Vertu Motors plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 28 February 2022

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Financial Diary

Annual General Meeting	22 June 2022
Interim Results 2022/23	October 2022
Final Results 2022/23	May 2023

Performance Highlights

Operational Highlights

- Record trading results delivered with Adjusted[1] profit before tax of £80.7m (FY21: £24.6m, FY20: £23.0m), on revenues of £3.6bn
- Vehicle sales volumes ahead of market trends in all areas on a like-for-like basis compared to FY20 (year ended 29 February 2020)
- Increased gross margin of 12.0% (FY21: 11.8%, FY20: 10.9%) reflects supply constraints and strong pricing disciplines
- Acquisitions successfully integrated and performing well
- Free Cash Flow of £44.2m in the year and Net cash[2] of £16.2m as at 28 February 2022 (FY21 Net debt: £4.5m)
- Underlying corporate Tax charge of £16.1m (FY21: £5.2m)
- Net tangible assets per share of 66.8p (FY21: 50.2p) reflecting strong asset base, net cash position and cashflow generation
- 11.6m shares repurchased at a value of £7.1m since 20 August 2021, buyback programme continues
- Final Dividend of 1.05p per share recommended, payable in July

Outlook Highlights

- Strong trading performance delivered in key months of March and April with trading profit of £19.1m (FY22: £19.2m)
- Management focus on operational excellence around costs, conversion and customer experience
- New and used vehicle supply constraints continue and cost pressures are evident
- Consumer confidence in the face of rising domestic costs is a critical determinant to continuing success in terms of demand
- Visible growth pipeline including expansion with the Toyota brand in the West of Scotland and further multi-franchising opportunities

Financial Summary

Years ended 28 February	**2022**	**2021**	**2020**
Revenue	£3,615.1m	£2,547.7m	£3,064.5m
Adjusted[1] profit before tax	£80.7m	£24.6m	£23.0m
Basic Adjusted[1] EPS	17.92p	5.27p	4.99p
Dividends per share	1.70p	-	0.60p
Net Cash / (Debt)[2]	£16.2m	(£4.5m)	(£28.4m)

[1] Adjusted to remove share-based payments charge, amortisation of intangible assets and impairment charges
[2] Excludes lease liabilities, includes used vehicle stocking loans

At a Glance

160 sales outlets

31 car, bike and commercial franchise partners

121 locations across the UK

6,184 colleagues

196,877

vehicles sold

£3.6bn revenue

86.5% Used Car Customer Experience (Net Promoter Score)

88% of Colleagues consider Group as a great place to work

Bristol Street Motors

Macklin Motors

Vertu Motors

Car

Commercial

Bikes

Group Stakeholders

Engaging with Stakeholders - section 172 statement

Positive relationships with the Group's stakeholders are key to the long-term success of the Group.

The Group engages with them to understand what matters to them and take this into account when setting strategy and also in our day-to-day business operations. Our key stakeholder groups are identified below. We have set out on these pages how the business engages with these stakeholders, the key interests raised and the outcomes of that engagement.

Colleagues

How we engage:

Engagement with our colleagues takes place through face-to-face meetings including colleague forums, regular appraisals, team meetings, full team briefings and through a number of channels including our intranet, employee newsletters and regular blogs from the CEO. A comprehensive annual colleague satisfaction survey is undertaken to gain feedback, alongside a quarterly pulse survey. Outstanding performance is recognised through personal letters from the CEO and annual colleague awards.

Key interests raised:

- Pay and benefits
- Communication
- Wellbeing
- Training and development
- Colleague recognition
- Business performance
- Community involvement and fundraising

Outcomes of engagement:

- Ensuring the safety and wellbeing of all colleagues
- Pay and reward review conducted and enhanced benefits delivered to colleagues
- Regular video communication to all colleagues
- Colleague meetings with the director for colleague engagement (P Best)
- Local and divisional colleague satisfaction action plans

Customers

How we engage:

Customer satisfaction surveys are regularly undertaken through both the Group's Manufacturer partners and via Trust pilot reviews. The Group has a dedicated customer services team. We also communicate via social media and regular blogs. The Group engaged Mediacom to provide feedback from customers in FY22.

Key interests raised:

- Service delivery
- Ability to self-serve online
- Product knowledge including electric vehicles and alternative fuels
- Access to local service
- Value for money
- Community involvement

Outcomes of engagement:

- Website and email communications to customers on the Group's database
- Improved sales process giving customers more control over their purchase including the introduction of a concierge service
- 14-day money back guarantee established

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)

Investors

How we engage:

The Executive Directors meet regularly (in person or via conference call) with existing and potential investors. We also provide webcasts and events throughout the year.

Key interests raised:

- Financial performance
- Capital allocation
- Execution of strategy
- Competition
- Sustainability & ESG

Outcomes of engagement:

- Meetings held throughout the year
- Analyst meeting on Group Ancillary businesses
- Dividend resumed in FY22 and a share buy-back programme continues
- Webcast for retail investors FY22 first half results held

Manufacturer Partners

How we engage:

Group management is organised along franchise lines to ensure sufficient knowledge and aid communication. Regular meetings occur with Manufacturer management. The Group is represented on the dealer franchise boards.

Key interests raised:

- Customer satisfaction
- Financial performance
- Volume of vehicles sold
- Quality of premises and compliance with standards
- Portfolio management and representation

Outcomes of engagement:

- Execution of franchise developments including multi-franchising
- Expansion of the Group
- Consultation on potential move to an agency distribution model with certain manufacturer partners
- Agreement of volume targets
- Investment in premises

Suppliers

How we engage:

We look to secure excellent value for money, whilst minimising risk in our supply chain. Our purchasing team hosts events and ensures a positive two-way communication process with Group suppliers. Key suppliers sponsor and attend the Group's annual colleague awards ceremony.

Key interests raised:

- Group strategy
- Collaborative working
- Integration of systems

Outcomes of engagement:

- Supplier event held to communicate strategy
- Cost reductions through contract revisions

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)

Finance Providers

How we engage:

Access to finance is essential for the Group to execute its strategy as well as providing customers with the ability to finance vehicle purchases. We work together with our financial partners to ensure our customers have access to finance to purchase their vehicles.

Key interests raised:

- Customer satisfaction
- Acquisition financing
- Financial performance
- Compliance with regulations
- Behaviour of the credit book
- Finance penetration achieved

Outcomes of engagement:

- Renewal of annual facilities
- Continued review of retail finance arrangements in response to changes in base rates

Communities

How we engage:

We are proud to give something back to the communities local to our dealerships. We provide regular community updates via social media, participate in volunteering and fundraising initiatives, sponsor local sports teams and participate in a scheme to connect schools with inspiring and influential people.

Key interests raised:

- Funding of local projects
- Local sponsorship
- Local operational issues
- Education and employment

Outcomes of engagement:

- Engagement with schools
- Investment in apprenticeship programme to provide youth employment opportunities
- Sponsorship and naming of Newcastle Eagles Arena providing funding to Eagles Foundation engaged in community work
- 'Driving Sustainability' programme

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)

Government and Regulators

How we engage:

The Group maintains regular contact with Government and regulatory stakeholders and is a member of expert working groups, such as the National Franchised Dealers Association (‘NFDA’)

Key interests raised:

- Marketing and Communication
- Health and Safety
- MOT compliance
- Compliance with laws and regulations
- Fair treatment of customers

Outcomes of engagement:

- Donations to other community initiatives
- Input to and member of industry working groups
- Responded to FRC enquiries on their review of the FY21 Report and Accounts, assisting in closing their enquiries

During the year, the Directors have acted to promote the success of the Company for the benefit of shareholders while having regard to the following matters:

- Likely long-term consequences
- Interests of the Group’s colleagues
- Business relationships with suppliers and customers
- Impact on the community and environment
- Reputation for high standards of business conduct
- Acting fairly between shareholders

Chairman's Statement

The Group executed exceptionally well during the year ended 28 February 2022, delivering a record Adjusted[1] profit before tax of £80.7m (FY21: £24.6m). There were significant highlights in the Year:

- Delivery of enhancements to the in-house developed technological capabilities, augmenting the Group's omnichannel sales process (the Click2Drive tech platform), supported by our growing nationwide dealership network from Scotland to Exeter and Kent.
- Successful growth achieved, with all acquired businesses fully integrated into Group systems and processes and delivering higher levels of profitability than anticipated.
- Strong people focus, with the delivery of enhanced benefits to colleagues, enrichment of training opportunities and improved engagement through colleague forums. This has resulted in an increase in the number of colleagues who consider the Group a great place to work.
- Continued brand focus, with Bristol Street Motors now the top automotive retail brand (including disrupters) in England and Wales. Improvements in awareness of the Vertu Motors and Macklin Motors brands also delivered.
- Application of stringent capital allocation disciplines. Acquisitions are only undertaken if they meet required return levels. Dividends were re-established and over 9.7m shares bought back in the Year, with the buyback programme continuing.

I am very proud to see how every colleague has contributed to the success of the Group and I would like to thank them for this. The commitment that they have shown over the past year has been exemplary.

As we enter the new financial year, the economic, social and health effects of the pandemic are ongoing, and we are mindful of macroeconomic and geopolitical risks. The Group's excellent financial position, continued investment in its colleagues and systems and its established track record of execution gives confidence that we will continue to deliver on our strategic objectives.

Andrew Goss
Chairman

[1] Adjusted to remove share-based payments charge, amortisation of intangible assets and impairment charges

Group Strategy

Mission & Values

The aim for every dealership to be the best retailer in their respective town or city	**To deliver an outstanding customer motoring experience through honesty and trust**	Vertu Motors to be the most admired and respected dealer group in the automotive industry

PASSION | RESPECT | PROFESSIONALISM | INTEGRITY | RECOGNITION
OPPORTUNITY | COMMITMENT

Strategic Goals

Growth

To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise returns

Digitalisation

Digitalisation - cohesive “bricks and clicks” strategy

- Omni-channel development leveraging ‘Click2Drive’ technology and sub-brand
- Digitalise aftersales process
- Reduce cost base and deliver efficiency through use of systems
- Utilise data driven decision making to deliver enhanced returns

Colleague & Customer focus

To develop and motivate the Group’s colleagues to ensure consistency of operational excellence and delivery to customers across the business

Ancillary businesses

To develop ancillary businesses to add revenue and returns which complement the core business

Sustainability Goals

Work with our Manufacturer partners to provide increasingly sustainable choices for customers	Reduce the environmental Impact of our business	Care for our colleagues and support our communities

Group Strategy (continued)

Execution of Strategy

The Group's key long-term strategic goal remains: To deliver growing, sustainable cashflows from operational excellence in the franchise automotive retail sector. The strategic objectives of the Group were updated following a Board review during the Year and are summarised below:

- To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy:
    - Optimise our omnichannel retail offering through leveraging the 'Click2Drive' technology and utilising this important sub-brand to promote its usage
    - Digitalise aftersales processes to improve customer service
    - Reduce the cost base of the Group by delivering efficiency using technology
    - Utilise data driven decision making to generate enhanced returns
- To develop and motivate the Group's colleagues to ensure operational excellence is delivered constantly across the business.
- To develop ancillary businesses to add revenue and returns that complement the core business.

An update on progress in executing these strategies is set out below:

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on opportunities:

- *Financial capacity*

  The Group's balance sheet strength is underpinned by a significant freehold and long leasehold property portfolio and a largely unencumbered inventory of used cars. This strong asset base, together with a net cash position on 28 February 2022 means there remains significant firepower available to facilitate the Group's future growth ambitions. This is estimated at around £90m. The Group will apply its very disciplined approach to acquisitive growth to ensure that only the right opportunities to drive long term success and shareholder value are executed.

- *Management capacity*

  The Group has a stable and experienced senior management team, with an established track record of execution and performance delivery. This team has very much an "owner" mentality and sets the "tone from the top" to ensure that the business's culture is appropriate and consistent across all its operations. This ensures the delivery of the Group's Mission Statement ("To deliver an outstanding customer motoring experience through honesty and trust") through application of the Group's Values ("Professionalism, Passion, Recognition, Integrity, Respect, Opportunity and Commitment"). These matters are not considered just words but are vital to the Group's success and this is evidenced by strong awareness of the Values by colleagues.

  In April 2022, the Group appointed Bruce Clark as its Chief Technology Officer, a new position on the Operational CEO Committee of the Group. Bruce joined the Group in 2013 and will be responsible for IT infrastructure, data security, software development and data analytics. This appointment will be augmented by further appointments in the technology area and highlights the Group's focus on this key area and increasing bandwidth.

Execution of Strategy (continued)

Developing the Scale of the Group (continued)

- *Operational Systems Platform*

  The Group's in-house developed systems provide uniform processes and control, as well as live management information and data to allow speedy and appropriate decision making. Acquired businesses are quickly migrated onto this scalable technology and process platform to ensure control is quickly established and performance improvement opportunities are highlighted. The scale of the Group allows it to continue to increase investment in the development of systems and operations to further augment the Group's customer offering and profitability. A 50 strong development team is now in place.

- *Brand Strength*

  The Group operates three major customer facing brands in the UK: Bristol Street Motors, Macklin Motors and Vertu Motors. Bristol Street Motors remains one of the largest sector brands, with a UK prompted brand awareness of approx. 48.7%, currently the third highest ranking franchised automotive retail brand in the UK, with the brand ranked number 1 on prompted brand awareness in England and Wales. In Scotland, the Group operates under the Macklin Motors brand, which has a strong 40% brand awareness. Vertu Motors is the Group's premium focused brand, with a growing prompted awareness of approx. 7%. Each of these brands is supported by extensive TV campaigns, sports sponsorships and partnerships and digital marketing initiatives.

- *Execution of growth strategy in the Year*

  The Group has the brand strength and financial, operational, and management capabilities to continue to add additional franchised outlets to the business.

  On 10 December 2021 the Group acquired the entire issued share capital of Farmer & Carlisle Holdings Limited, which operated two Toyota franchise freehold dealerships located in Loughborough and Leicester. The share capital was acquired for cash consideration of £8.7m (including £0.9m net cash acquired). Consideration included a payment in respect of goodwill of £2.35m. The businesses have been fully integrated in terms of the Group's systems and processes.

  The Group was delighted to announce further expansion with Toyota as Macklin Motors was awarded the franchise in the West of Scotland from 1 April 2022. The Group intends to develop a total of four dealerships in the coming periods to cover this extensive territory. The first dealership opened in Darnley, South Glasgow on the 1 April 2022, in the freehold premises acquired in early 2021. An additional facility will be open in the Autumn. These developments will augment the Group's existing three Toyota dealerships located in the East Midlands and create a scaled level of representation with this much sought-after brand.

  The Group also continues to evaluate and execute multi-franchising actions in its locations to maximise the long-term profitability of each location, and position the Group well for the EV transition, where we have gained market share. The Year saw the Group execute on this strategy in several locations as set out below:

  - In June 2021 a new franchise outlet for Citroen was added alongside the Group's existing Vauxhall outlet in Northampton. This was the third Citroen outlet added in the last 24 months.
  - As planned, the Vauxhall, Renault, Dacia and Hyundai franchises were added to the Group's existing dealership premises in Dunfermline, Fife with Ford sales operations having ceased on 30 September 2021.
  - The Honda Bikes franchise was added to the Group's existing Honda dealership in Stockton bringing the total number of outlets in the Group's Vertu Motorcycles Division to four.
  - The Group opened new standalone Renault and Dacia franchise outlets in Leicester and York.
  - The Group gained the MG franchise for the first time during the Year, and now operates three outlets in Carlisle, Beaconsfield and Edinburgh. Two more MG outlets are planned.

Execution of Strategy (continued)

Developing the Scale of the Group (continued)

- *Execution of growth strategy in the Year (continued)*
  - The Group opened its first Stellantis multi-brand aftersales centre in Harlow in November 2021, in premises located near the Group's existing Peugeot dealership in Harlow, Essex.
  - The Hyundai franchise was added to the Group's existing Honda dealership in Sunderland. In addition, the Peugeot franchise has been added to the Group's Sunderland Vauxhall dealership.
  - In January 2022 a newly built freehold dealership opened in Newbridge, Edinburgh representing Kia and Peugeot. These franchises relocated from leasehold premises on the expiration of the lease. The MG franchise was also included in the new development with this business having been acquired in December 2021.
  - On 1 May 2022, the Group opened a further Bristol Street Motor Nation used car outlet in newly acquired leasehold premises at Stockton, Teesside. This is a large used car operation in a prime location in the town. The development extends the Bristol Street Motors brand into the core of Teesside for the first time.

  The Board continues to actively manage the Group's portfolio of dealerships and assess further growth opportunities, taking account of future trends in electric vehicles, whilst utilising strict investment return metrics to ensure discipline in capital allocation.

  Pruning activities were also undertaken during the Year. The Group's single Mitsubishi and Suzuki outlets in Edinburgh ceased operation during the Year. In addition, the Group's surplus properties held for resale were sold during the Year generating cash proceeds of £1.4m.

Digitalisation Developments

- *Omnichannel Retail Sales Developments*

  The Group was the first UK retailer in 2017 to offer full online retailing of used cars and continues to be at the forefront of developments to provide customers with innovative ways to purchase and interact online. The sub-brand 'Click2Drive' was established during the Year to capitalise on online and omnichannel sales opportunities and to ensure that customers had the requisite flexibility to purchase vehicles in the manner of their choosing. This new brand was launched in October 2021 supported by TV advertising campaigns under the Bristol Street Motors umbrella. The comprehensive omni-channel Click2Drive offering is now available across the main three Group brand websites, Bristol Street Motors, Vertu Motors and Macklin Motors.

  At the same time as the 'Click2Drive' brand launch, the Group's online retailing capability was enhanced by the launch of a 'concierge' service, aiding customers who may need help with their online vehicle purchase. This service is provided by a new team within the Sales Customer Experience Contact centre located in Gateshead. In the first four months of operation, the concierge service has guided customers through the online purchase journey taking over 400 vehicle orders and increasing sales conversion in online and offline channels. The concierge effectively acts as a personal shopper, co-ordinating all interaction with the customer, including liaison with the Group's 160 sales outlets.

  A migration of the infrastructure running the Group's websites and intranet applications from physical data centres to the Amazon Web Services (AWS) cloud was completed in January 2022. This infrastructure has given the Group the ability to automatically scale its website capacity and early results are very encouraging. An immediate improvement of a 25% reduction in page load time was delivered. This led to a 35% increase in the Group's overall Google Insights score for mobile visitors. These improvements generate an improved user experience to website users and contribute to longer term improvements in search engine optimisation performance.

Group Strategy (continued)

Execution of Strategy (continued)

Digitalisation Developments (continued)

- *Omnichannel Retail Sales Developments (continued)*

  The Group has made a significant investment in cloud-based telephony systems and a Customer Data Platform (CDP) during the Year. These technologies are currently in their roll-out phase, and it is expected that it will take to the end of the calendar year to fully roll these out across the Group's extensive dealer network. The telephony system will enable more effective tracking of enquiries and provide real time information to our colleagues on both calls received and calls made, allowing management to respond more quickly to ensure the Group delivers outstanding customer experiences. Data contained in the CDP will be used to improve the effectiveness of marketing activities, ensuring that we communicate with customers at the right time and with relevant personalised offers. In addition, such first party data will improve the efficiency of digital marketing activities. These initiatives will allow our colleagues to better serve our customers and will help to drive improved conversion rates on enquiries.

- *Digitalisation of Aftersales*

  The Group's aftersales functions, which include vehicle service and mechanical repair, accident repair and parts supply, represent a significant and important proportion of overall profitability. There is an increasingly important role for digitalisation within the Group's aftersales operations. The Group's customers can book a vehicle service appointment fully online, 24 hours a day. The number of online bookings made in this way continues to grow year-on-year, with over 73,000 made in FY22 (FY20: 36,000). In addition, further development work is underway to deliver self-service and online functionality to customers after the booking and during the visit. The aim is to create as effortless a customer journey as possible to increase sales conversion of additional work identified, average invoice value and future customer retention.

  The Group seeks to capture new aftersales customers as they are looking for vehicle repairs or service on-line through its digital conquest strategy. This successful strategy has continued to augment our service operations with additional bookings from customers who in the main have never used the Group's aftersales services before. The successful execution of this strategy has delivered a 143% growth in the number of bookings via this strategy over the Year. The Group anticipates 28,000 such bookings in the next 12 months. These bookings tended to be for older vehicles out of manufacturer warranty periods which is a growing part of the aftersales market.

- *Digitalisation to improve efficiency and reduce cost*

  The Group has always been very focused on the detailed management of its cost base and has been successful in the digitalisation of processes to drive efficiency and therefore reduce costs. Further digitalisation and robotic process automation has been delivered by the in-house development team in the Year to improve efficiency in the areas of vehicle administration, inventory control, smart repair ordering, customer refunds and payment receipts. Another area identified for technology deployment is in the vehicle valet arena. A new App to control the activity of the Group's substantial valeting resource is being developed and will be piloted in May 2022. This App will link data from our sales and aftersales systems to instruct valet activity, measure productivity and allow ease of cost allocation, facilitating efficiency savings and removal of duplicated activity.

Group Strategy (continued)

Execution of Strategy (continued)

Recruiting, Retaining and Developing Colleagues

It is a priority of the Group to develop and motivate the Group's colleagues to ensure the delivery of operational excellence and outstanding customer experiences. One of the most significant current challenges in the business remains workforce recruitment and retention. The number of UK job vacancies has continued to grow to record levels of 1.3 million (source: ONS), with half of UK industry sectors showing record highs. The inevitable consequence of these resource constraints has been wage inflation. The Group is not immune to these effects and has consistently seen vacancy levels of approx. 500 vacancies over the second half of the Year with recent reductions visible. A key objective for the Group remains to significantly reduce the number of outstanding vacancies to ensure customer service levels are met and revenue opportunities maximised.

A survey conducted in January 2022 saw 88% of colleagues ranking the Group as a great place to work (up from 85.3% in July 2021). This improvement is in part due to the initiatives delivered to ensure that the Group remains an employer of choice in the sector. For example, the enhancement of maternity pay provisions in the Summer and pay reviews for the majority of non-management colleagues which were actioned by 1 January 2022. In addition, in March 2022 the Group announced an enhancement to holiday entitlement for all colleagues from 23 to 25 days with up to four additional days available to longest serving colleagues. These initiatives should aid colleague retention and attraction.

The Group launched dealership colleague forums during the Year, a formalised way in which colleagues of all levels can provide their feedback on work matters. Forums have also had the opportunity to access the non-executive director for colleague engagement, Pauline Best. It was feedback from these forums that aided Group management on the need for actions in respect of the colleague initiatives above.

The Group has long been committed to extensive investment in the development of all colleagues to provide opportunity to those who are talented and driven to succeed. Programmes include a degree apprentice scheme, technician apprentice schemes and development programmes to facilitate progression to management roles in all areas. The Group has also launched a new modern apprentice programme for service advisors and has recruited 51 out of the targeted 112 positions to date. In addition, the Group deepened its partnership with the Dale Carnegie Institute, increasing the scope of online and offline personal and leadership development training across the Group. All colleagues now have access to online personal development programmes based on the principles of Dale Carnegie's book, "How to Win Friends and Influence People".

Ancillary Businesses

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

On 31 May 2021, the Group executed on this strategy to add complementary ancillary businesses with the purchase of Powerbulbs Online Limited for £480,000. This business complements the Group's existing AceParts online parts sales operation, which currently sells to consumers via Marketplaces. Powerbulbs represents an established ecommerce website, with good reach and rankings, historically selling to customers both in the UK and substantially overseas. The business has been integrated into AceParts and has strong growth prospects.

Group Strategy (continued)

Strategic Summary

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

Other Sector Trends

In addition to the well-publicised digitalisation of sales transactions, the franchised Automotive Retail sector continues to evolve in the areas of electrification and agency distribution. Responding to these trends is clearly top of mind for the Board.

1. Electrification

Consumer appetite for electric vehicles is growing, aided by improvements in driving range and by a significant increase in the choice of vehicles. Local and Central Government environmental policies are playing a part in this sales growth. Despite overall supply constraints in new vehicles throughout the period, electric and hybrid vehicle sales in the UK saw growth of over 60% in calendar 2021 compared to 2020 representing a significant market share increase. The Group delivered volume growth more than these market trends so increasing its market share.

The Group has ensured that all colleagues are appropriately trained on electric vehicles, to respond to customer enquiries and provide repair services. Training in this regard is provided by both the Group's own sales and aftersales training, with colleagues also attending manufacturer training. The Group's commitment to the electrification agenda is evidenced by the fact that the Group has significantly more dealerships approved under the Government's EVA (Electric Vehicle Approved) scheme than any other UK retailer. This scheme sets out minimum standards on operating electric vehicle sales and service outlets and is subject to audit. 21 dealerships are currently approved, and the aim is to have every dealership approved in short order to provide customer confidence.

Increased electrification of the vehicle parc requires ongoing investment in terms of EV infrastructure such as in aftersales capabilities and charging. The Group invested £0.5m in charging infrastructure in the Year with a further £1.0m planned in the next 12 months.

2. Agency Distribution

A number of Manufacturer partners in the UK are moving to an agency sales distribution model. Under this model, in respect of new vehicle sales, the Manufacturer transacts with the customer while the retailer remains the physical touchpoint with the customer and undertakes the sales process as an agent. The dealer-turned-agent receives a commission on each new vehicle sale, but will own no inventory and will no longer set prices or discounts. In turn, the dealer is exempted from all significant commercial risks associated with the sale. There are varying iterations of the agency model proposed and the picture is evolving.

The Group has long operated on an agency basis for a significant proportion of fleet and parts sales. The first of the Group's manufacturer partners to operate the agency model for new retail sales will be Cupra electric vehicles later in 2022 with Mercedes-Benz passenger cars following from 1 January 2023.

Group Strategy (continued)

Current Business Priorities

There is no doubt that the Group is now operating in an inflationary cost environment which has not been evident in its 15-year history to date. It is therefore more important than ever that the Group ensures there is a focus on the basics of the business – that operational excellence is pursued as market conditions may tighten. With this in mind, the Group has established three immediate priorities in addition to its longer-term strategy:

1. Cost Management

Without curtailing investment in the delivery of the long-term strategic objectives of the Group, control of costs is essential. The Group is seeking to avoid inflationary pressures leading to an environment where costs are not appropriately controlled. The right mindset and culture of cost management is vital.

The Group has recently relaunched its 'war on waste' initiative to drive behavioural change amongst our colleagues to save cost, for example around energy use given escalating costs. The Group's fixed price energy contract for the supply of electricity ends on 1 October 2022. Pricing in the energy market has meant that the Group can potentially expect higher than budgeted increases on the renewal of these contracts increasing costs.

The Group has also identified appropriate capital investment to drive savings, for example in the fitting of LED lighting in all of the Group's vehicle repair workshops, an 18-month project of approx. £1.2m capital investment, to save significant energy use going forward. Further projects to reduce energy costs are being evaluated.

The Group continues to identify areas in the business where the Group's 50 strong software development team can be put to work to create efficiencies through use of technology.

2. Maximisation of Conversion of enquiries to revenues

The Group has an objective to increase the conversion of opportunities to revenues in both the sales and aftersales areas through a focus on process, measurement and use of technology. Maximising the return from the Group's marketing spend is a key priority.

The Year has seen the sales processes of the Group continue to evolve, with the objectives of improving the customer journey and increasing the conversion of enquiries into sales. The development of the Group's Sales Customer Experience Centre has driven improved conversion in several ways and the continued focus on this area will be vital in the months ahead.

A project is now underway to digitise the aftersales service process to enhance sales conversion and the customer experience.

3. Customer Experience to drive retention

Delivery of the Group's Mission 'to deliver an outstanding customer motoring experience through honesty and trust' remains vital to improving retention of customers into both the Group's service departments and for future vehicle sales. Great experiences boost retention, recommendation rates and profit per transaction. In addition, positive online reviews provide a fantastic and vital window into the Group's service delivery for prospective customers.

40% of new retail vehicle customers and 19% of used vehicle customers currently return to the Group within four years to purchase another vehicle. The Group is targeting a significant improvement in these measures, through the execution of its digitalisation and customer focused developments. This includes the recent establishment of 'renewal hubs' for both new and used car sales. Colleagues in these hubs contact previous customers at the time they are likely be in the market to change their vehicles.

Group Strategy (continued)

Current trading and outlook

- *March & April 2022 Trading*

The Group delivered a trading profit of £19.1m (FY22: £19.2m) in March and April 2022 ("the post year end period"). This result was in line with prior year levels, which included business rates support and significant pent-up consumer demand as the UK emerged from lockdown.

The Group's trading performance in the post year end period is summarised below, with comparisons shown against March and April 2021.

	Group Total Variance	**Like-for-Like Variance**	**SMMT Market Variance**	**Like-for-like variance to SMMT Market**
Group Revenue	5.1%	4.3%		
Service Revenues[11]	5.8%	5.0%		
Volumes:				
Used Retail Vehicles	(12.9%)	(13.2%)		
New Retail Vehicles	9.3%	7.4%	7.1%	0.3%
Motability Vehicles	(17.4%)	(17.2%)	(27.0%)	9.8%
New Fleet Cars[12]	(22.0%)	(24.5%)	(34.0%)	9.5%
New Commercial Vehicles	(17.4%)	(20.0%)	(28.1%)	8.1%

[11] Includes internal and external revenues
[12] Includes agency volumes

Group revenue growth was delivered in the post year end period, due to continued strong vehicle prices. Like-for-like new retail vehicle volumes grew 7.4% slightly ahead of the market, despite ongoing supply constraints due to global supply chain shortages, noticeably semiconductors. The Group significantly outperformed the wider market volume trends in the fleet, commercial and Motability channels of new vehicle sales. Margins were robust, benefitting from strong pricing disciplines and quarterly bonus in March which were absent in the prior year due to the impact of lockdown. The bulk of the gross profit increase in the post year end period, year-on-year arose, in the new retail vehicle channel.

The used vehicle market showed increased signs of normalisation in the post year end period. Consumer demand in the prior year reflected pent-up demand post lockdowns and a lack of alternative spending channels for consumers such as holidays. In addition, used vehicle demand has also been impacted by the high rise year-on-year in used vehicle prices and increased demand for electric vehicles, which are available in the new car channel rather than used. Like-for-like volumes of used cars therefore continued to decline as in H2 FY22.

Constrained supply of used vehicles is set to continue and this has underpinned used values in the post year end period. As a result, whilst gross profits per unit traded below FY22 levels, they remained significantly ahead of historic normalised levels. Higher sales prices resulted in reduced and more normal gross profit margin percentages.

Like-for-like service activity improved compared to last year by 2.8%. Internal and retail service work showed year-on-year growth with substantial shortfalls in warranty work, in part due to declines in the 0–3 year vehicle parc. As anticipated, aftersales margins reduced due to the impact of higher technician salary costs.

Group Strategy (continued)

Current trading and outlook (continued)

- *Outlook*

Shortfalls in the supply of both new and used vehicles in the UK are likely to continue for some time because of the dislocation in global supply chains impacting on vehicle production. Such supply constraints helped to underpin vehicle values and margins throughout March and April. Consumer confidence in the face of rising domestic costs is a critical determinant to continuing success, both in terms of demand and used vehicle pricing trends. Management is focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives.

The Board believes that the Group is strategically very well placed to capitalise on the challenges and opportunities in the UK automotive retail sector and remains confident in the prospects for the Group. Its strong balance sheet, management and technological capability underpin this confidence. The Group's excellent relationships with its chosen Manufacturer partners underpin further growth opportunities, which are likely to accelerate.

Robert Forrester, CEO

Key Performance Indicators

The Group has a number of Key Performance Indicators ("KPI's") by which it monitors its business. These include analysis of results by channel; as set out on page 20-25, together with the below:

	KPI	Definition	Performance	Risk Factor Link
Financial KPIs	Underlying EPS	Underlying profit after tax divided by weighted average number of shares (note 13)	FY22 – Underlying EPS of 17.92p FY21 – Underlying EPS of 5.27p	1 2 3 4 5 6 7 8 9 10 11 12 13 14
Financial KPIs	Underlying PBT	Profit before tax and non-underlying items	FY22 – Underlying PBT £80.7m FY21 – Underlying PBT £24.6m	1 2 3 4 5 6 7 8 9 10 11 12 13 14
Financial KPIs	Gross Margin by channel	Gross profit divided by revenue by channel	See page 20	2 3 4 5 6 9 14

Strategic / Operational KPIs	Like-for-Like Used Volume growth	Number of used vehicles sold in dealerships with comparable trading periods in two consecutive years	FY22 – growth of 28.6% FY21 – decline of (26.6%)	2 3 5 6 9 12 13
Strategic / Operational KPIs	Like-for-Like New Retail volume compared to UK private registrations	Number of new retail vehicles sold in dealerships with comparable trading periods in two consecutive years compared to the movement in UK private registrations	**Group** FY22 – growth of 21.4% FY21 – decline of (28.9%) **UK private registrations** FY22 – growth of 17.2% FY21 – decline of (29.3%)	2 3 5 9 12 14
Strategic / Operational KPIs	Like-for-Like Service Revenue growth	Labour sales activity for the servicing, repair and preparation of motor vehicles in dealerships with comparable trading periods in two consecutive years	FY22 – growth 17.1% FY21 – decline (15.0%)	2 6 8 9
Strategic / Operational KPIs	Online Growth	Website visits to all Group trading websites	FY22 – 22.9m visitors FY21 – 17.2m visitors	2 3 7 9 10 11
Strategic / Operational KPIs	Customer Service	Customer service is measured via email survey responses from customers gathered by our manufacturer partners for new vehicles or on net promoter score for used vehicles	86.5% Net promoter score (FY21 – 85.6%)	4 7 8 9

Financial Review

The lockdown restrictions throughout parts of FY21 and, to a lesser extent, the start of FY22 disrupted the Group's operations significantly. The tables below include comparatives to both the years ended 28 February 2021 (FY21) and 29 February 2020 (FY20) to help a better understanding the Group's performance. The Group's income statement for the Year is summarised below:

	FY22 £'m	FY21 £'m	FY22 Var to FY21 %	FY20 £'m	FY22 Var to FY20 %
Revenue	**3,615.1**	**2,547.7**	41.9%	**3,064.5**	18.0%
Gross profit	**435.4**	**301.0**	44.7%	**334.1**	30.3%
Operating expenses excluding Government support	(354.3)	(303.7)	(16.7%)	(301.9)	(17.4%)
Government support[5]	6.6	36.5	(81.9%)	-	-
Operating expenses reported	(347.7)	(267.2)	(30.1%)	(301.9)	(15.2%)
Adjusted Operating profit	**87.7**	**33.8**	159.5%	**32.2**	172.4%
Net Finance Charges	(7.0)	(9.2)	23.9%	(9.2)	23.9%
Adjusted Profit Before Tax	**80.7**	**24.6**	228.0%	**23.0**	250.9%
Non-Underlying items[6]	(1.9)	(2.2)	13.6%	(15.7)	87.9%
Profit Before Tax	**78.8**	**22.4**	251.8%	**7.3**	979.5%
Taxation	(18.8)	(6.1)	(208.2%)	(4.3)	(337.2%)
Profit After Tax	**60.0**	**16.3**	268.1%	**3.0**	1,900%

[5] Includes receipts under the Coronavirus Job Retention Scheme and business rates relief

[6] Non-underlying items represent share-based payment charge, amortisation of intangible assets and impairment charges

The Group delivered a record result in the Year, generating an adjusted profit before tax of £80.7m. (FY21 £24.6m, FY20 £23.0m).

Revenue grew to £3.6bn, a growth of £550.6m (18.0%) compared to the pre-pandemic FY20. Acquisitions completed after 1 March 2019 contributed additional revenues of £480.1m, whilst the execution of pruning activities of disposals generated a revenue reduction of £48.1m. Rising vehicle prices were largely responsible for the underlying £118.7m (3.9%) increase in Core Group revenues.

Gross margins remained strong, aided by the sector tailwinds, at 12.0% (2021: 11.8%, 2020: 10.9%).

Revenue and Gross Profit by Department

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

	FY22 £'m	FY21 £'m	FY22 Var to FY21	FY20 £'m	FY22 Var to FY20
Revenue					
New	969.9	739.7	230.2	862.5	107.4
Fleet & Commercial	772.0	578.4	193.6	708.5	63.5
Used	1,584.4	1,008.4	576.0	1,235.4	349.0
Aftersales	288.8	221.2	67.6	258.1	30.7
Total Group Revenue	**3,615.1**	**2,547.7**	**1,067.4**	**3,064.5**	**550.6**
Gross Profit					
New	80.6	54.3	26.3	62.7	17.9
Fleet & Commercial	35.5	23.2	12.3	25.8	9.7
Used	154.4	93.9	60.5	102.1	52.3
Aftersales	164.9	129.6	35.3	143.5	21.4
Total Gross Profit	**435.4**	**301.0**	**134.4**	**334.1**	**101.3**
Gross Margin					
New	8.3%	7.3%	1.0%	7.3%	1.0%
Fleet & Commercial	4.6%	4.0%	0.6%	3.6%	1.0%
Used	9.7%	9.3%	0.4%	8.3%	1.4%
Aftersales[7]	47.1%	49.3%	(2.2%)	46.9%	0.2%
Total Gross Margin	**12.0%**	**11.8%**	**0.2%**	**10.9%**	**1.1%**

[7] Aftersales margin expressed on internal and external revenues

Financial Review (continued)

Revenue and Gross Profit by Department (continued)

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

	FY22	FY21	Like-for-like FY22	FY20	Like-for-like FY22
	Units	Units	% Var to FY21	Units	% Var to FY20
Used retail vehicles	**88,772**	**65,847**	**28.6%**	**84,771**	**(7.1%)**
New retail cars	33,366	25,437	21.4%	32,701	(14.6%)
Motability cars	8,404	8,806	(6.9%)	9,722	(21.4%)
Direct fleet cars	14,089	9,917	33.7%	17,053	(34.9%)
Agency fleet cars	4,664	4,693	10.7%	5,704	(26.0%)
Total fleet cars	18,753	14,610	26.9%	22,757	(28.0%)
Commercial vehicles	17,528	15,618	10.6%	17,596	(2.0%)
Total New vehicles	**78,051**	**64,471**	**16.1%**	**82,776**	**(16.2%)**
Total vehicles	**166,823**	**130,318**	**22.5%**	**167,547**	**(11.6%)**

	FY22 v FY21		FY22 v FY20	
	Group Variance to market[8]	UK Market	Group Variance to market[8]	UK Market[9]
New Retail Car	4.2%	17.2%	2.5%	(17.1%)
Motability Car	2.4%	(9.3%)	3.1%	(24.5%)
Fleet Car	25.5%	1.4%	6.0%	(34.0%)
Commercial	(6.8%)	17.4%	3.2%	(5.2%)

[8] Represents the variance of like-for-like Group volumes to the UK trends reported by SMMT
[9] Source SMMT

Used retail vehicles

The used vehicle market in the UK has seen unprecedented market dynamics throughout the Year. The pandemic reduced the new and used vehicle market due to lockdowns together with creating new vehicle production disruption which impacted on the supply side. Constrained supply of used vehicles has consequently been apparent driving increased vehicle prices and margins and leading to record used vehicle profitability. Record retail margins were boosted by strong profits on the disposal of trade vehicles.

A period of strong customer demand was seen as the UK emerged from lockdown in April 2021, aided by increased consumer savings rates, the absence of alternative spending options and a shift away from public transport. This strong demand meant that the April to June 2021 period was the best quarter on record for used vehicle transactions in the UK[9], growing 6.6% on pre-pandemic 2019. In all other months in calendar 2021, UK used vehicle transactions fell year-on-year compared to pre-pandemic levels (2019). Used vehicle prices rose very significantly against new vehicle values and this undoubtedly drove some used vehicle customers to switch to new vehicles which they perceived to be better value. It is also likely that the growth in popularity of electric vehicles with greater range is boosting new vehicle demand at the expense of the used car market due to an almost complete dearth of used electric vehicles. Overall, used vehicle transactions in the UK fell 5.1% in 2021 compared to pre-pandemic levels, reflecting these trends. Reduced demand has also seen used vehicle prices start to soften, albeit this impact is muted given remaining supply constraints.

The Group keeps the UK used vehicle demand, pricing and supply environment under constant review. This focus ensures that an appropriate balance between volume and margin is maintained. The Group utilised a mix of strategies to secure used vehicle inventory despite shortages of supply, including direct purchases from consumers and utilising both central purchasing capabilities and its extensive local dealership management to source supply.

A 40% rise in used vehicle prices over the Year has meant that overall used vehicle inventory levels in the Core Group increased by £21.5m. Ensuring a good supply of used vehicle inventory left the Group well placed to capitalise on the favourable market conditions, resulting in a record profit performance both in used cars and for the Group as a whole.

Used retail vehicles (continued)

Group gross profit from the sale of used vehicles totalled £154.4m for the Year (FY21: £93.9m; FY20: £102.1m). When comparing to the more stable period of the year ended 29 February 2020 (FY20), the following like-for-like variances arose:

- £38.1m increase in gross profit generated from used vehicle sales
- 7.1% decrease in the number of used retail units sold
- Gross profit per unit of £1,763, a rise of 45.6% from £1,211
- Average selling price of £17,376 per unit, a 19.3% increase
- Gross margin rising substantially to 10.1% from 8.3%

[9] Source: SMMT

New retail cars and Motability sales

UK retail registrations significantly improved, by 17.2%, over the FY21 comparative period which was impacted by longer and more complete lockdowns. Compared to the pre-pandemic year ended 29 February 2020 (FY20), UK new vehicle retail registrations actually fell by 17.1%, reflecting reduced supply of new cars and March 2021 being a month where showrooms were closed to customer visits. Well documented component shortages together with disruption at factories and within the global supply chain have all adversely affected new vehicle supply. Against this backdrop, the Group's like-for-like new retail vehicle volumes declined by 14.6% when compared to the year ended 29 February 2020. The Group therefore outperformed the market decline of 17.1%. Despite supply constraints dampening UK new vehicle registrations, sales of electric and hybrid vehicles have significantly increased with the SMMT highlighting new retail registrations of these vehicles having increased by 101.3% in FY22 compared to FY21. The Group saw like-for-like sales of electric and hybrid vehicles grow by over 170% in the Year and consequently grew its market share in this vital and growing channel. Ordertake has been very strong and the Group's order bank levels for new retail vehicles remain at record levels, with over 16,000 new retail vehicles ordered in the Year remaining undelivered as at 28 February 2022. This figure represents 48% of new retail vehicles sold by the Group in the year ended 28 February 2022.

UK Motability registrations were also impacted by supply constraints and declined by 24.5%, compared to FY20. The Group's Motability volumes declined by 21.4% over the same period on a like-for-like basis, slightly ahead of the market and representing a UK market share of 4.8%. The Group is Motability's largest partner in the UK.

Issues in the supply chain meant that many of the Group's Manufacturer partners reduced or removed volume targets. The reduction in supply, in a period of robust demand and reduced pressure to achieve volume targets, led to improved gross profit retention, aided by the application of effective pricing disciplines. Consumers have been increasingly accepting of long lead times, especially as the rise in used vehicle prices significantly reduced the cost to change to a new vehicle. Compared to the year ended 29 February 2020, the following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £7.2m increase in gross profit generated, despite a 14.6% reduction in the number of new retail units sold
- Gross profit per unit of £1,921, a rise of 31.5% from £1,461
- An average selling price of £21,734 per unit, a 17.6% increase
- Gross margin rising to 8.4% from 7.3% despite the significant increase in average selling price

Financial Review (continued)

Fleet & Commercial vehicle sales

The UK car fleet market continues to see reduced activity as the restrictions in the supply of new vehicles caused many Manufacturers to divert limited capacity to higher margin retail channels. Retailers also benefit from this protection of their higher margin channels. Registration volumes in the UK car fleet market declined 34.0% in the Year compared to the year ended 29 February 2020. Like-for-like, the Group delivered 15,518 fleet cars in the Year, representing a decline of 28.0% compared to FY20, which was ahead of the market trends. Margins strengthened due to supply constraints, pricing mix changes and the Group adopting strong pricing disciplines.

The light commercial vehicle market in the UK rebounded after the lockdown, due in part to strong underlying demand from key sectors, notably construction and home deliveries. Nevertheless, UK van registrations fell 5.2% in the year to 28 February 2022, when compared to FY20 levels, as production and supply issues also impacted this sector. The Group saw a 2.0% fall in the like-for-like volume of new commercial vehicles sold, ahead of the market trends, compared to FY20. This market outperformance by the Group was aided by a strong performance from the Group's Vansdirect business. The Group sold 5.0% of UK new light commercial vehicles in the Year.

When compared to the year ended 29 February 2020, the following fleet and commercial trends were seen on a like-for-like basis:

- A £6.7m increase in gross profit, despite a reduction in the number of units sold
- Record gross profit per unit of £957, a rise of 50.2% from £637
- Gross margin rising to a record 4.6% from 3.6%

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating 38% of total gross profit.

Overall, compared to the Year ended 29 February 2020 (FY20), the following like-for-like trends in aftersales performance were witnessed:

	Service £'m	Parts £'m	Accident & Smart Repair £'m	Total £'m
Revenue[10]	131.0	149.2	22.5	302.7
Revenue[10] change	(0.0)	0.8	3.9	4.7
Revenue[10] change (%)	0.0%	0.5%	21.2%	1.6%
Gross profit change	(0.4)	1.7	1.4	2.7
Gross margin[11] FY22 (%)	76.7%	22.5%	37.8%	47.1%
Gross margin[11] FY20 (%)	77.0%	21.5%	38.4%	46.9%

[10] includes internal and external revenues
[11] margins in aftersales expressed on internal and external revenues

- *Service*

The Group's service performance has been impacted by higher-than-average levels of technician vacancies and by covid related absences. As set out in the Strategy section, the Group took action to address colleague recruitment and retention through a Group wide salary review. This was implemented for technicians in November 2021 and technicians saw the highest percentage increases.

Partly because of resource constraints including covid-related absences, like-for-like, the Group sold 4.9% less service hours in the year to 28 February 2022 when compared to the pre-pandemic year to 29 February 2020. Most of this shortfall in hours arose from a reduction in warranty work undertaken by the Group on behalf of its Manufacturer partners. A decline in the 0–3 year parc in the UK, due to reduced new vehicle registrations in the last two years, along with fewer journeys being undertaken in the early part of FY22 due to lockdowns, contributed to this decline in warranty work. Some weakness in internal hours sold was also

Financial Review (continued)

Aftersales (continued)

- *Service (continued)*

apparent, driven by reduced volumes of vehicles sold in the core Group. The Group was successful in maintaining core retail service hours sold at FY20 levels, through strong execution of retention and aftersales processes and the active targeting of conquest business, particularly of older vehicles.

The Group's customer retention strategies focus on ensuring vehicle sales customers return to the Group for their service, whether they have purchased a new or used vehicle. Service plans, through which customers pay monthly or upfront for their annual service, are a vital part of retention. The Group has been successful in improving the penetration of service plan sales on used vehicles over the Year, selling over 31,000 plans, representing approx. 38% of all retail used cars sold. The Group has over 160,000 live service plans including manufacturer service plans. Excellence of customer service is vital to retention, with the Group having a strong vehicle health check ("VHC") process, where any items requiring attention are highlighted in a video provided direct to the customer. The customer can then give their approval for any repairs required. On average, the Group sells £86 of work identified by this process to each customer.

Strong execution resulted in like-for-like service revenues being stable compared to FY20 despite the reduction in hours sold. Gross margin percentages on vehicle servicing declined slightly to 76.7% (FY20: 77.0%) in the Core Group reflecting the remuneration action taken to address technician resource constraints, which increased cost of sales in the service department.

- *Parts*

Parts revenues in the Core Group grew £0.8m compared to FY20, as the Group gained market share offset by increasing adoption of the agency distribution model in certain franchises as previously reported.

As a new development in the Group's Aftersales Customer Experience Centre, inbound parts phone enquiries from retail customers are now being centralised with orders taken in Gateshead for the Group's dealerships. This unit started in early 2021, delivered revenues of £2.9m in the Year and enhanced customer experiences, augmenting the Group's high margin parts sales. Rollout of this function to all Group dealerships is now nearing completion. Gross margins in parts rose from 21.5% to 22.5% as the Group took market share in the Group's premium franchises, delivered excellent customer experiences and benefited from agency parts operations being a higher proportion of the Group activities. In agency operations, the Group records no revenues or cost of sales, except a handling fee representing 100% gross margin.

- *Accident and Smart Repair*

The Group has significantly expanded its Smart Repair operations, which now has 88 colleagues providing mobile cosmetic, windscreen and alloy wheel repairs serving both the Group's dealerships and external customers across the UK. The expansion of the Group's Smart Repair operations account for over 50% of the increase in revenues in this channel.

During the Year, the Group moved responsibility for all of the Group's accident repair centres out of the dealership divisional operations into a new standalone division, concentrating solely on the management of this channel. In the first half of the Year, fewer journeys were made in the UK due to pandemic restrictions and widespread home working, with the result that fewer accidents were recorded and therefore this reduced activity in the Group's accident repair centres. Activity recovered in the latter part of the Year and this, coupled with the increased management focus on this channel, meant that Core Group revenues grew slightly over the Year.

Financial Review (continued)

Aftersales (continued)

- *Accident and Smart Repair(continued)*
  Margins of 37.8% were achieved (FY20 38.4%). The decline arose due to mix impact of higher smart repair activities and technician salaries and material costs increasing, which could not be passed onto insurance providers under fixed pricing arrangements.

Acquisitions, Disposals and Closures

Acquisitions made since 1 March 2019 have contributed an additional £4.5m of profit before tax to the Group compared to FY20, summarised as follows:

	FY22		FY20		FY22 Variance to FY20	
	Revenue £m	PBT £m	Revenue £m	PBT £m	Revenue £m	PBT £m
BMW/MINI Acquisition (Dec 2020)	302.8	3.8	-	-	302.8	3.8
Yorkshire Volkswagen Acquisition (Jan 2020)	101.7	0.9	9.1	(0.4)	92.6	1.3
Other acquisitions	85.3	(0.7)	0.6	(0.1)	84.7	(0.6)
Total Acquisitions	**489.8**	**4.0**	**9.7**	**(0.5)**	**480.1**	**4.5**
Dealership sales or closure	2.4	(0.1)	50.6	(0.1)	(48.2)	-
Total Non-Core	**492.2**	**3.9**	**60.3**	**(0.6)**	**431.9**	**4.5**

The contribution from acquisitions is above the levels envisaged at the time of purchase, reflecting market tailwinds and solid execution of the integration strategy.

The scaled BMW/MINI dealership acquisition reached its first anniversary as part of the Group in December 2021. Prior to their acquisition by the Group, these 12 sales outlets were heavily loss making. The Group successfully executed its plan to drive performance improvements, aided by the immediate integration with Group systems and processes. A first-class BMW/MINI experienced divisional team has been assembled. The acquisition was expected to be loss making in FY22 and earnings neutral by the year ending 28 February 2023 (FY23). Aided by the Group’s actions and favourable market conditions, these outlets have performed significantly in excess of these expectations, contributing a profit of £3.8m in FY22.

The other significant acquisition in the period since 1 March 2019 was the purchase of four Volkswagen Passenger car dealerships in West Yorkshire in January 2020. These businesses contributed £0.9m to Group profitability in FY22.

Other acquisitions include the addition of a Honda outlet in Bradford, Kia in Bradford and a multi-franchise site in Edinburgh, together with the acquisitions made in FY22 described in the strategic update. Collectively these outlets contributed a loss of £0.7m with the timing of acquisitions in FY22, in particular, having an impact on returns given the seasonality of profitability in the automotive retail sector.

Financial Review (continued)

Operating Expenses

A summary of Core Group operating expenses is set out below:

	FY22 £'m	FY21 £'m	FY22 Var to FY21 £'m	FY20 £'m	FY22 Var to FY20 £'m
Salary costs	176.7	165.0	11.7	168.5	8.2
Marketing costs	31.6	22.5	9.1	27.7	3.9
Vehicle and valeting costs	29.7	25.3	4.4	32.0	(2.3)
Property, rates and energy costs	38.4	36.0	2.4	36.9	1.5
Other	28.5	30.1	(1.6)	28.8	(0.3)
Core Group operating expenses before Government Support	**304.9**	**278.9**	**26.0**	**293.9**	**11.0**
Non Core operating expenses	49.4	24.8	24.6	8.0	41.4
	354.3	**303.7**	**50.6**	**301.9**	**52.4**
Government support (CVJRS receipts and rates relief)	(6.6)	(36.5)	29.9	-	(6.6)
Group Net Operating Expenses	**347.7**	**267.2**	**80.5**	**301.9**	**45.8**

Reported operating expenses of £347.8m increased by £45.9m compared to the year ended 29 February 2020. This increase was partially offset by Government support of £6.6m and as a consequence the increase excluding this support was £52.4m. Dealerships acquired or sold in the period since 1 March 2019 generated a net £41.4m of this increase. Underlying Core Group operating expenses therefore grew by £11.0m when compared to FY20.

The Group received significant government support in the prior year due to the dealership closures of the first national lockdowns. In the Year, support levels significantly reduced, with just £0.2m of net receipts from the Coronavirus Job Retention Scheme, for which no claims were submitted after the end of April 2021 when dealerships fully re-opened. In addition, business rates support in the Year had a value of £6.4m. Under the business rates relief scheme, business rates on English retail premises remained fully supported until 30 June 2021, with relief thereafter capped at £2m, whilst rates support continued at the Group's dealerships located in Scotland.

Salary costs in the Core Group increased by £8.2m compared to FY20, representing 75% of the underlying increase in Core Group operating expenses. Variable pay and commission levels represented most of this increase exceeding FY20 levels by £6.4m. This was the result of the record profitability delivered, with many colleagues' and management bonuses linked to profitability achieving maximum capped levels. In addition, increases in sales commissions were seen due to increased gross profit generation. The remaining increase in salary costs relates to additional headcount in both the Group's new Customer Experience Centre for sales and expansion of the team of in-house developers, partially offset by the impact of higher than historic vacancy levels across the Group. A Group wide pay review was rolled out to non-management colleagues from January 2022 with only moderate financial impact in FY22. The pay review for technicians occurred earlier in November 2021 but the impact of this review is apparent in gross margin, as technician salary costs are included in cost of sales.

The Group invested an additional £3.9m in television and other advertising in the Year as part of the strategy to grow awareness of the Group's three customer facing brands.

Other costs include the investment in digitalisation, in particular the enhancement to cloud-based telephony and the development of the CDP and the investment in data security, which increased Core Group costs by £1.8m compared to FY20. This remains a vital strategic area of investment for the Group. Partially offsetting the impact of the above cost increases were savings delivered in areas such as vehicle costs, as supply constrained the Group's demonstrator vehicle fleet, and travel, curtailed through working from home and the switch to online delivery for many of the Group's in-house training programmes.

Financial Review (continued)

Net Finance Charges

Net finance charges fell by £2.3m year-on-year as analysed below:

	FY22 £'000	FY21 £'000	FY22 Var to FY21 £'000	FY20 £'000	FY22 Var to FY20 £'000
New vehicle Manufacturer stocking interest	1,702	3,582	(1,880)	3,918	(2,216)
Interest on bank borrowings	1,701	1,874	(173)	1,418	283
Used vehicle stock funding interest	142	317	(175)	630	(488)
Interest on lease liabilities	3,581	3,632	(51)	3,595	(14)
Interest income	(163)	(174)	11	(405)	242
Net Finance Charges	**6,963**	**9,231**	**(2,268)**	**9,156**	**(2,193)**

The bulk of the reduction in net finance charges arose in interest charged by Manufacturers on funded new vehicle inventory. This reduction is due to the continued issues in the supply chain which have led to reduced new vehicle stock which require funding. Total new vehicle stock as at 28 February 2022 was £275m (2021: £438m).

Interest on bank borrowings in the Year declined to £1.7m from £1.9m in FY21 as the Group generated significant cash. This resulted in the repayment of £10m of the Revolving Credit Facility in June 2021 and reduced utilisation of used vehicle stocking loans.

Pension Costs

The accounting surplus on the Group's closed defined benefit pension scheme (Scheme) increased to £9.1m as at 28 February 2022 (2021: £6.2m). Actual investment returns were more favourable than previously assumed. In addition, the defined benefit obligation reduced over the Year on changes in assumptions such as a higher discount rate being applied, following a rise in corporate bond yields together with an increase in expected future inflation.

The Scheme invests in an LDI portfolio which aims to fully hedge the Scheme's interest rate (relative to gilts rather than corporate bonds) and inflation risk. Changes in the discount rate and inflation would therefore be mostly offset by a change in the value of the Scheme's assets. A net actuarial gain of £2.8m was recognised in the Statement of Comprehensive Income for the Year.

Tax Payments

In the June 2021 Finance Act, it was enacted that the rate of corporation tax in the UK will rise from 19% to 25% on 1 April 2023. This has resulted in the Group's deferred tax obligations being measured at the higher rate of 25% in the Year. The impact of this change has increased the Group's tax charge in the Year by £2.9m.

The Group's underlying effective rate of tax (ignoring the deferred tax adjustment above) for the Period was 19.9% (FY21: 21.3%). The overall effective tax rate, impacted by the revaluation of deferred tax obligations, increased to 23.8% (FY21: 27.2%). The total tax charge for the Year rose from £6.1m to £18.8m reflecting these changes and the significant increase in profitability. The Group continues to be classified as "low risk" by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Cash Flows

Free cash flow of £44.2m (FY21: £48.4m) was generated in the Year. The Year saw a £28.0m absorption of working capital.

The significant rise in used vehicle prices, led to a £31.5m increase in year-end used vehicle inventory levels, despite a decline in the number of units held compared to 28 February 2021. Constraints on new vehicle supply saw significant reductions in the level of both new vehicle consignment inventory and the associated Manufacturer funding. These movements did

Cash Flows (continued)

have a cash impact in so far as they led to a net cash outflow because of the unwind of the VAT cash flow advantage on such funded vehicles of £32.0m. Working capital was also absorbed as the Group's demonstrator fleet started to return to more normal levels, absorbing £3.3m.

Constrained new vehicle supply resulted in an £24.3m cash inflow from a reduction in the level of fully paid new vehicle inventory held by the Group. The supply constraints have also led to record order bank levels, leading to a £12.0m increase in the value of vehicle deposits held against outstanding orders, a cash inflow in the Year.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £331.9m (2021: £275.9m) underpinned by a freehold and long leasehold portfolio of £236.4m (2021: £229.2m) and net cash (excluding lease liabilities) of £16.2m as at 28 February 2022. The Group's conservative financing and capital structure resulted in a strong tangible net assets position of £237.5m as at 28 February 2022, representing 66.8p per share.

The Group has a committed acquisition debt facility of £62m, maturing in February 2024, with the potential to add a further £15m which is currently uncommitted. £44m of this committed facility was drawn as at 28 February 2022. The Group operated comfortably within all covenants during the Year.

The Group periodically makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. At 28 February 2022, amounts utilised on such facilities totalled £11.6m. These balances are offset against cash in the calculation of Net Cash/Debt. The Group has a £35m facility under these arrangements and held £155m of used vehicle inventory at 28 February 2022 resulting in used vehicle stock being largely unencumbered.

Capital Allocation

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

Cash returns to shareholders in the form of dividends are an important part of the Company's capital allocation decision making process and remain a priority for the Board. The Group applies a dividend policy of a cover of three to four times normalised adjusted earnings per share, with the record results of FY22 leading to a much higher cover on earnings per share than the stated strategy.

An interim dividend of 0.65p per share was paid in January 2022. The Board recommends a final dividend in respect of the year ended 28 February 2022 of 1.05p per share to be approved at the annual general meeting on 22 June 2022. This dividend will be paid, subject to shareholder approval, on 29 July 2022. The ex-dividend date will be 30 June 2022 and the associated record date 1 July 2022.

The Group also values the benefits of repurchasing shares where prices are trading below intrinsic and net asset value. On 26 August 2021, the Group announced the recommencement of its Share Buyback Programme. From 26 August 2021 to 28 February 2022, the Group repurchased 9,751,009 shares representing 2.5% of shares in issue. This buyback exercise utilised a total of £6.0m of cash in the Year with shares purchased at an average price of 61.5p per share. A further £3m buyback programme was announced on 2

Capital Allocation (continued)

March 2022. Since the year-end, 1,815,980 shares have been repurchased at an average price of 59.0p per share, with £1.9m of this latest buyback programme remaining.

The Group also deploys capital in its extensive franchised dealership network. Subsequent to the year end, the Group purchased the freehold and long leasehold interests in its extensive multi-franchise site located in Derby for £7.1m. The Group has operated the 5.5-acre Derby multi-site since September 2012 under short leasehold arrangements. There are four separate buildings on the site, currently representing the Nissan, Skoda, Renault & Dacia and Peugeot franchises, along with a standalone Bristol Street Motornation used vehicle outlet. The purchase of the freehold and long leasehold interests secures the long-term future of this strategically important location for the Group.

Karen Anderson, CFO

Sustainability

The Group has long recognised that, whilst the primary objective for the business is to generate long-term sustainable profit and cash flows, this will only be achieved by serving a need society has and to meet this by adding value to the communities it serves. The Mission of the Group is 'to provide an outstanding customer motoring experience through honesty and trust'. The Group's values, which are at the heart of its culture, show that the Group always aims to do the right thing by our colleagues, and wider stakeholders. The Group recognises the importance of local communities, the value of collaboration and the power of working together. All of these will be vital in our collective ability to tackle some of the complex national, social, environmental and economic problems that we face. The Group will play its part to secure its future and the future of the society it serves.

The Group has a track record of making a positive contribution to its colleagues and to the communities we operate in, as well as a commitment to minimise cost and maximise efficiency to ensure resources are not wasted. The Group launched its 'Driving Sustainability' strategy in April 2021, based around three strategic sustainability goals:

1. Work with our Manufacturer partners to provide increasingly sustainable choices for customers
2. Reduce the environmental impact of our business
3. Care for our colleagues and support our communities

These sustainability goals have been mapped to the United Nations ('UN') Sustainable Development Goals ('SDG') to show how we are contributing. We have ambitions to improve and therefore targets to achieve this are also shown against each of our sustainability goals.

Sustainability Goals

	Goals	Link to SDG
Work with our Manufacturer partners to provide increasingly sustainable choices for all customers	Increase the share of the Group's sales of alternatively fuelled vehicles by a minimum 30% each year to 2030 Maintain our position as the UK's largest supplier of vehicles to the Motability fleet	3 Good health and well-being; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 17 Partnerships for the goals
Reduce the environmental footprint of our business	Deliver an annual 10% like-for-like reduction in the energy the Group draws from the national grid 70% of all dry waste to be recycled by 2025 25% of the corporate fleet to be alternatively powered by 2025	6 Clean water and sanitation; 7 Affordable and clean energy; 12 Responsible consumption and production
Care for our colleagues and support our communities	At least 90% of Colleagues to agree that the Group is a great place to work Continue to support causes local to our dealership network applying a central support budget of £150,000 per annum	3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities

Sustainability (continued)

Progress toward Sustainability Goals

Work with our Manufacturer partners to provide increasingly sustainable choices for all customers

Like-for-like the Group grew its sales of new retail battery electric (BEV) vehicles by 168.9% in FY22, compared to FY21. This increase was more than UK market trends, which saw growth in retail BEV registrations of 121.9% over the same period. BEV sales represented 10% of the Group's total new retail vehicle sales in FY22.

The Group's commitment to the electrification agenda is evidenced by the fact that the Group has significantly more dealerships approved under the Government's EVA (Electric Vehicle Approved) scheme than any other UK retailer. This scheme sets out minimum standards on operating electric vehicle sales and service outlets and is subject to audit. 21 dealerships are currently approved, and the aim is to have every dealership approved in short order to provide customer confidence.

Like-for-like sales of all alternatively powered vehicles sold by the Group grew by 173% and represented over 20% of FY22 total new retail vehicle sales.

The Group continues to operate the largest Motability fleet in the UK.

Reduce the environmental footprint of our business

The Group has a strong focus on the reduction of energy used in its operations. External energy audits have been carried out at 37 of the Group's dealership locations and behavioural recommendations arising have been implemented across the Group to reduce energy usage.

The audits also revealed potential savings which could be delivered following investment in energy saving infrastructure. One such recommendation is the replacement of older lighting with LED alternatives and consequently an 18-month programme of upgrade, with an expected capital investment of £1.2m, has now commenced.

Like-for-like the Group has consumed approximately 12% more energy in FY22 compared to FY21, with this increase predominantly the result of the impact of dealership closures due to lockdowns in the comparative year.

The Group recycled 60% of its dry waste in FY22 with a target to improve this percentage to 70% by 2025.

The Group operates a substantial vehicle fleet of demonstrator and courtesy vehicles in addition to colleague company vehicles. On 28 February 2022, 23.8% of this fleet were alternatively powered vehicles, such as battery electric or hybrid vehicles.

Care for our colleagues and support our communities

In a recent pulse survey of all Group colleagues, 88% of respondents agreed that the Group is a great place to work. The Group's colleague engagement strategy continues to provide opportunities for further improvement in this score.

The Group centrally supported communities by over £350,000 in FY22 with some of those benefitting from this support highlighted below.

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 a material 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. The Group's modern slavery statement is published on the Group's website, at https://investors.vertumotors.com/.

Sustainability (continued)

Environmental Management

The Group's strategy on environmental matters is to ensure legal and regulatory compliance as well as seeking to manage costs and usage through effective resource allocation. Half Hourly energy usage data and purchasing monthly usage data is monitored to highlight areas of potential wastage for attention, as well as providing a firm benchmark for energy and usage reduction activities. Energy audits have been carried out in a sample of the Group's dealerships identifying potential savings.

Energy and Emissions Reporting

This section includes mandatory reporting of energy and greenhouse gas emissions for the period 1 March 2021 to 28 February 2022, pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the Government's Streamlined Energy and Carbon Reporting (SECR) policy.

The methodology to calculate our greenhouse gas emissions is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)' issued by DEFRA, using DEFRA's 2020 and 2021 conversion factors as applicable. In some cases, consumption has been extrapolated from available data or direct comparison made to a comparable period.

Reporting uses using a financial control approach to define the Group's organisational boundary. All material emission sources required by the regulations for which the Group deems itself to be responsible have been reported and records of all source data and calculations have been maintained.

During the reporting period, £245.2k has been invested in EV charging points and associated electrical upgrades. The Group continues to monitor and regularly review gas and electricity consumption across the Group, with the majority of sites receiving targeted consumption reports on a daily basis. In addition, 37 sites have been added to the energy management program in this reporting period.

The table below includes total energy consumption (reported as kWh) and greenhouse gas emissions for the sources required by the regulations, along with the Group's intensity ratio.

UK & Offshore	**01/03/2021 – 28/02/2022**	**01/03/2020 – 28/02/2021**
Total Energy Consumption – Used for Emissions Calculation (kWh)	72,001,577	58,092,326
Oil & Gas Combustion Emissions, Scope 1 (tCO_2e)	5,283	4,574
Purchased Electricity Emissions, Scope 2 (tCO_2e)	5,525	4,923
Vehicle Fuel Combustion Emissions, Scope 1 (tCO_2e)	4,169	2,898
Vehicle Fuel Combustion Emissions, Scope 3 (tCO_2e)	-	-
Purchased Heat, Steam & Cooling Emissions, Scope 2 (tCO_2e)	-	-
Refrigerant Emissions, Scope 1 (tCO_2e)	-	-
Total Gross Reported Emissions (tCO_2e)	14,977	12,395
Turnover (£m)	3,615	2,547
Intensity Ratio: Turnover (tCO_2e / £m)	4.1	4.9

There is no additional global energy or emissions.

Sustainability (continued)

Community

As the Group has expanded, so has the scope of its involvement in the community as part of our wider corporate and social responsibility strategy and newly launched Group sustainability goals.

The projects chosen for support reflect the diversity and depth within the business, and also the desire of colleagues to be an active part of the communities served by their dealership. During the year to 28 February 2022 the Group's community activities have included:

Great Northern Raffle:

The Group supported the Great Northern Raffle, which raised funds for a range of North East charities, who had seen fundraising depleted as a consequence of the pandemic. The Group donated a car to be raffled raising almost £42,000.

St. Oswald's Hospice:

Another charity that the Group supported through the donation of a car was St Oswald's Hospice, who provide outstanding, specialist and expert care to adults and children with life-limiting conditions. This year, the donation helped to raise over £45,000.

Vertu Motors Arena naming rights:

Vertu Motors is proud to continue its support of the Newcastle Eagles Foundation, a charity very much at the heart of their community. Vertu Motors' naming rights sponsorship of the Eagles Arena, in Newcastle upon Tyne, helps the Foundation to continue delivering vital services to the local community with the venue acting as both a sports arena and community centre.

Yorkshire Cricket Foundation:

The Group has supported this foundation which delivers a number of community projects across the County with monetary support and provision of a 17-seater minibus. This support will help the foundation deliver its vital work in the areas of education, health and wellbeing, participation and Heritage.

Back to Eden Project:

The Group has long been a supporter of the New Testament God's Church, based in the Birmingham area. Recently the Group's support has extended to include sponsorship of a new community project which has secured land for use as a community allotment. Anyone from the local community can come along to meet people, learn about growing fruit and vegetables and take produce home. The allotment will also be used by a local primary school.

Other:

The Group's Dealerships have also been busy supporting their local communities including sponsorship of grassroots sport, donations and fundraising for food banks and community groups. Examples include Bristol Street Motors Halifax Nissan who provided Easter Eggs to every child at a local school which saw four classrooms destroyed by an arson attack. Macklin Motors Glasgow Ford used money provided for a Christmas party to make a donation to Kilbryde Hospice. Vertu Teeside BMW kitted out the Eaglescliffe Elementis under 10's junior football team. These are just a few examples of the work by our dealerships in providing support to their communities.

Health and Safety

A consistent Group-wide approach is taken with regards to Health and Safety and environmental matters. A Health and Safety Committee 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 and 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.

Our Health and Safety Dashboard, which focuses on key risk areas within the Dealerships, is 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, telematics devices are fitted into the cars of the Group's younger drivers, as they are our largest risk population, and this system gives us real time reporting on driver behaviour.

Group locations receive an independent external audit carried out without prior warning, to assess adherence to our Health and Safety Operating System. The results of these audits have been encouraging with most Dealerships scoring very highly, and only a small number of failed audits which resulted in immediate corrective action. The audit output also provides 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.

Colleagues

Engaging our Colleagues

The development and motivation of colleagues is one of the Group's core strategic objectives. The Group seeks to fulfil the career aspirations and potential of all colleagues. The Board seeks to create an environment in which every colleague feels valued 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.

The Group is committed to providing colleagues with information on matters of interest 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' is vital when developing a successful team and at the very heart of this is good communication. The Group utilises many formal and informal channels to achieve this. For example, the CEO produces regular vlogs and blogs and regular news updates are emailed to colleagues, posted onto the Group wide intranet site or included in monthly Team Briefs. This is supported by additional video updates on key colleague related matters by the Chief Financial Officer and Group HR Director. Each General Manager undertakes a monthly Team Brief, updating colleagues in small groups on relevant issues impacting the Group, their operating division and the dealership. These meetings seek to reinforce the Group's values and contribute to the creation of a Group culture.

In the year ended 28 February 2022 the Group have appointed a non-executive member of the Board (Pauline Best) to undertake the role of Workforce Engagement Director. Working closely with the Group HR Director, Pauline leads our workforce engagement strategy to ensure that the views and concerns of colleagues are adequately represented and considered by the PLC Board and the senior executive management team, particularly when they are making decisions that could affect the workforce and also that suitable and effective feedback is provided to the workforce on what steps have been taken to implement ideas of address and concerns. A key strand of the workforce engagement strategy involves bi-monthly colleague engagement meetings which are held in every business across the Group. These meetings are attended by elected colleague representatives and focus on how the group can deliver colleagues a great place to work. The Groups workforce engagement strategy links closely to the 'Driving Sustainability' ESG strategy to ensure that colleagues are engaged with, and able to have an impact on, the wider Group strategy in these areas. The ESG agenda is also covered in colleague engagement meetings. Colleague feedback is collected, considered and progressed to the operational board and Board where specific time is allocated to consider it. The Workforce Engagement Director also attends in-person meetings with colleague representatives to discuss the consolidated Colleague feedback. We take specific actions to engage colleagues with our 'Driving sustainability' programme in relation to the following:

- Work with our Manufacturer partner to provide increasingly sustainable choices for customers
- Reduce the environmental impact of our business
- Care for our colleagues and support communities

Another key strand of our workforce engagement strategy includes an annual comprehensive Colleague Satisfaction Survey which takes place in October and provides colleague with the ability to provide feedback on a wide range of subjects. The survey regularly achieves a colleague participation rate in excess of 80%. This annual survey is followed-up with a shorter pulse survey which takes place each quarter. Overall colleague engagement in this year's main survey increased to 85% in October 2021 (2020: 84%) with 85% of responding colleagues stating that they would recommend the Group to someone they know as a great place to work (2020: 87%). This increased to 88% in January 2022.

The Group operates several award schemes covering all colleagues. These schemes are intended to recognise and reward talented and committed individuals throughout the Group. One such scheme is the CEO Management Awards, which are announced each December and recognise a number of managers for their outstanding performance. The Group also operates 'The Masters Awards', through which colleagues throughout the Group can nominate their co-workers for awards linked to performance, demonstration of the Group's

Engaging our Colleagues (continued)

Values or for any other notable reason. These awards reinforce the Group's culture through the recognition of those behaviours which exemplify the Values and the colleagues who go above and beyond to deliver an outstanding level of personal performance. The Masters Awards also have a number of categories that cover individual performance based on achievement of specific performance targets. This facilitates engagement through competition, as the associated league tables of performance are communicated throughout the Group. The recipients range from sales executives, service advisors and technicians to drivers, cleaners, valeters and receptionists, with a category to cover every dealership-based colleague.

The Group also recognises colleagues with long service, with specific recognition for those reaching 10, 15, 20 and 25 years within the Group. This recognition programme includes celebratory social events, which bring together long-serving colleagues and the Group's senior management team as a thank you for their commitment. These colleague award programmes are designed to reward and reinforce behaviours underpinning both Group financial performance and other strategic objectives including the delivery of an outstanding customer experience.

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 as follows:

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.

Promoting Diversity and Inclusion

The Group has always focused on the recruitment and promotion of colleagues who embody the five unteachable attributes, namely, Character, Attitude, Energy, Drive and Talent. All appointments are made solely based on 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. The motor retail sector in which the Group operates has traditionally attracted higher proportions of male applicants. The Group's colleagues are comprised of 25% female and 75% male currently and therefore there is more to do in achieving a greater balance in this area. The Group has made a number of structural changes to job design and remuneration strategy to support the attraction of a more gender diverse workforce and these have improved the number of females applying and being appointed to roles throughout the Group.

Colleagues (continued)

Promoting Diversity and Inclusion (continued)

The Group is a member of the Automotive 30% Club, which is focused on achieving a better gender balance within the automotive industry, and with the aim of filling at least 30% of key leadership positions in the member organisations with women by 2030 through a "30 by 30" strategy.

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.

Employment career progression and development 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.

Number of Group colleagues by gender:

	At 28 February 2022			At 29 February 2021		
	Female	Male	Total	Female	Male	Total
Directors	2	4	6	2	4	6
Group Senior Managers	6	58	64	5	55	60
All Colleagues	1,540	4,647	6,187	1,350	4,401	5,751

Learning and Development

The Group invests in the personal development of every colleague. This includes the provision of a comprehensive online personal development programme for all colleague which is operated in partnership with Dale Carnegie training.

The Group's 'Active Training' team provide programmes ranging from sales and aftersales process training to management and leadership development as well as compliance and technical training. All colleagues also have access to an e-learning platform containing a wide range of relevant modules. Certain e-learning modules are set as required learning whilst others can be accessed to widen a colleague's understanding beyond what would be expected for their role. In response to the increasing prevalence of mental health issues in society the Group has also invested in training for managers to identify and support colleagues in their area.

A significant number of leadership development programmes are operated by the Group including several in partnership with Dale Carnegie training. Selection for development through the Group's leadership programmes is made through the application, of a talent strategy model, which links both current performance and an individual colleague's potential. Over 10% of the Group's management will progress through these programmes during FY23.

The Group also operates a substantial apprenticeship programme in partnership with the Group's Manufacturer partners, with over 250 apprentices currently engaged in training. Additionally, a Degree Apprenticeship programme in partnership with Northumbria University is used to attract talented individuals who may otherwise go to university outside the sector to join the Group. The Group has recently launched a 120 strong Customer Service Apprentice programme aimed at attracting out of sector talent.

The Group also offers access to an 'Evolution' programme which provides a development path for promising colleagues in the areas of sales, aftersales and finance to line management roles. This programme has been operating for over 5-year and has developed a pedigree of delivering management level appointees to support the Group's growth strategy.

Colleagues (continued)

Whistleblowing

The Group has a long-established whistleblowing policy and process, where all colleagues may, in confidence, report any concerns where the interests of the Group or others are at risk. Colleagues are encouraged in this first instance to talk to their line manager, member of the HR team or a higher level of management. Where the circumstances mean this is not possible, or is inappropriate, colleagues can access an independent, external whistleblowing helpline.

All reports received via this helpline are treated in the strictest confidence and are typically investigated by the Group's employee relations team. The output of these investigations is reviewed by the Group HR Director, General Counsel and other senior management colleagues as appropriate, dependent upon the nature of the complaint.

Anti-fraud, Bribery and Corruption

The Group has an anti-corruption and bribery policy which sets out the standards that are expected of colleagues and the procedures in place to minimise the opportunity for corrupt behaviours. The policy applies to all colleagues and includes guidance on the giving, receiving, and recording of business gifts and hospitality.

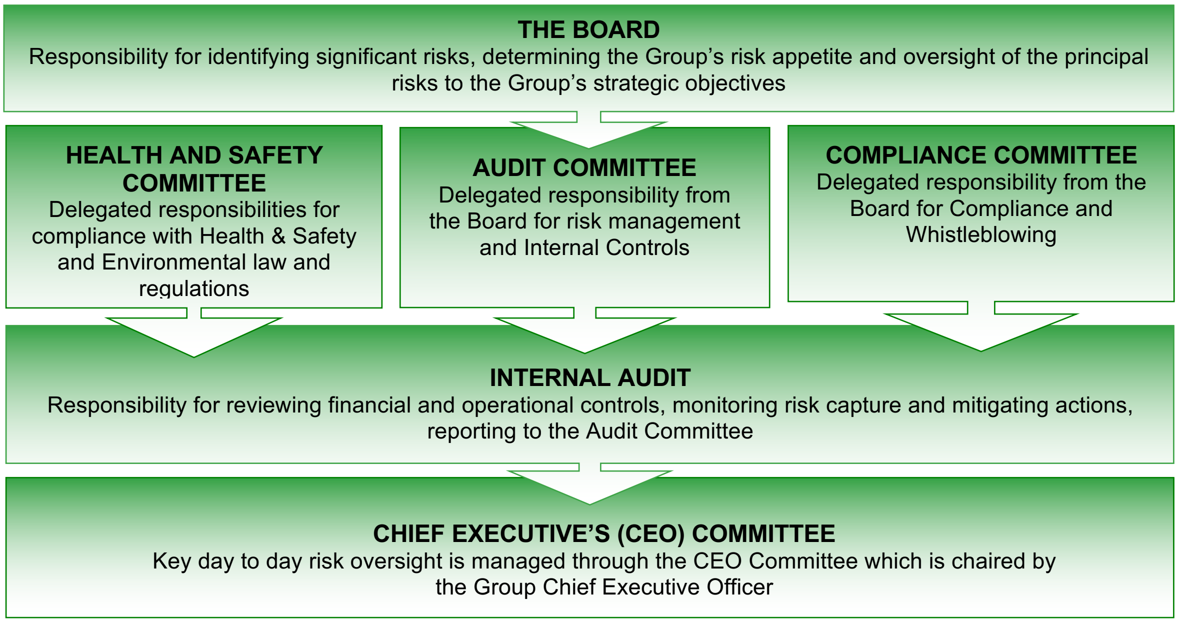
A fraud register is maintained by the Group and any items recorded on this register are investigated by the Group Head of Risk and reported to the Audit Committee.

Preventing Modern Slavery

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. The Group applies a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all our business dealings and relationships and to implement and enforce effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains.

Risk Management

Process



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 page 72. The statement by the auditors about their reporting responsibilities is given on pages 78 and 79.

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, chaired by the COO and made up of members of senior management including the CFO and Company Secretary. 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, made up of members of senior management.

Risk Management (continued)

Risk Management and Internal Controls (continued)

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.

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:

STRATEGIC

	Description of risk	Impact	Mitigation
1	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 • Thorough reviews of acquisition opportunities to ensure Group investment hurdles are met • Established process for swift integration of acquired businesses into the Group
2	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 opportunities • Omni-channel development / digital progress • Customer experience focus of the Group attracts customer loyalty • Ongoing monitoring to identify emerging competitive threats and act on these quickly
3	Advances in vehicle technology provide customers with mobility solutions which bypass the dealer network	Business model becomes obsolete	• Maintain strong relationships with manufacturer partners to work closely with them as the future shape of the sector evolves • Establish sufficient scale with manufacturer partners to ensure the Group is a key part of their route to market • Provide manufacturer partners with excellent retail facilities and customers with excellent services, to ensure Group is successful in the event of significant industry consolidation • Building on the Group's established on-line sales capability

BRAND PARTNERS AND REPUTATION

	Description of risk	Impact	Mitigation
4	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

Risk Management (continued)

Principal Risks and Uncertainties (continued)

ECONOMIC, POLITICAL AND ENVIRONMENTAL

	Description of risk	Impact	Mitigation
5	Economic conditions, including the lasting effects of the measures taken to tackle COVID-19 and geopolitical impacts	Volume and margin are affected particularly in vehicle sales Amendments to franchise contracts, embracing new legislation	• Close monitoring of UK economic conditions • Maintain close relationships with manufacturer partners • Focus on retention initiatives particularly in aftersales • Focus on cost control
6	Market and environmental considerations impact on vehicle supply and values	Vehicle supply constraints as a result of vehicle component shortages and new entrants in the used vehicle market	• 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 changes

LEGAL AND REGULATORY

	Description of risk	Impact	Mitigation
7	Litigation and regulatory risk in an environment of ever increasing regulatory scrutiny	Litigation or breaching regulations could have a financial impact and/or reputational impact	• Standard Group-wide policies and procedures are in place to ensure compliance with relevant regulations, adherence to which is overseen by the Compliance Committee • In-house developed sales system to ensure regulatory compliance and ease of customer journey, with key checks in place • 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 regulatory changes, and ensure continued customer relationship
8	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 KPIs • Independent external H&S audits carried out

COLLEAGUES

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

Risk Management (continued)

Principal Risks and Uncertainties (continued)

SYSTEMS AND TECHNOLOGY

	Description of risk	Impact	Mitigation
10	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
11	Group or key system provider is targeted for malicious cyber attack	Business is interrupted Data 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

FINANCE AND TREASURY

	Description of risk	Impact	Mitigation
12	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 • Leverage Group relationship with OEM finance companies and retail finance providers
13	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
14	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

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Viability and Going Concern

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 in the Strategic Report. The nature of the Group's activities is long-term, and the business model is open-ended.

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 2022 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 2025.

The Directors believe that a three-year period is appropriate as the Group's financial forecasting encompasses this period.

Financial forecasts were prepared for the three-year period to 28 February 2025, 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 40 of the Strategic Report.
- Prudent growth assumptions in both volume and margin, reflecting the risks set out on pages 40 to 42 of the Strategic Report.

The Group's current banking facility expires in February 2024. In the above forecasts and assessment of viability, it has been assumed that any new facilities would have limits and covenants which are consistent with the existing facility.

The Board carried out a robust assessment of the principal risks facing the Group and the purpose of the principal risks on pages 40 to 42 is primarily to summarise those matters that could prevent the Group from implementing 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 40 to 42 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 and Going Concern (continued)

Viability Statement (continued)

Assessment of Viability (continued)

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 2025.

Going Concern

By their very nature forecasts and projections are inherently uncertain. Based on what is known at this time and based upon the forecast information available, the Directors believe it appropriate to prepare accounts under the going concern basis. Therefore, the financial statements do not include the adjustments that would result if the Group and Company were unable to continue as going concerns.

On behalf of the Board

Robert Forrester
Chief Executive Officer
11 May 2022

Karen Anderson
Chief Financial Officer
11 May 2022

Corporate Governance Report

Chairman's Corporate Governance Statement

I am pleased to present the Group's Corporate Governance Report for this year. As Chairman, my role is to lead the Board, ensuring it operates effectively, and I take overall responsibility for the governance framework of the Company.

We continue to report under the QCA Corporate Governance Code ("QCA Code") and this report sets out how we comply with, and have applied, the principles and Code during the year.

As previously stated, the Group had a successful year, continuing to deliver on its strategy and delivering record financial results. The Board continues to work and interact well together through both its regular formal meetings and other ad-hoc contacts.

The Group published its first long-term Sustainability Strategy 'Driving Sustainability' in last year's annual report. The strategy builds on the Group's long track record of making a positive contribution to Colleagues and the communities it operates in, and outlined the Company's ambition to drive the sustainability agenda in the years ahead. The strategy included ambitious targets and goals aligned to the strategic objectives of the Group. Updates on the Group's performance against these targets are given in the sustainability section of the strategic report on pages 30 - 33.

The Group has had a consistent set of Values since its inception. These values are at the heart of Group culture and are embedded throughout the Group as described in the Group Strategy and Colleagues sections. All decisions by the Board reflect these Values to ensure that the culture is maintained and all Group premises display and actively refer to the Values regularly. The colleague feedback survey indicated that this culture continues to be very strong and has improved throughout the last year despite the challenges faced by colleagues. The Board reviews this in detail each year as well as the results of the quarterly snapshot of colleague sentiment about the Group.

Changes During the Year

There have been no changes to Board composition during the year. However, the expected term of Pauline Best's Non-executive directorship has since been extended for a further 3 years to 2025 as she continues to make a significant and vital contribution.

Pauline Best took the role of designated Non-executive Director for effective engagement with the Groups' colleagues, and engagement and resulting actions are underway.

The Board undertook an annual board evaluation in February 2022 through an anonymous survey by the Board. Results have been reviewed and actions for the coming year agreed. As a result, particular focus will be given to the work of the Nominations Committee and the future structure of the Board. Annual appraisals of the Executive Directors, with the CEO appraised by the Chairman, have also been carried out.

This year's Annual General Meeting ("AGM") will be held on 22 June 2022.

Andrew Goss

Non-executive Chairman

11 May 2022

QCA Code Principle	Where to find out more (page)
1. Establish a Strategy and business model which promotes long-term value for shareholders.	Group Strategy - pages 9 – 18
2. Seek to understand and meet shareholder needs and expectations.	investors.vertumotors.com
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	s172 statement - pages 4 – 7
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Risk Management - pages 39 – 42
5. Maintain the Board as a well-functioning balanced team led by the Chair.	Board Leadership - pages 47 – 50
6. Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities.	Board Leadership - pages 47 – 50
7. Evaluate Board performance based on clear and relevant objectives seeking continuous improvement.	Chairman's Corporate Governance Statement page 45
8. Promote a corporate culture that is based on ethical values and behaviours.	Group Strategy - pages 9 – 18 Colleagues - pages 35 – 38
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	Roles and Responsibilities – page 52 Division of Responsibilities – page 51 investors.vertumotors.com
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other stakeholders.	Division of Responsibilities - page 51 Audit Report - pages 73 – 80 Remuneration Committee Report - pages 58 – 63 investors.vertumotors.com

Board Leadership

Board of Directors

The Board has three Non-executive Directors including the Chairman, together with three Executive Directors. The Chairman was considered independent on appointment and the other Non-executive Directors are considered to be independent.

Andrew Goss
Non-Executive Chairman

Appointed 3 September 2018 as director
24 July 2019 as Chairman

Committee Membership
Audit Committee, Remuneration Committee, and Chair of the Nominations Committee

Relevant Experience

Andrew (64) brings to the Group 40 years of experience in the automotive sector, having held senior roles in Citroen UK, Nissan Europe, Lexus (GB), Toyota (GB), Porsche and most recently Jaguar Land Rover. Between 2010 and 2013 Andrew headed Jaguar Land Rover's business in North America as its President and CEO, and between 2013 and 2018 he sat on the Jaguar Land Rover Board as Global Sales Operations Director. During this period, he also represented Jaguar Land Rover in its joint venture interests in China and in its Spark 44 advertising agency.

Ken Lever
Senior Independent Director

Appointed 1 June 2015

Committee Membership
Remuneration Committee, Nominations Committee and Chair of the Audit Committee

Relevant Experience

Ken (68) 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 December 2015. From 2007 to 2013, Ken was a Member of the Accounting Council of the Financial Reporting Council (formerly the UK Accounting Standards Board).

Ken is highly experienced in public company boardrooms as well as PLC transactions and also brings technical financial experience to the Board and his role as Chair of the Audit Committee.

External Appointments

Ken is Non-executive Chairman of Biffa plc and RPS Group plc and a Non-executive Director of Rockwood Realisation Plc.

Pauline Best
Non-Executive Director

Appointed 31 May 2016

Committee Membership
Audit Committee, Nominations Committee and Chair of the Remuneration Committee

Relevant Experience

Pauline (58) is an experienced Human Resources professional who was 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.

Pauline's human resources and people experience is invaluable as Chair of the Remuneration Committee and she also brings that perspective to the Board. Pauline is also the designated non-executive director for workforce engagement.

Board Leadership (continued)

Board of Directors (continued)

Robert Forrester
Chief Executive Officer

Appointed 6 November 2006

Relevant Experience

Robert (52) 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 was also a member of the Economic Growth Board of the Confederation of British Industry. Robert founded the Company in 2006.

David Crane
Chief Operating Officer

Appointed 26 July 2018

Relevant Experience

David (54) was appointed as Commercial Director of the Group in February 2007 having been previously at Reg Vardy PLC since 1999. He was Commercial Director of Reg Vardy PLC between 2004 and 2006, until the sale of Reg Vardy PLC to Pendragon PLC in February 2006, at which point he was appointed Group Services Director of Pendragon PLC. Prior to his employment with Reg Vardy PLC he was Aftersales Operations Manager at Renault UK between 1991 and 1999. He was appointed to the position of COO in March 2016.

Karen Anderson
Chief Financial Officer

Appointed 1 March 2019

Relevant Experience

Karen (50) was the Finance Director of the Group from 2006 to 2010 through its initial flotation and growth period, and stepped back into the Chief Financial Officer role from her role as Deputy CFO and Company Secretary.

From 2001 to 2006 she was employed by Reg Vardy PLC, where she ultimately held the position of Group Financial Controller. Karen qualified as a chartered accountant with Arthur Andersen. She was also a Trustee Director of the Group's defined benefit pension scheme, the Bristol Street Pension Scheme from 2007 to 2019.

Karen has a wealth of motor industry finance experience together with detailed knowledge of the operations of the Group, having helped to found the Company in 2006.

Board Meetings and Attendance

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:

- Executive's Directors Reports – update on performance, strategic opportunities, industry and property matters compliance update and colleague matters
- Health and Safety Report – Summary of training undertaken throughout the Group, risk management plus commentary on any reported incidents
- Investor Relations ('IR') Report – update on market trends, share register movements and summary of IR activity

Board Leadership (continued)

Board Meetings and Attendance (continued)

During the financial year the Board has met formally 6 times in person and 11 on other occasions via Teams video call. The number of meetings attended by each Director was as follows:

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	SCHEDULED	ATTENDED	SCHEDULED	ATTENDED	SCHEDULED	ATTENDED	SCHEDULED	ATTENDED
A P Goss	17	16	3	3	1	1	7	7
R T Forrester	17	17	3	-	1	-	7	-
D P Crane	17	17	3	-	1	-	7	-
K Anderson	17	17	3	-	1	-	7	-
K Lever	17	17	3	3	1	1	7	7
P Best	17	17	3	3	1	1	7	7

Conflicts

Any potential conflicts of interest with individual Directors are reviewed annually to ensure that there is no impact on a director's judgement. The Board's committees have non-executive membership or leadership, where appropriate.

Time Commitment

All Non-Executive Directors are required to devote sufficient time to meet their Board responsibilities and demonstrate commitment to their role, including understanding the Group's business. The time commitment varies for each individual Director but as a minimum two days per month is expected. All Executive Directors are full-time and are ordinarily expected to devote their full time and attention to the Group.

Additional Appointments

All Directors are required to consult with the Chairman and obtain Board approval before taking on any additional appointments. Executive Directors are not permitted to take on any other substantial appointment. As part of the selection process for any new Board candidates, any significant external time commitments are considered before an appointment is agreed.

Access to Advice

Should any Director judge it necessary to seek independent legal advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense. All Directors have access to the advice and services of the Company Secretary for advice on their responsibilities or relevant regulation for advice on their responsibilities or relevant regulation. The Senior Independent Director also acts as a sounding board for Directors to ensure they benefit from his experience.

Board Leadership (continued)

Key Areas of Board Focus During the Year

STRATEGY	FINANCIAL PERFORMANCE	GOVERNANCE	SHAREHOLDER ENGAGEMENT	RISK
Group strategy review Business development Reviewing M&A opportunities Approval of annual business plan and capital budget Review of colleague engagement survey and colleague engagement meeting feedback	Approval of the FY2021 full year results and FY2022 interim results Monthly management accounts and comparison against annual business plan Long range forecast and funding requirement planning	Re-appointment of auditors Monitoring Compliance and Health and Safety Committees Monitoring Senior Managers and Certification Regime by the FCA regulated entities in the Group Monitoring the culture and Values including colleague survey feedback Response to enquiries from the FRC following a review of the FY2021 Group Financial Statements	Annual General Meeting Meetings with key shareholders on results roadshows Analyst meeting on the ancillary businesses operated by the Group	Annual review of key Group risks and mitigating controls

Division of Responsibilities

The table below shows the key committees and their responsibilities.

	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	CEO COMMITTEE	COMPLIANCE COMMITTEE	HEALTH AND SAFETY COMMITTEE
Members	PLC BOARD COMMITTEES					
	• K Lever (Chair) • A P Goss • P Best	• P Best (Chair) • K Lever • A P Goss	• A P Goss (Chair) • K Lever • P Best	• R T Forrester (Chair) • D P Crane • K Anderson • N Loose • 12 Senior Managers	• D P Crane (Chair) • K Anderson • N Loose • 4 Senior Managers	• 4 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 • Director succession planning	• 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 structure	• 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 regulatory 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	• Annual business plan 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 • External audit	• 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 share incentive plans	• 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

Division of Responsibilities (continued)

Roles and Responsibilities

Chairman – **Andrew Goss**	The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate facilitating constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that the Board receive accurate, timely and clear information.
Senior Independent Director – **Ken Lever**	The Senior Independent Director (SID) is an independent Non-Executive Director, who provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders where necessary. The SID also leads the annual appraisal and review of the Chairman's performance.
Non-executive Director – **Pauline Best**	As Non-Executive Director, Pauline is responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using her broad range of experience and expertise. She also acts as the nominated non-executive director for workforce engagement.
Chief Executive Officer – **Robert Forrester**	The Chief Executive Officer is responsible for the day-to-day running of the Group's businesses and the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Group Executive and Senior Management Teams.
Chief Operating Officer – **David Crane**	The Chief Operating Officer supports the Executive Management Team in developing and implementing strategy and is responsible for the oversight of the day-to-day administrative and operational functions of the Group.
Chief Financial Officer – **Karen Anderson**	The Chief Financial Officer, oversees the day-to-day financial activities of the Group, including ensuring that Group financial and operating policies and practices are adopted at all levels of the Group.

Nominations, Composition and Succession

The Nominations Committee continually reviews board composition to ensure that the Board provides the Group with the strategic oversight, vision and governance that it needs. Ordinarily, Non-executive Directors serve for a maximum of six years.

The Nominations Committee has carried out an assessment of the skills and experience of the Directors to identify any areas of weakness that can be addressed through training or future recruitment to the Board. The Board is currently satisfied that its current composition includes an appropriate balance of experience and skills including experience in the motor retail sector, experience with motor manufacturers and other relevant areas. The Board has received briefings during the year on relevant areas of regulatory change and the impact on the Group, and attended external training.

Appointment and Powers of the Company's Directors

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. 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.

Appointment and removal of Directors is governed by the Company's articles of association (the Articles), the Companies Acts and related legislation. A Director may be appointed by an ordinary resolution of the Company's shareholders following recommendation of the Nominations Committee as approved by the Board, or following retirement by rotation if the Director chooses to seek re-election. Alternatively, the Directors may appoint a Director to fill a vacancy or as an additional Director provided that the individual retires at the next Annual General Meeting (and offers themselves for election if appropriate).

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). The authorities conferred on the Directors at the 2021 Annual General Meeting will expire on the date of the 2022 General Meeting. Details of movements in the Company's share capital are given in note 31 to the consolidated financial statements.

Succession

The Nominations Committee has responsibility for succession planning for the Board. Where appropriate the Committee uses external advisers to assist with candidate identification and benchmarking.

Succession planning for other senior management roles is conducted by the HR Director and CEO with input from other members of management as appropriate and overview by the Remuneration Committee.

Andrew Goss

Non-Executive Chairman

Audit, Risk and Internal Control

Audit Committee Report

Audit Committee Membership and Meetings

During the year the Audit Committee was comprised of Committee Chairman, K Lever and two other Non-Executive Directors of the Group, namely, A P Goss and P Best. The Committee met three times during the financial year and attendance is shown in the table on page 49.

Only members of the Committee are required to attend Committee meetings, however, other individuals (such as the Chief Executive, Chief Financial Officer, Chief Operations Officer or Company Secretary and independent auditors) are able to attend by invitation.

The key responsibilities of the Committee are set out in the table on page 51.

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 independent 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
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 consolidated financial statements of the Group, based on forecast future cash flows. The Committee challenged the methodology, assumptions, and sensitivity analysis used by management. The Committee also considered the independent review by the independent auditors. The Committee concluded that the February 2022 carrying amounts shown in notes 15, 16 and 18 of the consolidated financial statements were appropriate and approved the disclosures.
Valuation of inventory	The Group's assessment of the valuation of used vehicle inventory at 28 February 2022 involves an element of estimate to determine the expected net realisable value post year end. Key assumptions used in the valuation of used vehicle inventory at 28 February 2022 include sales which took place post year end, latest industry guidance and historical trends. The committee reviewed and challenged the assumptions applied in determining the valuation of inventory at 28 February 2022 as shown in note 21 and concluded that these were appropriate.

Audit Committee Report (continued)

Significant Issues (continued)

Significant issue	Action taken
Viability and Going Concern	Management have prepared detailed financial projections for a period of 12 months from the date of signing the financial statements ('Review Period'). These projections are based on the Group's detailed annual business plan. Management have reviewed the output of these detailed projections alongside the Group's funding facilities and banking covenants, further details of which are provided in note 26 of the consolidated financial statements. Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections to model the impact of severe but plausible downside risks. By their very nature forecasts and projections are inherently uncertain. Circumstances could arise under which extreme downside scenarios may occur that would render the preparation of accounts based on the assumption of a going concern inappropriate. Based on what is known at this time and based upon the forecast information available, the Directors believe it appropriate to prepare accounts under the going concern basis. The Committee challenged the assumptions used and also considered the review conducted by the independent auditors. The Committee concluded that the Board is able to make the Viability and Going Concern statements on pages 43 and 44.
Pension benefits	Assets and 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 valuation of the scheme assets and the present value of the obligations are calculated by external advisors. The Committee reviewed the assumptions applied in calculating the scheme assets and obligation (set out in note 30) at 28 February 2022 and confirmed that these were appropriate.
Manufacturer bonus income	Income is received from manufacturer partners in the form of rebates and volume related bonuses. A Group wide income 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 independent auditors. The Committee concluded that it was satisfied with the income recognition policy, and with the appropriateness of the controls currently in operation, over manufacturer bonus income recognition.
Revenue recognition	The Group's main product/service lines are the sale of motor vehicles, parts and aftersales services. The Group operates an income recognition policy that ensures that revenue is recognised in line with satisfaction of the performance obligation, as set out in note 1 of the consolidated financial statements. Given the complexity of the initial sale of a vehicle for which it is not unusual to have a discount applied in a sales transaction which may or may not include multiple other products, judgement is involved in determining the appropriate allocation of such a discount between the products involved in the sale, particularly where there is a difference between the products, in when the relevant performance obligations are satisfied. The committee reviewed the assumptions set out in the revenue recognition policy and confirmed that the assumptions applied are appropriate.

Audit, Risk and Internal Control (continued)

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 independent 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 73 to 80.

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 Company Secretary, the Chief Operations Officer, the Chief Marketing Officer, the HR Director, the Sales Director, the Chief Technology Officer, the Group Strategy Director and the seven 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 team report regularly on the audits carried out in each dealership which, for the financial year ended 28 February 2022, covered both balance sheet and sales process audits as well as audits of key financial control processes. The Group Risk team met with the Committee without the presence of management.

External Audit

During the year, the FRC's Audit Quality Review (AQR) team selected for review the PricewaterhouseCoopers LLP ("PwC") audit of the Group's 2021 financial statements as part of its annual inspection of audit firms. On completion of the review, the AQR team wrote to the Committee Chair and provided a copy of its final report. The Committee has discussed the findings of the AQR with PwC and PwC have confirmed that, in the 2022 audit, it had enhanced its audit procedures to address those areas that had been identified as requiring improvement.

The Audit Committee has recommended to the Board that a resolution be put to shareholders at the Annual General Meeting to reappoint PwC as auditors of the Company for a further year. PwC have been appointed as auditors to the Company for the previous twelve financial years. In accordance with ethical standards requirements the audit partner responsible for the engagement was subject to rotation after each five-year period and since February 2019 has been Jonathan Greenaway. No tender has been conducted. The Committee reviewed the effectiveness, independence and objectivity of the independent auditors and no matters of concern were raised during the financial year to 28 February 2022. It will continue to monitor this.

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

Audit, Risk and Internal Control (continued)

Audit Committee Report (continued)

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 advisors to undertake such work where their knowledge and experience is appropriate for the assignment. Where PricewaterhouseCoopers LLP are used 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.

- 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.

K Lever
Chairman of Audit Committee
11 May 2022

Remuneration Committee Report

Annual Statement from the Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 28 February 2022. This Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee ("the Committee") in accordance with the Companies Act 2006, as well as with the spirit, principles and, as far as is reasonably practical, the requirements of 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) Regulations 2008, 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 2022 and is provided for information to shareholders; 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 28 February 2022 and is subject to an advisory shareholder vote at this year's AGM.

The information in the Directors' Remuneration Report set out on pages 65 to 66, and highlighted as being subject to audit, has been audited by the Group's auditors.

Key remuneration decisions for the year to 28 February 2022

Following a review of Executive Director packages carried out in late 2021 alongside ongoing sector benchmarking, the basic salaries for the Executive Directors (R Forrester, D Crane and K Anderson) were increased by 5% with effect from 1 March 2022. This follows the application of basic salary increases throughout the Group which were designed to ensure that colleague remuneration keeps pace with inflation, and is comparable to the average increase applied throughout the Group to non-management colleagues. The increased salaries more closely match competitors in the sector and reflect the importance of retaining the highly experienced Executive team in a very competitive market.

The Executive Director annual bonus structure remains unchanged from the scheme operated in the year commencing 1 March 2021. It continues to include measures on financial performance, customer satisfaction and colleague satisfaction with 70% of bonus relating to profit targets with the remaining 30% split equally between customer outcome and colleague outcome measures. The maximum profit bonus earnings level of 135% of on-target earnings equates to delivery of 135% of the business plan. The Executive Directors will receive maximum levels of profit bonus for the year commencing 1 March 2021 reflecting a high level of performance and an exceptional year in the sector due to external factors.

A Partnership Share Scheme was introduced for senior management colleagues in the Group for the year commencing 1 March 2020 and then applied to Executive Directors for the first time for the year beginning 1 March 2021. Under this Scheme, an award is made in the form of a nil-cost option at the beginning of each financial year over a maximum value of shares (to be determined annually by the Remuneration Committee based on a fixed percentage of on-target earnings). At the end of each financial year, vesting is directly linked to the level of pay-out of each participant's annual bonus for that year. For example, if the annual bonus pay-out is at 95% of the amount that would be earned at the on-target level, 95% of the nil-cost option will be awarded. Performance is capped at the 100% level and the employee must remain in employment for three further complete financial years before the nil-cost options are awarded to them. This scheme has been very well received by the beneficiaries.

The award to Executive Directors was granted for a maximum of 30% of a beneficiary's on-target earnings for the year beginning 1 March 2021. The performance of the Group is such that this Partnership Share award will vest to vest in full for the majority of beneficiaries, including the Executive Directors. Beneficiaries will receive the vested shares 3 years from the end of the financial year to which they relate if they remain employed by the Group.

Annual Statement from the Chair of the Remuneration Committee (continued)

Key remuneration decisions for the year to 28 February 2022 (continued)

A further Partnership Share Scheme annual award has been made for the year commencing 1 March 2022. The level of award for Executive Directors has been increased from 30% to 40% of on-target earnings for the year commencing 1 March 2022 to differentiate the executive team from the rest of the senior management team and to ensure that the potential value of this long-term incentive programme is more in line with the schemes operated by listed competitors in the sector.

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 28 February 2022. 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. We hope that we can rely on your votes in favour of the annual report on remuneration.

By Order of the Board:

P Best
Chairman of Remuneration Committee
11 May 2022

Remuneration Committee Report (continued)

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 ordinarily 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 periodically to reflect experience, 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 two company cars, or access to an employee car ownership scheme, health insurance, critical illness cover and life assurance and the opportunity to join the Company's share incentive plan ("SIP"). 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, customer outcome targets including manufacturer new car and service customer satisfaction ("CSI") scores as well as used car Judge Service results, and colleague satisfaction with exact measures reviewed annually.	Paid in cash after the end of the financial year to which it relates.	It is the normal policy of the Committee to cap maximum annual bonuses. The levels of such caps are reviewed annually.	Targets are based on adjusted profit before tax of the Group and customer outcome and colleague satisfaction measures. The Committee sets performance measures, threshold and maximum targets on an annual basis. A sliding scale operates between threshold and maximum performance. No company performance bonus is payable where performance is below the threshold of 85%. No colleague satisfaction bonus is payable where performance is below an annual target. No customer satisfaction bonus is payable if minimum targets are not met. Payment of any bonus earned is subject to overriding discretion of the Committee in the event of gross misconduct.
LONG-TERM INCENTIVES			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares through the Partnership Share Scheme (part of the Long Term Incentive Plan (LTIP).	Grant of £Nil cost options under the Partnership Share Scheme. Options vest in proportion to the amount of annual bonus earned in the year of issue. Options may then be exercised after 3 years starting at the end of the financial year to which the bonus relates.	Annual award of options to Executive Directors is 40% of on-target earnings for FY23. The Remuneration Committee will determine at the beginning of future financial years, the maximum value of shares over which an award can be granted.	Vesting is pro rata to achievement of the participant's bonus measures for the year.
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 currently 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 formulating the award value of the partnership share scheme. Any new Directors would receive a pension contribution in line with the majority of the workforce.	None

Notes to the Policy Table

Differences from remuneration policy for all employees

All employees of the Company are entitled to base salary or hourly rate and various 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 Partnership Share Scheme to senior management in the Group and selected key employees who are crucial to the long-term success of the Company.

Remuneration Policy (continued)

Notes to the Policy Table (continued)

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 and other share schemes.

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 Committee also takes into account emerging best practice and guidance from major institutional shareholders and advisors.

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 (subject to the statement regarding pension contributions and any specific personal targets or development), 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 and CSOP awards and Partnership Share Awards	Partnership Share Awards for the current financial year (and other unvested LTIP 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. For the Partnership Share Scheme, the extent of vesting will be determined by the Committee taking into account the amount of time that the employee has worked in the financial year. Following release, Good Leavers may exercise their options at any time after cessation of employment.	Good leaver circumstances comprise death, illness, injury, disability, retirement, transfer of employing business outside Group or exceptional circumstances at the discretion of the Committee.

Directors' Service Contracts, Notice Periods and Termination Payments (continued)

Provision	Policy	Details
Treatment of LTIP and CSOP awards and Partnership Share Awards (continued)	For other LTIP awards, 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. Good Leavers may exercise their options within 12 months (or such a period as the Committee determines). Good Leaver LTIP 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. Unvested CSOP Awards will normally lapse on cessation of employment but, for Good Leavers, may vest in full or part as determined by the Remuneration Committee. Vested CSOP options can be executed for up to 6 months (or 12 months in the case of death) except following summary dismissal, when they lapse.	
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 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.

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.

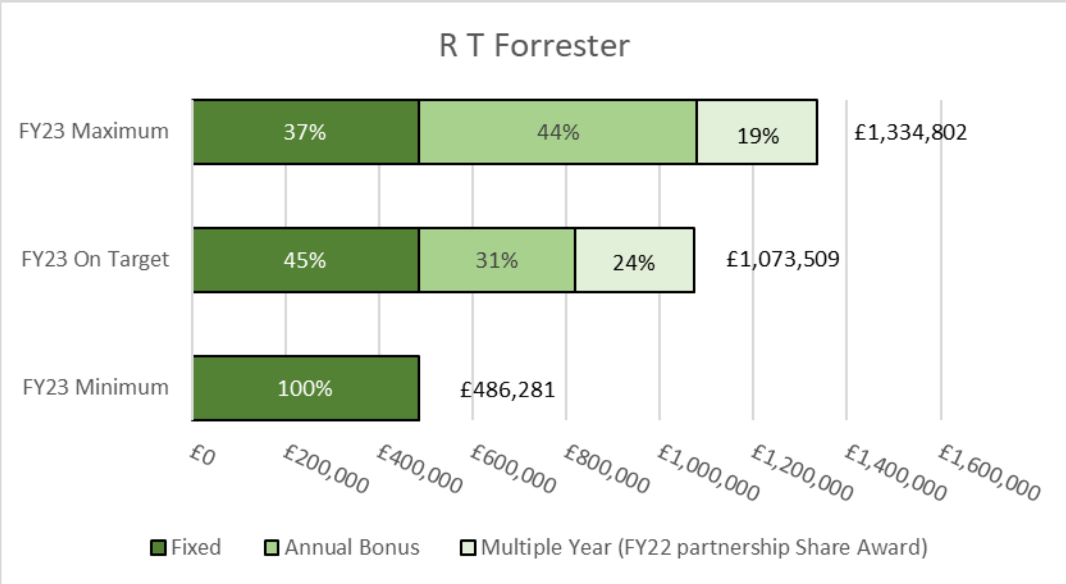
Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
NON-EXECUTIVE DIRECTOR ('NED') FEES			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	NED fees are determined by the Board within the limits set out in the Articles of Association and are paid in 12 equal monthly instalments during the year. Non-Executive Directors may be eligible for benefits such as the use of secretarial support or other benefits that may be appropriate. They also receive a company car with insurance, using a scheme and type of the Company's choosing.	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

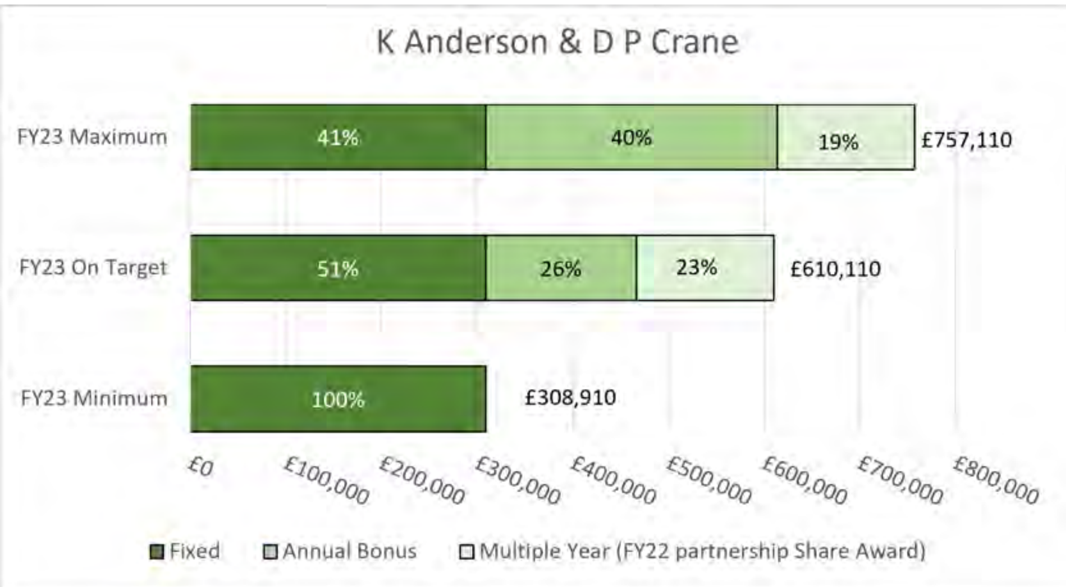
Directors' Remuneration Report

Total 2022/23 Remuneration Opportunity

The chart below illustrates the remuneration that would be paid to each of the Executive Directors in the 2022/23 financial year 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. The element included for multiple year (LTIP Awards) relates to Partnership Share Scheme options which are capable of vesting in the financial year to 28 February 2023 and is based on the closing share price on 1 March 2022.





Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for the 2022/2023 financial year plus pension and benefits.
Annual Bonus	Annual bonus awards based on adjusted profit before tax, customer outcome measures and colleague satisfaction targets.
Multiple Year (FY22 Partnership Share Award)	Value of Partnership Share Scheme Awards which vest in the year ended 28 February 2023 but are subject to a three-year holding period thereafter. Value is based on the number of shares awarded at the share price on 1 March 2022.

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

Directors' Remuneration Report (continued)

Annual report on remuneration

The annual basic salaries and fees to be paid to Directors in the year ending 28 February 2023 are set out in the table below, together with any increase expressed as a percentage.

	28 February 2023 £'000	28 February 2022 £'000	Increase %
R T Forrester	415	395	5
K Anderson	263	250	5
D P Crane	263	250	5
K Lever	62	62	-
P Best	52	52	-
A P Goss	130	130	-

Information subject to audit

Single Total Figure of Remuneration

The remuneration of the Directors who served during the period from 1 March 2021 to 28 February 2022 is as follows:

	Salary or fees £'000		Taxable Benefits[1] £'000		Pension £'000		Bonus £000		Long Term Incentive Plan £'000		Single total figure £'000	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**[2]	2021	**2022**	2021
Executive Directors												
R T Forrester	**395**	337	**3**	3	**65**	56	**525**	200	**-**	-	**988**	596
K Anderson	**250**	238	**3**	3	**41**	39	**272**	100	**40**	-	**606**	380
D P Crane	**250**	238	**3**	3	**41**	39	**272**	100	**40**	-	**606**	380
A P Goss	**130**	95	**1**	1	**-**	-	**-**	-	**-**	-	**131**	96
K Lever	**62**	52	**1**	-	**-**	-	**-**	-	**-**	-	**63**	52
P Best	**52**	38	**1**	1	**-**	-	**-**	-	**-**	-	**53**	39

1 Taxable benefits include vehicle insurance, together with medical and life assurance premiums

2 Represents CSOP options granted in July and November 2018 which vested during the financial year ended 28 February 2022, the value has been calculated by reference to the average share price of the Company over the financial year (53.06p) and the exercise price applicable to each of the grants.

Annual Bonuses

The Executive Directors have been awarded Company profit performance bonus at the maximum level of 135% of on-target earnings, customer outcome bonus at the level of 70.8% and colleague satisfaction bonus at the level of 50% - having achieved a colleague great place to work result above 85% (the 50% target) but below 90% (the 100% target), to be paid in May 2022.

Pensions

The Group operates a group personal pension plan for eligible colleagues. R T Forrester, K Anderson and D P Crane have elected to cease active membership of the plan and receive a payment of 16.5% of current basic salary rather than Company pension contributions.

Directors' Share Options

The movement in share options held by the Directors during the year ended 28 February 2022 is as follows:

	Number at 1 March 2021	Exercised in Year	Lapsed in Year	Granted in Year[1]	Number at 28 February 2022
R T Forrester	262,208	-	(262,208)	443,451	443,451
K Anderson	930,000	(400,000)	-	249,480	779,480
D P Crane	1,013,583	(430,000)	-	249,480	833,063

1 These Partnership Share Scheme awards vested in March 2022 and are subject to a holding period of three years prior to being exercised.

Partnership Share Award vesting criteria:

Vesting is directly linked to the individual beneficiary's percentage achievement of bonus earnings for each financial year with this capped at 100% of total award. For example, if an individual earns 95% of bonus 95% of the award vests.

Directors' Remuneration Report (continued)

Statement of Directors' Shareholding

The Directors who held office on 28 February 2022 and their connected persons had interests in the issued share capital of the Company as at 28 February 2022 as follows:

	Number of shares held (including by connected persons)		Vested unexercised share options		Unvested share options subject to performance conditions	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021	28 February 2022	28 February 2021
R T Forrester	7,444,181	7,225,215	-	-	443,451[1]	262,208
K Anderson	1,130,597	901,074	530,000	430,000	249,480[1]	500,000
D P Crane	404,036	195,705	583,583	513,583	249,480[1]	500,000
K Lever	100,800	100,800	-	-	-	-
P Best	-	-	-	-	-	-
A P Goss	62,083	62,083	-	-	-	-

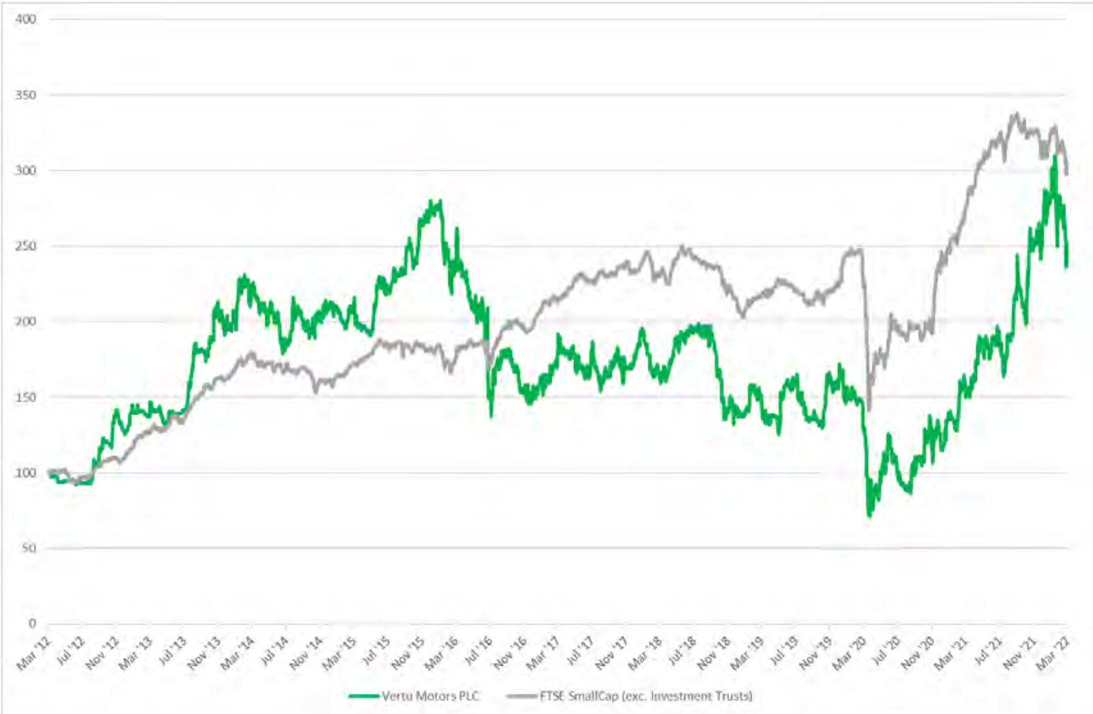
[1] Represents Partnership Share Awards granted in respect of the year commencing 1 March 2021, after 28 February 2022 these awards vested in full and are subject to a three-year holding period before they can be exercised.

Directors' Remuneration Report (continued)

Information not subject to audit

Performance Graph

The chart below shows the Company's eight-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 28 February 2022 was 60.0p (28 February 2021: 39.3p) and the range during the financial year was 36.0p to 75.8p (2021: 17.3p to 40.2p).

Changes in remuneration of Chief Executive Officer

Ordinarily, the Company includes a table in this section of the Remuneration Committee report showing the comparison of basic salary and bonus between the CEO and other employees over the last two financial years. This year's report would normally have compared these values for the financial year ended 28th February 2021 with the year ended 28th February 2022. Given the significant impact of the UK Government's Coronavirus Job Retention Scheme payments on the calculation of payroll during the year ended 28th February 2021, which resulted in a significant proportion of the Group's employees being paid at an earnings level determined by this scheme (generally 80% of average pay up to £2,500 per month), and the Company's decision not to apply the stated £2,500 cap in the early months of the pandemic to many employees, it is not possible to produce accurate and relevant comparative figures for the bonus element of this normal disclosure. We intend to include this information again in the next annual remuneration report.

For the year ended 28th February 2021, the CEO received basic salary only (which was reduced to the level of 70% for the months of April and May 2020) and received no contractual bonus payments. At the end of this financial year the CEO was awarded a discretionary year-end bonus of £100,000 by the Remuneration Committee. This discretionary year-end bonus value represented 33% of the on-target bonus available to the CEO. Given the high performance of the Group in the latter part of the same year the majority of bonus earning colleagues and managers achieved 100% of their on-target earnings for the period from 1st July 2020 to 28th February 2021.

Date of Service Contracts/Letters of Appointment

DIRECTOR	Date of service contract/ letter of appointment
R T Forrester	20 December 2006
K Anderson	1 March 2019
D P Crane	25 July 2018
A P Goss	19 July 2019
K Lever	25 February 2021
P Best	1 June 2016

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

Relative Importance of Spend on Pay

The table below sets out the total spend on remuneration in the Group in the years ended 28 February 2021 and 28 February 2022 compared with other disbursements from profit (i.e. the distributions to shareholders).

	Spend in the year ended 28 February 2022 £'000	Spend in the year ended 28 February 2021 £'000	% change
Spend on remuneration (including Directors)	233,818	176,306	32.6%
Profit distributed by way of dividend	2,327	-	n/a

Shareholders' Vote on Remuneration at the 2021 AGM

2021 Directors' Remuneration Report	**Number**	**Proportion of votes cast (%)**
Votes cast in favour	89,414,235	67.63
Votes cast against	42,791,337	32.37
Total votes cast in favour or against	**132,205,572**	**100.00**
Votes withheld	24,343,293	

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 on the Company's website. The members of the Committee during the financial year were P Best (Chairman), K Lever and A P Goss and details of meetings held are shown on page 49.

Directors Report

The Directors report sets out the information required to be disclosed by the Company in compliance with the Companies Act 2006 and the Financial Conduct Authority's Disclosure and Transparency Rules (DTR). It forms part of the management report as required under the DTR, along with the Strategic Report (pages 2-44) and other sections of this Annual Report and audited consolidated financial statements. The below requirements are covered by reference as set out below:

Information	Reported within	Pages
Acquisitions and disposals	Strategic Report	2-44
Business model	Strategic Report	2-44
Corporate Governance Framework	Corporate Governance Report	45-72
Community and charitable giving	Strategic Report	2-44
Details of Directors	Corporate Governance Report	45-72
Directors' share interests and remuneration	Directors Remuneration Report	64-68
Diversity, equality and inclusion	Strategic Report	2-44
Employee engagement	Strategic Report	2-44
Financial Instruments	Financial Statements (Note 27)	
Future developments and strategic priorities	Strategic Report	2-44
Going concern statement	Strategic Report	2-44
Principal risks and risk management	Strategic Report	2-44
Modern Slavery Statement	Strategic Report	2-44
Results	Consolidated Income Statement	81
Section 172 Statement	Strategic Report	2-44
Stakeholder engagement	Strategic Report	2-44
Statement of Directors Responsibilities	Corporate Governance Report	45-72
Viability Statement	Strategic Report	2-44

Annual General Meeting ("AGM")

At the AGM, a separate shareholders' resolution is proposed for each substantive matter. We will publish 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 will set out the resolutions the Directors are proposing and explanatory notes for each. At the AGM, Directors' terms of appointment are available for inspection. On the day of the AGM, the Board takes the opportunity to update shareholders on the Company's trading position via an RNS announcement. Normally, the Chairman and each committee chairman are available at the AGM to answer questions put by shareholders present.

Branches

The Group does not have any branches outside of the UK.

Change of control

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 other than the motor vehicle franchises.

Charitable Donations

Charitable donations of £357,000 were made by the Group during the year ended 28 February 2022 (2021: £60,000).

Contracts

In 2018 Biffa plc, of which Mr K Lever is a director and shareholder, acquired SWRnewstar Limited, which provides the Group's waste services. This was re-tendered in 2021 with the contract re awarded to SWRnewstar Limited. Mr Lever was not involved in the renewal or review of the Group's contract.

None of the other 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 (or their family's) own use) at any time during the financial year to 28 February 2022.

Directors Report (continued)

Directors Indemnities and Insurance

In line with market practice and the Company's Articles, each Director has the benefit of an ongoing 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. Directors' and Officers' insurance has also been established for all Directors and Officers to provide cover for their reasonable actions on behalf of the Group.

Dividend

The dividend paid in the year to 28 February 2022 was £2,327,000 (0.65p per share) (2021: £nil). A final dividend in respect of the year ended 28 February 2022 of 1.05p per share, is to be proposed at the annual general meeting on 22 June 2022. The ex dividend date will be 30 June 2022 and the associated record date 1 July 2022. The dividend will be paid on 29 July 2022, and the financial statements do not reflect this final dividend payable.

Independent 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 and Company's auditors are unaware, and;
- each of the Directors has taken all the steps that they ought to have taken as a Director, as far as is reasonably practical, in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

The independent 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.

Political Donations

The Group made no political donations and incurred no political expenditure during the year (2020: Nil).

Post Balance Sheet Events

Details of events after 28 February 2022 are disclosed in note 39 of the Financial Statements.

Powers for the issuance or repurchase of Shares

At 1 March 2021, 7,287,304 shares were held by Ocorian Limited ("Trustee"), the trustee of the Company's employee benefit trust. The shares are held for the purpose of the trust and may be used to transfer shares to individuals exercising share options in the Company. During the year ended 28 February 2022, 2,715,927 shares held by the trust were transferred to individuals pursuant to exercises of options (or sold to satisfy the exercise price or resulting tax). 430,105 shares held by the Trust were transferred to the executive directors in satisfaction of the FY2021 discretionary bonus. The Trustee waives its right to dividends on any Company shares held in the trust and such holdings are disclosed within 'Treasury Shares' in the Financial Statements. 4,141,272 ordinary shares in the Company were held by the Trustee at 28 February 2022.

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 2021 AGM.

Directors Report (continued)

Share Capital

As at 28 February 2022, the Company's issued share capital comprised a single class: ordinary shares of 10 pence each of which 359,422,972 were in issue. 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's share capital are set out in note 31 to the consolidated financial statement. All issued shares are fully paid.

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, 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.

By order of the Board

Nicola Loose
Company Secretary
11 May 2022

Statement of Directors Responsibilities

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

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 UK – adopted international accounting standards 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 and Republic of Ireland", and applicable law).

Under company law, 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 parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK – adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Karen Anderson
Chief Financial Officer
11 May 2022

Independent Auditors’ Report to the members of Vertu Motors plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Vertu Motors plc’s Group financial statements and company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the company’s affairs as at 28 February 2022 and of the Group’s profit and the Group’s cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements, which comprise: the consolidated and company balance sheets as at 28 February 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- Three full scope audit components have been identified, alongside the company.
- This approach provides coverage of 72% of the Group's revenue.

Our audit approach (continued)

Key audit matters

- Carrying value of intangible assets including goodwill (Group)
- Valuation of pension scheme liabilities (Group)
- Carrying value of investments in subsidiaries (parent)

Materiality

- Overall Group materiality: £3,200,000 (2021: £2,200,000) based on 0.09% of revenue.
- Overall company materiality: £2,750,000 (2021: £2,090,000) based on 1% of total assets (capped for Group materiality).
- Performance materiality: £2,400,000 (2021: £1,650,000) (Group) and £2,062,500 (2021: £1,567,500) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for manufacturer bonuses, valuation of used inventory and going concern as a result of COVID-19, which were key audit matters last year, are no longer included because of low level of judgement and estimate involved in manufacturer bonuses and in respect of valuation of used inventory a reduced level of risk arising from market conditions. The risks associated with COVID-19 impacting on going concern have reduced as demonstrated by the Group's performance through this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of intangible assets including goodwill (Group)	
The Group has significant goodwill and other intangible balances in respect of acquisitions made across various CGUs. The recoverable amount of the CGU is impacted by various factors, a number of which are outside of Vertu's control, which could affect whether results are in line with expectations. Where this is the case and a CGU has been subject to poor historical performance, there is a risk around the recoverability of goodwill and other intangible assets. Management have prepared a value in use assessment to consider the carrying value of the CGUs. There is inherent uncertainty and judgement in forecasting future cash flows and therefore this is a judgemental area of the audit. Further details found in note 15.	To address this risk, we have performed the following: Assessed the Group's budgeting procedures as a basis for value in use calculations; Compared current year performance to historical forecasts to assess accuracy in the budget process; Assessed the appropriateness of CGUs used for Goodwill and other intangible assets;

Key audit matters (continued)

Key audit matter (continued)	***How our audit addressed the key audit matter (continued)***
Carrying value of intangible assets including goodwill (Group) (continued)	
	Key inputs are assessed, for example discount rates, inflation and forecast revenues and costs. We engaged with PwC experts to assess the discount rate; and We performed sensitivity analysis on the forecasts, including downside scenarios to assess headroom. We are satisfied with management's conclusion on the carrying value of goodwill and other intangibles.
Valuation of pension scheme liabilities (Group)	
There is inherent judgement in valuing the Group's post-retirement benefit liabilities within the pension scheme. The nature of the calculation means that small movements in key assumptions could have a significant effect on the pension obligations. In addition, factors impacting the pension liability can be outside of management's control. Further details found in note 30.	To address this risk in respect of valuation of pension scheme liabilities, we have: Used our actuarial specialists to review the appropriateness of the assumptions used; Compared key inputs, such as mortality/life expectancy, discount rate and inflation rate to market data; and Considered the adequacy of the Group's disclosure in respect of the sensitivity of the scheme liabilities to changes in key inputs. We concluded that the key inputs used in calculating the pension liability were within an acceptable range when compared with market data.
Carrying value of investments in subsidiaries (parent) The Company has significant investments in respect of acquisitions made across various subsidiaries. The recoverable amount of the subsidiary is impacted by various factors, a number of which are outside of Vertu's control, which could affect whether results are in line with expectations. Where a subsidiary has been subject to poor historical performance, there is a risk around the recoverability of this investment. There is inherent uncertainty and judgement in forecasting future cash flows which are above more recent results, and therefore this is a particularly judgmental area of the audit. Further details found in note 7 of the Company financial statements.	To address this risk, we have done the following: Assessed the Group's budgeting procedures as a basis for value in use calculations; Compared current year performance to historical forecasts to assess accuracy in the budget process; Key inputs are assessed, for example discount rates, inflation and forecast revenues and costs; We engaged with PwC experts to assess the discount rate; and We performed sensitivity analysis on the forecasts, including downside scenarios to assess headroom. We are satisfied with management's conclusion on the carrying value of investments.

Key audit matters (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the company, the accounting processes and controls, and the industry in which they operate.

The Vertu Motors Group has grown organically and through acquisition, and as a result has a number of subsidiary entities which contain geographically dispersed dealership locations. Much of the day to day accounting function is performed at these individual dealerships, with the support of a central Group accounting function. As a result of this structure there are three components which required a full scope audit of their financial information, due to their size and contribution to the financial results of the Group. These are Bristol Street First Investments Limited, Bristol Street Fourth Investments Limited and Vertu Motors Continental Limited. Vertu Motors Plc is also subject to full scope audit of its financial information, due to the separate presentation of these financial statements within this report. The audit work over these components is performed principally from the central Group accounting function, however site visits to all in scope components are carried out as part of our audit procedures, in order to verify the existence of stock, and to carry out testing over sales records.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	***Financial statements - Company***
Overall materiality	£3,200,000 (2021: £2,200,000).	£2,750,000 (2021: £2,090,000).
How we determined it	0.09% of revenue	1% of total assets (capped for Group materiality)
Rationale for benchmark applied	We applied our professional judgement to determine an amount that was relevant to both revenue and profit before tax, which are measures used to assess the performance and growth objectives of the Group, as well as the scale of the Group's operations.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £2,100,000 and £2,750,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%)

Materiality (continued)

of overall materiality, amounting to £2,400,000 (2021: £1,650,000) for the Group financial statements and £2,062,500 (2021: £1,567,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £160,000 (Group audit) (2021: £110,000) and £137,500 (company audit) (2021: £105,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Challenging management on the key assumptions included in the base case model, along with challenging the scenarios modelled by management.
- Reviewing the sensitivities performed by management and understood the impact this has on the level of headroom on facilities.
- Comparing historical performance to historical forecasts to assess accuracy in the budget process.
- Reviewing the facilities which are in place.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Reporting on other information (continued)

With respect to the Strategic report and Directors Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors’ Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors Report for the year ended 28 February 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Listing Rules and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the Listing Rules. We evaluated management’s incentives and opportunities for fraudulent manipulation

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or increase the Group's EBITDA, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Review of Board minutes.
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of assets and the impairment of the investment in the company (see key audit matters above).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and reviewing any high margin revenue transactions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Other voluntary reporting

Directors' remuneration

The company voluntarily prepares a directors' remuneration report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Company were a quoted Company.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle
11 May 2022

Consolidated Income Statement

For the year ended 28 February 2022

	Note	Underlying items 2022 £'000	Non-underlying items 2022 (Note 8) £'000	Total 2022 £'000	Underlying items 2021 £'000	Non-underlying items 2021 (Note 8) £'000	Total 2021 £'000
Revenue	5	3,615,052	-	3,615,052	2,547,665	-	2,547,665
Cost of sales		(3,179,632)	-	(3,179,632)	(2,246,642)	-	(2,246,642)
Gross profit	5	**435,420**	**-**	**435,420**	**301,023**	**-**	**301,023**
Operating expenses	6	(347,753)	(1,934)	(349,687)	(267,240)	(2,153)	(269,393)
Operating profit / (loss)		**87,667**	**(1,934)**	**85,733**	**33,783**	**(2,153)**	**31,630**
Finance income	11	163	-	163	174	-	174
Finance costs	11	(7,126)	-	(7,126)	(9,405)	-	(9,405)
Profit / (loss) before tax		**80,704**	**(1,934)**	**78,770**	**24,552**	**(2,153)**	**22,399**
Taxation	12	(16,062)	(2,708)	(18,770)	(5,217)	(867)	(6,084)
Profit / (loss) for the year attributable to equity holders		**64,642**	**(4,642)**	**60,000**	**19,335**	**(3,020)**	**16,315**
Basic earnings per share (p)	13			**16.64**			**4.44**
Diluted earnings per share (p)	13			**15.96**			**4.36**

Consolidated Statement of Comprehensive Income

For the year ended 28 February 2022

	Note	2022 £'000	2021 £'000
Profit for the year		**60,000**	**16,315**
Other comprehensive income / (expenses)			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on retirement benefit obligations	30	2,801	(2,619)
Deferred tax relating to actuarial (gains) / losses on retirement benefit obligations	30	(700)	498
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	32	503	(6)
Deferred tax relating to cash flow hedges	32	(96)	10
Other comprehensive income / (expense) for the year, net of tax		**2,508**	**(2,117)**
Total comprehensive income for the year attributable to equity holders		**62,508**	**14,198**

Consolidated Balance Sheet

As at 28 February 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Goodwill and other indefinite life assets	15	103,470	99,192
Other intangible assets	16	1,797	1,948
Retirement benefit asset	30	9,055	6,246
Property, plant and equipment	18	254,133	246,664
Right-of-use assets	19	78,278	81,152
Total non-current assets		**446,733**	**435,202**
Current assets			
Inventories	21	475,027	597,391
Trade and other receivables	23	51,839	59,375
Cash and cash equivalents	24	83,793	67,828
		610,659	724,594
Property assets held for sale	22	-	1,369
Total current assets		**610,659**	**725,963**
Total assets		**1,057,392**	**1,161,165**
Current liabilities			
Trade and other payables	25	(529,086)	(688,948)
Current tax liabilities		(3,734)	(1,573)
Derivative financial instruments	27	(13)	-
Contract liabilities	29	(11,752)	(12,395)
Borrowings	26	(12,283)	(6,582)
Lease liabilities	19	(14,132)	(14,126)
Total current liabilities		**(571,000)**	**(723,624)**
Non-current liabilities			
Borrowings	26	(55,343)	(65,777)
Lease liabilities	19	(74,698)	(76,975)
Derivative financial instruments	27	-	(497)
Deferred income tax liabilities	28	(13,023)	(9,180)
Contract liabilities	29	(11,447)	(9,172)
Total non-current liabilities		**(154,511)**	**(161,601)**
Total liabilities		**(725,511)**	**(885,225)**
Net assets		**331,881**	**275,940**
Capital and reserves attributable to equity holders of the Group			
Ordinary share capital	31	35,942	36,917
Share premium	31	124,939	124,939
Other reserve	31	10,645	10,645
Hedging reserve	32	4	(403)
Treasury share reserve	31	(1,586)	(2,791)
Capital redemption reserve	31	3,785	2,810
Retained earnings		158,152	103,823
Total equity		**331,881**	**275,940**

These consolidated financial statements on pages 81 to 127 have been approved for issue by the Board of Directors on 11 May 2022 and signed on its behalf by:

Robert Forrester
Chief Executive

Karen Anderson
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 28 February 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Operating profit		85,733	31,630
Profit on sale of property, plant and equipment	6	(9)	(432)
Profit on lease modification	19	(269)	(234)
Amortisation of other intangible assets	16	407	436
Depreciation of property, plant and equipment	18	14,365	12,333
Depreciation of right of use asset	19	16,658	15,643
Impairment charges	15	131	1,452
Movement in working capital	34	(27,973)	29,640
Share based payments charge		1,061	373
Cash inflow from operations		**90,104**	**90,841**
Tax received		135	188
Tax paid		(14,479)	(6,692)
Finance income received		39	23
Finance costs paid		(6,798)	(9,440)
Net cash inflow from operating activities		**69,001**	**74,920**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	17	(9,508)	(21,489)
Acquisition of freehold and long leasehold land and buildings		-	(2,713)
Proceeds from disposal of a business		-	1,698
Purchases of intangible assets		(44)	(264)
Purchases of other property, plant and equipment		(16,571)	(11,844)
Proceeds from disposal of property, plant and equipment		1,605	972
Net cash outflow from investing activities		**(24,518)**	**(33,640)**
Cash flows from financing activities			
Proceeds from borrowings	33	5,699	22,760
Repayment of borrowings	33	(10,638)	(19,705)
Principal elements of lease repayments	19	(15,786)	(15,342)
Sale/(purchase) of treasury shares		951	(2,004)
Cash settled share options		(403)	-
Repurchase of own shares		(6,014)	-
Dividends paid to equity holders		(2,327)	-
Net cash outflow from financing activities		**(28,518)**	**(14,291)**
Net increase in cash and cash equivalents	33	**15,965**	**26,989**
Cash and cash equivalents at beginning of year		67,828	40,839
Cash and cash equivalents at end of year	24	**83,793**	**67,828**

Consolidated Statement of Changes in Equity

For the year ended 28 February 2022

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2021	36,917	124,939	10,645	(403)	(2,791)	2,810	103,823	275,940
Profit for the year	-	-	-	-	-	-	60,000	60,000
Actuarial gains on retirement benefit obligations	-	-	-	-	-	-	2,801	2,801
Tax on items taken directly to equity	-	-	-	(96)	-	-	(700)	(796)
Fair value gains	-	-	-	503	-	-	-	503
Total comprehensive income for the year	-	-	-	407	-	-	62,101	62,508
Sale of treasury shares	-	-	-	-	1,025	-	(74)	951
Issuance of treasury shares	-	-	-	-	180	-	(15)	165
Repurchase of own shares	-	-	-	-	-	-	(6,014)	(6,014)
Cancellation of repurchased shares	(975)	-	-	-	-	975	-	-
Dividends paid	-	-	-	-	-	-	(2,327)	(2,327)
Share based payments charge	-	-	-	-	-	-	658	658
As at 28 February 2022	**35,942**	**124,939**	**10,645**	**4**	**(1,586)**	**3,785**	**158,152**	**331,881**

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

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

During the year, 2,715,927 shares were transferred from the EBT on exercise of vested CSOP and LTIP awards and a further 430,105 shares were transferred to the Executive Directors in satisfaction of 50% of the annual bonuses awarded in respect of the year ended 28 February 2021. 4,141,272 shares remain in the EBT at 28 February 2022.

Consolidated Statement of Changes in Equity (continued)

For the year ended 28 February 2021

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2020	36,917	124,939	10,645	(407)	(803)	2,810	89,272	263,373
Profit for the year	-	-	-	-	-	-	16,315	16,315
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(2,619)	(2,619)
Tax on items taken directly to equity	-	-	-	10	-	-	498	508
Fair value losses	-	-	-	(6)	-	-	-	(6)
Total comprehensive income for the year	-	-	-	4	-	-	14,194	14,198
Issue of treasury shares	-	-	-	-	16	-	(16)	-
Purchase of treasury shares	-	-	-	-	(2,004)	-	-	(2,004)
Share based payments charge	-	-	-	-	-	-	373	373
As at 28 February 2021	**36,917**	**124,939**	**10,645**	**(403)**	**(2,791)**	**2,810**	**103,823**	**275,940**

Notes to the Consolidated Financial Statements

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 England. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

The consolidated financial statements of Vertu Motors plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

In order to prepare the financial statements on the going concern basis, the Directors have considered detailed financial projections for a period of 12 months from the date of signing the financial statements ('Review Period'). These projections are based on the Group's detailed annual business plan for the year ending 28 February 2023 as well as the known financial performance of the Group in the period subsequent to 28 February 2022, projected forward to cover the Review Period ("Base Case"). The Directors have considered these financial projections in conjunction with the Group's available facilities, which are outlined in detail in note 26.

The Directors have also considered sensitivity analysis performed in respect of these forecasts to model the impact of various severe but plausible downside scenarios including continued restricted supply of new and used cars or reduced demand for service work as a consequence of a reduced vehicle parc, in excess of that already allowed for in the Base Case scenario planning. This analysis did not indicate any issues with the Group's ability to operate within its banking facilities during the Review Period.

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

The consolidated financial statements include the results of all subsidiaries owned by Vertu Motors plc listed on pages 136 to 137 of the annual report. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 28 February 2022 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 28 February 2022 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 28 February 2022 of the subsidiaries listed below, further details of which are provided in note 36.

The subsidiaries which have taken an exemption from an audit for the year ended 28 February 2022 by virtue of s479A Companies Act 2006 are:

Albert Farnell Limited
All Car Parts Limited
Bristol Street First Investments Limited
Bristol Street Fourth Investments Limited
Farmer & Carlisle Holdings Limited
Farmer & Carlisle Limited
Farmer & Carlisle Leicester Limited
F.C. Business Operations Limited
Grantham Motor Company Limited
Macklin Property Limited
South Hereford Garages Limited
South Hereford Garages Trade Parts LLP
Tyne Tees Finance Limited
Vans Direct Limited
Vertu Accident Repair Limited
Vertu Motors (Chingford) Limited
Vertu Motors (Continental) Limited
Vertu Motors (Knaresborough) Limited
Vertu Motors (Property) Limited
Vertu Motors (Property 2) Limited
Vertu Motors (VMC) Limited

1. Accounting Policies (continued)

Basis of preparation (continued)

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 28 February 2022 by virtue of s394A of Companies Act 2006 are:

Aceparts Limited
Best4Vans Limited
Blacks Autos Limited
Blake Holdings Limited
Boydslaw 103 Limited
Bristol Street (No.1) Limited
Bristol Street (No.2) Limited
Bristol Street Commercials (Italia) Limited
Bristol Street Fifth Investments Limited
Bristol Street Fleet Services Limited
Bristol Street Group Limited
Bristol Street Limited
Brookside (1998) Limited
BSH Pension Trustee Limited
Carsandvansdirect Limited
Dobies (Carlisle) Limited
Dunfermline Autocentre Limited
Easy Vehicle Finance Limited
Gordon Lamb Group Limited
Gordon Lamb Limited
Gordon Lamb Holdings Limited
Hillendale Group Limited
Hillendale LR Limited
Horseshoe Vehicle Contracts Limited
Hughes Group Holdings Limited
Hughes of Beaconsfield Limited
International Concessionaires Limited
Merifield Properties Limited
Motor Nation Cars Limited (formerly Vertu Motors (Retail) Limited)
National Allparts Limited
Newbolds Garage (Mansfield) Limited
Nottingham TPS LLP
Peter Blake (Chatsworth) Limited
Peter Blake Limited
Power Bulbs Ltd
Power Bulbs Online Limited
SHG Holdings Limited
Sigma Holdings Limited
The Taxi Centre Limited
Typocar Limited
VanMan Limited
Vertu Fleet Limited
Vertu Motors (AMC) Limited
Vertu Motors Car Limited (formerly Motor Nation Car Hypermarkets Limited)
Vertu Motors (Durham) Limited
Vertu Motors (Finance) Limited
Vertu Motors (Pity Me) Limited
Vertu Motors Property 2 Holdings Limited
Vertu Ventures Limited
Widnes Car Centre Limited
Widnes Car Centre (1994) Limited

The preparation of financial statements in conformity with UK 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 28 February 2022

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 March 2021:

- Definition of Material – amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 28 February 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. Accounting Policies (continued)

Leases

The Group leases various dealership premises, compounds and vehicles. Rental contracts are typically made for fixed periods of a minimum of 12 months to a maximum of 150 years and may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any incentives receivable,
- Variable lease payments that are based on an index or a rate,
- Amounts expected to be payable by the lessee under residual value guarantees,
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Vertu Motors plc, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

1. Accounting Policies (continued)

Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group and are used to maximise flexibility to respond to the changing retail environment in the years ahead. Approximately one fifth of the Group's property leases have the benefit of a tenant break clause.

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.

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 Consolidated Income Statement. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of annual impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

1. Accounting Policies (continued)

Business combinations and goodwill (continued)

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 Consolidated Income Statement as incurred.

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, brands and customer relationships acquired as part of a business combination, are capitalised separately from goodwill if the asset is separable and arise from contractual or other legal rights. 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, such as franchise relationships, are tested annually for impairment. Franchise relationships are considered to have an indefinite useful life as, whilst franchise contracts do have expiration dates, they are anticipated to be renewed at each expiration in line with past experience. Non-renewal would constitute a trigger for impairment. Other intangible assets arising as part of a business combination are typically allocated a useful life of between 10 and 20 years.

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	Shorter of lease term and 50 years
Short leasehold buildings	Lease term (under 25 years)
Franchise standards property improvements	20%
Vehicles and machinery	10% - 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, except where amounts are material and are disclosed separately in 'non-underlying items'.

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.

1. Accounting Policies (continued)

Inventories (continued)

The timing of recognition of new vehicle inventory as an asset of the Group is dependent on the terms of the purchase which vary between each of the Group's Manufacturer Partners ("OEM"). Each OEM has its own arrangements for the supply, invoicing and funding of new vehicle inventory to the Group, however, these arrangements can be summarised largely into three different types:

1. 'Invoiced' arrangements
2. 'Consignment' arrangements
3. 'Interest bearing' arrangements which can relate to vehicles in either category 1 or 2 above, but where the funding of the vehicle attracts an interest cost from the Manufacturer.

'Invoiced' arrangements

These are where the Group receives an invoice for a vehicle which the OEM has agreed to supply, regardless of where the vehicle is physically located within the supply chain, not necessarily on Group premises. The earliest point at which we have control of the asset under this scenario is when the OEM has a right to payment for the asset, which the Group consider to be the point at which the vehicle is invoiced. Therefore, the Group recognises such invoiced vehicles in inventory and trade payables.

'Consignment' arrangements

These are where the Group would be allocated a vehicle by the OEM but for which no invoice is received, and no funding costs are applied. Such vehicles may be physically present in the Group's dealerships or elsewhere within the supply chain at the point of consignment. Such vehicles are not recorded as an asset while on consignment due to the Group not having control of the asset at this point, as title is retained by the OEM until the vehicle is invoiced to the Group. This would typically coincide with either the vehicle being sold by the Group to a third party or after a pre-determined period of time has elapsed (varies by OEM but may be up to 365 days) at which point full payment for the vehicle is required.

'Interest bearing' arrangements

Under both 'invoiced' and 'consignment' arrangements, if the vehicle remains unsold after a certain amount of time, it may start to accrue interest, resulting in an interest charge from the manufacturer. At this point, for 'consignment' arrangements, even though legal title has not passed, the vehicle is recognised in inventory at the consigned price. This is because the Group has significant risks and rewards of ownership at the point interest starts to accrue as a result of not having sold the vehicle, and therefore control is deemed to have passed.

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 it has previously supplied. 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 estimated recoverable value, with a liability equal to the repurchase price within trade payables.

1. Accounting Policies (continued)

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.

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.

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 Consolidated 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 CGUs 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 are recognised in the Consolidated 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.

1. Accounting Policies (continued)

Derivative financial instruments

The Group manages its interest rate risk through hedging instruments. The Group recognises hedging instruments at fair value with any gain or loss on measurement recognised in the Consolidated Income Statement. The Group does not hold or issue derivative financial instruments for speculative purposes.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The only derivative financial instrument held by the Group throughout the year is a cash flow hedge swapping floating for fixed interest rates. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. Any gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within finance income or costs.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the years when the hedged item affects profit and loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Consolidated Income Statement within 'finance costs'. The fair values of derivative financial instruments used for hedging purposes are disclosed in note 27.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported within equity is immediately transferred to the Consolidated Income Statement within finance income or costs.

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:

1. Accounting Policies (continued)

Taxation (continued)

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

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 Consolidated 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 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.

Sale of motor vehicles, parts and aftersales services

Sales of vehicles and parts are recognised when the customer has control of the goods. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically despatched or when a service has been undertaken. Manufacturer incentives (e.g. free service when purchasing a vehicle) do not impact the Group as the legal obligation lies with the manufacturer.

Sale of warranty products

Revenue is recognised in line with the performance obligation, i.e. the period in which the customer can exercise their rights under the warranty, and therefore recognised over the life of the warranty.

Finance commissions

Finance commissions are received for the arrangement of vehicle financing and related insurance products where the Group acts as agent on behalf of a principal. Commissions are based on agreed rates and income is recognised when the finance and/or insurance package that the customer has entered into commences. Typically, this is on delivery of the vehicle. Where the commission received relates to a specific vehicle sale, it is recognised within revenue. Where the commission received relates to a central rebate, it is recognised within cost of sales.

Manufacturer rebates

Vehicle specific rebates from Manufacturers are recognised when it is probable that the economic benefit will flow to the Group and the value can be reliably measured. In practice, this means that vehicle specific Manufacturer rebates are recognised when the vehicle to which the rebate relates, has been invoiced and physically despatched. In the case of non-vehicle specific related rebates from suppliers, these are recognised in the Consolidated Income Statement upon achievement of the specific agreed supplier criteria. Manufacturer rebates are recognised within cost of sales.

1. Accounting Policies (continued)

Revenue (continued)

Disaggregation of revenue:

The table below shows revenue disaggregated by the Group's main product/service lines:

	2022 £'000	2021 £'000
Aftersales	288,819	221,179
Used cars	1,584,378	1,008,301
New car retail & Motability	969,846	739,748
New fleet & commercial	772,009	578,437
Total	**3,615,052**	**2,547,665**

Timing of revenue recognition:

	2022 £'000	2021 £'000
Recognised at a point in time	3,607,039	2,540,648
Recognised over time	8,013	7,017
Total	**3,615,052**	**2,547,665**

All of the Group's revenue was generated in the United Kingdom.

Contract liabilities

Where the Group receives consideration for a sale in advance of the performance obligation being satisfied, the amount received is held on the balance sheet within contract liabilities and released to the income statement in line with the relevant revenue recognition policy.

Pension costs

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections which were closed to new entrants and future accrual on 31 May 2003, with another section closed to new entrants in July 2003 and future accrual in October 2013.

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 scheme 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 scheme is the fair value of plan assets less the present value of the defined benefit obligations at the balance sheet date. Defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is 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 also 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 Consolidated Income Statement in the year in which they are payable.

1. Accounting Policies (continued)

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 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 Consolidated 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.

Non-underlying items

Non-underlying items are presented separately in the Consolidated Income Statement to enhance comparability of trading performance between periods. Details of the items included as non-underlying are provided in note 8.

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 Officer, who is responsible for allocating resources and assessing performance of the operating segment.

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 drawn debt. The outstanding derivative instruments held by the Group at the balance sheet date are set out in note 27.

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.

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 23.

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 26 are the undrawn banking facilities that the Group has at its disposal.

2. Financial risk management (continued)

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 one and two years £'000	Between two and five years £'000	Between five and ten years £'000	Over ten years £'000	Total £'000
Bank borrowings	904	45,007	-	-	-	45,911
Mortgage	978	960	2,751	4,190	6,329	15,208
Other borrowings	11,647	-	-	-	-	11,647
Lease liabilities	18,046	15,795	35,531	27,783	10,384	107,539
Contract liabilities	11,752	7,220	4,201	26	-	23,199
Trade and other payables (excluding social security and other taxes)	511,422	-	-	-	-	511,422
At 28 February 2022	**554,749**	**68,982**	**42,483**	**31,999**	**16,713**	**714,926**

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	Between five and ten years £'000	Over ten years £'000	Total £'000
Bank borrowings	812	812	54,913	-	-	56,537
Mortgage	997	978	2,821	4,277	7,131	16,204
Other borrowings	5,948	-	-	-	-	5,948
Lease liabilities	17,784	15,041	36,414	31,777	10,635	111,651
Contract liabilities	12,445	5,704	3,418	-	-	21,567
Trade and other payables (excluding social security and other taxes)	682,711	-	-	-	-	682,711
At 28 February 2021	**720,697**	**22,535**	**97,566**	**36,054**	**17,766**	**894,618**

Other borrowings represent amounts repayable under used car stocking facilities.

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 debt of £72,663,000 (including £88,830,000 lease liabilities) at 28 February 2022 as disclosed in note 33 to the consolidated financial statements (2021: net debt of £95,632,000 including £91,101,000 lease liabilities).

3. Capital risk management (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are considered to approximate their fair values. The fair value of long-term borrowings approximates 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:

Critical accounting estimates

Valuation of goodwill

The valuation of goodwill acquired is performed in accordance with IFRS 3 and is therefore based on provisional values ascribed within the measurement period subsequent to acquisition. Estimates are used in determining the existence and value of separately identifiable assets acquired as part of a business combination, further details are given in Note 17.

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 use estimates, such as royalty rates, weighted average cost of capital, growth rates and customer retention rates to determine whether an intangible asset can be separately identified, what fair value should be ascribed to the asset and its attributable useful life. Other intangible assets are set out in Notes 15 and 16.

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 15. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Details of the key assumptions used for the impairment testing for the year ended 28 February 2022, as well as the results of sensitivity analysis performed, are provided in note 15.

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. The depreciation rates applied are set out in Note 1.

Pension benefits

During the year ended 28 February 2022, the Group operated one defined benefit pension scheme, the “Bristol Street Pension Scheme”. The obligations under this defined benefit scheme are recognised in the Consolidated 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 the scheme in the year ended 28 February 2022 are provided in note 30.

4. Critical accounting estimates and judgements (continued)

Critical accounting judgements

Revenue recognition

The Group's main product/service lines are the sale of motor vehicles, parts and aftersales services. The Group operates an income recognition policy that ensures that revenue is recognised in line with satisfaction of the performance obligation, as set out in note 1.

A transaction price allocation for a sale, which may include more than one product, is straightforward as it is based on distinct items, each with a separate sales value, which are separately identifiable. It is not unusual, however, for a discount to be applied to a vehicle sale, in a sale transaction which may or may not include multiple other products. Therefore, there is judgement involved in determining the appropriate allocation of such a discount between the products involved in the sale, particularly where there is a difference in when the relevant performance obligations are satisfied, between the relevant products.

Valuation of inventory

Judgement is applied in the assessment of used vehicle inventory carrying values at 28 February 2022. Assessment of market conditions, latest industry guidance and the length of time vehicles have been held in inventory are all considered in the application of this judgement.

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

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

Year ended 28 February 2022	**Revenue £'m**	**Revenue Mix %**	**Gross Profit £'m**	**Gross Profit Mix %**	**Gross Margin[1] %**
Aftersales	288.8	8.0	164.9	37.9	47.1
Used cars	1,584.4	43.8	154.4	35.5	9.7
New car retail and Motability	969.9	26.8	80.6	18.5	8.3
New fleet and commercial	772.0	21.4	35.5	8.1	4.6
	3,615.1	**100.0**	**435.4**	**100.0**	**12.0**

Year ended 28 February 2021	**Revenue £'m**	**Revenue Mix %**	**Gross Profit £'m**	**Gross Profit Mix %**	**Gross Margin[1] %**
Aftersales	221.2	8.7	129.6	43.1	49.3
Used cars	1,008.4	39.6	93.9	31.2	9.3
New car retail and Motability	739.7	29.0	54.3	18.0	7.3
New fleet and commercial	578.4	22.7	23.2	7.7	4.0
	2,547.7	**100.0**	**301.0**	**100.0**	**11.8**

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

6. Operating expenses

	2022 £'000	2021 £'000
Wages and salaries excluding share based payments charge (note 9)	199,855	150,542
Depreciation on property, plant and equipment (note 18)	14,365	12,333
Depreciation on right-of-use assets (note 19)	16,658	15,643
Profit on disposal of property, plant and equipment	(9)	(432)
Profit on lease modification (note 19)	(269)	(234)
Auditors' remuneration (note 7)	263	260
Rental income	(291)	(218)
Share based payments charge	1,396	265
Amortisation (note 16)	407	436
Impairment charges (note 15)	131	1,452
Other expenses	117,181	89,346
	349,687	**269,393**

7. Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	258	245
Fees payable to the Company's auditors and its associates for other services:		
- audit of Group's subsidiaries	5	5
- Other services	-	10
	263	**260**

8. Non-underlying items

	2022 £'000	2021 £'000
Impairment charges (notes 15)	(131)	(1,452)
Share based payments charge (note 31)	(1,396)	(265)
Amortisation (note 16)	(407)	(436)
Non-underlying loss before tax	**(1,934)**	**(2,153)**

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

Details of current and deferred tax arising in respect of non-underlying items is shown in note 12.

9. Employee benefit expense

	2022 £'000	2021 £'000
Wages and salaries	205,774	154,268
Social security costs	22,362	17,350
Pension costs – defined contribution plans	5,682	4,688
	233,818	**176,306**
Share based payments charge (note 31)	1,396	265
	235,214	**176,571**

Employee benefit expense included in:

	2022 £'000	2021 £'000
Operating expenses	199,855	150,542
Cost of sales	33,963	25,764
Share based payments charge (note 31)	1,396	265
	235,214	**176,571**

9. Employee benefit expense (continued)

The above employee benefit expense for the year ended 28 February 2022 includes £214,000 of Government grant income in respect of the Coronavirus Job Retention Scheme (2021: £27,845,000).

Details of the remuneration of the Directors who served during the year from 1 March 2021 to 28 February 2022 and the year from 1 March 2020 to 28 February 2021 are given in the Directors' Remuneration Report on pages 64 to 68.

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

	2022 Number	2021 Number
Sales and distribution	1,979	1,941
Service, parts and accident repair centres	2,718	2,656
Administration	1,173	1,126
	5,870	**5,723**

11. Finance income and costs

	2022 £'000	2021 £'000
Interest on short-term bank deposits	39	24
Net finance income relating to defined benefit pension scheme (note 30)	124	150
Finance income	**163**	**174**
Bank loans and overdrafts	(1,701)	(1,874)
Vehicle stocking interest	(1,844)	(3,899)
Lease liability interest (note 19)	(3,581)	(3,632)
Finance costs	**(7,126)**	**(9,405)**

12. Taxation

	2022 £'000	2021 £'000
Current tax		
Current tax charge	16,350	5,279
Adjustment in respect of prior years	14	(137)
Total current tax	**16,364**	**5,142**
Deferred tax		
Origination and reversal of temporary differences	(245)	76
Adjustment in respect of prior years	(147)	(95)
Rate differences	2,798	961
Total deferred tax (note 28)	**2,406**	**942**
Income tax expense	**18,770**	**6,084**

	2022 £'000	2021 £'000
Profit before taxation	78,770	22,399
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	14,966	4,256
Non-qualifying depreciation	638	560
Non-deductible expenses	432	305
Goodwill impairment	-	276
Effect on deferred tax balances due to rate change	2,798	961
IFRS 16 adjustment	77	31
Property adjustment	41	(30)
Permanent benefits	(49)	(43)
Adjustments in respect of prior years	(133)	(232)
Total tax expense included in the income statement	**18,770**	**6,084**

12. Taxation (continued)

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

	Underlying items 2022 £'000	Non-underlying items 2022 £'000	Total 2022 £'000	Underlying items 2021 £'000	Non-underlying items 2021 £'000	Total 2021 £'000
Profit / (loss) before tax	80,704	(1,934)	78,770	24,552	(2,153)	22,399
Taxation	(16,062)	(2,708)	(18,770)	(5,217)	(867)	(6,084)
Profit / (loss) after tax	**64,642**	**(4,642)**	**60,000**	**19,335**	**(3,020)**	**16,315**
Effective tax rate	**19.90%**		**23.83%**	**21.25%**		**27.17%**

The Group's underlying effective rate of tax is 19.90% (2021: 21.25%) which is higher than the standard rate of corporation tax in the UK as a result of the impact of non-qualifying depreciation and non-deductible expenses in the year ended 28 February 2022.

In the June 2021 Finance Act it was enacted that the rate of corporation tax in the UK would rise from 19% to 25% on 1 April 2023. This has resulted in the Group's opening deferred tax obligations being remeasured at 25% in the year. The impact of this change has increased the Group's charge by £2,885,000.

The overall effective tax rate of 23.83% includes tax on non-underlying items (2021: 27.17%).

13. Earnings per share

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

For the purposes of calculating the weighted average shares in issue, shares held by the Group's employee benefit trust are excluded as rights to dividends on such shares have been waived. Details of the shares held in the Group's employee benefit trust are provided on page 70.

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

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

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

	2022 £'000	2021 £'000
Profit attributable to equity shareholders	60,000	16,315
Non-underlying loss after tax (note 12)	4,642	3,020
Underlying earnings attributable to equity shareholders	**64,642**	**19,335**
Weighted average number of shares in issue ('000s)	360,651	367,092
Potentially dilutive shares ('000s)	15,222	7,134
Diluted weighted average number of shares in issue ('000s)	**375,873**	**374,226**
Basic earnings per share	**16.64p**	**4.44p**
Diluted earnings per share	**15.96p**	**4.36p**
Basic underlying earnings per share	**17.92p**	**5.27p**
Diluted underlying earnings per share	**17.20p**	**5.17p**

14. Dividends per share

An interim dividend of £2,327,000 (0.65p per share) in respect of the year ended 28 February 2022 was paid in January 2022.

A final dividend of 1.05p per share is to be proposed at the Annual General Meeting on 22 June 2022. The ex-dividend date will be 30 June 2022 and the associated record date 1 July 2022. The dividend will be paid, subject to shareholder approval, on 29 July 2022 and these financial statements do not reflect this final dividend payable.

15. Goodwill and other indefinite life assets

2022	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost			
At 1 March 2021	87,930	27,582	115,512
Acquisitions (note 17)	3,096	1,313	4,409
At 28 February 2022	**91,026**	**28,895**	**119,921**
Accumulated impairment charges			
At 1 March 2021	16,320	-	16,320
Impairment charge	131	-	131
At 28 February 2022	**16,451**	**-**	**16,451**
Net Book Value			
At 28 February 2022	**74,575**	**28,895**	**103,470**
At 28 February 2021	**71,610**	**27,582**	**99,192**

2021	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost			
At 1 March 2020	87,096	27,087	114,183
Acquisitions	834	495	1,329
At 28 February 2021	**87,930**	**27,582**	**115,512**
Accumulated impairment charges			
At 1 March 2020	14,868	-	14,868
Impairment charge	1,452	-	1,452
At 28 February 2021	**16,320**	**-**	**16,320**
Net Book Value			
At 28 February 2021	**71,610**	**27,582**	**99,192**
At 29 February 2020	**72,228**	**27,087**	**99,315**

Impairment

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

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

In the years ended 28 February 2022 and 28 February 2021, the acquired goodwill and other indefinite life assets were tested for impairment.

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.

15. Goodwill and other indefinite life assets (continued)

A summary of the goodwill purchased is presented below:

	2022 £'000	2021 £'000
Bristol Street Group Limited	13,860	13,860
Albert Farnell Limited	13,279	13,279
SHG Holdings Limited	7,842	7,842
Hillendale Group Limited	5,159	5,159
Sigma Holdings Limited and Hughes Group Limited	5,874	5,874
Gordon Lamb Group Limited	5,754	5,754
Vans Direct Limited	4,475	4,475
Bolton Land Rover	4,415	4,415
Farmer & Carlisle Holdings Limited	2,769	-
Leeds, Huddersfield, Harrogate and Skipton Volkswagen	1,114	1,114
Other acquisitions	10,034	9,838
	74,575	**71,610**

A summary of franchise relationships acquired is presented below:

	2022 £'000	2021 £'000
Sigma Holdings Limited and Hughes Group Limited	9,989	9,989
Albert Farnell Limited	7,373	7,373
Gordon Lamb Group Limited	3,207	3,207
Bolton Land Rover	2,595	2,595
Hillendale Group Limited	1,749	1,749
SHG Holdings Limited	1,497	1,497
Farmer & Carlisle Holdings Limited	1,313	-
Leeds, Huddersfield, Harrogate and Skipton Volkswagen	677	677
Sunderland, Durham, Teesside, Malton and York BMW MINI	495	495
	28,895	**27,582**

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 and the past performance of the CGU.
- Changes in gross profits and direct costs are based on past practices and expectations of future changes in the market.

Annual growth rates typically between 0% and 3% are assumed for years three to five depending on the CGU, after which a growth rate of 0% is assumed to perpetuity. Cash flows into perpetuity have been used to reflect the long-term and open-ended nature of the Group's business model. A risk adjusted post-tax discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 8% (2021: 8%) is applied.

Sensitivity analysis has been performed on the value in use calculations based on three potential scenarios with the following results:

- If restricted supply of new and used cars or reduced demand for service work as a consequence of a reduced vehicle parc significantly reduced the Group's earnings in the year ending 28 February 2023, with a return to normalised trading in the year ending 29 February 2024, it is not expected to create an additional impairment charge.

15. Goodwill and other indefinite life assets (continued)

- If the growth rate in years three to five is reduced to -10%, an additional impairment charge in respect of goodwill and other indefinite life assets of £5.3m would arise.
- If the post-tax WACC was increased to 12%, an additional impairment charge in respect of goodwill and other indefinite life assets of £4.4m would arise.

16. Other intangible assets

2022	**Software costs £'000**	**Brand £'000**	**Customer relationships £'000**	**Total £'000**
Cost				
At 1 March 2021	2,648	541	1,985	5,174
Additions	45	254	-	299
Disposals	(62)	-	-	(62)
At 28 February 2022	**2,631**	**795**	**1,985**	**5,411**
Accumulated amortisation				
At 1 March 2021	2,195	108	923	3,226
Charge for the year	175	92	140	407
Disposals	(19)	-	-	(19)
At 28 February 2022	**2,351**	**200**	**1,063**	**3,614**
Net book value at 28 February 2022	**280**	**595**	**922**	**1,797**
Net book value at 29 February 2021	**453**	**433**	**1,062**	**1,948**

2021	**Software costs £'000**	**Brand £'000**	**Customer relationships £'000**	**Total £'000**
Cost				
At 1 March 2020	2,386	541	1,985	4,912
Additions	264	-	-	264
Disposals	(2)	-	-	(2)
At 28 February 2021	**2,648**	**541**	**1,985**	**5,174**
Accumulated amortisation				
At 1 March 2020	1,955	54	783	2,792
Charge for the year	242	54	140	436
Disposals	(2)	-	-	(2)
At 28 February 2021	**2,195**	**108**	**923**	**3,226**
Net book value at 28 February 2021	**453**	**433**	**1,062**	**1,948**
Net book value at 29 February 2020	**431**	**487**	**1,202**	**2,120**

17. Business combinations

a) Acquisition of Farmer & Carlisle Holdings Limited

On 10 December 2021, the Group acquired the entire issued share capital of Farmer & Carlisle Holdings Limited and its subsidiary companies Farmer & Carlisle Limited and Farmer & Carlisle (Leicester) Limited (together "Farmer & Carlisle") which operated Toyota dealerships in Loughborough and Leicester. Estimated total consideration of £8,724,000 was settled from the Group's existing cash resources, with a further £538,000 paid on completion to settle Company borrowings.

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

	Fair Value £'000
Other indefinite life assets	1,313
Property, plant and equipment	5,127
Right of use assets	50
Inventories	4,489
Trade and other receivables	1,122
Cash and cash equivalents	1,388
Trade and other payables	(6,165)
Lease liabilities	(50)
Corporation tax	(140)
Deferred tax	(641)
Borrowings	(538)
Net assets acquired	**5,955**
Goodwill	2,769
Consideration	**8,724**

Acquisition related costs (included in the consolidated income statement for the year ended 28 February 2022) totalled £125,000 in respect of this acquisition.

The goodwill arising on acquisition is attributable to the anticipated profitability of the distribution of vehicles through the acquired dealerships.

If the acquisition of Farmer & Carlisle Holdings Limited had occurred on 1 March 2021, Group revenues would have been £34,004,000 higher and Group profit attributable to equity holders would have been £630,000 higher.

b) Other acquisitions

On 12 March 2021, the Group acquired the trade and assets of a Honda dealership in Huddersfield, West Yorkshire, which also holds an authorised repair contract for Mitsubishi, from Hepworth Motor Group. Total consideration of £739,000 was settled from the Group's existing resources.

On 31 May 2021, the Group acquired the entire issued share capital of Power Bulbs Online Ltd, a global vehicle lighting business, as well as Power Bulbs Ltd, a dormant company. Total consideration of £481,000 was settled from the Group's existing cash resources.

On 30 June 2021, the Group acquired the trade and assets of a Renault Dacia business in Leicester from Renault Retail Group UK Limited to operate from the Group's existing leasehold premises in Leicester, following the sale of the Group's Citroen business from the same location in the previous financial year. Total consideration of £347,000 was settled from the Group's existing cash resources.

On 23 December 2021, The Group acquired the trade and assets of an MG business in Edinburgh from Frasers of Falkirk Limited, to operate from the Group's newly built multi-franchise dealership in Edinburgh. Total consideration of £67,000 was settled from the Group's existing cash resources.

17. Business combinations (continued)

Acquisitions (continued)

b) Other acquisitions (continued)

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

	Fair Value £'000
Other intangibles	254
Property, plant and equipment	36
Inventories	686
Trade and other receivables	347
Trade and other payables	(16)
Net assets acquired	**1,307**
Goodwill	327
Consideration	**1,634**

Acquisition related costs (included in the consolidated income statement for the year ended 28 February 2022) in respect of these acquisitions totalled £39,000 in respect of this acquisition.

c) Summary of acquisitions' cash consideration

	Cash consideration £'000	(Cash)/ Borrowings acquired £'000	Total £'000
Farmer & Carlisle Holdings Limited	8,724	(850)	7,874
Other acquisitions	1,634	-	1,634
	10,358	**(850)**	**9,508**

d) Summary of the fair value of net assets acquired

	Farmer & Carlisle £'000	Other acquisitions £'000	Total £'000
Other intangible assets	1,313	254	1,567
Property, plant and equipment	5,127	36	5,163
Right-of-use asset	50	-	50
Inventories	4,489	686	5,175
Trade and other receivables	1,122	347	1,469
Cash and cash equivalents	1,388	-	1,388
Trade and other payables	(6,165)	(16)	(6,181)
Lease liabilities	(50)	-	(50)
Corporation tax	(140)	-	(140)
Deferred tax	(641)	-	(641)
Borrowings	(538)	-	(538)
Net assets acquired	**5,955**	**1,307**	**7,262**

18. Property, plant and equipment

2022	Freehold and long leasehold land and buildings[1] £'000	Short leasehold land and buildings[1] £'000	Vehicles and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 March 2021	264,751	5,954	13,756	22,163	306,624
Acquisitions (note 17)	5,005	-	24	134	5,163
Additions	8,699	373	3,112	4,666	16,850
Reclassifications	338	(307)	185	(216)	-
Disposals	(1,039)	(83)	(1,508)	(2,217)	(4,847)
At 28 February 2022	**277,754**	**5,937**	**15,569**	**24,530**	**323,790**
Accumulated depreciation and impairment					
At 1 March 2021	35,583	2,889	7,887	13,601	59,960
Depreciation charge	6,592	726	2,466	4,581	14,365
Reclassifications	215	(215)	74	(74)	-
Disposals	(1,038)	(83)	(1,400)	(2,147)	(4,668)
At 28 February 2022	**41,352**	**3,317**	**9,027**	**15,961**	**69,657**
Net Book Value					
At 28 February 2022	**236,402**	**2,620**	**6,542**	**8,569**	**254,133**
At 28 February 2021	**229,168**	**3,065**	**5,869**	**8,562**	**246,664**

[1] Includes leasehold improvements and franchise standards property improvements.

Depreciation expense of £14,365,000 has been charged in operating expenses (note 6).

In addition to the floating security provided for the Group's bank borrowings, specific fixed charges over freehold land and buildings with a cost of £10,900,000 (2021: £10,900,000) have been granted to manufacturer partners as security against consignment stocking lines and £15,950,000 (2021: £15,950,000) in respect of mortgage funding for freehold and long leasehold properties.

2021	Freehold and long leasehold land and buildings[1] £'000	Short leasehold land and buildings[1] £'000	Vehicles and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 March 2020	243,100	5,363	12,537	19,733	280,733
Acquisitions	16,803	-	371	359	17,533
Additions	8,909	487	1,535	2,905	13,836
Transfer to assets held for resale	(1,630)	-	-	-	(1,630)
Reclassifications	(1,190)	1,190	-	-	-
Disposals	(1,241)	(1,086)	(687)	(834)	(3,848)
At 28 February 2021	**264,751**	**5,954**	**13,756**	**22,163**	**306,624**
Accumulated depreciation and impairment					
At 1 March 2020	31,350	3,243	6,313	10,679	51,585
Depreciation charge	5,726	727	2,190	3,690	12,333
Transfer to assets held for resale	(261)	-	-	-	(261)
Disposals	(1,232)	(1,081)	(616)	(768)	(3,697)
At 28 February 2021	**35,583**	**2,889**	**7,887**	**13,601**	**59,960**
Net Book Value					
At 28 February 2021	**229,168**	**3,065**	**5,869**	**8,562**	**246,664**
At 29 February 2020	**211,750**	**2,120**	**6,224**	**9,054**	**229,148**

[1] Includes leasehold improvements and franchise standards property improvements.

19. Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022	2021
Right-of-use assets	**£'000**	**£'000**
Property	73,019	76,213
Vehicles	5,259	4,939
	78,278	**81,152**
Lease liabilities		
Current	(14,132)	(14,126)
Non-current	(74,698)	(76,975)
	(88,830)	**(91,101)**

Additions to the right-of-use assets and lease liabilities during the year ended 28 February 2022 were £14,132,000 (2021: £12,098,000).

During the year ended 28 February 2022, right-of-use assets with a net book value of £348,000 (2021: £2,315,000) were disposed of as a result of assignment, settlement or modification of various leases. The corresponding lease liability disposed of was £617,000 (2021: £2,549,000) generating a £269,000 profit recognised in the Consolidated Income Statement (2021: £234,000).

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2022 £'000	2021 £'000
Included in operating expenses		
Depreciation charge in respect of right-of-use assets:		
Property	10,984	10,336
Vehicles	5,674	5,307
	16,658	15,643
Profit on lease modification	(269)	(234)
Included in finance costs		
Interest expense	3,581	3,632

The total cash outflow in respect of lease payments in the year ended 28 February 2022 was £19,367,000, of which £3,581,000 related to interest on lease liabilities (2021: £18,974,000 including £3,632,000 interest on lease liabilities).

20. Subsidiary undertakings

A list of subsidiary undertakings (ordinary shares 100% owned and incorporated within the United Kingdom), as at 28 February 2022 and 28 February 2021 is given in note 7 of the Vertu Motors plc company only financial statements (pages 136 to 138).

21. Inventories

	2022 £'000	2021 £'000
New vehicle stock	274,873	438,045
Used vehicle stock	155,000	121,177
Demonstrator and courtesy vehicles	30,938	25,984
Parts and sundry stocks	14,216	12,185
	475,027	**597,391**

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

	2022 £'000	2021 £'000
Interest bearing consignment stock	23,387	59,327
Stock invoiced not yet paid held by Manufacturers to the order of the Group	217,617	321,337
Other new vehicle stock	33,869	57,381
	274,873	**438,045**

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 £3,273,963,000 (2021: £2,314,890,000).

22. Property assets held for resale

	2022 £'000	2021 £'000
At beginning of year	1,369	417
Transfers in from freehold property	-	1,369
Property sold during the year	(1,369)	(417)
At end of year	**-**	**1,369**

The following three freehold properties were sold during the year ended 28 February 2022:

- A Volkswagen dealership in Whitchurch which was closed on 26 April 2021 with the resultant surplus property sold on 7 May 2021.
- A former SEAT dealership in Darlington, following the relocation of the Group's SEAT business to a larger premises adjacent to the Group's Nissan and Skoda businesses in Darlington. This property was sold on 24 January 2022.
- A former bodyshop premises in Sunderland after the Group combined the operations of this business with the bodyshop located at the Group's BMW dealership in Sunderland, acquired during the year ended 28 February 2021. This property was sold on 7 February 2022.

All properties generated cash proceeds equal or in excess of their carry value.

23. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	42,262	43,980
Less provision for impairment of trade receivables	(2,062)	(1,967)
Trade receivables (net)	**40,200**	**42,013**
Other receivables	428	10,973
Prepayments and accrued income	11,211	6,389
	51,839	**59,375**

23. Trade and other receivables (continued)

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses ("ECL"). The ECL on trade receivables are measured using a provision matrix by reference to past default experience, current financial position of the debtors and any known specific factors.

There has been no change in significant assumptions or the method of estimation of ECL during the current financial year.

The following table shows the profile of the Group's trade receivables.

	Current £'000	31-60 £'000	61-90 £'000	>90 £'000	Trade Receivables £'000	Loss Allowance £'000	Trade Receivables (net) £'000
2022	37,240	3,454	531	1,037	**42,262**	(2,062)	**40,200**
2021	36,714	5,332	728	1,206	**43,980**	(1,967)	**42,013**

As at 28 February 2022, trade receivables of £886,000 (2021: £2,536,000) were past due but not impaired. The ageing of these receivables are all within 3 months overdue.

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

	2022 £'000	2021 £'000
At beginning of year	1,967	1,557
Net remeasurement of loss allowance	980	1,464
Receivables written off during the year as uncollectible	(885)	(1,054)
At end of year	**2,062**	**1,967**

The net remeasurement of the loss allowance has been included in 'other expenses' within 'operating expenses' in the income statement (note 6). Amounts charged to the loss 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. Credit risk associated with the Group's sales is limited to certain revenue streams as the majority of vehicle sales are either cash sales to retail customers (whereby the vehicle would not be delivered to the customer, and therefore recognised in revenue, without cleared funds) or a sale on finance invoiced to the Group's retail finance partners (whereby the vehicle would not be delivered unless the Group was in receipt of a confirmation of payout with cleared funds typically received within three days of such confirmation). Business to business sales may be offered credit terms, subject to credit application and review of limits against published credit rating information. Credit terms average 7-14 days for vehicle sales and 30-45 days for aftersales. 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.

24. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash in bank and in hand	83,793	67,828

25. Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade payables	415,011	602,780
Social security and other taxes	17,664	6,237
Accruals	70,411	53,931
Other payables	26,000	26,000
	529,086	**688,948**

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 and deferred income, are designated as financial liabilities carried at amortised cost. Their fair value is considered to be equal to their carrying value.

Accruals includes £11,894,000 (2021: £10,740,000) in respect of outstanding service plans.

26. Borrowings

	2022 £'000	2021 £'000
Current		
Other borrowings	11,647	5,948
Mortgage	636	634
	12,283	6,582
Non-current		
Mortgage	11,337	11,945
Bank borrowings	44,006	53,832
	55,343	65,777
	67,626	**72,359**

Borrowings are repayable as follows:

	2022 £'000	2021 £'000
6 months or less	11,962	6,265
6-12 months	321	317
1-5 years	46,549	56,369
Over 5 years	8,794	9,408
	67,626	**72,359**

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

a) Bank borrowings

The Group's Revolving Credit Facility ("RCF") was available throughout the year ended 28 February 2022 and is in place until 27 February 2024. At 1 March 2021 the Group had a committed RCF available of £62,000,000. This facility currently bears an interest rate of between 1.3% and 2.1% above the Sterling Overnight Index Average ("SONIA") depending on the value of the Group's net debt to EBITDA ratio, following the transition from LIBOR which completed during the year ended 28 February 2022.

£54,100,000 of the RCF was drawn at 1 March 2021. In July 2021, £10,000,000 of this balance, which had been drawn in March 2021 in respect of acquisitions which completed during the previous financial year, was repaid, bringing the total drawn balance for the remainder of the year ended 28 February 2022 down to £44,100,000. Interest was charged

26. Borrowings (continued)

a) Bank borrowings (continued)

on this facility at 1.3% above LIBOR until January 2022 and SONIA for the remainder of the year.

On 6 August 2018, the Group entered into a five year interest rate swap in respect of £7,000,000 of this facility, swapping to a fixed interest rate of 1.424%. On 31 July 2019, the Group entered into a further interest rate swap in respect of £15,000,000 of the Group's borrowings, swapping to a fixed interest rate of 1.214%. As a result, the value of hedged borrowings during the year ended 28 February 2022 was maintained at £22,000,000 overall.

A rate of 1.45% above base rate has been applied in relation to overdrafts during the year ended 28 February 2022. The interest rate that applied to the Group's Committed Money Market Loan ("CMML") facility was between 1.35% and 2.00% above SONIA depending on the Group's net debt to EBITDA ratio.

The overdraft and CMML facilities were renewed on 28 April 2022 until 31 May 2023 with the same limits as were in place at 28 February 2022.

The Group had the following undrawn borrowing and overdraft facilities at 28 February 2022:

	2022 £'000	2021 £'000
Floating rate		
- Overdraft (uncommitted) expiring in one year	5,000	5,000
- CMML (committed) facility expiring in one year	48,000	48,000
- RCF facility expiring in greater than one year [1]	17,900	7,900
- Other borrowings	23,353	39,052
	94,253	**99,952**

[1]Excludes the uncommitted "accordion" facility referred to above.

b) Mortgage

During the year ended 28 February 2021, the Group drew down funding under a 20 year mortgage facility to partially finance the BMW MINI acquisition in the North East and Yorkshire. The mortgage is secured against the freehold and long leasehold properties in Sunderland, Durham and Teesside which were acquired as part of this business acquisition. The mortgage is repayable in equal monthly instalments over the 20 year term and interest is charged on this facility at the fixed rate of 2.9% per annum for the first 5 years.

c) Other borrowings

Other borrowings represent amounts repayable under used vehicle stocking facilities. These loans are subject to interest at 1.5% above base rate and are secured against the related vehicles. Due to low historic usage of this facility, the limit available on the facility was reduced by £10,000,000 during the year ended 28 February 2022.

At 28 February 2022 the total used vehicle stocking facility available to the Group was £35,000,000 (2021: £45,000,000).

d) Financial assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £83,793,000 (2021: £67,828,000). The cash deposits comprise deposits placed on money market at call, seven day and cash deposited with counterparty banks at commercially negotiated interest rates.

The IFRS 9 classification for trade and other receivables and cash and cash equivalents is amortised cost. Their fair value is deemed to be equal to their carrying value.

27. Derivative financial instruments

Interest rate swap contracts

The fair values of derivative financial instruments used for hedging purposes are disclosed below:

	2022 £'000	2021 £'000
£7m Interest rate swap – cash flow hedges	(13)	(183)
£15m Interest rate swap – cash flow hedges	18	(314)
Total derivates designated as hedging instruments	**5**	**(497)**

	2022 £'000	2021 £'000
Non-current borrowings subject to hedging instruments	22,000	22,000
Total derivative financial liabilities	**22,000**	**22,000**

The Group manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the Group raises long-term borrowings at floating rates and swaps them into fixed rates.

The notional principal amounts of outstanding floating to fixed interest rate swap contracts designated as hedging instruments in cash flow interest rate hedges of variable rate debt at 28 February 2022 totalled £22,000,000 (2021: £22,000,000). Their combined fair value was an asset of £5,000 (2021: £497,000). The £18,000 asset in respect of the £15m swap is included within prepayments in note 23.

At 28 February 2022, the main floating rate was SONIA, following transition from LIBOR during the year ended 28 February 2022. Gains and losses recognised in the cash flow hedging reserve in equity on interest rate swap contracts as at 28 February 2022 will be released to the consolidated statement of comprehensive income as the related interest expense is recognised.

28. 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:

	2022 £'000	2021 £'000
Deferred tax asset to be recovered after more than 12 months	(4,825)	(3,065)
Deferred tax liabilities to be recovered after more than 12 months	17,848	12,245
Deferred tax liabilities (net)	**13,023**	**9,180**

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

2022	**Deferred tax liabilities £'000**	**Deferred tax assets £'000**	**Net £'000**
At 1 March 2021	12,245	(3,065)	9,180
Charged / (credited) to income statement (note 12)	4,262	(1,856)	2,406
Charged directly to equity	700	96	796
Acquisitions (note 17)	641	-	641
At 28 February 2022	**17,848**	**(4,825)**	**13,023**

2021	**Deferred tax liabilities £'000**	**Deferred tax assets £'000**	**Net £'000**
At 1 March 2020	10,331	(2,152)	8,179
Charged / (credited) to income statement	1,845	(903)	942
Credited directly to equity	(498)	(10)	(508)
Acquisitions	567	-	567
At 28 February 2021	**12,245**	**(3,065)**	**9,180**

2022	**Accelerated tax depreciation £'000**	**Share based payments £'000**	**Pensions £'000**	**Other timing differences £'000**	**Total £'000**
At 1 March 2021	3,341	(978)	1,186	5,631	9,180
Charged / (credited) to income statement (note 12)	808	(401)	378	1,621	2,406
Acquisitions (note 17)	313	-	-	328	641
Charged directly to equity	-	-	700	96	796
At 28 February 2022	**4,462**	**(1,379)**	**2,264**	**7,676**	**13,023**

2021	**Accelerated tax depreciation £'000**	**Share based payments £'000**	**Pensions £'000**	**Other timing differences £'000**	**Total £'000**
At 1 March 2020	2,377	(807)	1,507	5,102	8,179
Charged / (credited) to income statement	491	(171)	177	445	942
Acquisitions	473	-	-	94	567
Credited directly to equity	-	-	(498)	(10)	(508)
At 28 February 2021	**3,341**	**(978)**	**1,186**	**5,631**	**9,180**

Deferred tax balances as at 28 February 2022 have been measured at a rate of 25%.

29. Contract liabilities

	Warranty policies £'000	Free servicing £'000	Total £'000
At 1 March 2021	18,466	3,101	21,567
Created in the year	10,833	776	11,609
Recognised as income during the year	(8,013)	(1,964)	(9,977)
At 28 February 2022	**21,286**	**1,913**	**23,199**
Current	10,299	1,453	11,752
Non-current	10,987	460	11,447
	21,286	**1,913**	**23,199**

Warranty policies

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 a contract liability at the fair value allocated to the warranty product at the point of sale and is released to the income statement on a straight-line basis over the life of each warranty policy.

Free servicing

The Group recognises a contract liability in respect of a "free servicing" arrangement whereby the first or subsequent service of a vehicle post sale is provided free of charge to a customer, as part of the initial consideration for the vehicle sale. An element of the initial consideration which is estimated to relate to the service is recognised as a contract liability and is released to the income statement when the service has been undertaken.

30. Retirement benefit asset

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections which were closed to new entrants and future accrual on 31 May 2003, with another section closed to new entrants in July 2003 and future accrual in October 2013. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustee of the Bristol Street Pension Scheme.

The Group has applied IAS 19 (Revised) to the scheme 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.

Regular employer contributions to the scheme (including contributions paid in respect of scheme expenses) for the year commencing 1 March 2022 are estimated to be £Nil.

The IAS 19 (Revised) figures and disclosures have been based on the provisional triennial valuation as at 5 April 2021. 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.

30. Retirement benefit asset (continued)

The fair value of the assets of the scheme are:

	Market Value 28 February 2022 £'000	Market Value 29 February 2021 £'000
Liability driven Investment Funds	10,091	8,690
Diversified growth funds	38,782	41,362
Secured finance	5,453	5,134
Other	1,131	985
	55,457	**56,171**

None of the assets listed above have a quoted market price in an active market as they are pooled investment funds specifically designed for occupational pension schemes. A value is placed on the Scheme's unit holdings in the funds by the funds' investment managers / custodians.

The Liability Driven Investments ("LDI") Funds that the Scheme is invested in is an investment tool used to reduce the investment risk and therefore volatility in the Scheme's funding position. Changes in interest rates and inflation rates will result in these assets moving in the same way as the liabilities. The LDI portfolio is primarily formed of derivatives, such as swaps, which are leveraged meaning that less LDI assets have to be held to match the same movement in the Scheme's liabilities.

The expected return on the assets as at 29 February 2021 was 2.00%. This is equal to the discount rate used in the calculation of the net interest income for the year ended 28 February 2022.

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:

	2022 £'000	2021 £'000
Fair value of scheme assets	55,457	56,171
Present value of funded obligations	(46,402)	(49,925)
Asset on the balance sheet	**9,055**	**6,246**

A surplus may be recognised if the economic benefits are available in the form of a refund or reduction in future contributions. Clause 5.6.2 of the Scheme Rules enables the Scheme to refund surplus assets to the employer. Surpluses are therefore recognised in full.

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

	2022 £'000	2021 £'000
Opening fair value of scheme assets	56,171	59,197
Interest income	1,100	990
Actuarial gains/(losses)	541	(2,030)
Benefits paid	(2,239)	(1,834)
Expenses recognised in the income statement	(116)	(152)
Closing fair value of scheme assets	**55,457**	**56,171**

30. Retirement benefit asset (continued)

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

	2022 £'000	2021 £'000
Opening fair value of scheme liabilities	49,925	50,330
Interest cost	976	840
Actuarial (gains)/losses	(2,260)	589
Benefits paid	(2,239)	(1,834)
Closing fair value of scheme liabilities	**46,402**	**49,925**

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

	2022 £'000	2021 £'000
Expenses	116	152
Net interest income (note 11)	(124)	(150)
Total (income)/expense included in income statement	**(8)**	**2**

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

	2022 £'000	2021 £'000
Expected return on scheme assets	1,100	990
Actuarial gains/(losses)	541	(2,030)
	1,641	**(1,040)**

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

	2022	2021
Discount rate	2.75%	2.00%
Limited Price Indexation ("LPI") pension increases before 2030	4.00%	3.10%
Limited Price Indexation ("LPI") pension increases after 2030	3.20%	3.00%
Inflation rate before 2030	3.00%	2.10%
Inflation rate after 2030	3.20%	3.00%

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:

	2022	2021
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:

	2022	2021
Male	23	23
Female	26	25

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

	2022 £'000	2021 £'000
Actuarial gains/(losses)	2,801	(2,619)
Related deferred tax (charge)/credit (note 28)	(700)	498
Total, included within retained earnings	**2,101**	**(2,121)**
Cumulative actuarial gains/(losses)	**520**	**(1,581)**

30. Retirement benefit asset (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
0.25% increase in discount rate	1,639
0.25% decrease in discount rate	(1,731)
0.25% increase in price inflation (and associated assumptions)	(1,115)
0.25% decrease in price inflation (and associated assumptions)	1,087
1 year increase in life expectancy at age 65	(1,835)
1 year decrease in life expectancy at age 65	1,802

31. Ordinary share capital, share premium, other reserves, treasury share reserve and capital redemption reserve

2022	Ordinary shares of 10p each Number of shares ('000)	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2021	361,886	36,917	124,939	10,645	(2,791)	2,810	172,520
Issuance and sale of treasury shares	3,146	-	-	-	1,205	-	1,205
Repurchase of own shares	(9,751)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(975)	-	-	-	975	-
At 28 February 2022	**355,281**	**35,942**	**124,939**	**10,645**	**(1,586)**	**3,785**	**173,725**

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

2021	Ordinary shares of 10p each Number of shares ('000)	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2020	367,120	36,917	124,939	10,645	(803)	2,810	174,508
Issuance of treasury shares in satisfaction of exercised share options	40	-	-	-	16	-	16
Purchase of treasury shares	(5,274)	-	-	-	(2,004)	-	(2,004)
At 28 February 2021	**361,886**	**36,917**	**124,939**	**10,645**	**(2,791)**	**2,810**	**172,520**

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 and is £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.

31. Ordinary share capital, share premium, other reserves, treasury share reserve and capital redemption reserve (continued)

Share Option Schemes (continued)

As disclosed in note 8, a share based payments charge of £1,396,000 (2021: £265,000) has been recognised during the year, in relation to the schemes as described below.

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

Award Date	Type	Granted / Outstanding at 28 February 2022 No of shares	Granted / Outstanding at 28 February 2021 No of shares	Exercise price	Date from which exercisable	Expiry date
28 Nov 2011[1]	CSOP	-	569,230	26.00p	28 Nov 2014	28 Nov 2021
12 Jun 2012[1]	CSOP	800,000	2,000,000	27.50p	30 Aug 2015	12 Jun 2022
24 Oct 2012[1]	CSOP	1,130,000	2,010,000	39.25p	30 Aug 2015	24 Oct 2022
20 Aug 2013[1]	LTIP	53,583	53,583	0.00p	20 Aug 2016	20 Aug 2023
5 Sep 2016[1]	LTIP	40,337	80,674	0.00p	5 Sep 2019	5 Sep 2026
6 Nov 2017[2]	CSOP	-	2,530,000	45.00p	7 Nov 2020	7 Nov 2027
2 Jul 2018[1]	CSOP	3,000,000	3,600,000	49.60p	2 Jul 2021	2 Jul 2028
17 Jul 2018[2]	LTIP	-	458,864	0.00p	17 Jul 2021	17 Jul 2028
8 Nov 2018[1]	CSOP	3,747,500	5,070,000	38.25p	8 Nov 2021	8 Nov 2028
1 Mar 2020[1]	PSO	5,074,569	5,390,381	0.00p	1 Mar 2024	1 Mar 2030
1 Mar 2021	PSO	7,223,847	-	0.00p	1 Mar 2025	1 Mar 2031
24 Jun 2021	PSO	942,411	-	0.00p	1 Mar 2025	1 Mar 2031
		22,012,247	**21,762,732**			

1 Vested.
2 Lapsed in full during the year ended 28 February 2022 as a result of not satisfying the relevant performance criteria.

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

	2022 No of share options	2021 No of share options
At beginning of year	21,762,732	21,565,045
Granted	8,500,899	8,355,086
Forfeited	(716,024)	(389,677)
Exercised	(4,511,242)	(40,337)
Lapsed	(3,024,118)	(7,727,385)
At end of year	**22,012,247**	**21,762,732**

The weighted average share price during the year was 52.3p (2021: 27.6p). The weighted average fair value of PSO options granted during the year, determined using the Black-Scholes model was 33.8p per option.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	CSOP		LTIP		PSO		Total
	Options No of shares	Weighted average exercise price	Options No of shares	Weighted average exercise price	Options No of shares	Weighted average exercise price	Options No of shares
At 1 March 2020	17,869,229	40.85p	3,695,816	0.00p	-	-	21,565,045
Granted	-	-	-	-	8,355,086	0.00p	8,355,086
Forfeited	(210,000)	41.67p	-	-	(179,677)	0.00p	(389,677)
Exercised	-	-	(40,337)	0.00p	-	-	(40,337)
Lapsed	(1,880,000)	45.38p	(3,062,356)	0.00p	(2,785,029)	0.00p	(7,727,385)
At 28 February 2021	15,779,229	40.16p	593,123	0.00p	5,390,380	0.00p	21,762,732
Granted	-	-	-	-	8,500,899	0.00p	8,500,899
Forfeited	(199,998)	40.68p	-	-	(516,026)	0.00p	(716,024)
Exercised	(4,436,731)	35.55p	(40,337)	0.00p	(34,174)	0.00p	(4,511,242)
Lapsed	(2,465,000)	45.00p	(458,866)	0.00p	(100,252)	0.00p	(3,024,118)
At 28 February 2022	**8,677,500**	**41.31p**	**93,920**	0.00p	**13,240,827**	0.00p	**22,012,247**

31. Ordinary share capital, share premium, other reserves, treasury share reserve and capital redemption reserve (continued)

Share Option Schemes (continued)

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

Vesting period	4 years
Expected volatility	19%
Option life	10 years
Expected life	7 years
Annual risk-free interest rate	0.2%
Dividend yield	4%

Expected volatility 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 or she 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 or she will incur an income tax liability. The Company currently does 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 up to and including 24 October 2012, which remain outstanding are shown in the table on page 122.

The CSOP options issued on 6 November 2017 may only be exercised if the average share price of the Company over at least one continuous period of 30 days between 1 August 2020 and 31 July 2021 is above 62.5p and then 100% of the options vest. At an average share price of 57.5p 50% of the options are exercisable. At prices between 57.5p and 62.5p, options will vest on a straight-line basis between 50% and 100%. At a share price below 57.5p none of the options are exercisable, these options therefore lapsed during the year.

The CSOP options issued on 2 July 2018 may only be exercised if the average share price of the Company over at least one continuous period of 30 days between 1 August 2021 and 31 July 2022 is above 62.5p and then 100% of the options vest. At an average share price of 57.5p 50% of the options are exercisable. At prices between 57.5p and 62.5p, options will vest on a straight-line basis between 50% and 100%. At a share price below 57.5p none of the options are exercisable. Therefore, 100% of these options vested during the year.

The CSOP options issued on 8 November 2018 may only be exercised if the average share price of the Company over at least one continuous period of 30 days between 1 August 2021 and 31 July 2022 is above 50.9p and then 100% of the options vest. At an average share price of 44.6p 50% of the options are exercisable. At prices between 44.6p and 50.9p, options will vest on a straight-line basis between 50% and 100%. At a share price below 44.6p none of the options are exercisable. Therefore, 100% of these options vested during the year.

There were no CSOP share options issued during the financial year to 28 February 2022.

31. Ordinary share capital, share premium, other reserves, treasury share reserve and capital redemption reserve (continued)

c) Long Term Incentive Plan ("LTIP")

Outstanding LTIP awards relate to remaining awards which vested in previous financial years and are within their exercisable period. No LTIP awards were issued during the year.

Share Option Schemes (continued)

d) Partnership Share Options ("PSO")

A new share incentive (Partnership Share Options) for certain of the Group's senior management colleagues was introduced in the financial year commencing 1 March 2020. Under this scheme colleagues received nil cost share options in the Company pro-rata to their basic salary.

Vesting of PSO awards are then determined by the proportion of each colleague's annual on-target bonuses earned for the financial year in which they are awarded, up to a maximum of 100% of the awards granted. Any vested options will then be capable of exercise at the end of a three-year holding period.

On 1 March 2021, 7,558,488 PSO awards were made to certain senior managers and a further 942,411 PSO awards were made to the Executive Directors on 24 June 2021. 334,641 of these awards were forfeited as a result of leavers during the year, with the remaining awards vesting in proportion to achievement of on-target bonus earnings by the relevant colleagues in the year ended 28 February 2022.

On 1 March 2022, 6,453,290 PSO awards have been made in respect of the financial year commencing on that date.

32. Hedging reserve

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

	2022 £'000	2021 £'000
At beginning of year	(403)	(407)
Fair value gains/(losses) on derivative financial instruments during the year	503	(6)
Deferred taxation on fair value (gains)/losses during year	(96)	10
At end of year	**4**	**(403)**

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

	2022 £'000	2021 £'000
Net increase in cash and cash equivalents	15,965	26,989
Cash inflow from proceeds of borrowings	(5,699)	(22,760)
Cash outflow from repayment of borrowings	10,638	19,705
Cash movement in net debt	**20,904**	**23,934**
Capitalisation of loan arrangement fees	-	75
Amortisation of loan arrangement fees	(206)	(175)
Non-cash movement in net debt	**(206)**	**(100)**
Movement in net debt (excluding lease liabilities)	**20,698**	**23,834**
Opening net debt (excluding lease liabilities)	**(4,531)**	**(28,365)**
Closing net cash/(debt) (excluding lease liabilities)	**16,167**	**(4,531)**
Lease liabilities at 1 March	(91,101)	(96,894)
Capitalisation of new leases (Note 19)	(14,132)	(12,098)
Disposal of lease liabilities (Note 19)	617	2,549
Interest element of lease repayments (Note 11)	(3,581)	(3,632)
Cash outflow from lease repayments (Note 19)	19,367	18,974
Lease liabilities at 28 February	**(88,830)**	**(91,101)**
Closing net debt (including lease liabilities)	**(72,663)**	**(95,632)**

34. Cash flow from movement in working capital

The following table reconciles the movement in balance sheet headings to the movement in working capital as presented in the consolidated cash flow statement.

2022	Inventories (Note 21) £'000	Current trade and other receivables (Note 23) £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables (Note 25)			(529,086)	
Contract liabilities (Note 29)			(23,199)	
At 29 February 2022	475,027	51,839	(552,285)	
At 28 February 2021	597,391	59,375	(710,515)	
Balance sheet movement	**122,364**	**7,536**	**(158,230)**	
Acquisitions (Note 17)	5,175	1,469	(6,181)	
Movement excluding business combinations	**127,539**	**9,005**	**(164,411)**	**(27,867)**
Pension related balances				116
Increase in capital creditor				(286)
Increase in interest accrual				(100)
Bonus accrual settled in shares				164
Movement as shown in Consolidated Cash Flow Statement				**(27,973)**

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

2021	Inventories £'000	Current trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(688,948)	
Contract liabilities			(21,567)	
At 28 February 2021	597,391	59,375	(710,515)	
At 29 February 2020	639,177	71,720	(737,538)	
Balance sheet movement	**41,786**	**12,345**	**(27,023)**	
Acquisitions	23,691	142	(20,639)	
Disposals	(1,885)	(16)	230	
Movement excluding business combinations	**63,592**	**12,471**	**(47,432)**	**28,631**
Pension related balances				152
Decrease in capital creditors				722
Decrease in interest accrual				135
Movement as shown in Consolidated Cash Flow Statement				**29,640**

35. Reconciliation of movement in liabilities to cash arising from financing activities

	Borrowings £'000	Lease liabilities £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
As at 1 March 2021	72,359	91,101	(2,791)	103,823	264,492
Cash flows from financing activities:					
Issue of treasury shares	-	-	1,040	(89)	951
Repurchase of own shares	-	-	-	(6,014)	(6,014)
Proceeds from issue of loan	5,699	-	-	-	5,699
Repayment of borrowings	(10,638)	-	-	-	(10,638)
Lease repayments	-	(15,786)	-	-	(15,786)
Dividends paid	-	-	-	(2,327)	(2,327)
Cash settled share options	-	-	-	(403)	(403)
Net cash outflow from financing activities	(4,939)	(15,786)	1,040	(8,833)	(28,518)
Other changes:					
Liability related: capitalisation and amortisation of loan fees and expenses	205	-	-	-	205
Liability related: capitalisation of lease liabilities	-	14,132	-	-	14,132
Liability related: disposal of lease liabilities	-	(617)	-	-	(617)
Liability related: bonus accrual settled in shares	-	-	165	-	165
Equity related: other movements	-	-	-	63,162	63,162
As at 28 February 2022	**67,625**	**88,830**	**(1,586)**	**158,152**	**313,021**

36. 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 pages 87 to 88 were subject to at the end of 28 February 2022 until they are satisfied in full. These liabilities total £823,915,000 (2021: £969,920,000), including intercompany loans of £329,074,000 (2021: £320,589,000). Such guarantees are enforceable against Vertu Motors plc by any person to whom any such liability is due.

37. Capital commitments

Capital commitments in respect of property, plant and equipment amounting to £415,000 were outstanding as at 28 February 2022 (2021: £379,000).

38. Related party transactions

Key management personnel are defined as the Directors of the Company. The remuneration of the Directors who served during the year ended 28 February 2022 is set out in the Directors' Remuneration Report on pages 64 to 68.

Ken Lever, a Director of the Company, also sits on the board of Biffa plc. A subsidiary company of Biffa plc provides waste disposal services to the Group on normal commercial terms. In the year ended 28 February 2022, the value of such services provided was £584,757 (2021: £491,010). £62,379 was unpaid at 28 February 2022 in respect of these services (2021: £45,421). In the year ended 28 February 2022, sales of £14,071 (2021: £15,492) were made to Biffa plc, of which £Nil was outstanding at the year end (2021: £1,178).

During the year to 28 February 2022, Robert Forrester, David Crane, Karen Anderson, Andrew Goss, Pauline Best and Ken Lever bought and sold vehicles from and to the Group. The value of these transactions for the year ended 28 February 2022 and the year ended 28 February 2021 is presented below. No profit or loss was made in respect of these transactions in the year ended 28 February 2022 or the year ended 28 February 2021. 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 28 February 2022 (2021: £Nil).

2022

	Bought from the Group		**Sold to the Group**	
	Number of vehicles	**Purchase price £'000**	**Number of vehicles**	**Sale price £'000**
Robert Forrester	4	367	4	350
David Crane	4	234	5	281
Karen Anderson	4	262	4	247
Andrew Goss	2	121	2	119
Pauline Best	2	124	2	118
Ken Lever	2	122	1	58

2021

	Bought from the Group		**Sold to the Group**	
	Number of vehicles	**Purchase price £'000**	**Number of vehicles**	**Sale price £'000**
Robert Forrester	4	323	4	325
David Crane	3	211	3	240
Karen Anderson	2	122	2	124
Andrew Goss	1	60	1	73
Pauline Best	2	109	2	105

39. Post balance sheet events

On 6 April 2022, the Group acquired the freehold and long leasehold interests in its extensive multi-franchise site located in Derby, for consideration of £7,100,000.

Company Balance Sheet

As at 28 February 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	5	274	445
Tangible assets	6	2,953	2,983
Investments	7	166,722	166,722
		169,949	**170,150**
Current assets			
Debtors	8	185,504	153,932
Cash at bank and in hand		83,633	67,654
Total current assets		**269,137**	**221,586**
Creditors: amounts falling due within one year	10	**(95,301)**	**(81,227)**
Net current assets		**173,836**	**140,359**
Total assets less current liabilities		**343,785**	**310,509**
Creditors: amounts falling due after more than one year	11	**(55,453)**	**(63,004)**
Net assets		**288,332**	**247,505**
Capital and reserves			
Called up share capital	13	35,942	36,917
Share premium account	13	124,939	124,939
Other reserve	13	10,645	10,645
Hedging reserve	14	4	(403)
Treasury share reserve	13	(1,586)	(2,791)
Capital redemption reserve	13	3,785	2,810
Profit and loss account:			
At start of year		75,388	69,170
Profit for the year		46,987	5,861
Other changes in retained earnings		(7,772)	357
	15	114,603	75,388
Total shareholders' funds		**288,332**	**247,505**

These financial statements, on pages 128 to 142, have been approved for issue by the Board of Directors on 11 May 2022 and signed by:

Robert Forrester
Chief Executive

Karen Anderson
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 28 February 2022

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total Equity £'000
As at 1 March 2021	36,917	124,939	10,645	(403)	(2,791)	2,810	75,388	247,505
Profit for the year	-	-	-	-	-	-	46,987	46,987
Tax on items taken directly to equity	-	-	-	(96)	-	-	-	(96)
Fair value gains	-	-	-	503	-	-	-	503
Total comprehensive income for the year	-	-	-	407	-	-	46,987	47,394
Sale of treasury shares	-	-	-	-	1,025	-	(74)	951
Issuance of treasury shares					180		(15)	165
Repurchase of own shares	-	-	-	-	-	-	(6,014)	(6,014)
Cancellation of repurchased shares	(975)	-	-	-	-	975	-	-
Dividends paid	-	-	-	-	-	-	(2,327)	(2,327)
Share based payments charge	-	-	-	-	-	-	658	658
As at 28 February 2022	**35,942**	**124,939**	**10,645**	**4**	**(1,586)**	**3,785**	**114,603**	**288,332**

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

Company Statement of Changes in Equity

For the year ended 28 February 2021

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total Equity £'000
As at 1 March 2020	36,917	124,939	10,645	(407)	(803)	2,810	69,170	243,271
Profit for the year	-	-	-	-	-	-	5,861	5,861
Tax on items taken directly to equity	-	-	-	10	-	-	-	10
Fair value losses	-	-	-	(6)	-	-	-	(6)
Total comprehensive income for the year	-	-	-	4	-	-	5,861	5,865
Sale of treasury shares	-	-	-	-	16	-	(16)	-
Purchase of treasury shares	-	-	-	-	(2,004)	-	-	(2,004)
Share based payments charge	-	-	-	-	-	-	373	373
As at 28 February 2021	**36,917**	**124,939**	**10,645**	**(403)**	**(2,791)**	**2,810**	**75,388**	**247,505**

Notes to the Company Financial Statements

1. Accounting Policies

Statement of compliance

The separate financial statements of Vertu Motors plc ("the Company"), 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" ("FRS 102") and the Companies Act 2006.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the following exemptions in paragraph 1.12 of FRS 102:

- from preparing a statement of cash flows and related notes, on the basis that it is a qualifying entity and the consolidated statement of cash flows of Vertu Motors plc includes the Company's cash flows,
- certain disclosures in relation to financial instruments,
- certain disclosures in relation to share based payments; and
- from disclosing the Company key management personnel compensation.

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 England. The registered office address of the Company is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne & Wear, NE11 0XA.

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. Note 1 of the consolidated financial statements provides further details on the Directors' conclusions regarding the going concern basis of preparation.

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 28 February 2022 was £46,987,000 (2021: £5,861,000).

The consolidated financial statements include the results of all subsidiaries owned by Vertu Motors plc listed on pages 136 to 137 of these financial statements. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 28 February 2022 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 28 February 2022 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 28 February 2022 of the subsidiaries listed below, further detail of which is provided in note 36 to the consolidated financial statements on page 126.

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 28 February 2022 by virtue of s479A Companies Act 2006 are:

Albert Farnell Limited
All Car Parts Limited
Bristol Street First Investments Limited
Bristol Street Fourth Investments Limited
Farmer & Carlisle Holdings Limited
Farmer & Carlisle Limited
Farmer & Carlisle Leicester Limited
F.C. Business Operations Limited
Grantham Motor Company Limited
Macklin Property Limited
South Hereford Garages Limited
South Hereford Garages Trade Parts LLP
Tyne Tees Finance Limited
Vans Direct Limited
Vertu Accident Repair Limited
Vertu Motors (Chingford) Limited
Vertu Motors (Continental) Limited
Vertu Motors (Knaresborough) Limited
Vertu Motors (Property) Limited
Vertu Motors (Property 2) Limited
Vertu Motors (VMC) Limited

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 28 February 2022 by virtue of s394A of Companies Act 2006 are:

Aceparts Limited
Best4Vans Limited
Blacks Autos Limited
Blake Holdings Limited
Boydslaw 103 Limited
Bristol Street (No.1) Limited
Bristol Street (No.2) Limited
Bristol Street Commercials (Italia) Limited
Bristol Street Fifth Investments Limited
Bristol Street Fleet Services Limited
Bristol Street Group Limited
Bristol Street Limited
Brookside (1998) Limited
BSH Pension Trustee Limited
Carsandvansdirect Limited
Dobies (Carlisle) Limited
Dunfermline Autocentre Limited
Easy Vehicle Finance Limited
Gordon Lamb Group Limited
Gordon Lamb Limited
Gordon Lamb Holdings Limited
Hillendale Group Limited
Hillendale LR Limited
Horseshoe Vehicle Contracts Limited
Hughes Group Holdings Limited
Hughes of Beaconsfield Limited
International Concessionaires Limited
Merifield Properties Limited
Motor Nation Cars Limited (formerly Vertu Motors (Retail) Limited
National Allparts Limited
Newbolds Garage (Mansfield) Limited
Nottingham TPS LLP
Peter Blake (Chatsworth) Limited
Peter Blake Limited
Power Bulbs Ltd
Power Bulbs Online Limited
SHG Holdings Limited
Sigma Holdings Limited
The Taxi Centre Limited
Typocar Limited
VanMan Limited
Vertu Fleet Limited
Vertu Motors (AMC) Limited
Vertu Motors Car Limited (formerly Motor Nation Car Hypermarkets Limited)
Vertu Motors (Durham) Limited
Vertu Motors (Finance) Limited
Vertu Motors (Pity Me) Limited
Vertu Motors Property 2 Holdings Limited
Vertu Ventures Limited
Widnes Car Centre Limited
Widnes Car Centre (1994) Limited

The auditors' remuneration for audit and other services was £25,000 (2021: £25,000).

1. Accounting Policies (continued)

Intangible assets

Intangible assets 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.

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.

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.

Notes to the Company Financial Statements (continued)

1. Accounting Policies (continued)

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

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. Details of the key assumptions used for the impairment testing for the year ended 28 February 2022, as well as the results of sensitivity analysis performed, are provided in note 7.

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 31 of the Vertu Motors plc consolidated financial statements.

3. Employee benefit expense

	2022 £'000	2021 £'000
Wages and salaries	18,005	11,452
Social security costs	6,061	4,381
Pension costs – defined contribution plans	2,360	2,022
	26,426	**17,855**
Share based payments charge (note 17)	1,396	265
	27,822	**18,120**

The above employee benefit expense for the year ended 28 February 2021 included £1,946,000 of Government grant income in respect of the Coronavirus Job Retention Scheme.

3. Employee benefit expense (continued)

Details of the emoluments of the Directors who served during the years ended 28 February 2022 and 28 February 2021, which are included in the table above, are provided in the Directors' Remuneration Report on page 64 to 68.

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

	2022 Number	2021 Number
Sales	144	133
Service	22	23
Administration	485	445
	651	**601**

5. Intangible assets

	Computer Software £'000
Cost	
At 1 March 2021	2,646
Additions	45
Disposals	(62)
At 28 February 2022	**2,629**
Accumulated Amortisation	
At 1 March 2021	2,201
Amortisation charge	175
Disposals	(21)
At 28 February 2022	**2,355**
Net Book Value	
At 28 February 2022	**274**
At 28 February 2021	**445**

6. Tangible assets

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 March 2021	10,376	634	11,010
Additions	2,341	104	2,445
Intercompany transfers	-	8	8
Disposals	(1,582)	(4)	(1,586)
At 28 February 2022	**11,135**	**742**	**11,877**
Accumulated Depreciation			
At 1 March 2021	7,496	531	8,027
Depreciation charge	1,776	49	1,825
Disposals	(928)	-	(928)
At 28 February 2022	**8,344**	**580**	**8,924**
Net Book Value			
At 28 February 2022	**2,791**	**162**	**2,953**
At 28 February 2021	**2,880**	**103**	**2,983**

7. Investments

	£'000
Cost	
At 1 March 2021 and 28 February 2022	**179,993**
Accumulated impairment charges	
At 1 March 2021 and 28 February 2022	**13,271**
Net Book Value	
At 28 February 2021 and 28 February 2022	**166,722**

Vertu Motors plc, the Company, as at 28 February 2022 and 28 February 2021, invested in 100% of the ordinary share capital of the following subsidiary undertakings, incorporated in the United Kingdom:

Company	**Principal activity**
The registered office address of the following companies is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne & Wear, NE11 0XA:	
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
South Hereford Garages Limited [2]	Motor retailer
Tyne Tees Finance Limited [1]	Motor retailer
Vertu Motors (Continental) Limited [1]	Motor retailer
Vertu Accident Repair Limited	Maintenance and repair of motor vehicles
South Hereford Garages Trade Parts LLP [1]	Parts retailer
Vans Direct Limited [1]	Online van retailer
Vertu Motors Third Limited	Online advertising
All Car Parts Limited [1]	Online parts retailer
Macklin Property Limited	Property company
Vertu Motors (Property) Limited	Property company
Vertu Motors (Property 2) Limited [1]	Property company
BSH Pension Trustee Limited [1]	Pension scheme trustee
Vertu Motors (Durham) Limited [1]	Holding company (dormant subsidiaries)
Bristol Street Fifth Investments Limited [1]	Holding company (dormant subsidiaries)
Blake Holdings Limited [1]	Holding company (dormant subsidiaries)
Widnes Car Centre (1994) Limited [1]	Holding company (dormant subsidiaries)
Brookside (1998) Limited [1]	Holding company (dormant subsidiaries)
Hillendale Group Limited	Holding company (dormant subsidiaries)
Gordon Lamb Group Limited	Holding company (dormant subsidiaries)
Gordon Lamb Holdings Limited [1]	Holding company (dormant subsidiaries)
Hughes Group Holdings Limited	Holding company (dormant subsidiaries)
Bristol Street Group Limited [1]	Holding company
Vertu Motors Property 2 Holdings Limited	Holding company
Sigma Holdings Limited	Holding company
Vertu Ventures Limited	Holding company
Aceparts Limited	Holding company
SHG Holdings Limited	Holding company
Hughes of Beaconsfield Limited [1]	Dormant company
Vertu Motors (Knaresborough) Limited	Dormant company
Why Pay More For Cars Limited [1 3]	Dormant company
International Concessionaires Limited [1]	Dormant company
Vertu Motors (AMC) Limited	Dormant company
Vertu Motors Car Limited (formerly Motor Nation Car Hypermarkets Limited)	Dormant company
Bristol Street Limited [1]	Dormant company
Bristol Street (No. 1) Limited [1]	Dormant company
Bristol Street (No. 2) Limited [1]	Dormant company

7. Investments (continued)

Company	Principal activity
National Allparts Limited [1]	Dormant company
Merifield Properties Limited [1]	Dormant company
Peter Blake Limited [1]	Dormant company
Peter Blake (Chatsworth) Limited [1]	Dormant company
Peter Blake (Clumber) Limited [1, 3]	Dormant company
Typocar Limited	Dormant company
Widnes Car Centre Limited [1]	Dormant company
KC Mobility Solutions Limited [1, 3]	Dormant company
Compare Click Call Limited [3]	Dormant company
Dobies (Carlisle) Limited [1]	Dormant company
Newbolds Garages (Mansfield) Limited [1]	Dormant company
Hillendale LR Limited [1]	Dormant company
Blacks Autos Limited [1]	Dormant company
Gordon Lamb Limited [1]	Dormant company
Vertu Motors (Finance) Limited	Dormant company
Vertu Motors (Pity Me) Limited [1]	Dormant company
Bristol Street Commercials (Italia) Limited	Dormant company
Vertu Fleet Limited	Dormant company
Motor Nation Cars Limited (formerly Vertu Motors (Retail) Limited)	Dormant company
Bristol Street Fleet Services Limited [1]	Dormant company
VanMan Limited [1]	Dormant company
Best4Vans Limited [1]	Dormant company
Horseshoe Vehicle Contracts Limited [1]	Dormant company
Carsandvansdirect Limited [1]	Dormant company
Nottingham TPS LLP [1]	Dormant LLP

<u>The registered address of the following companies is Dunfermline Autocentre, Halbeath Road, Dunfermline, Fife, KY12 7RD</u>

Boydslaw 103 Limited [1]	Holding company (dormant subsidiaries)
Dunfermline Autocentre Limited [1]	Dormant company

<u>The registered address of the following companies is Peugeot Paisley, Saturn Avenue, Phoenix Retail Park, Paisley, PA1 2BH</u>

The Taxi Centre Limited	Dormant company
Easy Vehicle Finance Limited	Dormant company

[1] Held indirectly by the Company.
[2] On 1 May 2021, the trade and assets of this subsidiary were transferred to other wholly owned subsidiaries of the Group, thereafter this subsidiary ceased to trade.
[3] Application to strike this company off the register was submit subsequent to the year end.

Furthermore, the following subsidiary undertaking (ordinary shares 100% owned and incorporated within the United Kingdom) were acquired by subsidiaries of the Company, and are therefore held indirectly by the Company, during the year ended 28 February 2022:

Company	Principal activity
Power Bulbs Online Ltd [4, 5]	Online vehicle lighting retailer
Power Bulbs Ltd [4]	Dormant company
Farmer & Carlisle Holdings Limited [4]	Holding company
Farmer & Carlisle Limited [4, 6]	Motor retailer
Farmer & Carlisle Leicester Limited [4, 6]	Motor retailer
F.C. Business Operations Limited [4]	Dormant company

[4] Held indirectly by the Company
[5] On 28 May 2021, this company was acquired by All Car Parts Limited, a subsidiary of the Group. On the same date, the trade and assets of this subsidiary were transferred to All Car Parts Limited, thereafter this subsidiary ceased to trade.
[6] On 10 December 2021, this company was acquired by Grantham Motor Company Limited, a subsidiary of the Group. On the same date, the trade and assets of this subsidiary were transferred to other wholly owned subsidiaries of the Group, thereafter this subsidiary ceased to trade.

7. Investments (continued)

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

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 ("CGUs") have been determined based on value-in-use calculations.

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 in respect of the Company's trading subsidiaries:

- 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 and the past performance of the CGU.
- Changes in gross profits and direct costs are based on past practices and expectations of future changes in the market.

Annual growth rates typically between 0% and 3% are assumed for years three to five depending on the CGU, after which a growth rate of 0% is assumed to perpetuity. Cash flows into perpetuity have been used to reflect the long-term and open-ended nature of the Group's business model.

A risk adjusted post-tax discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 8% (2021: 8%) is applied.

Sensitivity analysis has been performed on the impairment test based on three potential scenarios with the following results:

If restricted supply of new and used cars or reduced demand for service work as a consequence of a reduced vehicle parc significantly reduced the Group's earnings in the year ending 28 February 2023, with a return to normalised trading in the year ending 29 February 2024, an additional impairment charge of £1.0m would arise in respect of the Company's investments.

If the growth rate in years three to five is reduced to -10%, an additional impairment charge of £5.9m would arise in respect of the Company's investments.

If the post-tax WACC was increased to 12%, an additional impairment charge of £5.5m would arise in respect of the Company's investments.

8. Debtors

	2022 £'000	2021 £'000
Trade debtors	2,189	1,828
Amounts owed by Group undertakings	163,006	141,989
Deferred tax asset (note 9)	3,535	2,416
Value Added Tax	8,693	2,525
Prepayments and accrued income	8,081	5,174
	185,504	**153,932**

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

9. Deferred tax asset

	2022 £'000	2021 £'000
At beginning of year	2,416	1,733
Credited to the profit and loss account	1,215	673
(Charged)/credited directly to equity	(96)	10
At end of year	**3,535**	**2,416**

The amounts recognised for deferred tax assets, calculated under the liability method at 25% (2021: 19%) are set out below:

	2022 £'000	2021 £'000
Depreciation in excess of capital allowances	1,116	731
Other short-term timing differences	2,419	1,685
Total	**3,535**	**2,416**

During the year ending 28 February 2023, the reversal of deferred tax assets is expected to decrease the corporation tax charge for the year by £149,000. This is primarily due to timing differences in relation to depreciation in excess of capital allowances.

10. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	10,633	6,377
Other creditors	26,000	26,000
Corporation tax	2,589	732
Other taxation and social security	6,180	5,579
Accruals	38,147	30,144
Deferred income	11,752	12,395
	95,301	**81,227**

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

Accruals includes £11,894,000 (2021: £10,740,000) in respect of outstanding service plans.

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

	2022 £'000	2021 £'000
Bank borrowings	44,006	53,832
Deferred income (note 12)	11,447	9,172
	55,453	**63,004**

Borrowings are repayable as follows:	2022 £'000	2021 £'000
1-2 years	44,006	-
2-5 years	-	53,832
	44,006	**53,832**

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 amounts as the impact of discounting is not significant.

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

	Within one year £'000	Within two to five years £'000	Total £'000
Bank borrowings	-	44,006	44,006
Trade and other creditors	95,301	11,447	106,748
At 28 February 2022	**95,301**	**55,453**	**150,754**

	Within one year £'000	Within two to five years £'000	Total £'000
Bank borrowings	-	53,832	53,832
Trade and other creditors	81,227	9,172	90,399
At 28 February 2021	**81,227**	**63,004**	**144,231**

12. Deferred income

Deferred income due in greater than one year comprises:

	2022 £'000	2021 £'000
Warranty policies	10,987	9,172
Free servicing	460	-
	11,447	**9,172**

Warranty policies

The Group sells used vehicle warranty policies which are in-house products that can be taken out over 21, 24 or 36 months with income received on inception of the policy and released on a straight-line basis over the life of the policies. There is an additional £10,299,000 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 (2021: £9,294,000).

Free servicing

The Group recognises deferred income in respect of a "free servicing" arrangement whereby the first or subsequent service of a vehicle post sale is provided free of charge to a customer, as part of the initial consideration for the vehicle sale. An element of the initial consideration which is estimated to relate to the service is recognised as deferred income and is released to the income statement when the service has been undertaken. There is an additional £1,453,000 included in 'Deferred income' in creditors: amounts falling due within one year, in respect of such service work to be completed in the next 12 months (2021: £3,101,000).

13. Called up share capital, share premium, other reserve, treasury share reserve and capital redemption reserve

2022	Ordinary shares of 10p each Number of shares ('000)	Called up Share capital £'000	Share premium account £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2021	361,886	36,917	124,939	10,645	(2,791)	2,810	172,520
Issuance and sale of treasury shares	3,146	-	-	-	1,205	-	1,205
Repurchase of own shares	(9,751)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(975)	-	-	-	975	-
At 28 February 2022	**355,281**	**35,942**	**124,939**	**10,645**	**(1,586)**	**3,785**	**173,725**

All issued shares are fully paid-up.

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

2021	Ordinary shares of 10p each Number of shares ('000)	Called up Share capital £'000	Share premium account £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2020	367,120	36,917	124,939	10,645	(803)	2,810	174,508
Issuance of treasury shares in satisfaction of exercised share options	40	-	-	-	16	-	16
Purchase of treasury shares	(5,274)	-	-	-	(2,004)	-	(2,004)
At 28 February 2021	**361,886**	**36,917**	**124,939**	**10,645**	**(2,791)**	**2,810**	**172,520**

14. Hedging reserve

	2022 £'000	2021 £'000
Cash flow hedges:		
At beginning of year	(403)	(407)
Fair value gains/(losses) on derivative financial instruments during the year	503	(6)
Deferred taxation on fair value (gains)/losses during year	(96)	10
At end of year	**4**	**(403)**

15. Profit and loss account

	2022 £'000	2021 £'000
As at beginning of year	75,388	69,170
Profit for the financial year	46,987	5,861
Dividend paid	(2,327)	-
Share based payments charge	658	373
Repurchase of own shares	(6,014)	-
Treasury shares issued	(89)	(16)
As at end of year	**114,603**	**75,388**

16. Dividends per share

An interim dividend of £2,327,000 (0.65p per share) in respect of the year ended 28 February 2022 was paid in January 2022.

A final dividend of 1.05p per share is to be proposed at the Annual General Meeting on 22 June 2022. The ex-dividend date will be 30 June 2022 and the associated record date 1 July 2022. The dividend will be paid, subject to shareholder approval, on 29 July 2022 and these financial statements do not reflect this final dividend payable.

17. Share based payments

For details of share based payment awards and fair values, see note 31 to the consolidated financial statements. The Company financial statements include a share based payments charge for the year of £1,396,000 (2021: £265,000).

18. Contingencies

See note 36 to the consolidated financial statements for details of contingent liabilities as at the balance sheet date.

19. Directors' remuneration

The remuneration of the Directors who served during the year from 1 March 2021 to 28 February 2022 is set out within the Directors' Remuneration Report on pages 64 to 68.

20. 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 payable:	**2022** **£'000**	**2021** **£'000**
No later than 1 year	557	463
Later than 1 year and no later than 5 years	283	421
Later than 5 years	-	-
	840	**884**

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 38 of the consolidated financial statements.

Alternative Performance Measures

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

Definitions

Like-for-like	Dealerships that have comparable trading periods in two consecutive financial years.
FY22	The twelve month period ended 28 February 2022.
FY21	The twelve month period ended 28 February 2021.
FY20	The twelve month period ended 29 February 2020.
Adjusted	Adjusted for amortisation of intangible assets, share based payments and impairment charges, as these are unconnected with the ordinary business of the Group.
Aftersales gross margin	Aftersales gross margin compares the gross profit earned from aftersales activities to the total aftersales revenues, including internal revenue relating to service and vehicle preparation work performed on the Group's own vehicles. This is to properly reflect the real activity of the Group's aftersales department.

Alternative Performance Measures

Adjusted Operating Profit

	2022 £'000	2021 £'000
Operating profit	85,733	31,630
Non-underlying items (note 8):		
Impairment charges	131	1,452
Amortisation (note 16)	407	436
Share based payment charge (note 31)	1,396	265
Adjusted operating profit	**87,667**	**33,783**

Adjusted Net Cash / (Debt)

	2022 £'000	2021 £'000
Cash and cash equivalents	83,793	67,828
Borrowings (note 26)	(67,626)	(72,359)
Net debt (excluding lease liabilities) (note 33)	16,167	(4,531)
Used car stocking loans – other borrowings (note 26)	11,647	5,948
Adjusted net cash	**27,814**	**1,417**

Free Cash Flow

	2022 £'000	2021 £'000
Net cash inflow from operating activities	69,001	74,920
Amortisation of loan arrangement fees	(178)	-
Purchase of other property, plant and equipment	(16,571)	(11,844)
Enhancement capital expenditure included in above	6,180	-
Purchase of intangible assets	(44)	(264)
Proceeds from disposal of property, plant and equipment	1,605	972
Principal elements of lease repayments	(15,786)	(15,342)
Free cash flow	**44,207**	**48,442**

Alternative Performance Measures (continued)

Adjusted Profit Before Tax (PBT)

	2022 £'000	2021 £'000
Profit before tax	78,770	22,399
Non-underlying items (note 8):		
Impairment charges	131	1,452
Amortisation	407	436
Share based payment charge	1,396	265
Adjusted PBT	**80,704**	**24,552**

Tangible net assets per share

	2022 £'000	2021 £'000
Net assets	331,881	275,940
Less:		
Goodwill and other indefinite life assets	(103,470)	(99,192)
Other intangible assets	(1,797)	(1,948)
Add:		
Deferred tax on above adjustments	10,856	6,764
Tangible net assets	**237,470**	**181,564**
Tangible net assets per share	**66.8p**	**50.2p**

At 28 February 2022, there were 359,422,972 shares in issue (2021: 369,173,981) of which, 4,141,272 were held by the Group's employee benefit trust (2021: 7,287,304). Rights to dividends on shares held in the Group's employee benefit trust have been waived and therefore such shares are not included in the tangible net asset per share calculation.

Like-for-like reconciliations:

Revenues by department

2022	**FY22 Group revenue £'m**	**FY22 Acquisition revenue £'m**	**FY22 Disposals revenue £'m**	**FY22 Like-for-like revenue £'m**
New car retail and Motability	**969.9**	(154.4)	(0.4)	815.1
New fleet and commercial	**772.0**	(74.4)	-	697.6
Used cars	**1,584.4**	(221.1)	(1.8)	1,361.5
Aftersales	**288.8**	(40.0)	(0.2)	248.6
Total revenue	**3,615.1**	**(489.9)**	**(2.4)**	**3,122.8**

2020	**FY20 Group revenue £'m**	**FY20 Acquisition revenue £'m**	**FY20 Disposals revenue £'m**	**FY20 Like-for-like revenue £'m**
New car retail and Motability	**862.5**	(3.9)	(17.2)	841.4
New fleet and commercial	**708.5**	-	(1.0)	707.5
Used cars	**1,235.4**	(4.4)	(27.4)	1,203.6
Aftersales	**258.1**	(1.3)	(5.0)	251.8
Total revenue	**3,064.5**	**(9.6)**	**(50.6)**	**3,004.3**

Alternative Performance Measures (continued)

Like-for-like reconciliations (continued):

Gross profit ("GP") by department

2022	FY22 Group GP £'m	FY22 Acquisition GP £'m	FY22 Disposals GP £'m	FY22 Like-for-like GP £'m
New car retail and Motability	**80.6**	(12.3)	-	68.3
New fleet and commercial	**35.5**	(3.1)	-	32.4
Used cars	**154.4**	(16.2)	(0.1)	138.1
Aftersales	**164.9**	(22.2)	(0.1)	142.6
Total GP	**435.4**	**(53.8)**	**(0.2)**	**381.4**

2020	FY20 Group GP £'m	FY20 Acquisition GP £'m	FY20 Disposals GP £'m	FY20 Like-for-like GP £'m
New car retail and Motability	**62.7**	(0.1)	(1.5)	61.1
New fleet and commercial	**25.8**	-	(0.1)	25.7
Used cars	**102.1**	(0.4)	(1.7)	100.0
Aftersales	**143.5**	(0.7)	(3.0)	139.8
Total GP	**334.1**	**(1.2)**	**(6.3)**	**326.6**

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