial statements from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

1. Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including intangible assets not previously recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the consideration over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the consideration, the excess or "negative goodwill" is recognised immediately in the income statement. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

Each cash generating unit ("CGU") or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Gains and losses on the disposal of a business component are calculated on a basis which incorporates the carrying amount of goodwill relating to the business sold. Acquisition related costs are expensed to the income statement as incurred.

The consolidated income statement identifies the impact of acquisitions made during the accounting period in each relevant line item. The comparative amounts are incorporated into the relevant continuing operations line items.

In 2015, acquisitions in the year contributed £68,063,000 to revenue, £61,301,000 to cost of sales (giving gross profit of £6,762,000) and £7,422,000 to operating expenses (giving an operating loss from acquisitions of £660,000. These acquisitions are reclassified as continuing operations in the current year's result.

Other intangible assets

Intangible assets, when acquired separately from a business combination, comprise computer software and are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is between four and six years.

Intangible assets, for example, franchise relationships acquired as part of a business combination, are capitalised separately from goodwill if the asset is separable and if the fair value can be measured reliably on initial recognition. Such assets are stated at fair value less accumulated amortisation. Amortisation is provided on a straight line basis over their expected useful lives. Intangible assets with an indefinite useful life are tested annually for impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Freehold land is not depreciated. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual values, on a straight-line basis over their estimated useful lives, as follows:

Freehold buildings	2%
Long leasehold buildings	Lease term
Short leasehold properties	Lease term (under 25 years)
Franchise standards property improvements	20%
Vehicles and machinery	20%
Furniture, fittings and equipment	20% - 50%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenses' in the consolidated income statement.

1. Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for parts is determined using the first-in, first-out (FIFO) method. Costs incurred in bringing each product to its present location and condition are included and cost is based on price including delivery costs less specific trade discounts. Net realisable value is based on estimated selling price less further costs to be incurred on disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

The timing of recognition of new vehicle inventory as an asset of the Group is dependent on the terms of the purchase which vary by manufacturer. Some manufacturers invoice on release from their factory, although the vehicle may not be physically present at a Group location, title has passed and therefore the vehicle is recognised in inventory upon receipt of the invoice. Some manufacturers operate traditional consignment stock arrangements where unpaid vehicles may be physically present at dealerships however title is retained by the manufacturer. If the vehicle consignment is unsold after a period of time it begins to accrue interest from the manufacturer and at the point interest starts to accrue, the vehicle is recorded as an asset with a corresponding creditor, to reflect the asset and funding element of the transaction. This is in order to record the economic substance of the transaction rather than just the legal form. Other vehicle inventory is recognised upon title passing to the Group, typically on physical receipt.

As part of its normal trading activities the Group has contracted to repurchase, at predetermined values and dates, certain vehicles previously sold. The Group recognises its residual interest in these vehicles through the inclusion of such vehicles within inventory, at the lower of the repurchase price or recoverable value, with a liability equal to the repurchase price within the trade payables.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade payables

Trade payables are recognised at fair value initially and subsequently measured at amortised cost using the effective interest method.

Deferred income

Deferred income relates to warranty product income. The Group sells used vehicle warranty policies which are in house products that can be taken out over 12, 24 or 36 months with income received on inception of the policy. The policy covers replacement of mechanical and electrical parts which have suffered a mechanical breakdown, the cost of labour to fit failed parts and breakdown assistance for the period of the warranty.

When the income is received it is recognised initially as deferred income and is released to the income statement on a straight-line basis over the life of each warranty policy.

Impairment of financial and non-financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets are impaired.

1. Accounting Policies (continued)

Impairment of financial and non-financial assets (continued)

If there is objective evidence that an impairment loss on loans and receivables at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates. The amount of the loss is recognised in the income statement.

At each reporting date, the Group assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where fair value cannot be determined then the recoverable amount will be determined by reference to value in use. Value in use is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows of separately identifiable cash generating units ("CGU's") are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in the expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of any amount recoverable. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

Taxation

Current tax

Current income tax assets and liabilities are measured at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

b. in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

a. where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

1. Accounting Policies (continued)

Taxation (continued)

Deferred tax (continued)

b. in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged direct to equity in which case the deferred tax is also credited or charged to equity.

Revenue

Revenue for the sale of goods and services is measured at the fair value of consideration receivable, net of value added tax, rebates (i.e. manufacturer bonuses) and any discounts. It excludes sales related taxes and intra Group transactions. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically despatched or when a service has been undertaken. In the case of non-vehicle specific related rebates from suppliers, these are recognised in the income statement upon achievement of the specific agreed supplier criteria. Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider. Where the Group is acting as agent on behalf of a principal, the commission earned is also recorded at an agreed rate when the transaction has occurred.

Pension costs

The Group operates a trust based defined benefit pension scheme, Bristol Street Pension Scheme, which was closed to new entrants and future accrual in May 2003.

During the year the Group acquired SHG Holdings Limited which operates SHG Pension Scheme, a scheme which was closed to new entrants on 23 July 2003 and closed to future accrual in October 2013.

Typically defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit schemes are held separately from the assets of the Group. The asset or liability recognised in the balance sheet in respect of the defined benefit pension schemes is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets. Defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Differences between the actual and expected return on assets, changes in retirement benefit obligations due to experience and changes in actuarial assumptions are included in the statement of comprehensive income in full for the year in which they arise.

A Group personal pension arrangement under which the Group pays fixed contributions into an individual's funds, is in place. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior years. Contributions into this scheme are charged to the Income Statement in the year in which they are payable.

Share based payments

The Group allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The Group operates a number of equity-settled, share-based compensation plans. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting

1. Accounting Policies (continued)

Share based payments (continued)

conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive, who is responsible for allocating resources and assessing performance of the operating segment.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lifetime of the lease.

Share capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

2. Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt market prices and interest rates. The Group's treasury management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group used derivative financial instruments to reduce exposure to interest rate movements on a term loan which was repaid in full in the financial year. Accordingly, the Group held no outstanding derivative instruments at the balance sheet date.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity.

The Board adopts an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

Market Risk – Cash Flow Interest Rate Risk

The Group's interest rate risk arises from long-term borrowings, which are issued at variable rates that expose the Group to cash flow interest rate risk. The Group's borrowings are denominated in sterling.

The interest rate exposure of the Group is managed within the constraints of the Group's business plan and the financial covenants under its facilities. The Group has performed calculations to analyse its interest rate exposure taking into account refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent major interest-bearing positions. No significant issues were highlighted as a resulted of these sensitivities being performed.

2. Financial risk management (continued)

Credit Risk

Credit risk arises from cash and deposits with banks as well as credit exposures to customers. Individual customer risk limits are set based on external credit reference agency ratings and the utilisation of these credit limits is regularly monitored. Further disclosure on credit exposure is given in note 21.

Liquidity Risk

Ultimate responsibility for liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Disclosed within note 24 are the undrawn banking facilities that the Group has at its disposal, in order to further reduce liquidity risk.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All borrowings are denominated in sterling.

	Less than one year £'000	Between two and five years £'000	Total £'000
Bank borrowings	224	14,448	14,672
Trade and other payables (excluding social security and other taxes)	626,164	-	626,164
At 29 February 2016	**626,388**	**14,448**	**640,836**

	Less than one Year £'000	Between two and five years £'000	Total £'000
Bank borrowings	3,574	-	3,574
Trade and other payables (excluding social security and other taxes)	455,122	-	455,122
At 28 February 2015	**458,696**	**-**	**458,696**

3. Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group must ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payment obligations as they fall due.

Consistent with others in this industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total shareholders' equity.

The Group had net cash of £23,148,000 at 29 February 2016 as disclosed in note 30 to the consolidated financial statements (2015: Net cash of £15,670,000).

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of long-term borrowings approximate to the carrying value reported in the balance sheet, as the majority are variable rate borrowings.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Valuation of goodwill

The valuation of goodwill acquired during the year has been performed in accordance with IFRS3 and is therefore based on provisional values ascribed within the measurement period subsequent to acquisition. Management judgement has been used in determining the existence and value of separately identifiable assets acquired as part of the business combination.

Valuation of other intangible assets

When a business combination takes place, the Group is required to assess whether there are any additional intangible assets arising separately from goodwill. Management judgement is required to determine whether an intangible asset can be separately identified, what fair value should be ascribed to the asset and its attributable useful life.

Impairment of goodwill and other indefinite life assets

The Group tests annually, or whenever events or changes in circumstances occur, to determine whether goodwill or other indefinite life assets have suffered any impairment, in accordance with the accounting policy stated above and in note 14. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Share based payments

Share options issued to certain employees are measured at fair value at the grant date using a fair value model, and are expensed on a straight-line basis over the vesting period based on an estimate of the number of options which will vest. The key assumptions of this model are disclosed in note 28.

Estimated useful life of intangibles, property, plant and equipment and impairment testing

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end. The Group also tests for impairment when a trigger event occurs, or annually, as appropriate.

Pension benefits

The Group operates two defined benefit schemes at 29 February 2016. The obligations under these defined benefit schemes are recognised in the balance sheet and represent the present value of the obligations calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, annual rates of return and mortality rates. These assumptions vary from time to time according to prevailing economic conditions. Details of the assumptions used for each scheme in the year ended 29 February 2016 are provided in note 27.

5. Segmental information

The Group adopts IFRS 8 “Operating Segments”, which determines and presents operating segments based on information provided to the Group’s Chief Operating Decision Maker (“CODM”), Robert Forrester, Chief Executive. There has been no change in the Group’s one reportable operating segment. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and after-sales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams.

Dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable operating segment.

5. Segmental information (continued)

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross margin. Therefore, to increase transparency, the Group has included below an additional voluntary disclosure analysing revenue and gross margin within the reportable segment.

Year ended 29 February 2016

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

Year ended 28 February 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
Aftersales*	168.1	8.1	89.4	39.2	43.5
New car retail and Motability	679.4	32.7	50.9	22.3	7.5
New fleet and commercial	498.5	24.0	12.3	5.4	2.5
Total new vehicles	1,177.9	56.7	63.2	27.7	5.4
Used cars	728.9	35.2	75.5	33.1	10.4
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

* margin in aftersales expressed on internal and external turnover

6. Operating expenses

	2016 £'000	2015 £'000
Wages and salaries excluding share based payments charges (note 8)	131,223	113,940
Depreciation on property, plant and equipment (note 17)	6,803	5,915
Amortisation (note 15)	558	405
(Profit) / loss on disposal of property, plant and equipment	(26)	186
Operating lease rentals – property	9,057	7,621
Operating lease rentals – plant and equipment	209	172
Operating lease rentals – vehicles	3,299	2,683
Auditors' remuneration (note 7)	284	317
Rental income	(548)	(467)
Other expenses	83,772	74,562
	234,631	**205,334**

Notes to the Consolidated Financial Statements (continued)

7. Auditors' remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	180	166
Fees payable to the Company's auditors and its associates for other services:		
- audit of Group's subsidiaries	26	20
- Due diligence and other services	78	131
	284	**317**

8. Employee benefit expense

	2016 £'000	2015 £'000
Wages and salaries	133,160	116,179
Social security costs	13,681	11,397
Pension costs – defined contribution plans	2,179	2,025
	149,020	**129,601**
Share based payments charge (note 28)	911	645
	149,931	**130,246**

Employee benefit expense included in:

	2016 £'000	2015 £'000
Operating expenses	131,223	113,940
Cost of sales	17,797	15,661
Share based payment charge	911	645
	149,931	**130,246**

Details of the remuneration of the Directors who served during the year from 1 March 2015 to 29 February 2016 and the year from 1 March 2014 to 28 February 2015 are given in the Directors' Remuneration Report on page 56 to 58.

9. Average monthly number of people employed (including Directors)

	Number 2016	Number 2015
Sales and distribution	1,779	1,550
Service, parts and accident repair centres	1,640	1,519
Administration	1,072	941
	4,491	**4,010**

To demonstrate the impact of acquisitions on the above figures, the actual year-end number of people employed is as follows:

	Number 2016	Number 2015
Sales and distribution	1,870	1,629
Service, parts and accident repair centres	1,687	1,560
Administration	1,106	988
	4,663	**4,177**

10. Finance income and costs

	2016 £'000	2015 £'000
Interest on short term bank deposits	36	50
Vehicle stocking interest	-	163
Net finance income relating to defined benefit pension schemes (note 27)	137	140
Finance income	**173**	**353**
Bank loans and overdrafts	(619)	(642)
Vehicle stocking interest	(572)	-
Other finance costs	(199)	(398)
Finance costs	**(1,390)**	**(1,040)**

'Other finance costs' in the year ended 29 February 2016 comprises interest payable relating to previous periods due to HMRC.

11. Taxation

	2016 £'000	2015 £'000
Current tax		
Current tax charge	5,598	5,214
Adjustment in respect of prior years	(258)	(96)
Total current tax	**5,340**	**5,118**
Deferred tax		
Origination and reversal of temporary differences	395	(469)
Adjustment in respect of prior years	(145)	(203)
Rate differences	(308)	13
Total deferred tax (note 25)	**(58)**	**(659)**
Income tax expense	**5,282**	**4,459**

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

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

12. Earnings per share

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

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined 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.

12. Earnings per share (continued)

The number of shares calculated, as set out above, is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

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

On 31 March 2016, a further 56,000,000 new ordinary shares were issued (note 35). This had no impact on basic or diluted earnings per share during the year ended 29 February 2016.

13. Dividends per share

Dividends of £3,923,000 were paid in the year to 29 February 2016 (2015: £2,895,000), 1.15p per share (2015: 0.85p). A final dividend in respect of the year ended 29 February 2016 of 0.85p per share, is to be proposed at the annual general meeting on 20 July 2016. The ex dividend date will be 23 June 2016 and the associated record date 24 June 2016. This dividend will be paid, subject to shareholder approval, on 26 July 2016 and these financial statements do not reflect this final dividend payable.

14. Goodwill and other indefinite life assets

2016	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost and net book value			
At 1 March 2015	41,745	9,122	50,867
Additions (note 16)	14,250	4,092	18,342
At 29 February 2016	**55,995**	**13,214**	**69,209**

2015	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost and net book value			
At 1 March 2014	35,779	7,373	43,152
Additions	5,966	1,749	7,715
At 28 February 2015	**41,745**	**9,122**	**50,867**

14. Goodwill and other indefinite life assets (continued)

Impairment

In accordance with IAS 36, 'Impairment of Assets', the Group tests the following assets for impairment annually:

- Goodwill
- Other assets where there is any indication that the relevant asset may be impaired

In the years ended 29 February 2016 and 28 February 2015, the acquired goodwill and other indefinite life assets were tested for impairment, with no impairment charge deemed necessary.

For the purposes of impairment testing of goodwill and other indefinite life assets, the Directors recognise the Group's Cash Generating Units ("CGU"s) to be connected groupings of dealerships acquired together.

A summary of the goodwill purchased is presented below:

	2016 £'000	2015 £'000
Bristol Street Group Limited	13,860	13,860
Albert Farnell Limited	12,029	12,029
Hillendale Group Limited	5,159	5,159
SHG Holdings Limited	7,836	-
Bury Land Rover	4,415	-
Other acquisitions	12,696	10,697
	55,995	**41,745**

A summary of franchise relationships acquired is presented below:

	2016 £'000	2015 £'000
Albert Farnell Limited	7,373	7,373
Hillendale Group Limited	1,749	1,749
Bury Land Rover	2,595	-
SHG Holdings Limited	1,497	-
	13,214	**9,122**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use post-tax cash flow projections to perpetuity.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to gross profits and direct costs during the year:

- Management estimates discount rates using post-tax rates that reflect current market assessments and the time value of money and the risks specific to the CGUs.
- Growth rates are based upon industry forecasts
- Changes in gross profits and direct costs are based on past practices and expectations of future changes in the market.

An annual growth rate of 3% is assumed for the first five years, after which a growth rate of 0% is assumed to perpetuity. A risk adjusted post-tax discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 8% (2015: 7.2%) is applied. A post-tax WACC of above 11% has to be applied before any entity impairment arises. A negative growth rate of greater than -5% has to be applied before any impairment arises.

15. Other intangible assets

2016	Earn out £'000	Software costs £'000	Customer relationships £'000	Total £'000
Cost				
At 1 March 2015	400	2,704	855	3,959
Additions	-	325	-	325
Disposals	-	(14)	-	(14)
At 29 February 2016	**400**	**3,015**	**855**	**4,270**
Accumulated amortisation				
At 1 March 2015	45	1,775	234	2,054
Charge for the year	133	333	92	558
Disposals	-	(14)	-	(14)
At 29 February 2016	**178**	**2,094**	**326**	**2,598**
Net book value at 29 February 2016	**222**	**921**	**529**	**1,672**
Net book value at 28 February 2015	**355**	**929**	**621**	**1,905**

2015	Earn out £'000	Software costs £'000	Customer relationships £'000	Total £'000
Cost				
At 1 March 2014	-	2,347	534	2,881
Acquisitions	400	-	321	721
Additions	-	405	-	405
Disposals	-	(48)	-	(48)
At 28 February 2015	**400**	**2,704**	**855**	**3,959**
Accumulated amortisation				
At 1 March 2014	-	1,486	186	1,672
Charge for the year	45	312	48	405
Disposals	-	(23)	-	(23)
At 28 February 2015	**45**	**1,775**	**234**	**2,054**
Net book value at 28 February 2015	**355**	**929**	**621**	**1,905**
Net book value at 28 February 2014	**-**	**861**	**348**	**1,209**

16. Business combinations

a) Trade and assets of Bury Land Rover

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

Details of the fair value of the net assets acquired and goodwill arising are as follows:

	Fair Value £'000
Intangible assets	2,595
Property, plant and equipment	180
Inventories	173
Trade and other receivables	9
Trade and other payables	(361)
Net assets acquired	**2,596**
Goodwill	4,415
Consideration	**7,011**

16. Business combinations (continued)

a) Trade and assets of Bury Land Rover (continued)

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £71,000 in respect of this business.

The goodwill arising on acquisition is attributable to the anticipated profitability of the distribution of the Group's products through the acquired dealerships.

b) Trade and assets of Bradford Jaguar

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

Details of the fair value of the net assets acquired and goodwill arising are as follows:

	Fair Value £'000
Property, plant and equipment	50
Inventories	96
Trade and other receivables	27
Trade and other payables	(98)
Net assets acquired	**75**
Goodwill	750
Consideration	**825**

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £50,000 in respect of this acquisition.

The goodwill arising on acquisition is attributable to the anticipated profitability of the distribution of the Group's products through the acquired business.

c) Acquisition of Blacks Autos Limited

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

Details of the fair value of the net assets acquired and goodwill arising are as follows:

	Fair Value £'000
Property, plant and equipment	225
Inventories	800
Trade and other receivables	64
Cash and cash equivalents	336
Trade and other payables	(514)
Corporation tax	(94)
Deferred tax	(6)
Net assets acquired	**811**
Goodwill	765
Total consideration	**1,576**
Retention	(250)
Consideration satisfied in cash	**1,326**

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £45,000 in respect of this acquisition.

If the acquisition of Blacks Autos Limited had occurred on 1 March 2015, Group revenues would have been £3,333,000 higher and Group profit attributable to equity holders would have been £88,000 higher.

16. Business combinations (continued)

d) Acquisition of SHG Holdings Limited

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

Details of the fair value of the net assets acquired and goodwill arising are as follows:

	Fair Value £'000
Intangible assets	1,497
Retirement benefit asset (note 27(b))	1,520
Property, plant and equipment	943
Inventories	12,589
Trade and other receivables	2,411
Corporation tax	92
Cash and cash equivalents	1,044
Trade and other payables	(9,451)
Borrowings	(3,409)
Deferred tax	(639)
Net assets acquired	**6,597**
Goodwill	7,836
Consideration	**14,433**
- Deferred consideration	1,500
- Consideration satisfied in cash	12,933
Total consideration	**14,433**

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £248,000 in respect of this acquisition.

If the acquisition of SHG Holdings Limited had occurred on 1 March 2015, Group revenues would have been £58,503,000 higher and Group profit attributable to equity holders would have been £1,328,000 higher.

e) Acquisition of Who's Ace Holdings Limited

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

Details of the fair value of net liabilities acquired and goodwill arising are as follows:

	Fair Value £'000
Property, plant and equipment	1,461
Inventories	603
Trade and other receivables	135
Cash and cash equivalents	33
Trade and other payables	(717)
Borrowings	(1,829)
Net liabilities acquired	**(314)**
Goodwill	314
Consideration	**-**

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £98,000 in respect of this acquisition.

If the acquisition of Who's Ace Holdings Limited had occurred on 1 March 2015, Group revenues would have been £3,382,000 higher and Group profit attributable to equity holders would have been £154,000 lower.

16. Business combinations (continued)

f) Trade and assets of Stockton, Nottingham and Derby Honda

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

Details of the fair value of the net assets acquired and goodwill arising are as follows:

	Fair Value £'000
Property, plant and equipment	64
Inventories	1,769
Trade and other receivables	93
Trade and other payables	(42)
Net assets acquired	**1,884**
Goodwill	170
Consideration	**2,054**

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £57,000 in respect of this acquisition.

Summary of acquisitions' cash consideration

	Cash Consideration £'000	(Cash)/ Borrowings Acquired £'000	Total £'000
Bury Land Rover	7,011	-	7,011
Bradford Jaguar	825	-	825
Blacks Autos Limited	1,326	(336)	990
SHG Holdings Limited *	12,933	(1,044)	11,889
Who's Ace Holdings Limited	-	1,796	1,796
Stockton, Nottingham and Derby Honda	2,054	-	2,054
	24,149	**416**	**24,565**

* The total of (cash)/borrowings for SHG Holdings Limited above does not include borrowings acquired with this business as this represents utilisation of used car funding facilities which continued to be used throughout the remainder of the financial year and was not settled on acquisition.

Deferred consideration outstanding at 29 February 2016:

	2016 £'000	2015 £'000
Former Co-operative Group Motor businesses	-	1,300
Former Gordons (Bolton) Limited businesses	-	109
The Taxi Centre Limited	400	400
SHG Holdings Limited	1,500	-
	1,900	**1,809**
Maturity of deferred consideration:		
Payable in less than 12 months	241	1,518
Payable in greater than 12 months	1,659	291
	1,900	**1,809**

16. Business combinations (continued)

Summary of the fair value of net assets acquired

	Bury Land Rover £'000	Bradford Jaguar £'000	Blacks Autos Limited £'000	SHG Holdings Limited £'000	Who's Ace Holdings Limited £'000	Stockton, Nottingham and Derby Honda £'000	Total £'000
Goodwill and other indefinite life assets	7,010	750	765	9,333	314	170	18,342
Retirement benefit asset	-	-	-	1,520	-	-	1,520
Property, plant and equipment	180	50	225	943	1,461	64	2,923
Inventories	173	96	800	12,589	603	1,769	16,030
Trade and other receivables	9	27	64	2,411	135	93	2,739
Cash and cash equivalents	-	-	336	1,044	33	-	1,413
Trade and other payables	(361)	(98)	(514)	(9,451)	(717)	(42)	(11,183)
Corporation tax	-	-	(94)	92	-	-	(2)
Deferred tax	-	-	(6)	(639)	-	-	(645)
Borrowings	-	-	-	(3,409)	(1,829)	-	(5,238)
Net assets acquired	**7,011**	**825**	**1,576**	**14,433**	**-**	**2,054**	**25,899**
Unpaid retention	-	-	(250)	-	-	-	(250)
Deferred consideration	-	-	-	(1,500)	-	-	(1,500)
Cash consideration	**7,011**	**825**	**1,326**	**12,933**	**-**	**2,054**	**24,149**

g) Business disposals

On 24 April 2015 the Group disposed of its petrol forecourt at Walkden and on 24 September 2015 the Group disposed of its service station in Horwich. Both included freehold properties and were acquired with the Bolton and Wigan Ford businesses in November 2014.

On 17 July 2015 the Group disposed of the trade and certain assets of its Peugeot operation in Dunfermline.

Details of the fair value of the combined net assets disposed of are as follows:

	Fair Value £'000
Property, plant and equipment	2,046
Inventories	164
Trade and other receivables	25
Cash and cash equivalents	340
Trade and other payables	(88)
Net assets disposed of	2,487
Retention receivable	(10)
Cash disposed of	(340)
Net cash consideration received	**2,137**

Disposal related costs (included in the consolidated income statement for the year ended 29 February 2016) totalled £90,000 in respect of these disposals.

Notes to the Consolidated Financial Statements (continued)

17. Property, plant and equipment

2016	Freehold and long leasehold land and buildings* £'000	Short leasehold land and buildings* £'000	Vehicles and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 March 2015	134,888	3,913	5,280	9,526	153,607
Acquisitions	1,787	150	524	462	2,923
Additions	15,167	1,098	1,534	3,085	20,884
Disposals	(1,387)	(57)	(419)	(606)	(2,469)
Reclassifications	(264)	(215)	12	(116)	(583)
At 29 February 2016	**150,191**	**4,889**	**6,931**	**12,351**	**174,362**
Accumulated depreciation and impairment					
At 1 March 2015	10,106	1,402	2,269	4,677	18,454
Depreciation charge	2,676	650	1,312	2,165	6,803
Disposals	(216)	(57)	(380)	(557)	(1,210)
Reclassifications	(36)	-	2	(12)	(46)
At 29 February 2016	**12,530**	**1,995**	**3,203**	**6,273**	**24,001**
Net Book Value					
At 29 February 2016	**137,661**	**2,894**	**3,728**	**6,078**	**150,361**
At 28 February 2015	**124,782**	**2,511**	**3,011**	**4,849**	**135,153**

* Includes leasehold improvements and franchise standards property improvements.

Depreciation expense of £6,803,000 has been charged in operating expenses (note 6).

In addition to the security provided for the Group's bank borrowings, specific charges over freehold land and buildings with a cost of £10,900,000 (2015: £10,900,000) have been granted to manufacturer partners as security against consignment stocking lines.

17. Property, plant and equipment (continued)

2015	Freehold and long leasehold land and buildings* £'000	Short leasehold land and buildings* £'000	Vehicles and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 March 2014	113,641	3,828	4,188	8,326	129,983
Acquisitions	16,567	-	209	452	17,228
Additions	8,702	704	1,103	1,716	12,225
Disposals	(2,150)	(619)	(353)	(835)	(3,957)
Reclassifications	(1,872)	-	133	(133)	(1,872)
At 28 February 2015	**134,888**	**3,913**	**5,280**	**9,526**	**153,607**
Accumulated depreciation and impairment					
At 1 March 2014	7,998	1,080	1,375	3,342	13,795
Depreciation charge	2,114	505	1,200	2,096	5,915
Disposals	-	(183)	(328)	(739)	(1,250)
Reclassifications	(6)	-	22	(22)	(6)
At 28 February 2015	**10,106**	**1,402**	**2,269**	**4,677**	**18,454**
Net Book Value					
At 28 February 2015	**124,782**	**2,511**	**3,011**	**4,849**	**135,153**
At 28 February 2014	**105,643**	**2,748**	**2,813**	**4,984**	**116,188**

18. Subsidiary undertakings

A list of significant subsidiary undertakings (ordinary shares 100% owned and incorporated within the United Kingdom), as at 29 February 2016 and 28 February 2015 is given in note 4 of the Vertu Motors plc company only financial statements (pages 117 and 118).

19. Inventories

	2016 £'000	2015 £'000
New vehicle stock	421,704	299,957
Used, demonstrator and courtesy vehicles	94,028	82,210
Parts and sundry stocks	14,674	12,120
	530,406	**394,287**

The total value of new vehicle stock is comprised of the following:

	2016 £'000	2015 £'000
Interest bearing consignment stock	21,611	12,177
Stock invoiced not yet paid held by Manufacturers to the order of the Group	360,193	259,190
Other new vehicle stock	39,900	28,590
	421,704	**299,957**

A corresponding liability is held in trade payables in respect of stock invoiced not yet paid held by Manufacturers to the order of the Group and interest bearing consignment stock.

The cost of inventories recognised as expense and included within 'cost of sales' amounted to £2,230,304,000 (2015: £1,905,414,000).

20. Property assets held for resale

	2016 £'000	2015 £'000
At beginning of year	1,866	-
Transfers in from freehold property (note 17)	537	1,866
Property sold during the year	(1,866)	-
At end of year	**537**	**1,866**

Properties sold during the year relate to the disposal of Walkden forecourt and Horwich service station (note 16(g)). Both properties recovered their carrying value.

21. Trade and other receivables

Current

	2016 £'000	2015 £'000
Trade receivables	36,814	30,077
Less provision for impairment of trade receivables	(1,159)	(1,010)
Trade receivables (net)	**35,655**	**29,067**
Other receivables	20,680	18,470
Prepayments and accrued income	7,081	5,963
	63,416	**53,500**

As at 29 February 2016, trade receivables of £1,589,000 (2015: £1,364,000) were past due but not impaired. The ageing of these receivables are all within 3 months overdue.

As at 29 February 2016, trade receivables of £1,159,000 (2015: £1,010,000) were impaired and provided for.

Movements in the Group's provision for impairment of trade receivables are as follows:

	2016 £'000	2015 £'000
At beginning of year	1,010	766
Charge for receivables impairment	806	647
Receivables written off during the year as uncollectible	(25)	(114)
Unused amounts reversed	(632)	(289)
At end of year	**1,159**	**1,010**

21. Trade and other receivables (continued)

The creation and release of provision for impaired receivables has been included in 'other expenses' within 'operating expenses' in the income statement (note 6). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group considers there to be no material difference between the fair value of trade and other receivables and their carrying amount in the balance sheet.

The other asset classes within trade and other receivables do not contain impaired assets.

Credit Risk Management

It is the Group's policy to invest cash and assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

22. Cash and cash equivalents

	2016 **£'000**	**2015** **£'000**
Cash in bank and in hand	43,915	19,254

23. Trade and other payables

	2016 **£'000**	**2015** **£'000**
Current		
Trade payables	557,057	399,147
Social security and other taxes	4,748	4,128
Accruals	38,214	32,610
Deferred income	5,393	3,865
Other payables	25,500	19,500
	630,912	**459,250**

Other payables comprise non-interest bearing advance payments from the Group's finance company partners.

Trade and other payables, excluding social security and other taxes, are designated as financial liabilities carried at amortised cost. Their fair value is deemed to be equal to their carrying value.

Accruals includes £9,216,000 (2015: £6,844,000) in respect of outstanding service plans.

24. Borrowings

	2016 **£'000**	**2015** **£'000**
Current		
Bank borrowings	-	3,423
Other borrowings	6,756	-
	6,756	3,423
Non-current		
Bank borrowings	13,845	-
Other borrowings	166	161
	14,011	161
	20,767	**3,584**

Borrowings are repayable as follows:

	2016 **£'000**	**2015** **£'000**
6 months or less	6,756	958
6-12 months	-	2,465
1-5 years	14,011	161
	20,767	**3,584**

24. Borrowings (continued)

a) Bank borrowings

The fair value of bank borrowings equals their carrying amount, as the impact of discounting is not significant. Bank borrowings are designated as financial liabilities carried at amortised cost.

During the year ended 29 February 2016, the Group's term loan was subject to an interest rate of 2.25% above LIBOR. The term loan was repaid in full in October 2015. The Group's £20,000,000 Revolving Credit Facility ("RCF") was available throughout the year ended 29 February 2016 with an applicable interest rate of between 1.10% and 1.90% above LIBOR depending on the value of the Group's net debt to EBITDA ratio. £14,000,000 of the RCF was drawn at 29 February 2016. A rate of 1.10% above base rate has been applied in relation to overdrafts and a rate of 1.10% above LIBOR has been applied to the Committed Money Market Loan ("CMML") facility. The bank borrowings are secured on the assets of the Company and the Group.

On 1 March 2016 the terms of the facilities were extended to include a £10,000,000 loan facility repayable in nine months with an applicable interest rate of between 1.2% and 1.5% above LIBOR, and the RCF was extended to £40,000,000 for 18 months, before reverting to £20,000,000. Interest is applied at the same rate as throughout the year ended 29 February 2016. The CMML facility was extended to £28,000,000 rising to £53,000,000 for four peak months of the year. The applicable interest rates on the working capital facilities, namely the CMML and overdraft, were unchanged.

The Group had the following undrawn borrowing and overdraft facilities at 29 February 2016:

	2016 £'000	2015 £'000
Floating rate		
- Overdraft (uncommitted) expiring in one year	5,000	5,000
- CMML (committed) facility expiring in one year	53,000	30,000
- Loan facility expiring in one year	10,000	-
- Loan facility expiring in greater than one year	26,000	15,000
- Used car stocking facility expiring in one year	13,244	15,000
	107,244	**65,000**

b) Financial assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £43,704,000 (2015: £19,254,000). The cash deposits comprise deposits placed on money market at call, seven day and cash deposited with counterparty banks at commercially negotiated interest rates.

Trade and other receivables and cash and cash equivalents are designated as loans and receivables, carried at amortised cost. Their fair value is deemed to be equal to their carrying value.

25. Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	2016 £'000	2015 £'000
Deferred tax asset to be recovered after more than 12 months	(1,370)	(1,283)
Deferred tax liabilities to be recovered after more than 12 months	5,820	4,982
Deferred tax liabilities (net)	**4,450**	**3,699**

The gross movement on the Group's deferred income tax account is as follows:

2016	Deferred tax liabilities £'000	Deferred tax assets £'000	Net £'000
At 1 March 2015	4,982	(1,283)	3,699
Charged / (credited) to income statement (note 11)	35	(93)	(58)
Charged directly to equity	137	6	143
Acquisitions	666	-	666
At 29 February 2016	**5,820**	**(1,370)**	**4,450**

2015	Deferred tax liabilities £'000	Deferred tax assets £'000	Net £'000
At 1 March 2014	4,754	(705)	4,049
Credited to income statement (note 11)	(71)	(588)	(659)
(Credited) charged directly to equity	(97)	10	(87)
Acquisitions	396	-	396
At 28 February 2015	**4,982**	**(1,283)**	**3,699**

2016	Accelerated tax depreciation £'000	Share based payments £'000	Pensions £'000	Other timing differences £'000	Total £'000
At 1 March 2015	1,864	(252)	601	1,486	3,699
(Credited) charged to income statement	(329)	(182)	56	397	(58)
Acquisitions	71	-	304	291	666
Charged directly to equity	-	-	137	6	143
At 29 February 2016	**1,606**	**(434)**	**1,098**	**2,180**	**4,450**

2015	Accelerated tax depreciation £'000	Share based payments £'000	Pensions £'000	Other timing differences £'000	Total £'000
At 1 March 2014	2,269	(85)	614	1,251	4,049
(Credited) charged to income statement	(451)	(167)	84	(125)	(659)
Acquisitions	46	-	-	350	396
(Credited) charged directly to equity	-	-	(97)	10	(87)
At 29 February 2016	**1,864**	**(252)**	**601**	**1,486**	**3,699**

25. Deferred income tax liabilities (continued)

The Summer Finance Bill 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. Accordingly, deferred tax balances have been revalued at the lower rate of 18% in these financial statements.

26. Deferred income due in greater than one year

	2016 £'000	2015 £'000
Warranty income	6,078	5,806
	6,078	**5,806**

Deferred income relates to used car warranty products sold by the Group. These warranty policies can be taken out over 12, 24 or 36 months with income received in advance of this period being released on a straight-line basis over the life of the policies. There is an additional £4,717,000 included in 'deferred income' in current trade and other payables in respect of such warranties recognising the amount to be released over the next 12 months (2015: £3,865,000).

27. Retirement benefit obligations

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections in which accrual ceased on 31 May 2003. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Bristol Street Pension Scheme.

On 1 October 2015 the Group acquired the entire issued share capital of SHG Holdings Limited and its wholly owned subsidiary South Hereford Group Limited. Until July 2012, South Hereford Group Limited was a participating employer in the Motor Industry Pension Plan ("MIPP"). In July 2012, the assets and liabilities of the South Hereford Group membership of the MIPP scheme were transferred from the MIPP to SHG Pension Scheme. The SHG Pension scheme was closed to new members on 23 July 2003 and closed to future accrual in October 2013. The surplus in the SHG pension scheme was recognised at the acquisition date of 1 October 2015 and movements on the scheme to 29 February 2016 have been included in the consolidated accounts.

At the balance sheet date, the total Group retirement benefit asset was comprised of the following:

	2016 £'000	2015 £'000
Bristol Street Pension Scheme	4,424	3,003
SHG Pension Scheme	1,673	-
	6,097	**3,003**

The Group has applied IAS 19 (Revised) to the schemes and the following disclosures relate to this standard. The Group recognises any actuarial gains and losses in each year in the Statement of Comprehensive Income.

a) Bristol Street Pension Scheme

Regular employer contributions to the scheme (including contributions paid in respect of scheme expenses) for the year commencing 1 March 2016 are estimated to be £380,000.

The last actuarial valuation upon which the IAS 19 (Revised) figures and disclosures have been based was as at 5 April 2012. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

27. Retirement benefit obligations (continued)

a) Bristol Street Pension Scheme (continued)

The fair value of the assets of the scheme and the expected rates of return on each class of asset are:

	Market Value 28 February 2016 £'000	**Market Value 28 February 2015 £'000**
Equities and Diversified growth funds	14,942	15,536
Bonds	109	22,580
Liability driven Investment Funds	22,826	-
Other	126	136
	38,003	**38,252**

The expected return on the assets as at 28 February 2015 was 3.3%. This is equal to the discount rate used in the calculation of the net interest income for the year ended 29 February 2016.

The overall net surplus between the assets of the Bristol Street Group defined benefit scheme and the actuarial liabilities of the scheme which have been recognised on the balance sheet is as follows:

	2016 £'000	**2015 £'000**
Fair value of scheme assets	38,003	38,252
Present value of funded obligations	(33,579)	(35,249)
Asset on the balance sheet	**4,424**	**3,003**

The movements in the fair value of scheme assets in the year are as follows:

	2016 £'000	**2015 £'000**
Opening fair value of scheme assets	38,252	34,419
Interest income	1,260	1,465
Actuarial (losses) / gains	(1,203)	3,181
Employer contributions	919	380
Benefits paid	(1,063)	(1,068)
Expenses recognised in the income statement	(162)	(125)
Closing fair value of scheme assets	**38,003**	**38,252**

The movement in the present value of the defined benefit obligations of the scheme in the year are as follows:

	2016 £'000	**2015 £'000**
Opening fair value of scheme liabilities	35,249	31,350
Interest cost	1,146	1,325
Actuarial (gains) / losses	(1,753)	3,642
Benefits paid	(1,063)	(1,068)
Closing fair value of scheme liabilities	**33,579**	**35,249**

The amounts recognised in the income statement in the year are as follows:

	2016 £'000	**2015 £'000**
Expenses	162	125
Net interest income (note 10)	(114)	(140)
Total expense / (income) included in income statement	**48**	**(15)**

27. Retirement benefit obligations (continued)

a) Bristol Street Pension Scheme (continued)

The actual returns on Scheme assets in the year are as follows:

	2016 £'000	2015 £'000
Expected return on scheme assets	1,260	1,465
Actuarial (losses) / gains	(1,203)	3,181
	57	**4,646**

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	2016	2015
Discount rate	3.55%	3.30%
Limited Price Indexation ("LPI") pension increases	3,10%	3.00%
Inflation rate	2.10%	2.00%

Assumptions regarding future mortality experience are set based on mortality tables which allow for future mortality improvements.

The average life expectancy in years of a pensioner retiring at age 65 at the balance sheet date is as follows:

	2016	2015
Male	22	22
Female	24	24

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows:

	2016	2015
Male	23	24
Female	26	26

Amounts recognised in the Consolidated Statement of Comprehensive Income in the year are as follows:

	2016 £'000	2015 £'000
Actuarial gains / (losses)	550	(461)
Related deferred tax liability (note 25)	(111)	97
Total, included within retained earnings	**439**	**(364)**
Cumulative actuarial losses	**(1,253)**	**(1,803)**

Sensitivity analysis

The table below gives an indication of the impact on the IAS 19 valuation as a result of changes to the principal assumptions:

Change in assumption:	**Approximate impact on current surplus: £'000**
0.25% increase in discount rate	1,206
0.25% decrease in discount rate	(1,206)
0.25% increase in price inflation (and associated assumptions)	1,157
0.25% decrease in price inflation (and associated assumptions)	(1,122)
1 year increase in life expectancy at age 65	(1,005)
1 year decrease in life expectancy at age 65	1,017

27. Retirement benefit obligations (continued)

b) SHG Pension Scheme

No employer contributions are expected to be paid during the year commencing 1 March 2016.

The last actuarial valuation upon which the IAS19 (Revised) figures have been based was at 31 December 2012. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The fair value of the assets of the scheme and the expected rates of return on each class of asset at the date of acquisition by the Group on 1 October 2015, and 29 February 2016 were:

	Market Value 28 February 2016 £'000	Market Value 1 October 2015 £'000
Diversified Growth Fund	7,732	7,621
Bonds	1,843	1,918
Other	18	18
	9,593	**9,557**

The expected return on the assets as at the date of acquisition of 1 October 2015 was 3.8%. This is equal to the discount rate used in the calculation of the net interest income for the year ended 29 February 2016.

The overall net surplus between the assets of the SHG defined benefit scheme and the actuarial liabilities of the scheme which have been recognised on acquisition and in the 29 February 2016 balance sheet is as follows:

	29 February 2016 £'000	1 October 2015 £'000
Fair value of scheme assets	9,593	9,557
Present value of funded obligations	(7,920)	(8,037)
Retirement benefit asset	**1,673**	**1,520**

The movements in the fair value of scheme assets in the period since acquisition are as follows:

	2016 £'000
Fair value of scheme assets at 1 October 2015	9,557
Interest income	148
Actuarial losses	(71)
Benefits paid	(41)
Closing fair value of scheme assets	**9,593**

The movement in the present value of the defined benefit obligations of the scheme in the period since acquisition are as follows:

	2016 £'000
Fair value of scheme liabilities at 1 October 2015	8,037
Interest cost	125
Actuarial gains	(201)
Benefits paid	(41)
Closing fair value of scheme liabilities	**7,920**

The amounts recognised in the income statement in the period since acquisition are as follows:

	2016 £'000
Net interest income (note 10)	23
Total, included in income statement	**23**

27. Retirement benefit obligations (continued)

b) SHG Pension Scheme (continued)

The actual returns on scheme assets in the period since acquisition are as follows:

	2016 £'000
Expected return on scheme assets	148
Actuarial losses	(71)
	77

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	At 29 February 2016	At 1 October 2015
Discount rate	3.80%	3.80%
Limited Price Indexation ("LPI") pension increases	3.10%	3.20%
Inflation rate	2.10%	2.20%

Assumptions regarding future mortality experience are set based on mortality tables which allow for future mortality improvements.

The average life expectancy in years of a pensioner retiring at age 65 at the balance sheet date is as follows:

	At 29 February 2016	At 1 October 2015
Male	22	22
Female	24	25

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows:

	At 29 February 2016	At 1 October 2015
Male	24	24
Female	26	264

Amounts recognised in the Consolidated Statement of Comprehensive Income in the period since acquisition are as follows:

	2016 £'000
Actuarial losses	130
Related deferred tax liability (note 25)	(26)
Total, included within retained earnings	**104**
Cumulative actuarial gains	**104**

	2016 £'000
Defined benefit obligation	(7,920)
Scheme assets	9,593
Surplus	**1,673**
Experience adjustments on liabilities	-
Experience adjustments on assets	(71)

27. Retirement benefit obligations (continued)

b) SHG Pension Scheme (continued)

Sensitivity analysis

The table below gives an indication of the impact on the IAS 19 valuation as a result of changes to the principal assumptions:

Change in assumption:	Approximate impact on current surplus: £'000
0.5% increase in discount rate	871
0.5% decrease in discount rate	(871)
0.5% increase in price inflation (and associated assumptions)	659
0.5% decrease in price inflation (and associated assumptions)	(659)
1 year increase in life expectancy at age 65	(238)

28. Ordinary shares, share premium and other reserves

2016	Ordinary shares of 10p each Number of Shares ('000)	Ordinary shares £'000	Share premium £'000	Other reserve £'000	Total £'000
At 1 March 2015	340,908	34,091	96,810	10,645	141,546
Shares issued during the year	362	36	91	-	127
At 29 February 2016	**341,270**	**34,127**	**96,901**	**10,645**	**141,673**

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

2015	Ordinary shares of 10p each Number of Shares ('000)	Ordinary shares £'000	Share premium £'000	Other reserve £'000	Total £'000
At 1 March 2014	336,783	33,678	96,729	8,820	139,227
Shares issued during the year	371	38	81	-	119
Shares issued as consideration for business acquisitions	3,754	375	-	1,825	2,200
At 28 February 2015	**340,908**	**34,091**	**96,810**	**10,645**	**141,546**

Share Option Schemes

Under the Group's equity-settled share option schemes, share options are granted to Executive Directors and to selected employees. The exercise price of the granted CSOP options is equal to the market price of the shares on the date of the grant; £Nil in the case of options issued under the long term incentive plan ("LTIP") Scheme. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from grant date, subject to the performance criteria set out below. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As disclosed in the Consolidated Income Statement on page 64 a share based payments charge of £911,000 (2015: £645,000) has been recognised during the year, in relation to the schemes as described below.

28. Ordinary shares, share premium and other reserves (continued)

Share Option Schemes (continued)

Movements in the number of share options in issue during the year are as follows:

Award Date	Type	Granted / Outstanding at 29 February 2016 No of shares	Granted / Outstanding at 28 February 2015 No of shares	Exercise Price	Date from which exercisable	Expiry Date
4 May 2007*	CSOP	111,111	111,111	81.00p	4 May 2010	4 May 2017
13 Jun 2007*	CSOP	173,633	173,633	77.75p	13 Jun 2010	13 Jun 2017
1 Aug 2007*	CSOP	591,549	591,549	71.00p	1 Aug 2010	1 Aug 2017
28 Aug 2007*	CSOP	169,231	169,231	65.00p	28 Aug 2010	28 Aug 2017
7 Sep 2007*	CSOP	136,363	181,818	66.00p	7 Sep 2010	7 Sep 2017
4 Jan 2008*	CSOP	115,000	115,000	40.00p	4 Jan 2011	4 Jan 2018
26 Feb 2008*	CSOP	10,000	10,000	43.00p	26 Feb 2011	26 Feb 2018
1 Apr 2008*	CSOP	-	58,000	40.00p	1 Apr 2011	1 Apr 2018
21 May 2008*	CSOP	88,000	96,800	44.00p	21 May 2011	21 May 2018
27 Jun 2008*	CSOP	-	4,400	38.30p	27 Jun 2011	27 Jun 2018
28 Nov 2011*	CSOP	759,230	1,009,230	26.00p	28 Nov 2014	28 Nov 2021
12 Jun 2012*	CSOP	2,400,000	2,400,000	27.50p	30 Aug 2015	12 Jun 2022
24 Oct 2012*	CSOP	2,560,000	2,870,000	39.25p	30 Aug 2015	24 Oct 2022
20 Aug 2013	LTIP	1,461,676	1,461,676	0.00p	20 Aug 2016	20 Aug 2018
30 Oct 2013	CSOP	1,070,000	1,170,000	59.50p	30 Oct 2016	30 Oct 2023
16 May 2014	LTIP	2,404,665	2,404,665	0.00p	16 May 2017	16 May 2024
5 Nov 2014	CSOP	1,410,000	1,650,000	57.50p	5 Nov 2017	5 Nov 2024
13 Nov 2015	CSOP	2,545,000	-	74.50p	16 Nov 2018	16 Nov 2025
16 Jun 2015	LTIP	1,128,205	-	0.00p	16 Jun 2018	16 Jun 2020
		17,133,663	**14,477,113**			

*Vested

Movements in the number of share options outstanding are as follows:

	2016 No of share options	2015 No of share options
At beginning of year	14,477,113	11,349,481
Granted	3,713,205	4,054,665
Forfeited	(430,000)	(470,863)
Exercised – Equity settled	(362,255)	(371,000)
Exercised – Cash settled	(264,400)	(85,170)
At end of year	**17,133,663**	**14,477,113**

During the year ended 29 February 2016, 264,400 exercised share options were settled in cash, representing the repurchase of an equity interest. In accordance with IFRS2 this has resulted in a £96,000 deduction from equity.

The weighted average share price during the year was 65.8p (2015: 58.1p). The weighted average fair value of CSOP options granted during the year, determined using the Black-Scholes model was 11p (2015: 12p) per option.

Significant inputs into the Black-Scholes model for all CSOP option awards above are set out below:

Vesting period	3 years
Expected volatility	20%
Option life	7 years
Expected life	5 years
Annual risk-free interest rate	1%
Dividend yield	2%

28. Ordinary shares, share premium and other reserves (continued)

Share Option Schemes (continued)

The weighted average fair value of LTIP options granted during the year, determined using the Black-Scholes model was 50p per option.

Significant inputs into the Black-Scholes model for the LTIP option awards above are set out below:

Vesting period	3 years
Expected volatility	20%
Option life	2 years
Expected life	5 years
Annual risk-free interest rate	1%
Dividend yield	2%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices since the admission of Vertu Motors plc to AiM. This is then adjusted for events not considered to be reflective of the volatility of the share price going forward.

The performance conditions attaching to any share options issued to Executive Directors, Senior Management or colleagues of the Company are considered and set by the Remuneration Committee. The following share incentive schemes are operated by the Company:

a) Share Incentive Plan ("SIP")

The SIP was introduced in accordance with appropriate legislation and it allows colleagues to invest in partnership shares out of gross salary. A participant may withdraw from the SIP at any time but if he does so before the partnership shares have been held in trust for five years (except in certain specified circumstances such as redundancy or disability) he will incur an income tax liability. The Company currently do not supplement or match the partnership shares acquired by colleagues.

b) Company Share Option Plan ("CSOP") Approved and Unapproved Share Option Schemes

The number of vested options issued prior to 24 October 2012, which remain outstanding are shown in the table on page 100.

The CSOP options issued on 30 October 2013 may only be exercised if the average share price of the Company over at least one continuous period of 30 days between 1 August 2016 and 31 July 2017 is above 70p and then 100% of the options vest. At an average share price of below 70p none of the options are exercisable.

The CSOP options issued on 5 November 2014 may only be exercised if the average share price of the Company over at least one continuous period of 30 days between 1 August 2017 and 31 July 2018 is above 70p and then 100% of the options vest. At an average share price of below 70p none of the options are exercisable.

28. Ordinary shares, share premium and other reserves (continued)

Share Option Schemes (continued)

b) Company Share Option Plan ("CSOP") Approved and Unapproved Share Option Schemes (continued)

The following CSOP share options were issued during the financial year to 29 February 2016, none of these options were issued to the Executive Directors of Vertu Motors plc.

2,585,000 CSOP options were issued on 16 November 2015. These options may only be exercised if the average share price of the Company over at least one continuous period of 30 days between 1 August 2018 and 31 July 2019 is above 90p and then 100% of the options vest. At an average share price of below 90p none of the options are exercisable.

c) Long Term Incentive Plan ("LTIP")

On 20 August 2013 long-term incentive awards of 1,461,676 shares were made to Executive Directors and Senior Managers under the Long Term Incentive Plan ("LTIP") which may vest in August 2016, and a further 2,404,665 were issued on 16 May 2014 which may vest in May 2017. During the year ended 29 February 2016, a further 1,128,205 long-term incentive awards were issued to Executive Directors and Senior Managers. The awards were granted on 16 June 2015 and may vest in June 2018.

Each tranche of awards took the form of £Nil value share options where the vesting is subject to targets based on the achievement of absolute growth in the Company's total shareholder return ('TSR'), and relative growth in TSR against FTSE small cap index (excluding investment trusts). Further detail on the vesting conditions is given in the Directors Remuneration Report on pages 57 and 58 of the Financial Statements.

29. Hedging reserve

The hedging reserve comprises cash flow hedges in relation to interest rate swap derivatives. The movements on the hedging reserve are as follows:

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

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

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

	2016 £'000	2015 £'000
Net increase (decrease) in cash and cash equivalents	24,661	(17,694)
Cash inflow from proceeds of borrowings	(18,288)	-
Cash outflow from repayment of borrowings	4,441	2,000
Cash movement in net cash	**10,814**	**(15,694)**
Borrowings acquired (Note 16(d))	(3,409)	-
Capitalisation of loan arrangement fees	201	48
Amortisation of loan arrangement fees	(128)	(120)
Non-cash movement in net cash	**(3,336)**	**(72)**
Movement in net cash	**7,478**	**(15,766)**
Opening net cash	**15,670**	**31,436**
Closing net cash	**23,148**	**15,670**

31. Cash flow from movement in working capital

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

2016

	Inventories (Note 19) £'000	Current trade and other receivables (Note 21) £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables (Note 23)			(630,912)	
Deferred consideration (Note 16)			(1,900)	
Deferred income (Note 26)			(6,078)	
At 29 February 2016	530,406	63,416	(638,890)	
At 28 February 2015	394,287	53,500	(466,865)	
Balance sheet movement	**(136,119)**	**(9,916)**	**172,025**	
Acquisitions (Note 16 (a)-(f))	16,030	2,739	(11,433)	
Disposals (Note 16 (g))	(164)	(15)	88	
Deferred consideration for acquisitions in the year (Note 16 (d))	-	-	(1,500)	
Movement excluding business combinations	**(120,253)**	**(7,192)**	**159,180**	**31,735**
Pension related balances				(756)
Increase in capital creditors				(447)
Increase in interest accrual				(17)
Movement as shown in Consolidated Cash Flow Statement				**30,515**

31. Cash flow from movement in working capital (continued)

2015

	Inventories £'000	Current trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(459,250)	
Deferred consideration			(1,809)	
Deferred income			(5,806)	
At 28 February 2015	394,287	53,500	(466,865)	
At 28 February 2014	334,452	42,971	(400,006)	
Balance sheet movement	**(59,835)**	**(10,529)**	**66,859**	
Acquisitions	9,036	1,572	(8,101)	
Disposals	(262)	(23)	8	
Deferred consideration for acquisitions in the year	-	-	(509)	
Deferred consideration for disposals in the year	-	50	-	
Movement excluding business combinations	**(51,061)**	**(8,930)**	**58,257**	**(1,734)**
Pension related balances				(255)
Increase in capital creditors				(858)
Increase in interest accrual				(40)
Movement as shown in Consolidated Cash Flow Statement				**(2,887)**

32. Contingencies

Contingent liabilities

Under sections 394A and 479A of the Companies Act 2006, the parent company Vertu Motors plc has guaranteed all outstanding liabilities to which the subsidiaries listed on page 69 were subject at the end of 29 February 2016 until they are satisfied in full. These liabilities total £626,896,000 (2015: £460,639,000), including intercompany loans of £121,974,000 (2015: £97,863,000). Such guarantees are enforceable against Vertu Motors plc by any person to whom any such liability is due.

33. Commitments

a) Capital Commitments

Capital commitments in respect of property, plant and equipment amounting to £6,306,000 were outstanding as at 29 February 2016 (2015: £7,556,000).

33. Commitments (continued)

b) Operating Lease Commitments

The Group leases various motor dealerships and other premises under non-cancellable operating lease agreements. The lease terms are between 2 and 25 years. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases, ignoring property landlord only lease breaks, are as follows:

	2016		2015	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Commitments under non-cancellable operating leases payable:				
No later than 1 year	8,505	2,732	7,605	2,329
Later than 1 year and no later than 5 years	30,388	750	28,019	732
Later than 5 years	42,388	-	42,840	-
	81,281	**3,482**	**78,464**	**3,061**

34. Related party transactions

Key management personnel are defined as the Directors of the Group. The remuneration of the Directors who served during the year ended 29 February 2016 is set out in the Directors' Remuneration Report on pages 56 to 58.

Robert Forrester and Peter Jones sit on the board of Trusted Dealers Limited as unpaid non-Executive Directors. Trusted Dealers Limited operates a used car sales website. In the year ended 29 February 2016, the value of services provided by Trusted Dealers Limited to the Group was £60,000 (2015: £60,000). No outstanding balances were due to Trusted Dealers Limited in respect of these services at 29 February 2016 (2015: £Nil).

Nigel Stead, a Director of the Company also sits on the Board of Prohire plc. The Group sells vehicles and provides aftersales services to Prohire plc on normal commercial terms. In the year ended 29 February 2016, sales of vehicles to Prohire plc totalled £Nil (2015: £992,000). The value of aftersales services invoiced in the same period was £Nil (2015: £1,000). No outstanding balances were due from Prohire plc in respect of these supplies at 29 February 2016 (2015: £Nil).

William Teasdale, a Director of the Company also sits on the Board of Remedios Limited. Remedios Limited provides environmental investigation services to the Group on normal commercial terms. In the year ended 29 February 2016, the value of such services provided was £25,000 (2015: £34,000). £10,000 was unpaid at 29 February 2016 in respect of these services received (2015: £5,000).

During the year to 29 February 2016, Robert Forrester, Michael Sherwin, Peter Jones, Bill Teasdale and Nigel Stead bought and sold vehicles from and to the Group. The value of these transactions for the year ended 29 February 2016 and the year ended 28 February 2015 is presented below. No profit or loss was made in respect of these transactions in the year ended 29 February 2016 or the year ended 28 February 2015. All of these transactions were pursuant to an employee vehicle ownership plan available to Executive Directors and certain Senior Managers. No outstanding balances were due to or from the Group in respect of these transactions at 29 February 2016 (2015: £Nil).

34. Related party transactions (continued)

2016

	Bought from the Group		Sold to the Group	
	Number of vehicles	**Purchase price £'000**	**Number of vehicles**	**Sale price £'000**
Robert Forrester	4	199	4	232
Michael Sherwin	5	289	5	288
Peter Jones	3	277	3	267
Bill Teasdale	1	71	2	142
Nigel Stead	1	71	2	141

2015

	Bought from the Group		Sold to the Group	
	Number of vehicles	**Purchase price £'000**	**Number of vehicles**	**Sale price £'000**
Robert Forrester	4	226	4	222
Michael Sherwin	4	203	3	157
Peter Jones	1	98	-	-

35. Post balance sheet events

On 1 March 2016, the Group refinanced its borrowing facilities, converting the £20,000,000 acquisition facility into a £40,000,000 facility available until September 2017, after which it reverts to £20,000,000 available until March 2019. In addition a further £10,000,000 facility was established which is available until November 2016. The overdraft and money market facilities of £45,000,000 were increased to £58,000,000 at the same time. The interest rates and other terms on these refinanced facilities are all similar to those on the former facilities as set out in note 24.

On 1 March 2016, the Group acquired the entire issued share capital of Sigma Holdings Limited and its subsidiary Greenoaks (Maidenhead) Limited (together "Greenoaks") which operates three Mercedes-Benz outlets in Reading, Ascot and Slough. Consideration for the acquisition was £21,900,000, including initial consideration of approximately £18,400,000 settled from the Group's existing cash resources and the extended borrowing facilities as described above, with a further £3,500,000 deferred over 12 months. In addition, vendor shareholder loans of £9,000,000 were settled in cash on completion.

Details of the estimated fair value of net assets acquired and goodwill arising are as follows:

	Fair Value £'000
Property, plant and equipment	20,800
Inventories	23,300
Trade and other receivables	3,300
Cash and cash equivalents	(2,300)
Trade and other payables	(26,100)
Borrowing	(1,100)
Estimated net assets acquired	**17,900**
Goodwill and other intangible assets	13,000
Consideration	**30,900**
- Deferred consideration	3,500
- Consideration satisfied in cash	18,400
- Repayment of shareholder loans	9,000
Total consideration	**30,900**

35. Post balance sheet events (continued)

On 9 March 2016, the Group announced its intention to raise £35,000,000 (gross) through a placing of 56,000,000 new ordinary shares of the Company of 10p each at a price of 62.5p per share. These shares were admitted to AIM on 1 April 2016 following approval by shareholders at a General Meeting on 31 March 2016.

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

Independent Auditors' Report to the members of Vertu Motors Plc

Report on the parent company financial statements

Our opinion

In our opinion, Vertu Motors plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 29 February 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements included within the Annual Report and Financial Statements (the "Annual Report") comprise:

- the company balance sheet as at 29 February 2016;
- the company cash flow statement for the year then ended;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statement

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the members of Vertu Motors Plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we became aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Vertu Motors plc for the year ended 29 February 2016.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
11 May 2016

Company Balance Sheet

As at 29 February 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	3	3,040	2,415
Investments	4	112,990	98,189
		116,030	**100,604**
Current assets			
Debtors	5	131,070	97,172
Cash at bank and in hand		25,986	30,483
Total current assets		**157,056**	**127,655**
Creditors: amounts falling due within one year	7	**(66,037)**	**(55,217)**
Net current assets		**91,019**	**72,438**
Total assets less current liabilities		**207,049**	**173,042**
Creditors: amounts falling due after more than one year	8	**(21,584)**	**(6,098)**
Net assets		**185,465**	**166,944**
Capital and reserves			
Called up share capital	10	34,127	34,091
Share premium account	10	96,901	96,810
Other reserve	10	10,645	10,645
Hedging reserve	11	-	(17)
Profit and loss account	12	43,792	25,415
Total shareholders' funds		**185,465**	**166,944**

These financial statements, on pages 110 to 123, have been approved for issue by the Board of Directors on 11 May 2016:

Robert Forrester
Chief Executive

Michael Sherwin
Chief Financial Officer

Company Cash Flow Statement

For the year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Operating loss		(45)	(815)
Loss / (profit) on sale of tangible fixed assets		2	(6)
Depreciation of tangible fixed assets	3	1,261	1,071
Impairment of preference shares receivable		-	192
Movement in working capital	16	(13,034)	(9,227)
Share based payments charge		781	617
Cash absorbed by operations		**(11,035)**	**(8,168)**
Tax received		4	182
Tax paid		(7,704)	(4,654)
Finance income received		3,173	2,550
Finance costs paid		(821)	(923)
Net cash absorbed by operating activities		**(16,383)**	**(11,013)**
Cash flows from investing activities			
Purchase of subsidiary		(12,931)	(7,484)
Purchases of tangible fixed assets		(1,890)	(1,185)
Proceeds from disposal of tangible fixed assets		3	11
Dividends received from subsidiary undertakings		20,000	15,000
Net cash inflow from investing activities		**5,182**	**6,342**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		127	119
Proceeds from borrowings	15	14,000	-
Repayment of borrowings	15	(3,500)	(2,000)
Dividends paid to equity holders		(3,923)	(2,895)
Net cash inflow / (outflow) from financing activities		**6,704**	**(4,776)**
Net decrease in cash and cash equivalents		**(4,497)**	**(9,447)**
Cash and cash equivalents at beginning of year		30,483	39,930
Cash and cash equivalents at end of year		**25,986**	**30,483**

Company Statement of Changes in Equity

For the year ended 29 February 2016

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total Equity £'000
As at 1 March 2015	**34,091**	**96,810**	**10,645**	**(17)**	**25,415**	**166,944**
Profit for the year	-	-	-	-	21,519	21,519
Tax on items taken directly to equity	-	-	-	(6)	-	(6)
Fair value gains	-	-	-	23	-	23
Total comprehensive income for the year	-	-	-	17	21,519	21,536
New ordinary shares issued	36	91	-	-	-	127
Dividend paid	-	-	-	-	(3,923)	(3,923)
Share based payments charge	-	-	-	-	781	781
As at 29 February 2016	**34,127**	**96,901**	**10,645**	**-**	**43,792**	**185,465**

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

For the year ended 28 February 2015

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total Equity £'000
As at 1 March 2014	**33,678**	**96,729**	**8,820**	**(56)**	**12,053**	**151,224**
Profit for the year	-	-	-	-	15,640	15,640
Tax on items taken directly to equity	-	-	-	(10)	-	(10)
Fair value gains	-	-	-	49	-	49
Total comprehensive income for the year	-	-	-	39	15,640	15,679
New ordinary shares issued	413	81	1,825	-	-	2,319
Dividend paid	-	-	-	-	(2,895)	(2,895)
Share based payments charge	-	-	-	-	617	617
As at 28 February 2015	**34,091**	**96,810**	**10,645**	**(17)**	**25,415**	**166,944**

Notes to the Company Financial Statements

For the year ended 29 February 2016

1. Accounting Policies

Following the publication of FRS 100, 'Application of financial reporting requirements', by the financial Reporting Council, Vertu Motors plc is required to change its accounting framework for its separate financial statements for the year ended 29 February 2016. These financial statements continue to be prepared in accordance with United Kingdom Accounting Standards and applicable law ('United Kingdom Generally Accepted Accounting Practice') and the Board considers that this is in the best interests of the Group for Vertu Motors plc to adopt FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' in its separate financial statements.

For the year ending 28 February 2017, the Board proposes to take the following exemptions in paragraph 1.12 of FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', which are as follows:

- A cash flow statement and related notes,
- A reconciliation of the number of shares outstanding at the beginning and end of the period,
- Certain disclosures in relation to financial instruments,
- Certain disclosures in relation to share based payments; and
- Disclosure of key management personnel compensation in total.

A shareholder or shareholders holding in aggregate 5% or more of the totel allotted shares in Vertu Motors plc can serve objections to the use of disclosure exemptions in the Vertu Motors plc separate financial statements, in writing, to its registered offer (Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, NE11 0XA) not later than 31 August 2016.

Statement of compliance

The separate financial statements of Vertu Motors plc, the parent undertaking, have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of derivative financial instruments to fair value.

The principal accounting policies, which have been consistently applied throughout the year, are set out below.

No profit and loss account is presented by the Company, as permitted under section 408 of the Companies Act 2006. The profit of the Company for the year ended 29 February 2016 was £21,519,000 (2015: £15,640,000).

The consolidated financial statements include the results of all subsidiaries wholly owned by Vertu Motors plc as listed on page 117 and 118 of these financial statements. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 29 February 2016 by virtue of s479A of Companies Act 2006. Certain other subsidiaries, which are also listed below, have taken the exemption from preparing individual accounts for the year ended 29 February 2016 by virtue of s394A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption or exemption from the preparation of individual accounts (as appropriate), the Company has given a statutory guarantee of all the outstanding liabilities as at 29 February 2016 of the subsidiaries listed below, further detail of which is provided in note 32 to the consolidated financial statements on page 104.

Notes to the Company Financial Statements (continued)

1. Accounting Policies (continued)

Basis of preparation (continued)

The subsidiaries which have taken an exemption from an audit for the year ended 29 February 2016 by virtue of s479A Companies Act 2006 are:

Bristol Street First Investments Limited	Macklin Property Limited
Bristol Street Fourth Investments Limited	Tyne Tees Finance Limited
Vertu Motors (Knaresborough) Limited	Grantham Motor Company Limited
Hillendale LR Limited	Vertu Motors (Property) Limited
Hillendale Group Limited	Albert Farnell Limited
The Taxi Centre Limited	Easy Vehicle Finance Limited

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 29 February 2016 by virtue of s394A of Companies Act 2006 are:

Blake Holdings Limited	National Allparts Limited
Bristol Street (No.1) Limited	Peter Blake (Chatsworth) Limited
Bristol Street (No.2) Limited	Peter Blake (Clumber) Limited
Bristol Street Fifth Investments Limited	Peter Blake Limited
Bristol Street Fleet Services Limited	Typocar Limited
Bristol Street Group Limited	Vertu Fleet Limited
Bristol Street Limited	Vertu Motors (Finance) Limited
BSH Pension Trustee Limited	Vertu Motors (Retail) Limited
Merifield Properties Limited	Boydslaw 103 Limited
Motor Nation Car Hypermarkets Limited	Vertu Motors (Pity Me) Limited
Dunfermline Autocentre Limited	Widnes Car Centre Limited
Widnes Car Centre (1994) Limited	Vertu Motors (Durham) Limited
Compare Click Call Limited	Dobies (Carlisle) Limited
K C Motability Solutions Limited	Vertu Motors (AMC) Limited
Bristol Street Commercials (Italia) Limited	Brookside (1998) Limited
Newbolds Garage (Mansfield) Limited	Nottingham TPS LLP

The auditors' remuneration for audit and other services was £25,000 (2015: £25,000).

A cash flow statement for the Company has been presented within these financial statements. In future periods, the Company intends to take advantage of the exemption from preparing a cash flow statement on the basis that it is a qualifying entity and the consolidated cash flow statement included in the Vertu Motors plc financial statements includes the Company's cash flows.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less their estimated residual values, on a straight-line basis over their estimated useful lives as follows:

Computer equipment	16.6% - 50%
Office equipment	25%

Investments

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

1. Accounting Policies (continued)

Deferred taxation (continued)

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income

Deferred income is in relation to vehicle warranty product income. The Group sells used vehicle warranty policies which are in house products that can be taken out over 12, 24 or 36 months with income received on inception of the policy. The policy covers replacement of mechanical and electrical parts which have suffered a mechanical breakdown, the cost of labour to fit failed parts and breakdown assistance for the period of the warranty.

When the income is received it is recognised initially as deferred income and is released to the income statement on a straight-line basis over the life of each warranty policy.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In practice this means that revenue is recognised when a service has been undertaken.

Share based payments

The Company allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The Company operates a number of equity-settled, share-based compensation plans. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Impairment of fixed asset investments

The Company tests annually, or whenever events or changes in circumstances occur, to determine whether the fixed asset investments held have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Notes to the Company Financial Statements (continued)

2. Critical accounting estimates and judgements (continued)

Share based payments

Share options issued to certain employees are measured at fair value at the grant date using a fair value model, and are expensed on a straight-line basis over the vesting period based on an estimate of the number of options which will vest. The key assumptions of this model are disclosed in note 28 of the Vertu Motors plc consolidated financial statements.

3. Tangible assets

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 March 2015	6,571	412	6,983
Additions	1,632	206	1,838
Disposals	(72)	-	(72)
Intercompany transfers	96	(5)	91
At 29 February 2016	**8,227**	**613**	**8,840**
Accumulated Depreciation			
At 1 March 2015	4,267	301	4,568
Depreciation charge	1,175	86	1,261
Disposals	(68)	-	(68)
Intercompany transfers	41	(2)	39
At 29 February 2016	**5,415**	**385**	**5,800**
Net Book Value			
At 29 February 2016	**2,812**	**228**	**3,040**
At 28 February 2015	**2,304**	**111**	**2,415**

4. Fixed asset investments

	2016 £'000
Cost	
At 1 March 2015	100,589
Additions	14,801
At 29 February 2016	115,390
Accumulated impairment charges	
At 1 March 2015	2,400
Charge for the year	-
At 29 February 2016	2,400
Net Book Value	
At 29 February 2016	**112,990**
At 28 February 2015	**98,189**

4. Fixed asset investments (continued)

Vertu Motors plc, the Company, as at 29 February 2016 and 28 February 2015, invested in 100% of the ordinary share capital of the following subsidiary undertakings, incorporated in the United Kingdom:

Company	Principal activity
Bristol Street First Investments Limited	Motor retailer
Bristol Street Fourth Investments Limited	Motor retailer
Vertu Motors (VMC) Limited	Motor retailer
Grantham Motor Company Limited	Motor retailer
Vertu Motors (Chingford) Limited	Motor retailer
Albert Farnell Limited	Motor retailer
Tyne Tees Finance Limited *	Motor retailer
Vertu Motors Third Limited	Online advertising
Macklin Property Limited	Property company
Vertu Motors (Property) Limited	Property company
Vertu Motors (Knaresborough) Limited	Property company
BSH Pension Trustee Limited *	Pension scheme trustee
Vertu Motors (Finance) Limited	Finance company
Boydslaw 103 Limited *	Holding company (dormant subsidiaries)
Vertu Motors (Durham) Limited *	Holding company (dormant subsidiaries)
Bristol Street Fifth Investments Limited *	Holding company (dormant subsidiaries)
Blake Holdings Limited *	Holding company (dormant subsidiaries)
Bristol Street Group Limited *	Holding company
Widnes Car Centre (1994) Limited *	Holding company (dormant subsidiaries)
Vertu Motors (Pity Me) Limited *	Dormant company
Bristol Street Commercials (Italia) Limited	Dormant company
Vertu Fleet Limited	Dormant company
Vertu Motors (Retail) Limited	Dormant company
Bristol Street Fleet Services Limited *	Dormant company
Vertu Motors (AMC) Limited	Dormant company
Motor Nation Car Hypermarkets Limited	Dormant company
Bristol Street Limited *	Dormant company
Bristol Street (No. 1) Limited *	Dormant company
Bristol Street (No. 2) Limited *	Dormant company
National Allparts Limited *	Dormant company
Merifield Properties Limited *	Dormant company
Peter Blake Limited *	Dormant company
Peter Blake (Chatsworth) Limited *	Dormant company
Peter Blake (Clumber) Limited *	Dormant company
Dunfermline Autocentre Limited *	Dormant company
Typocar Limited	Dormant company
Widnes Car Centre Limited *	Dormant company
KC Mobility Solutions Limited *	Dormant company
Compare Click Call Limited	Dormant company
Dobies (Carlisle) Limited *	Dormant company
Newbolds Garages (Mansfield) Limited *	Dormant company
Brookside (1998) Limited *	Dormant company
Nottingham TPS LLP *	Dormant company
Hillendale Group Limited	Dormant company
Hillendale LR Limited *	Dormant company
The Taxi Centre Limited *	Dormant company
Easy Vehicle Finance Limited *	Dormant company
Alpha Banbury *	Dormant company
Alpha Birmingham *	Dormant company
Alpha Bromley *	Dormant company
Alpha Cheltenham*	Dormant company
Alpha Huddersfield *	Dormant company
Alpha Ilford *	Dormant company
Alpha Leeds *	Dormant company

4. Fixed asset investments (continued)

Alpha Newcastle *	Dormant company
Alpha Nottingham *	Dormant company
Alpha Parts *	Dormant company
Alpha Poole *	Dormant company
Alpha Romford *	Dormant company
Alpha Ruislip *	Dormant company
Alpha Sherwood *	Dormant company
Alpha Shirley *	Dormant company
Alpha Southampton *	Dormant company
Alpha Stamford *	Dormant company
Alpha Stourbridge *	Dormant company
Alpha Sunderland *	Dormant company
Alpha Worcester *	Dormant company
Dispose Seton (No 2) *	Dormant company
Jessups Motor Group *	Dormant company
Alpha Bournemouth Limited *	Dormant company
Alpha Cramlington Limited *	Dormant company
Alpha Jessups Limited *	Dormant company
Alpha Stamford Hill Limited *	Dormant company
Alpha Stanley Limited *	Dormant company
Fleet Datascan Limited *	Dormant company
Milehire Limited *	Dormant company
Motor Parks Limited *	Dormant company
Seton House Manchester Limited *	Dormant company

Furthermore, the following subsidiary undertakings (ordinary shares 100% owned and incorporated within United Kingdom), were acquired in the year ended 29 February 2016:

Company	**Principal activity**
Blacks Autos Limited *	Motor retailer **
Who's Ace Holdings Limited	Holding company
All Car Parts Limited *	Online parts retailer
SHG Holdings Limited	Holding company
South Hereford Garages Limited *	Motor retailer
South Hereford Garages Trade Parts LLP	Parts retailer

* Held indirectly by the Company.

** On 5 June 2015 the trade and assets of this subsidiary were transferred to another wholly owned subsidiary of the Group, thereafter this subsidiary ceased to trade.

And the following subsidiary undertaking (ordinary shares 100% owned and incorporated within United Kingdom) was incorporated during the year ended 29 February 2016:

Company	**Principal activity**
Vertu Motors (Property 2) Limited	Property company

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

5. Debtors

	2016 **£'000**	**2015** **£'000**
Trade debtors	2,167	1,254
Amounts owed by Group undertakings	122,817	87,384
Deferred tax asset (note 6)	815	794
Value Added Tax	1,768	1,519
Prepayments and accrued income	3,503	3,221
Loans to Group undertakings	-	3,000
	131,070	**97,172**

Amounts owed by Group undertakings are unsecured, bear no interest and have no fixed repayment date.

6. Deferred tax asset

	2016 £'000	2015 £'000
At beginning of year	794	462
Credited to the profit and loss account	27	342
Charged directly to equity	(6)	(10)
At end of year	**815**	**794**

The amounts recognised for deferred tax assets, calculated under the liability method at 18% (2015: 20%) are set out below:

	2016 £'000	2015 £'000
Depreciation in excess of capital allowances	293	274
Other short term timing differences	522	520
Total	**815**	**794**

During the year ending 28 February 2017, the reversal of deferred tax assets is expected to increase the corporation tax charge for the year by £99,000. This is primarily due to the reversal of timing differences in relation to depreciation in excess of capital allowances.

7. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank borrowings (note 8)	-	3,423
Trade creditors	6,744	4,234
Other creditors	25,500	19,500
Corporation tax	2,644	2,808
Deferred consideration	241	1,808
Other taxation and social security	3,674	3,217
Accruals	22,517	16,337
Deferred income	4,717	3,865
Derivative financial instruments	-	25
	66,037	**55,217**

Other creditors comprise non-interest bearing advance payments from the Group's finance company partners.

Accruals includes £9,216,000 (2015: £6,844,000) in respect of outstanding service plans.

8. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank borrowings	13,845	-
Deferred consideration	1,659	292
Deferred income (note 9)	6,080	5,806
	21,584	**6,098**

Borrowings are repayable as follows:	2016 £'000	2015 £'000
Under 1 year	-	3,423
1-2 years	-	-
2-5 years	13,845	-
	13,845	**3,423**

8. Creditors: amounts falling due after more than one year (continued)

The bank borrowings are secured on the assets of the Company and the Group. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within one year £'000	Within two to five years £'000	Total £'000
Bank borrowings	-	13,845	13,845
Trade and other creditors	66,037	7,739	73,776
At 29 February 2016	**66,037**	**21,584**	**87,621**

	Within one year £'000	Within two to five years £'000	Total £'000
Bank borrowings	3,423	-	3,423
Trade and other creditors	51,794	6,098	57,892
At 28 February 2015	**55,217**	**6,098**	**61,315**

9. Deferred income

Deferred income due in greater than one year comprises:

	2016 £'000	2015 £'000
Warranty income	6,080	5,806
	6,080	**5,806**

Deferred income relates to used car warranty products sold by the Group. These warranty policies can be taken out over 12, 24 or 36 months with income received in advance of this period being released on a straight-line basis over the life of the policies. There is an additional £4,717,000 included in 'Deferred income' in creditors: amounts falling due within one year, in respect of such warranties recognising the amount to be released over the next 12 months (2015: £3,865,000).

10. Called up share capital, share premium account and other reserves

2016	Ordinary shares of 10p each Number of Shares ('000)	Called up Share capital £'000	Share premium account account £'000	Other Reserve £'000	Total £'000
At 1 March 2015	340,908	34,091	96,810	10,645	141,546
Shares issued during the year	362	36	91	-	127
At 29 February 2016	**341,270**	**34,127**	**96,901**	**10,645**	**141,673**

All issued shares are fully paid-up.

10. Called up share capital, share premium account and other reserves (continued)

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

2015	Ordinary shares of 10p each Number of Shares ('000)	Called up Share capital £'000	Share premium account account £'000	Other Reserve £'000	Total £'000
At 1 March 2014	336,783	33,678	96,729	8,820	139,227
Shares issued during the year	4,125	413	81	1,825	2,319
At 28 February 2015	**340,908**	**34,091**	**96,810**	**10,645**	**141,546**

11. Hedging reserve

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

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

12. Profit and loss account

	2016 £'000	2015 £'000
As at beginning of year	25,415	12,053
Profit for the financial year	21,519	15,640
Dividend paid	(3,923)	(2,895)
Share based payments charge	781	617
As at end of year	**43,792**	**25,415**

13. Dividends per share

The dividends paid in the year to 29 February 2016 were 1.15p per share in total (2015: 0.85p). A final dividend in respect of the year ended 29 February 2016 of 0.85p per share, is to be proposed at the annual general meeting on 20 July 2016. The ex dividend date will be 23 June 2016 and the associated record date 24 June 2016. This dividend will be paid on 26 July 2016 and these financial statements do not reflect this final dividend payable.

14. Share based payments

For details of share based payment awards and fair values, see note 28 to the consolidated financial statements. The Company accounts include a share based payments charge for the year of £911,000 (2015: £645,000).

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

	2016 £'000	2015 £'000
Net decrease in cash and cash equivalents	(4,497)	(9,447)
Cash inflow from proceeds of borrowings	(14,000)	-
Cash outflow from repayment of borrowings	3,500	2,000
Cash movement in net cash	**(14,997)**	**(7,447)**
Capitalisation of loan arrangement fees	206	43
Amortisation of loan arrangement fees	(128)	(120)
Non-cash movement in net cash	**78**	**(77)**
Movement in net cash	**(14,919)**	**(7,524)**
Opening net cash	**27,060**	**34,584**
Closing net cash	**12,141**	**27,060**

16. Cash flow from movement in working capital

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

2016

	Debtors £'000	Creditors £'000	Movement as shown in Cash Flow Statement £'000
At 29 February 2016	131,070	(87,621)	
At 28 February 2015	97,172	(61,315)	
Balance sheet movement	**(33,898)**	**26,306**	
Movement in borrowings	-	(10,422)	
Movement in tax related balances	-	(185)	
Tax paid on behalf of other Group companies	-	6,665	
Deferred consideration for acquisitions in the year	-	(1,500)	
	(33,898)	**20,864**	**(13,034)**

2015

	Debtors £'000	Creditors £'000	Movement as shown in Cash Flow Statement £'000
At 28 February 2015	97,172	(61,315)	
At 28 February 2014	76,780	(55,896)	
Balance sheet movement	**(20,392)**	**5,419**	
Movement in borrowings	-	1,923	
Movement in tax related balances	-	(534)	
Tax paid on behalf of other Group companies	-	4,865	
Deferred consideration for acquisitions in the year	292	(800)	
	(20,100)	**10,873**	**(9,227)**

Notes to the Company Financial Statements (continued)

17. Contingencies

See note 32 to the consolidated financial statements for details of contingent liabilities as at the balance sheet date.

18. Directors' Remuneration

The remuneration of the Directors who served during the year from 1 March 2015 to 29 February 2016 is set out within the Directors' Remuneration Report on pages 56 and 58.

19. Commitments

The Company leases vehicles under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases is set out below:

Commitments under non-cancellable operating leases expiring:	**2016 Vehicles £'000**	**2015 Vehicles £'000**
No later than 1 year	326	310
Later than 1 year and no later than 2 years	116	108
	442	**418**

20. Transition to FRS102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under UK GAAP were for the year ended 28 February 2015. The date of transition to FRS 102 was 1 March 2014. There were no material differences between the accounting policies under UK GAAP as previously reported and FRS 102.

21. Related party transactions

The Company has related party relationships with its subsidiaries and with key management personnel.

Transactions with the Directors of the Company are disclosed in note 34 of the consolidated financial statements.

During the financial year ended 29 February 2016, the Company made cash contributions of £380,000 into the Bristol Street Pension Scheme (2015: £380,000). Under the terms of the recovery plan as agreed between the Company and the Trustees, these contributions will continue until 31 March 2018.

22. Post balance sheet events

On 1 March 2016 the Group refinanced its borrowing facilities, converting the £20,000,000 acquisition facility into a £40,000,000 facility available until September 2017, after which it reverts to £20,000,000 available until March 2019. In addition a further £10,000,000 facility was established which is available until November 2016. The overdraft and money market facilities of £45,000,000 were increased to £58,000,000 at the same time. The interest rates and other terms on these refinanced facilities are all similar to those on the former facilities as set out in note 24 of the consolidated financial statement.

On 1 March 2016 the Company acquired the entire issued share capital of Sigma Holdings Limited and its subsidiary Greenoaks (Maidenhead) Limited (together "Greenoaks") for consideration of £21,900,000. This included initial consideration of approximately £18,400,000 settled from the Company's existing cash resources and extended borrowing facilities as described above, with a further £3,500,000 deferred over 12 months. In addition, vendor shareholder loans of £9,000,000 were settled in cash on completion. Greenoaks operates three Mercedes-Benz outlets in Reading, Ascot and Slough.

On 9 March 2016 the Company announced its intention to raise £35,000,000 through a placing of 56,000,000 new ordinary shares of the Company of 10p each at a price of 62.5p per share. These shares were admitted to AIM on 1 April 2016 following approval by shareholders at a General Meeting on 31 March 2016.

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