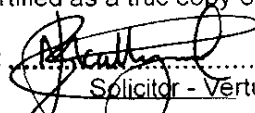


This document is filed as part of
**Bristol Street First Investments
Limited**
Company Number : **00251237**

Certified as a true copy of the original document

By: .....
Solicitor - Vertu Motors plc

Date: 26/6/23.....



Vertu
Motors plc

THURSDAY



AC9M7YA8

A03

10/08/2023

#67

COMPANIES HOUSE

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 28 February 2023

Table of Contents	Page
Strategic Report	
Performance Highlights	2
At a Glance	3
Group Stakeholders	4
Chairman's Statement	8
Group Strategy	9
Key Performance Indicators	18
Financial Review	19
Sustainability	29
Health and Safety	34
Colleagues	35
Risk Management	40
Viability and Going Concern	44
Corporate Governance Report	
Chairman's Corporate Governance Statement	46
Board Leadership	48
Division of Responsibilities	52
Nominations, Composition and Succession	54
Audit, Risk and Internal Control	55
Remuneration Committee Report	59
Directors' Remuneration Report	66
Directors Report	72
Statement of Directors Responsibilities	75
Financial Statements	
Independent Auditors' Report	76
Consolidated Income Statement	84
Consolidated Statement of Comprehensive Income	85
Consolidated Balance Sheet	86
Consolidated Cash Flow Statement	87
Consolidated Statement of Changes in Equity	88
Notes to the Consolidated Financial Statements	90
Company Balance Sheet	132
Company Statement of Changes in Equity	133
Notes to the Company Financial Statements	135
Alternative Performance Measures	147
Company Information	150
Financial Diary	
Annual General Meeting	28 June 2023
Interim Results 2023/24	October 2023
Final Results 2023/24	May 2024

Performance Highlights

Operational Highlights

- Adjusted¹ profit before tax of £39.3m (FY22: £80.7m), on record revenues of £4.0bn. Profit slightly ahead of market expectations.
- Acquisitions successfully integrated onto Group systems and processes and on track to deliver expected synergies and earnings enhancement.
- Group portfolio grown by 31 sales outlets during the Year, including 27 from Helston and 2 from BMW Motorrad acquisitions, contributing to scale benefit opportunities.
- Free Cash Flow of £54.3m in the Year (FY22: £44.4m) reflecting excellent working capital management.
- Net debt² of £75.3m as at 28 February 2023, significantly ahead of market expectations (FY22: Net cash: £16.2m).
- Expanded debt facilities agreed in December 2022, including a new £74.8m 20-year mortgage, an upsized revolving credit facility of £93m with a third bank added to syndicate, and an increased used vehicle stocking facility to £70m (from £35m).
- Net tangible assets per share of 65.3p reflecting strong asset base.
- Final Dividend of 1.45p per share recommended, bringing full year dividend to 2.15p per share (FY22: 1.70p) an increase of 26.5%.
- £5.9m returned to shareholders via repurchase of 10.5m shares during the Year.

Outlook Highlights

- Trading performance in excess of last year delivered in key months of March and April aided by the contribution from acquisitions.
- Improvement in new vehicle supply evident with continued high Group order bank of *high margin new vehicle orders in place*.
- Used vehicle demand remains strong and continued used supply constraints underpin residual values. Vertu Insights rollout underway to help optimise used car gross margin.
- After-sales revenues and profits remain highly resilient aided by retention products such as service plans and ageing of the vehicle parc.
- Cost pressures, reflecting continued high inflation remain evident with strategies in place to mitigate where possible.
- Active portfolio management strategy expected to deliver a further c.£9.5m of assets disposals in next 12 months, £3m above book value.
- Net debt expected to reduce through ongoing strong Free Cash Flow generation.

¹ Adjusted to remove share-based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs.

² Excludes lease liabilities, includes used vehicle stocking loans

Financial Summary

Years ended 28 February	2023	2022	2021
Revenue	£4,014.5m	£3,615.1m	£2,547.7m
Adjusted ¹ profit before tax	£39.3m	£80.7m	£24.6m
Basic Adjusted ¹ EPS	9.16p	17.92p	5.27p
Dividends per share	2.15p	1.70p	-
Free Cash Flow	£54.3m	£44.4m	£48.4m
Net (Debt) ² / Cash	(£75.3m)	£16.2m	(£4.5m)

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



189 sales outlets



32 car, bike and commercial franchise partners



149 locations across the UK



7,300 colleagues



195,578

vehicles sold



£4.0bn revenue



86.3% Used Car Customer Experience
(Net Promoter Score)



83% of Colleagues consider Group as a great
place to work



Car



Dacia



SKODA



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, 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 enhanced benefits and flexible working patterns delivered.
- Regular video communication to all colleagues
- Regular Dealership colleague engagement meetings.
- 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 Judge service 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 chosen sales journey.
- 14-day money back guarantee.
- Consistency of part exchange and sell your car valuation.

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
- Dividend increased for FY23 and share buy-back programme continued in the financial year.
- Results webcast for retail investors.
- Shareholder communication regarding Helston acquisition.



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
- Delivery of the move to an agency distribution model Mercedes-Benz.
- 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:

- Cost reductions through contract revisions
- Expansion of Group arrangements to Helston acquisition.

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)



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
- Re-finance of bank facilities secured December 2022.
- Secured 20-year mortgage to help fund expansion of the Group.
- Continued review of retail finance arrangements in response to changes in base rates



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
- Ongoing and new sponsorship programmes benefiting communities local to the Group's operations.
- 'Driving Sustainability' programme

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)



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
- Respond to FCA on their sector review on commission disclosure.
- Well advanced on implementing any adjustments to comply with the new FCA Consumer Duty, which comes into effect on 31 July 2023.

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 stakeholders

Chairman's Statement

The Group again executed well during the year ended 28 February 2023, delivering an Adjusted¹ profit before tax of £39.3m, slightly ahead of analysts' expectations which had previously been raised on several occasions. There were noteworthy highlights in the Year:

- Successful and meaningful scale growth delivered, with an increase of 31 sales outlets in the financial year and the planned integration progressing well. The Group's strategic objective to grow as a major scaled franchise automotive retail group is born from the belief that scale benefits can be maximised in a larger group, which we are demonstrating. Manufacturer relationships are key to the delivery of these benefits, and I am proud that the Group has such good relationships with its chosen manufacturer partners. This is due to operational delivery and a strong, mutual respect.
- The delivery of operational excellence and digitalisation has seen further development of the Group's in-house analytics systems. A new 'Vertu Insights' used vehicle stock management tool to ensure profit opportunities are maximised is being rolled out. In addition, investment in self-service check-in technology has been made to enhance customer choice, reduce friction in the customer journey and aid the productivity of our colleagues. The Group's scale justifies investment in the in-house development of systems delivering both for customers and enhanced cost efficiency. These scalable platforms have been quickly rolled into the acquired dealerships and further work is now underway to maximise Group-wide efficiency benefits using technology.
- There has been continued application of stringent capital allocation disciplines:
 - Acquisitions targeting returns above cost of capital, have been delivered. The Group has continued to apply a multi-franchising strategy to maximise the profit opportunity in certain physical locations and to align with Manufacturer representation plans. It is clear that consolidation will continue within the automotive retail sector. The Group is in an excellent position to take advantage of this. Our Manufacturer partners are keen for us to grow with them, the board has the ambition to do so, and the Group has the financial firepower to expand with appropriate opportunities.
 - The annual dividend, a vital element of shareholder return has been increased by 26.5% reflecting the continued strong free cash generation. Additionally, the Group has also returned £5.9m to shareholders through the repurchase of over 10.0m shares in the Year. A buyback authority for a further £3m of buybacks is in place.

The Group has continued to progress towards increasing its sustainability and to reduce its environmental impact. £1.2m has been invested in green technologies such as solar panels and LED lighting in the Year, with a remaining £3.2m planned for such installations in FY24. The investment in solar panels has been made in connection with the Group's energy strategy which seeks to self-generate 10% of the Group's energy needs via onsite solar energy.

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 continued to show over the past year has been exemplary.

As we enter the new financial year, 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 and deliver scale benefits in the enlarged Group.

Andy Goss, Chairman

1 Adjusted to remove share-based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisitions costs.

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
- 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)

Strategy Summary

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 are summarised below:

- To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, while being mindful of industry development trends, to maximise long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy and cost optimisation and efficiency:
 - Optimise our omnichannel retail offering and promote our brands to drive enquiry levels.
 - 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 automotive retail dealership business.

An update on progress in executing these strategies is set out later in this report.

Key Sector Trends

The franchised automotive retail sector continues to evolve in the areas of electrification and agency distribution. Responding appropriately to these trends is top of mind for the Board.

1. Electrification

The UK Government has recently re-asserted its plan to ban the sale of new petrol and diesel cars in the UK from 2030 despite the European Union introducing delays to implementation of their ban and flexibility around synthetic fuel ICE vehicles. Despite overall supply constraints in new vehicles throughout 2022, electric and hybrid vehicle registrations in the UK saw growth of over 20% in calendar 2022 compared to 2021, representing a 7% market share increase. Nevertheless, there has been a cooling of demand for electric vehicles (BEV) from consumers in the last 6 months and this is reflected in ordertake, if not in registration data due to continued long lead times. The rising cost of electricity increasing running costs and inadequate UK public charging infrastructure have all had an impact on demand and public perception.

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, and colleagues attending Manufacturer training. The Group is investing in accreditation to the national EV accreditation scheme promoting standards in electric vehicle retailing and servicing. Moreover, electric vehicle mystery shops have taken place monthly across the business where mystery shoppers visit dealerships to assess effectiveness in retailing electric vehicles.

Increased electrification of the vehicle parc requires ongoing investment in terms of EV infrastructure such as in aftersales capabilities and charging facilities. The Group invested £0.4m in charging infrastructure in the Year with a further £1.6m planned in the next 12 months.

Group Strategy (continued)

Key Sector Trends (continued)

2. Agency Distribution

A number of Manufacturers in the UK have indicated they will move to an agency sales distribution model over varying timescales. 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 and customer contact as an agent. The retailer-turned-agent receives a commission on each new vehicle sale but will own no inventory and will no longer set prices or discounts. *There are varying iterations of the agency model proposed and the picture is evolving both legally and in detailed implementation.*

The Group has long operated on an agency basis for a significant proportion of fleet and parts sales. The first of the Group's significant manufacturer partners to operate the agency model for new retail sales was Mercedes-Benz passenger cars which moved to a genuine agency model on 1 January 2023. The implementation has been successful from a systems perspective and the Board will monitor how the change impacts volume and profit levels, albeit remaining cognisant that the change to agency is, of course, only one of a number of factors which impacts volume and profit. The Volkswagen Group brands and Volvo are likely to be the next in line for agency implementation.

Update on execution of Group Strategy

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on growth opportunities and deliver scale benefits:

- *Financial capacity*

The Group's balance sheet strength is underpinned by an extensive freehold and long leasehold property portfolio and a largely unencumbered inventory of used vehicles. This strong asset base, together with a comparatively low level of debt including used vehicle stocking loans, means there remains significant firepower available to facilitate the Group's further growth ambitions. The Group will continue to 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. The Group has always invested in training programmes to ensure its talent pipeline is developed, and many of the Group's colleagues have benefitted from this training and have been promoted into management roles as a result. A 'Next Generation' two-year talent programme, to develop the next generation of the Group's senior management, has recently been launched to augment the Group's existing training initiatives.

- *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 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 enhance profitability through maximising margins and increasing productivity to reduce costs. The Group's 54 colleague strong development team ensures continued improvement and scalability of platforms.

Group Strategy (continued)

Update on execution of Group Strategy (continued)

Developing the Scale of the Group (continued)

- *Brand Strength*

The Group operates three major customer facing brands in the UK: Bristol Street Motors, Macklin Motors and Vertu Motors. Bristol Street Motors represents the franchise sectors leading brand in England and Wales in terms of prompted brand awareness (54%: Source: YouGov). In Scotland, the Group operates under the Macklin Motors brand, which has a strong 49% prompted brand awareness. Vertu Motors is the Group's premium focused brand, with a growing prompted awareness of approx. 8%, in England. This is likely to be much boosted by the significant expansion of the brand in the South West in 2023. Each of these brands is supported by TV campaigns, sports sponsorships and partnerships and digital marketing initiatives. Tangible scale benefits arise from this strategy.

Growth

The Group has the brand strength and financial, operational, and management capabilities to continue to add additional franchised outlets to the business. The Board remain ambitious to do so. The Group also continues to evaluate and execute multi-franchising actions in its locations to maximise the long-term profitability of each location.

The Year saw the Group execute on this strategy, increasing its number of sales outlets by a net 31 over the Year, as set out below:

- *Acquisitions*

On 17 December 2022 the Group completed the acquisition of Helston Garages Group Limited ('Helston') adding 28 predominantly premium franchised sales outlets in the South West. This acquisition radically enhanced the Group's scale and reach into the South West of England. The integration of these acquired dealerships onto the Group's systems and processes is now complete, with the acquired Ferrari business and a standalone accident repair centre operation, being the final businesses to have transitioned in April 2023.

At the time of the Helston acquisition, the Group announced expected synergies of at least £3.2m to be delivered for FY25. The Board believe that the Group is well on track to deliver this outcome.

On 31 October 2022 the Group acquired the business and assets of two BMW Motorrad outlets in Shipley, near Bradford, and Rotherham from Saltaire Motor Company Limited subsequent to the acquisition, on 1 March 2023, the freehold interest in the Rotherham dealership was purchased for £0.5m. These businesses have been rebranded to trade under the Vertu brand and have been fully integrated into the Group. The Group is now the largest UK partner of BMW Motorrad as it continues to grow its motorcycle operations.

- *Multi-franchising and new outlets*

On 1 April 2022 the Group opened Macklin Motors Toyota in Darnley, South Glasgow. This dealership represented the first of several dealerships to be opened, following the Group being awarded the Toyota franchise in the West of Scotland territory. The second dealership, located in the Group's former Ford premises in Hamilton, opened on 21 October 2022 following a full refurbishment alongside the Mazda franchise. These two outlets are expected to make a positive profit contribution to the Group in FY24. A third representation point for Toyota in Scotland, which will be in Ayr, will be developed as a new build dealership over the next financial year. It is currently anticipated that the development will cost approximately £4.5m including the purchase of land for the development. The development is currently subject to a planning application.

On 1 May 2022, the Group opened a further Bristol Street Motor Nation used car outlet in newly acquired leasehold premises at Stockton, Teesside.

Group Strategy (continued)

Update on execution of Group Strategy (continued)

Growth (continued)

Work was finalised on the introduction of sales outlets for Vauxhall and Citroen alongside the Group's Peugeot operation in Harlow. The outlets opened in November 2022 following the move of the aftersales operation off site to a new larger dedicated aftersales operation.

The LEVC franchise commenced covering Scotland and the North East of England as part of the Group's Taxi Centre operation.

Subsequent to the year end, on the 24 April 2023, the Group agreed a sub-lease of a former Cazoo outlet in Tamworth, Staffordshire. The outlet will be operated as a Bristol Street Motor Nation used car outlet and is anticipated to open in July 2023.

- *Active portfolio management and changes*

The Board continues to actively manage the Group's portfolio of properties and dealerships and assess further growth opportunities, utilising strict investment return metrics to ensure discipline in capital allocation.

During the course of the year, the Group took pruning actions to ensure business fitness, appropriate capital allocation and creation of value. Since FY18, the Group has received cash proceeds of £6.2m from the sale of surplus properties, £1.2m more than book value.

Additional surplus properties are held by the Group and are expected to be disposed in the next 12 months. Cash proceeds at £9.5m are anticipated in due course, circa £3m in excess of book value.

The Group's single Jeep sales outlet in Beaconsfield ceased operation and the Ford outlet in Hamilton closed to allow for the redevelopment of the site for the Toyota franchise alongside Mazda. In addition, the Group closed its accident repair centre in Chesterfield in the Year to facilitate further multi-franchising including the addition of the MG franchise expected to open in August 2023.

In January 2023, the Group disposed of a small Peugeot outlet in Honiton, acquired as part of the Helston acquisition the month earlier. This business was sold to the Snows Group, including responsibility for the property lease. This optimises the Group's Peugeot representation in the area, as Peugeot is also represented in nearby Exeter and the franchise will not continue in Honiton.

The pruning process continued post the year end when on 31 March 2023, the Group closed operations at its BMW/MINI outlet in Malton, Yorkshire. The Malton property lease ceases shortly. This action will reduce operating expenses and limit future capital expenditure as the Group seeks to retain sales and service customers in its nearby York BMW and MINI dealerships.

On 30 April 2023, the Group sold the trade and assets of its standalone accident repair operation in Newburn, Newcastle upon Tyne at above net book value. The business did not make a sufficient financial return on invested capital. The sale included the leasing of the long-leasehold property to the buyer. The Group has now agreed to sell the long-leasehold interest for £1.4m to a property investor with completion expected shortly. Cash proceeds are above net book value and are included in the £9.5m referred to above.

Jaguar Land Rover have announced their Re-imagine strategy, which creates a House of Brands: Range Rover, Defender, Discovery and Jaguar. Jaguar will be a luxury electric vehicle brand with reduced points of sale reflecting its repositioning. The Group currently operates six Jaguar outlets, alongside the Land Rover brand. From November 2024, only the Group's outlet in Leeds will continue to represent both Jaguar and Land Rover brands. Intangible assets relating to the terminated Jaguar operations of £1.5m have been written off as a non-underlying, non-cash impairment charge in the Year.

Group Strategy (continued)

Update on execution of Group Strategy (continued)

Digitalisation Developments

Omni-channel Retail Sales

We have seen no major increase in the propensity for customers to transact a vehicle purchase purely on-line. This appears to be evidenced by the retrenchment of on-line operators who had hoped to be sector disrupters.

Consumers continue to value a blended retail experience with a desire to complete tasks digitally as well as visiting a dealership to touch, feel and test drive their new vehicle ("omni-channel retailing"). In FY23, we focused on increasing the number of on-line vehicle sales reservations rather than driving pure on-line sales, as reservations convert to a sale at more than twice the rate of a traditional vehicle sales enquiries. The Group took over 14,800 on-line vehicle reservations in FY23, up 100% on the previous year.

We continue to reap the benefits of placing much of our customer facing technology infrastructure into the cloud provided by Amazon Web Services. This has increased up-time and resilience, as well as enabling further synergies between our outlets and digital environments. We now offer consistent, automated vehicle valuations across all our outlets and these are mirrored on both our "Sell My Car" and "Click 2 Drive" on-line customer journeys. This provides transparency and promotes trust. During the Year we developed new dealership sales experience/process software built on the same platform that underpins our eCommerce journeys. The Group also developed a digital customer referral system and process which has now been rolled out.

In FY24 we will roll out a further enhanced vehicle sales process which provides an updated "Click2Drive" platform. This upgrade to our web platforms and dealerships will allow for on-line customers to have an enhanced selection of additional products and risk based personalised finance rates as well as a "Total Cost of Ownership" calculator. These enhancements further align the on-line and in dealership sales processes so removing friction and customer frustration. In addition, this will aid consumers in calculating the "true cost" of changing their vehicle in a market with multiple and often complex drivetrain options, enhancing customer experience particularly given customer concerns over the cost of living at present.

Data Model and Customer Data Platform

During FY23 the Group continued to scale our data capability, augmenting our existing team with an experienced Head of Data and Analytics. This new role, alongside other investments in the data and business intelligence teams, now numbering seven colleagues, will enable the launch of a comprehensive data warehouse in Q1 FY24. Utilising existing infrastructure, this will provide a bedrock of data for the Group and the opportunity to drive further efficiencies across our finance, dealership and marketing functions.

Initial use cases built upon the data warehouse include:

- Feeding consistent and accurate data to our newly developed Customer Data Platform, further increasing the personalisation, targeting and ROI of our marketing spend.
- Powering the "single version of truth" for our enhanced used car analytics platform "Vertu Insights" which is scheduled for first release in June. This will build on the success of the Vertu Analytics tool launched in 2019, and further enable us to maximise margin and speed of sale in used vehicles.
- Improving sales conversion by providing real-time Customer Relationship Marketing and vehicle information to colleagues interacting with customers through the recently deployed Cloud Telephony platform.

Group Strategy (continued)

Update on execution of Group Strategy (continued)

Digitalisation Developments (continued)

Data Model and Customer Data Platform (continued)

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

Digitalisation in Aftersales

The Year saw significant investment through the introduction of a third-party digital self-service check-in system for customers to use in the Group's service departments. Customers can check in from home or use the instore kiosks where they can safely deposit their vehicle keys. This provides increased choice and convenience for Customers and helps to reduce the need to further resource our aftersales departments at busy "pinch point" periods at the start and end of the day. Initial customer feedback has been excellent, and the Group has seen increased penetration of add-on sales in service from customers using this facility.

The Group has historically used a third party to provide service customers with deferred payment term of 3 months following a service visit where additional repair work is purchased. We have started the roll out of an in-house developed deferred payment option for service customers, which will substantially reduce the cost to the business of offering this service. Working capital is expected to increase by c. £3m following the rollout, with a reduction in cost evident and no material credit issues anticipated. The offering has a powerful impact on converting work from Visual Health Check activity and drives higher average invoice values. This functionality can be used instore or remotely by customers and is executed by the same SMS signature technology already in use in the sales process. The roll out of this across all Group sales outlets will be complete in the first half of FY24.

Digitalisation to improve efficiency and reduce cost

As the Group integrated the Helston acquired dealerships, some highly efficient finance processes were identified that could improve the Group's existing processes. Inspired by this, a new project has commenced investing substantial development resource to improve the productivity of the Group's financial processing. This will mirror some of the approaches taken in a project in the Group's vehicle administration function three years ago, where substantial efficiencies and cost savings of £2.5m were delivered.

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. Workforce recruitment and retention remains a challenge for UK business, with the number of UK job vacancies remaining above 1.0 million (source: ONS), throughout 2022. The inevitable consequence of these resource constraints, especially when coupled with cost-of-living pressures, has been wage inflation. The Group has been successful in reducing vacancy levels from the highs of 500+ vacancies in FY22. Current vacancy levels are approximately 300 colleagues in the core Group, a level much closer to historic run rate of 5%.

A survey conducted in February 2023 saw 83% of colleagues ranking the Group as a great place to work and this reflects well both on the Group's culture and the strategies that have been pursued. The Group targets an improvement in the score to 85% and will work through dealership colleague forums, a formalised way in which colleagues of all levels can provide their feedback locally, to drive an improvement in this score.

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.

Group Strategy (continued)

Update on execution of Group Strategy (continued)

Ancillary Businesses

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

Vansdirect had a strong year, underpinning the Group's significant market share gain in the Commercial vehicle market. Financial performance has been robust.

During this Year, the Group augmented its on-line parts sales business, Aceparts, with the purchase of Wiper Blades Limited. This business was acquired for a net cash consideration of £2.4m. Aceparts sells parts to customers via Marketplaces, with over a million listings on eBay and makes on average 3000 despatches per day. Wiperblades.com augmented this business with a direct sales platform with established reach and good rankings.

The Vertu Cosmetic Repair business delivered further growth in the Year. The majority of its business remains servicing the Group dealership network, but some external work is undertaken. Over 65,000 vehicles had bodywork repair and 56,000 wheels were repaired by our fleet of 106 vans and a number of dedicated fixed sites. This business will continue to grow in scale during the current year.

The Group added the LEVC franchise to its taxi sales business, the Taxi Centre. Aided by this additional franchise the business, which has been in operation for over 20 years, delivered over 800 taxis in the Year.

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, 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.

Group Strategy (continued)

Current trading and outlook

- March & April 2023 Trading

The Group delivered a trading profit above prior year levels in March and April 2023 ("the post year end period") despite the impact of significant cost headwinds driven by inflation, with Core Group gross profit generated up by £4m compared to prior year. The overall improvement in profitability was driven by the contribution from the Helston acquisition completed in December 2022.

Like-for-Like revenue growth was delivered in the post year end period, predominantly due to continued strong growth in Motability new vehicle sales volumes.

The UK new vehicle market saw a growth in total registrations in March and April in the fleet and commercial and Motability channels. This improvement, driven from an easing of supply chain challenges, has led the SMMT to upgrade its outlook for 2023 to 1.83m registrations (previously 1.79m). New retail volumes have been stable.

Like-for-like total new vehicle volume growth of 5.1% was delivered on the back of continued year-on-year strength in the Motability channel, with the Group's Motability like-for-like volumes up 64.6% in the post year end period. In a continuation of the trends seen throughout FY23 outlined above, new vehicle margins remained robust. Overall, the Core Group delivered increased gross profit from the sale of new vehicles in the post year end period. New vehicle order banks remain at high levels with nearly 39,000 outstanding orders to be delivered, compared to 35,000 at 28 February 2022.

The UK used vehicle market has remained resilient, whilst continued stability of used vehicle prices is exhibited. Like-for-like volumes of used cars sold by the Group declined 8.4% with gross profits per unit up. Volumes were down year-on-year due to timing of heavily marketed Group used car events in the prior year period which drove volumes. The Group continues to have a tight control of used vehicle inventory.

Like-for-like the Group delivered improved gross profit from all aftersales channels in the post year end period compared to last year. Service revenues in the Core Group grew by 4.6% with margins reduced as expected due to the impact of higher technician salary costs.

As anticipated, the Core Group saw an increase in operating expenses in the post year end period, with energy costs, recent salary actions and the Group's investment in IT infrastructure all contributing to this rise in costs. Overall, Group operating expenses as a percentage of revenue were at slightly higher levels than in FY23.

- Outlook

The Board is very optimistic for the future, with confidence in the Group's ability to deliver on targeted acquisition synergies, a robust order bank, and encouraging trading results in the first two months of FY24. There are signs of improving new vehicle supply whilst constraints in used vehicle supply in the UK are likely to continue helping to underpin vehicle values and margins. Against this backdrop, the Board remains mindful of the impact of inflationary pressures and higher interest rates. Management is focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives through enhanced performance coming from scale. The Board anticipates that full year results for FY24 will be in line with current market expectations.

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, scale, management and technological capability underpin this confidence. The Group's excellent relationships with its chosen Manufacturer partners support further growth opportunities, which are likely to continue to present themselves.

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 19-28, together with the below:

Financial KPIs	KPI	Definition	Performance	Risk Factor Link
	Underlying EPS	Underlying profit after tax divided by weighted average number of shares (note 13)	FY23 – Underlying EPS of 9.16p FY22 – Underlying EPS of 17.92p	1 2 3 4 5 6 7 8 9 10 11 12 13 14
	Underlying PBT	Profit before tax and non-underlying items	FY23 – Underlying PBT £39.3m FY22 – Underlying PBT £80.7m	1 2 3 4 5 6 7 8 9 10 11 12 13 14
	Gross Margin by channel	Gross profit divided by revenue by channel	See page 19	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	FY23 – decline of (10.1%) FY22 – growth of 28.6%	2 3 5 6 9 12 13
	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 FY23 – decline of 3.6% FY22 – growth of 21.4% UK private registrations FY23 – decline of 1.9% FY22 – growth of 17.2%	2 3 5 9 12 14
	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	FY23 – growth of 5.9% FY22 – growth of 17.1%	2 6 8 9
	Online Growth	Website visits to all Group trading websites (expected decrease due to implementation of consent management platform)	FY23 – 20.5m visitors FY22 – 22.9m visitors	2 3 7 9 10 11
	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	86.3% Net promoter score (FY22 – 86.5%)	4 7 8 9

Financial Review

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

	FY23 £'m	FY22 £'m	Variance %
Revenue	4,014.5	3,615.1	11.0%
Gross profit	448.4	435.4	3.0%
Operating expenses excluding Government support	(399.6)	(354.3)	
Government support ⁵	-	6.6	
Operating expenses reported	(399.6)	(347.7)	(14.9%)
Adjusted Operating profit	48.8	87.7	(44.4%)
Net Finance Charges	(9.5)	(7.0)	(35.7%)
Adjusted Profit Before Tax	39.3	80.7	(51.3%)
Non-Underlying items ⁶	(6.8)	(1.9)	(257.9%)
Profit Before Tax	32.5	78.8	(58.8%)
Taxation	(6.9)	(18.8)	63.3%
Profit After Tax	25.6	60.0	(57.3%)

⁵ represents business rates relief

⁶ Non-underlying items represent acquisition costs, share-based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs.

The Group generated an adjusted profit before tax of £39.3m (FY22 £80.7m).

Revenue grew to £4.0bn, a growth of £399.4m (11.0%) compared to the prior year. Acquisitions completed after 1 March 2021 contributed additional revenues of £183.2m and have contributed a loss before tax of £0.9m as new start-up operation and the seasonality of losses in acquisitions undertaken post September led to losses as anticipated. Rising vehicle prices were largely responsible for the underlying £233.8m (6.5%) increase in Core Group revenues.

Revenue and Gross Profit by Department

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

	FY23 £'m	FY22 £'m	Variance
Revenue			
New	1,121.9	969.9	152.0
Fleet & Commercial	897.6	772.0	125.6
Used	1,658.2	1,584.4	73.8
Aftersales	336.8	288.8	48.0
Total Group Revenue	4,014.5	3,615.1	399.4
Gross Profit			
New	98.4	80.6	17.8
Fleet & Commercial	42.3	35.5	6.8
Used	125.2	154.4	(29.2)
Aftersales	182.5	164.9	17.6
Total Gross Profit	448.4	435.4	13.0
Gross Margin			
New	8.8%	8.3%	0.5%
Fleet & Commercial	4.7%	4.6%	0.1%
Used	7.5%	9.7%	(2.2%)
Aftersales ⁷	44.5%	47.1%	(2.6%)
Total Gross Margin	11.2%	12.0%	(0.8%)

⁷ Aftersales margin expressed on internal and external revenues

Financial Review (continued)

Revenue and Gross Profit by Department (continued)

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

	Total Units Sold			Like-for-Like Units Sold		
	FY23	FY22	% Variance	FY23	FY22	% Variance
Used retail vehicles	82,561	88,772	(7.0%)	78,208	86,949	(10.1%)
New retail cars	33,727	33,366	1.1%	31,484	32,644	(3.6%)
Motability cars	11,029	8,404	31.2%	10,507	8,184	28.4%
Direct fleet cars	18,259	16,015	14.0%	18,024	15,898	13.4%
Agency fleet cars	5,236	5,172	1.2%	4,349	5,095	(14.6%)
Total fleet cars	23,495	21,187	10.9%	22,373	20,993	6.6%
Commercial vehicles	17,710	17,528	1.0%	17,523	17,512	-%
Total New vehicles	85,961	80,485	6.8%	81,887	79,333	3.2%
Total vehicles	168,522	169,257	(0.4%)	160,095	166,282	(3.7%)

	UK Market year-on-year change ⁸	Group year-on-year change v UK market ⁸
New Retail Car	(1.9%)	(1.7%)
Motability Car	8.1%	20.3%
Fleet Car	(3.6%)	10.2%
Commercial	(17.2%)	17.2%

⁸ Represents the year-on-year variance of like-for-like Group volumes compared to the UK trends reported by SMMT

⁹ Source SMMT

Used retail vehicles

Three consecutive years of muted new vehicle registrations in the UK has led to a constrained supply of used vehicles. Based on current registration predictions for 2023, the number of sub 5 year old cars on the road in the UK is expected to fall further by 4% in 2023; and be 27% below 2019 levels. Overall, over 2.0 million new car sales have been lost in the last three years with an inevitable flow through into reduced used car supply. These supply trends, suggest that in a stable demand environment, UK used car pricing dynamics are unlikely to change in 2023, even though average prices remain high. Residual values have seen an increase of 19% over 2022, and currently remain some £1,900¹⁰ ahead of 'normal'. An exception to this overall benign picture, however, is electric vehicles. Used EV supply is growing rapidly, albeit from a very low base, and it is anticipated that, one in seven 1–3 year-old cars in the UK parc will be electric by the end of 2023. Consequently, used EV supply is now outstripping demand (which is impacted by the same dynamics discussed in the previous section regarding new vehicles). As a result, used EV prices in the UK have now fallen for seven consecutive months, and by approximately 30%, compared to a 1.4% fall in petrol vehicle averages¹¹. These falls are now likely to bottom out and a new, more affordable base price established for used electric vehicles. EV sales in used cars represent c. 4% of Group volumes.

The Group monitors the pricing and supply environment and has continued to develop its used vehicle pricing and analytical tools to optimise gross profit generation and optimise stock turn and control inventory. An enhanced version of this tool, Vertu Insights, is currently being rolled out to assist the Group's dealerships in inventory pricing and management disciplines.

Overall, the number of used retail vehicles in stock at 28 February 2023 compared to 28 February 2022 fell by 2.3% in the Core Group, whilst the overall value of Core used retail inventory was £6.8m lower. The Group has been running stocks tighter with a view to maximising margin, return on investment and to reduce exposure to any consumer downturn impacts. The Group's like-for-like used vehicle volumes were 10.1% lower in the Year reflecting both the prevailing supply and demand dynamics in the market, and the exceptional conditions of last year. Margin per unit did decline year on year from the exceptional levels of last year but the Group is still achieving gross profits per unit significantly better than the pre-pandemic norm.

Financial Review (continued)

Used retail vehicles (continued)

Core Group gross profit from the sale of used vehicles totalled £120.2m for the Year. Excluding the exceptional result delivered in FY22 of £153.1m, this represents the highest level of Core Group annual used vehicle gross profit delivered. The following like-for-like variances compared to last year arose:

- £32.9m decrease in gross profit generated from used vehicle sales compared to the exceptional level of profit achieved last year.
- 10.1% decrease in the number of used retail units sold, reflecting the reduced supply in the market and rebalancing of volume and margin.
- Gross profit per unit of £1,530, down from the exceptional £1,748 achieved in FY22. This remains above historical norms for the Group.
- Average selling price of £19,987 per unit, a 11.9% increase.
- Gross margin of 7.7% (FY22: 9.8%) reflective of higher sales prices and more normalised gross profit per unit.

The Group measures customer experience on used cars via the JudgeService third party platform. The Net Promoter Scores throughout the period have been very strong at c.85%, which is sector leading amongst major market players. Great service goes hand-in-hand with profitability and future retention, which is so vital in creating a sustainable business.

¹⁰ Source: Autotrader

¹¹ Source: CAPHPI :April 2023 Car market overview

New retail cars and Motability sales

UK retail car registrations declined 1.9% in the year to 28 February 2023, marking a third consecutive year of muted registrations, linked to well documented production and logistics challenges for global vehicle Manufacturers. Against this backdrop, the Group's like-for-like new retail vehicle volumes declined by 3.6% when compared to the prior year, slightly behind the market. This was driven in part by strong comparatives in FY22 where the Group strongly outperformed the market trends coming out of lockdowns. Overall, the Group marginally increased UK retail market share to 4.1% (FY22: 4.0%) aided by acquisitions. The Group's order bank levels for new retail vehicles remain high but have reduced over the Year as would be expected as production issues slowly unwind. New retail vehicles ordered but remaining undelivered as at 28 February 2023 totalled approximately 12,900 units (28 February 2022: 16,000).

UK Motability registrations benefitted from pent up demand, as already extended contracts came to an end and supply came through from Manufacturers, rising 8.1%, compared to FY22. The Group's Motability volumes significantly outperformed the market, growing 28.4% on a like-for-like basis and representing an increasing UK market share of 5.9% (FY22: 4.8%). The Group is Motability's largest partner in the UK with over 34,500 vehicles on the fleet. These vehicles require an annual service funded by Motability in the Group's service departments.

The continued supply constraints and consequently reduced pressure to achieve volume targets, led to improved gross profit retention, aided by the application of effective pricing disciplines. It was this improved gross margin that drove a year-on-year improvement in core retained gross profit in new vehicle sales. The following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £13.7m increase in gross profit generated, aided by stronger margins.
- Gross profit per unit of £2,182, a rise of 13.2% from £1,928 representing a record for the Group despite the higher mix of lower margin Motability volumes.
- An average selling price of £24,128 per unit, a 9.8% increase.
- Gross margin rising to 8.8% from 8.3%.

In new vehicles, sales customer experience is measured by the Group's Manufacturer partners. Approximately 70% of the Group's Core sales outlets delivered experience levels above national average levels.

Financial Review (continued)

Fleet & Commercial vehicle sales

The UK car fleet market saw reduced activity compared to historic levels for much of the Year as Manufacturers prioritised constrained supply to higher margin retail channels. However, in latter months, fleet supply has significantly improved and has been growing faster than retail registrations. Registration volumes in the UK car fleet market declined 3.6% in the Year as a whole. In contrast to a market decline, the Group delivered 22,373 fleet cars on a like-for-like basis, in the Year, representing a growth of 6.6% compared to FY22. As with new cars, fleet and commercial margins strengthened due to the ongoing supply constraints, pricing mix changes and the Group adopting strong pricing disciplines. Overall, the Group has a 3.0% share of the UK fleet car market.

UK van registrations fell 17.2% in the year to 28 February 2023, as production and supply issues also impacted this channel and the prior year had been strong, aided by strong pent-up demand for home delivery and construction coming out of lockdowns. In stark contrast to these national, negative trends, the Group maintained its like-for-like volumes of new commercial vehicles sold. This considerable market outperformance by the Group reflected the strong market position of the Group and the investment in teams to sell into different market channels. Reflecting this, the Group sold 6.1% of UK new light commercial vehicles in the Year (FY22: 5.0%).

- When compared the year ended 28 February 2022, the following fleet and commercial trends were seen on a like-for-like basis:
- A £5.0m increase in gross profit.
- Record gross profit per unit of £1,027, a rise of 12.0% from £917.
- Gross margin rising to a record 4.7% from 4.6%.

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating over 40% of total gross profit. The Group pleasingly saw growth in revenues and gross profit generation in all channels of aftersales on a like-for-like basis as set out below.

	Service	Parts	Accident & Smart Repair	Fuel Forecourt	Total
	£'m	£'m	£'m	£'m	£'m
Revenue ⁷	159.5	189.2	20.1	13.9	382.7
Revenue ⁷ change	8.9	17.3	3.8	6.0	36.0
Revenue ⁷ change (%)	5.9%	10.0%	24.1%	75.7%	10.4%
Gross profit	117.8	42.3	10.7	0.9	171.7
Gross profit change	3.0	3.9	1.8	0.3	9.0
Gross margin ⁸ FY23 (%)	73.8%	22.4%	53.3%	6.4%	44.9%
Gross margin ⁸ FY22 (%)	76.2%	22.3%	55.3%	7.5%	46.9%
Margin change (%)	(2.4%)	0.1%	(2.0%)	(1.1%)	(2.0%)

⁷ includes internal and external revenues

⁸ Aftersales margin expressed on internal and external revenues

• Service

The UK has a vehicle parc of approximately 32.0 million cars plus commercial vehicles requiring access to maintenance and repair services and this is now ageing due to lack of recent new vehicle activity.

Vehicle service and repair is a key and resilient profit source for the Group. Through strong execution of retention and aftersales processes and the active targeting of conquest business, the Group has grown like-for-like service revenues by 5.9% over the Year. Each retail invoice raised by the Group's service operations averages £281 (FY22: £259), and over half the invoices raised in FY23 were in respect of over 3 year old vehicles. The average age of a retail vehicle seen by the Group is 4.7 years with the Group's average invoice value for vehicles in the 4-5 year old category at £306, the highest average value of each age category. The Group therefore gains a revenue benefit as the parc ages.

Financial Review (continued)

Aftersales (continued)

- *Service (continued)*

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 the retention strategy. The Group has over 167,000 live service plans, including manufacturer service plans, which creates significant resilience. Excellence of customer service is vital to retention with over 62% of service departments over national average on the Manufacturer customer experience measurements.

Gross margin percentages on vehicle servicing declined to 73.8% (FY22: 76.2%) in the Core Group reflecting increased remuneration to address technician resource constraints, particularly in early FY23, which increased cost of sales in the service department. This pay action aided the stability levels amongst technicians and reduced the level of vacancies, aiding service department performance. Higher technician numbers drove the increased revenues, up 5.9%, and gross profit generation achieved, with like-for-like gross profit in service up £3m. There remains considerable competition for skilled technicians in the UK.

- *Parts*

The Group's substantial parts operations include traditional wholesale operations, agency distribution and on-line parts retailing. These operations supply parts to the Group's service and accident repair operations as well as to other businesses and retail customers in the UK and across the world. Parts revenues in the Core Group grew £17.3m compared to last year, as price rises, increased vehicle service and repair activity and an increase in sales in wholesale parts operations all contributed to growth.

- *Accident and Smart Repair*

The Group continues to expand its substantial Smart Repair operations through adding additional vans to the core cosmetic business as well as introducing new streams including vans specialising in wheel repairs and glass replacement. In addition, enhanced smart repair fixed facilities are being created, such as in Exeter to serve the substantial dealership operations there. The Group now has a fleet of 106 (2022: 88) vans with plans for further expansion to maximise the opportunity. This fleet largely serves the Group's dealerships, but also does carry out some limited sales to external customers across the UK. There is considerable scope for continued expansion of this business.

During FY22, 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 accident repair operations. This management dedication has driven the increase in gross profit, with specific KPI improvement targets and focus on a consolidation of work providers, all driving enhanced profit generation.

Collectively, accident and smart repair services saw revenue growth of 24.1% in the core group with £1.8m more gross profit generated. Margins of 53.3% (FY22 55.3%), reflected increased pay levels put in place in the Year.

- *Fuel Forecourt*

The Group's fuel forecourt at Widnes saw increased activity as pricing strategies led to a considerable increase in market share. Revenues rose 75.7% to over £13m. A second forecourt has been acquired in Yeovil as part of the Helston Group, which will be redeveloped in the coming months to enhance the retail offering.

Financial Review (continued)

Operating Expenses

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

	FY23	FY22	FY23 Var to FY22	
	£'m	£'m	£'m	%
Salary costs	214.0	199.9	14.1	7.1%
Vehicle and valeting costs	38.6	35.3	3.3	9.3%
Marketing costs	36.2	36.0	0.2	0.6%
Property costs and rates	39.3	40.7	(1.4)	(3.4%)
IT expenditure	11.6	9.1	2.5	27.5%
Energy costs	7.9	4.6	3.3	71.7%
Other	28.7	23.7	5.0	21.1%
Core Group operating expenses before Government support	376.3	349.3	27.0	7.7%
Acquisitions	23.2	2.7	20.5	759.3%
Disposals	0.1	2.3	(2.2)	(95.7%)
	399.6	354.3	45.3	12.8%
Government support (CVJRS receipts and rates relief)	-	(6.6)	6.6	-
Group Net Underlying Operating Expenses	399.6	347.7	51.9	14.9%

Reported operating expenses of £399.6m, increased by £51.9m compared to the year ended 28 February 2022. This increase includes the impact of Government support of £6.6m (largely business rates relief) in the prior year. Dealerships acquired or sold in the period since 1 March 2020 generated a net £18.3m increase. Underlying Core Group operating expenses therefore grew, by 7.7%, (£27.0m) compared to last year.

The largest operating cost of the Group is salaries, which have increased by £14.1m in the Core Group, compared to last year. The Group reported high vacancy levels throughout the second half of FY22 and adjusted salaries to aid the recruitment and retention of colleagues. This action has delivered a reduction in vacancy levels, which, together with investment in central functions, such as in digital development, Concierge and customer retention accounted for £9.1m of the uplift in salary costs in the Core Group. Pay awards, including the impact of the rise in National Minimum Wage, generated a further £9.3m increase. This increase in salaries also includes the Group's changes to its sales roles. Sales advisors have been introduced to the dealerships sales teams and these new roles have higher basics but lower commissions than traditional sales executives. This change, along with the reduced level of Group profitability generated a £4.3m reduction in commissions and bonus earnings.

The Group has continued to respond to high inflation levels, increased National Minimum Wage awards and tight labour markets by ensuring pay levels are competitive and motivational. A further pay rise largely to colleagues earning less than £35,000 per annum was made on 1 March 2023 following a review. This will aid retention of colleagues.

Vehicle costs increased because of rising vehicle prices, which drove up lease costs and depreciation charges on the higher values. An improving supply position also meant a return to full demonstrator requirements by many Manufacturers, which was not the case during and following the lockdown periods. Rising fuel prices have also had an impact on vehicle running costs.

The Group maintained its core marketing costs at broadly FY22 levels while further enhancing the awareness of the Group's brands. Return on investment is a priority for all marketing spend with a focus on increasing its effectiveness, especially in the digital space, maximising conversion, and a renewed focus on retention rather than just conquest activity. This helped keep spend stable despite inflationary pressures.

IT expenditure rose by £2.5m compared to the prior year. This cost increase represents the further investment in digitalisation, the roll out of self-check-in capability, together with investments in the Group's IT and telephony network, data and cyber security. The increase also includes costs of integration of the Helston businesses onto Group networks and

Financial Review (continued)

Operating Expenses (continued)

systems. The incremental element of which has been included in the synergy target as a negative synergy.

The Group benefitted from a below market rate fixed contract on electricity up to September 2022. The contract expiry has led to a £3.3m increase in energy cost in the Year, despite the Group delivering a reduction in energy use. The Group reduced gas consumption by 25.7% and electricity consumption by 5.8% on a like-for-like basis compared to FY22. Most of this saving was achieved by the Group's colleagues having a refreshed and disciplined focus on energy consumption. Weekly league tables are distributed, and dealerships given on-site support in the form of energy management reviews.

In FY23 the Board approved an investment into LED Lighting and solar panel installation with costs totalling £4.4m to be incurred across FY23 and FY24 in the core business. LED lighting has replaced older lighting technology across the majority of the Group's workshops and nine roof solar installations were complete and producing onsite electricity by the end of the Year. A further 25 roof solar installations are underway for completion in FY24 in the Core Group. When these projects are complete at least 10% of the Group's total electricity requirements will be generated by this onsite clean solar energy. A review has recently been undertaken of the former Helston businesses to identify opportunities for further beneficial investment in solar panels and LED lighting to impact future energy costs. The Board have approved an additional £1m of capital expenditure in solar panels for these Group locations over the remainder of FY24.

Other costs have also seen an increase of £5.0m. This includes an increase in respect of colleague training, as Manufacturers returned to full training schedules after restrictions curtailed activity. Other costs in the category also increased due to inflationary pressures.

Non-underlying operating expenses

	FY23	FY22	FY23 Var
	£'m	£'m	to FY22
Impairment charges	1.5	0.1	1.4
Share based payments charge	2.1	1.4	0.7
Amortisation	0.5	0.4	0.1
Acquisition fees	2.7	-	2.7
	6.8	1.9	4.9

Impairment charges of £1.5m relate to the write-off of intangible assets attributable to certain of the Group's Jaguar franchise outlets, which will cease operations in FY25.

The Group's Partnership share option (PSO) scheme was introduced in FY21. Under the scheme, colleagues receive nil cost options in the Company, pro-rata to their On Target Earnings. Vesting is determined by the proportion of the colleagues' annual bonus earned, compared to their on-target bonus, up to a maximum of 100%. Vested options are capable of exercise at the end of a three-year holding period. FY23 was the third year that such awards were made to colleagues, with the increase in the share-based payment charge reflective of this third grant and an increase in the scale of the Group. Under the PSO scheme, charges in respect of the grants are spread over the 4-year period from award to the end of the holding period. As such, FY24 should represent the final year of increased charges with the expectation that annual costs will level off after this.

Acquisition fees represent legal and other due diligence professional fees in respect of the substantial Helston acquisition, completed in December 2022.

Financial Review (continued)

Net Finance Charges

Net finance charges are analysed below:

	FY23	FY22	FY23 Var to FY22
	£'m	£'m	£'m
New vehicle Manufacturer stocking interest	3.4	1.7	1.7
Interest on bank borrowings	3.1	1.7	1.4
Used vehicle stock funding interest	0.8	0.1	0.7
Interest on lease liabilities	3.5	3.6	(0.1)
Interest income	(1.3)	(0.1)	(1.2)
Net Finance Charges	9.5	7.0	2.5

The Group saw an increase in interest charged by Manufacturers on funded new vehicle inventory. This increase was due to increased interest rates being charged as successive base rate rises took effect, the increased average price of new vehicles in the pipeline and an easing of supply of new vehicles in some franchises so extending the pipeline consigned. Total Group new vehicle stock as at 28 February 2023 was £427m (2022: £275m), up 55.3%.

Interest on bank borrowings increased due to the additional facilities drawn for the acquisition of Helston Garages in December 2022.

To minimise the interest rate risk to the Group, derivative contracts have been entered into. The Group has secured an interest rate cap contract over £50m of mortgage borrowing capping the underlying rate to a maximum of 4.50%. In addition, in respect of the RCF, an interest rate swap over £30m of borrowing has been entered into, fixing the underlying SONIA rate charged at 4.42% until March 2025. This replaced an existing Swap agreement over £22m of borrowings, which expired 27 February 2023.

Pension Costs

The Group has a closed defined benefit scheme which remains fully funded and requires no ongoing cash contribution from the Company.

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

On the accounting valuation basis the scheme is in surplus. Different valuation assumptions apply to the accounting and actuarial valuations such as the use of corporate bond yields rather than gilt yields to discount liabilities. The impact of the Scheme's hedge being related to the actuarial position rather than accounting value generated a reduction in the accounting surplus of approximately £4m over the Year. A further reduction in surplus arose relating to movements in the applicable inflation assumptions. Overall, a net actuarial loss of £6.0m was recognised in the Statement of Comprehensive Income for the Year. The accounting surplus on the scheme decreased to £3.2m as at 28 February 2023 (2022: £9.1m).

Tax Payments

The Group's underlying effective rate of tax for the Period was 19.5% (FY22: 19.9%). The overall effective tax rate, decreased to 21.3% (FY22: 23.8%) as a result of FY22 being impacted by the revaluation of deferred tax obligations. The total tax charge for the Year fell to £6.9m from £18.8m. 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 £54.3m (FY22: £44.4m) was generated in the Year. The Year saw a £23.7m reduction in working capital.

A reduction in the Group's used vehicle inventory, led to an £11.9m cash inflow. Improving new vehicle supply saw a significant increase in the level of both new vehicle consignment inventory and the associated Manufacturer funding. These movements did have a cash impact in so far as they led to a net cash inflow because of the VAT cash flow advantage on such funded vehicles of £21.0m.

Financial Review (continued)

Cash Flows (continued)

Improved new vehicle supply resulted in an £20.8m cash outflow from an increase in the level of fully paid new vehicle inventory held by the Group. The Group continues to have a strong forward order bank and the increase in fleet activity year on year has led to a £12.4m increase in the value of vehicle deposits and advance payments held against outstanding orders, a cash inflow in the Year.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £341.4m (2022: £331.9m) underpinned by a freehold and long leasehold portfolio of £306.6m (2022: £236.4m) and net debt (excluding lease liabilities) of £75.3m as at 28 February 2023. The Group's conservative financing and capital structure resulted in a strong tangible net assets position of £224.1m as at 28 February 2023, representing 65.3p per share.

The Group has a committed acquisition debt facility of £93m. This facility was re-financed during the year with the Group's two existing lending banks plus a third lending bank added at re-financing. This refinanced facility matures in December 2025, with the potential to extend for a further two years to December 2027. £44m of this committed facility was drawn as at 28 February 2023. The Group operated comfortably within all covenants during the Year.

The Group also has long term debt funding in the form of a 20-year mortgages totalling £85.5m provided by BMW Financial Services ('BMW FS').

The Group makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. At 28 February 2023, amounts utilised on such facilities totalled £25.4m. These balances are included as debt in the calculation of Net Debt/Cash. The Group has a £70m facility under these arrangements and held £173m of used vehicle inventory at 28 February 2023 resulting in used vehicle stock being largely unencumbered.

Capital Allocation

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

The Group spent £122.1m on acquisitions during the year, in line with its strategy to drive consolidation where acquisitions meet hurdle rates. The Group continues to monitor post-acquisition returns and remains confident hurdle rates are being achieved.

The Helston acquisition on 17 December 2022 utilised £115.2m of cash and debt. This net consideration paid reflected the net asset position at 31 August 2022 of the acquired businesses. Cash of £6.9m from profits of the business acquired generated after this date to completion accrued to the Group. This offset the headline goodwill number paid of £28.6m. Finalised goodwill and other intangibles relating to this transaction, after other adjustments, totalled £23.4m.

Cash returns to shareholders in the form of dividends are an important part of the Company's capital allocation decision making process and remain a priority for the Board. The Group applies a dividend policy of dividends being covered three to four times by adjusted diluted earnings per share. An interim dividend of 0.70p per share was paid in January 2023. The Board recommends a final dividend in respect of the year ended 28 February 2023 of 1.45p per share to be approved at the Annual General Meeting on 28 June 2023. This dividend will be paid, subject to shareholder approval, on 28 July 2023. The ex-dividend date will be 29 June 2023 and the associated record date 30 June 2023. This final dividend brings the total dividend in respect of FY23 to 2.15p per share (FY22: 1.70p), an increase of 26.5%. Against adjusted, fully diluted EPS of 8.69p this dividend is covered 4.0 times in line with the Group's stated policy.

Financial Review (continued)

Capital Allocation (continued)

During the Year, the Group purchased 10,477,450 shares for cancellation, representing 2.9% of opening total issued share capital, for £5.9m. The Board believes that this is an appropriate use of capital and will continue a programme of Buybacks as a relevant element of returns to shareholders, alongside dividend payments. Authority is held for a further £3m buyback programme to be appropriately deployed. A further £2m was spent in the Year on the acquisition of shares into the Group's Employee Benefit Trust ("EBT") to be used for the satisfaction of colleague share incentive programmes. £6.0m was spent on dividends paid representing the final dividend in respect of the year ended 28 February 2022 and interim dividend in respect of the Year.

The Group also deploys capital on its extensive franchised dealership network, with fixed asset additions totalling £23.8m in FY23. This included £12.0m on freehold purchases or projects which increased the Group's brand representation or augmented productive capacity ("Expansion capex"). The balance of £11.8m is considered replacement capital expenditure. For FY24, replacement capital expenditure is anticipated to be approximately £16.0m, which includes large scale redevelopment projects to meet revised Manufacturer standards which do not necessarily increase Group capacity. In addition, £5.0m of investments in FY24 of green technology such as solar, EV charging points and LED lighting will be undertaken. A further £17.0m of expenditure is anticipated in respect of Expansion capex. This high level of activity includes the land purchase and build cost of the Ayr Toyota dealership, the redevelopment and expansion of Exeter BMW/Mini, the expansion of the Group's Toyota dealership in Chesterfield as well as the continued investment in multi-franchising by the Group. The Group has surplus property assets which are expected to be disposed over the next 12 months for anticipated proceeds of c.£9.5m.

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

 Work with our Manufacturer partners to provide increasingly sustainable choices for all customers	Goals 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	Link to SDG 3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
 Reduce the environmental footprint of our business	Goals 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	Link to SDG 6 CLEAN WATER AND SANITATION, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
 Care for our colleagues and support our communities	Goals 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	Link to SDG 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) and hybrid vehicles by 5.6% in FY23. BEV and hybrid vehicle sales represented 27.7% of the Group's total new retail vehicle sales in FY23 compared to 24.3% in FY22.

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.

In FY23 the Group took several steps to reduce its carbon footprint and also made progress towards relying less on the National Grid for the supply of its energy. Firstly, gas consumption was reduced by 25.7% and electricity consumption by 5.8% on a like-for-like basis compared to FY22. The majority of this saving was achieved by the Group's colleagues having a refreshed and disciplined focus on energy consumption. Weekly league tables were distributed and the dealerships towards the bottom of the tables were given on-site support in the form of energy management reviews, which were followed up until the key opportunities for reduction had been achieved.

In FY23 the Board approved a significant investment into LED Lighting and Roof Solar Panel Project totalling £3.9M with the spend to be spread across FY23 and FY24. LED lighting has replaced older lighting technology across the majority of the Group's workshops and nine roof solar installations were complete and producing onsite electricity by the end of the financial year. A further 25 Roof solar installations are planned in FY24 with the aim of producing at least 10% of the Group's total electricity requirements via onsite clean solar energy.

The Group recycled 80% of its dry waste in FY23, delivering against its target of 70% by 2025, early.

Care for our colleagues and support our communities



In a recent pulse survey of all Group colleagues, 82% 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 £300,000 in FY23 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 2022 to 28 February 2023, 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.

Government Emissions Factor Database 2022 version 1 has been used in the FY23 calculation below, utilising the published kWh gross calorific value (CV) and kgCO₂e emissions factors.

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, £404k 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.

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	01/03/2022 – 28/02/2023	01/03/2021 – 28/02/2022
Total Energy Consumption – Used for Emissions Calculation (kWh)	96,215,406	72,001,577
Oil & Gas Combustion Emissions, Scope 1 (tCO ₂ e)	5,303	5,283
Purchased Electricity Emissions, Scope 2 (tCO ₂ e)	5,614	5,525
Vehicle Fuel Combustion Emissions, Scope 1 (tCO ₂ e)	8,897	4,169
Vehicle Fuel Combustion Emissions, Scope 3 (tCO ₂ e)	-	-
Purchased Heat, Steam & Cooling Emissions, Scope 2 (tCO ₂ e)	-	-
Refrigerant Emissions, Scope 1 (tCO ₂ e)	-	-
Total Gross Reported Emissions (tCO ₂ e)	19,814	14,977
Turnover (£m)	4,015	3,615
Intensity Ratio: Turnover (tCO ₂ e / £m)	4.9	4.1

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 2023, the Group's community activities have included:

Great Christmas Raffle:

The Group supported the Great Christmas Raffle, which raised funds for over 72 different charities across the UK. The many worthy causes included in the raffle had seen fundraising depleted as a consequence of the pandemic, in addition to them now combatting inflation and the rising cost of living. The Group donated a 72-Reg Volkswagen Polo, raising over £93,000 in the space of two months.

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 of a 72-Reg Hyundai i10 helped to raise over £40,000.

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 local 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 the Yorkshire Cricket Foundation, which delivers a number of community projects across the County with monetary support and provision of a 17-seater minibus. The Group's support this year also enabled the expansion of the Club's college facilities, with the installation of an on-site gym for students. Vertu Motors helps 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 Back to Eden Community Project, founded by the organisation 'Churches 4 Positive Change', based in the Wolverhampton area. The Project includes more than ten allotments that serve to combat health inequalities and support mental wellbeing, particularly for members of the local African Caribbean community. The Group has supported the initiative since it started and continues to work closely with the leaders of the project. The allotments are frequently used by a local primary school. Additionally, anyone from the local community can visit the Project to meet people, learn about growing fruit and vegetables and take produce home.

Junction 42:

The Group contributed £140,000 to Junction 42, based at Brunswick Methodist Church, in Newcastle, which supports the welfare of prisoners while they are serving their sentences, as well as helping them reintegrate back into society on their release. Junction 42 is dedicated to transforming the lives of offenders, their families, and their communities. A large portion of the Group's donation facilitated the charity's Stories of Hope packs scheme, which aims to reach out to prisoners in their cells, to keep them spiritually sustained, engaged, and to help minimise frustration, anxiety, and depression.

Sustainability (continued)

Burnley FC in the Community:

The Group supports Whitehough Outdoor Centre, which is operated by charity Burnley FC in the Community. The Centre offers outdoor education opportunities for young people from local disadvantaged communities and young people with special educational needs, as well as groups like the Burnley Veterans. With energy bills rising steeply in recent months, the running costs of the Centre have almost doubled. The Group supports operational costs of the Centre and the general maintenance of the facility so it may continue to benefit its visitors.

Sunderland AFC Mental Health Hub:

Vertu Motors supports Sunderland AFC's Mental Health Hub, the first of its kind in the UK, provided by Sunderland's Branch Liaison Council and Washington Mind. The Mental Health Hub offers a free, informal and confidential drop-in service for home and away supporters on SAFC home matchday. Based at the club's Beacon of Light, the service is hosted by trained counsellors to support fans in a relaxed and welcoming environment.

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 Worcester Ford and Worcester Citroen providing chocolate selection boxes, each Christmas, for children part of Worcestershire Acute Hospital charity. Vertu Slough Mercedes-Benz donated a Mercedes eVito van to help keep the charity NishkamSWAT, serving up to 5,000 meals a week across 22 locations in and around London and the South of England, in addition to the team donating their time deliver food around their local community. Bristol Street Motors West Bromwich Ford supports New Park Village Football Development, which combines football and learning programmes catering for boys and girls aged four to 16. 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 engagement of our colleagues is one of the Group's core strategic objectives and a significant amount of focus is placed on this subject across the business at all levels, including at both operational and PLC Board level. The Group seeks to create a culture and environment within which colleagues are able to fulfil their potential and provides structured development pathways to allow them to do so. Talent development programmes feed into the growth strategy of the Group and have prominence in our people agenda. Colleague engagement and feedback programmes are in-place and working well ensuring that colleague have a voice and this it is heard at the most senior level.

The Board seeks to create an environment in which every colleague understands the impact they can have on the business, feels valued and knows that they will be rewarded and recognised for their contributions. The enthusiasm and dedication of our colleagues is a vital factor in the Group's success.

Colleague Communications

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 updates are emailed to colleagues relating to Group initiatives, benefits and news. These are posted onto the Group wide intranet site and/or included in monthly Team Briefs which are held in each of our businesses. Each General Manager undertakes this monthly Team Brief, updating colleagues in 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. This is supported by additional video updates on key colleague related matters by other senior directors.

Colleague Satisfaction Surveys

Another key strand of our workforce engagement strategy includes an annual comprehensive Colleague Satisfaction Survey which takes place in October each year and provides colleagues with the ability to provide feedback on a wide range of subjects. This annual survey is followed-up with a shorter pulse survey which takes place each quarter. In October 2022 the Group adjusted its approach to the promotion of the survey to limit management involvement in the surveys promotion. This was to ensure that colleagues were able to choose freely whether or not to participate in the survey and ensure that they felt able to provide feedback anonymously. 73% of colleagues participated in the October 2022 survey with 86.2% stating that they would recommend the Group to someone they know as a great place to work (up from 84.9% in 2021). Colleagues answer a comprehensive list of questions that allow us to identify areas of strength and areas for development across every aspect of the business from their understanding of the Group Vision and objectives, to how they feel about their pay and reward level to how well we and train and develop the and whether or not management live the Values. Colleagues can also provide free text feedback which is exceptionally valuable in helping us improve their experience.

Colleague Engagement Meetings

A non-executive member of the Board (Pauline Best) undertakes the role of Workforce Engagement Director. Working closely with the Group HR Director, Pauline guides 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 quarterly colleague engagement meetings which are held in every business across the Group.

Colleagues (continued)

Engaging our Colleagues (continued)

Colleague Engagement Meetings (continued)

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.

Colleague Recognition Programmes

The Group operates several recognition programmes covering all colleagues across the Group. These schemes are intended to recognise and reward talented and committed individuals who deliver results and support the Values and culture of the business.

One of the cornerstones of this strategy is our a non-management recognition programme, 'The Masters Awards, through which colleagues throughout the Group can nominate their non-management co-workers for awards linked to performance, demonstration of the Group's 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 are designed to identify and recognise colleagues for their exceptional personal contribution and are our way of hand-picking colleagues from across the Group and celebrating their success. Our Divisional Colleague of the Year category identifies one winning colleague from each of our operating divisions based on nominations from colleagues. This approach generates a dealership of year winner and one of these colleagues wins the divisional award. This generates a bottom-up nomination process that engages colleagues throughout the business. The Masters Awards also have a number of award categories that cover individual performance based on achievement of specific performance targets which 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.

Another scheme is the CEO Management Awards, which are announced each December and recognise a number of managers for their outstanding performance. These are top down and involve the Operational Board identifying who has excelled against the measures in the Group's annual vision.

The Group also recognises colleagues with long service, with specific recognition for those reaching key milestones such as 10, 15, 20 and even 60 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.

Colleagues (continued)

Values (Continued)

- **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 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 2023			At 28 February 2022		
	Female	Male	Total	Female	Male	Total
Directors	2	4	6	2	4	6
Group Senior Managers	8	65	73	6	58	64
All Colleagues	1,813	5,510	7,323	1,540	4,647	6,187

Colleagues (continued)

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 all managers to identify and support colleagues in this area.

A significant number of leadership development programmes are operated by the Group including several in partnership with Dale Carnegie training. Over 80 managers will progress through structured management development programmes over the next 12 months. Over 10% of the Group's management will progress through these programmes during FY24. 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.

The Group also operates a substantial apprenticeship programme in partnership with the Group's Manufacturer partners, with over 350 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 also launched a 120 strong Customer Service Apprentice programme in FY23 aimed at attracting out of sector talent. This has been very successful and is providing a pipeline of talented individuals into entry level roles with a very balanced gender mix.

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 6-year and has developed a pedigree of delivering management level appointees to support the Group's growth strategy. Over 100 non-management colleagues will progress through this programme in FY24.

Finally, a new programme has been developed for the most senior colleagues the 'Net Generation' project will further develop senior managers to the potential of operational or divisional Director level.

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.

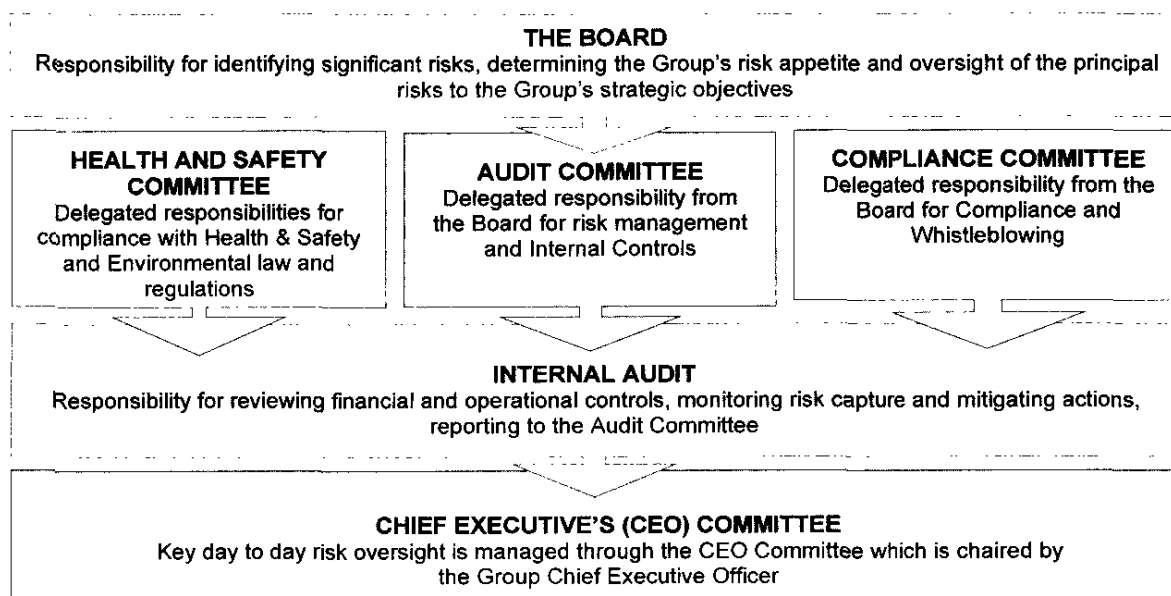
A fraud register is maintained by the Group and any items recorded on this register are investigated by the Group Head of Risk and reported to the Audit Committee.

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 75. The statement by the auditors about their reporting responsibilities is given on pages 81 and 83.

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 prowess - 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 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, government regulation 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	Robust business continuity process has been developed
	Data is compromised	- Upgraded all devices and users with endpoint and web security. - Managed Detect and Response service initiated with NCC Group provides 24/7 monitoring 365 days a year. 'Be Aware' cyber risk training completed by all colleagues. - 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

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 2023 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 2026.

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 2026, 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 41 of the Strategic Report.
- Prudent growth assumptions in both volume and margin, reflecting the risks set out on pages 41 to 43 of the Strategic Report.

The Group's banking facilities were renewed in FY23, and now expire in December 2025, with an option to extend out to December 2027.

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 41 to 43 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 2026.

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
10 May 2023

Karen Anderson
Chief Financial Officer
10 May 2023

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 second Sustainability Strategy 'Driving Sustainability' in this 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 outlines the Company's ambition to drive the sustainability agenda in the years ahead. The strategy includes updates on the targets and goals aligned to the strategic objectives of the Group.

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.

The Board undertook an annual board evaluation in March-April 2023 through an anonymous survey by the Board. Results have been reviewed and actions for the coming year agreed. As a result, particular focus will continue to 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 28 June 2023.

Andrew Goss

Non-executive Chairman

10 May 2023

Corporate Governance Report (continued)

QCA Code Principle

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 9-17
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 40-43
5. Maintain the Board as a well-functioning balanced team led by the Chair.	Board Leadership - pages 48-51
6. Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities.	Board Leadership - pages 48-51
7. Evaluate Board performance based on clear and relevant objectives seeking continuous improvement.	Chairman's Corporate Governance Statement page 46
8. Promote a corporate culture that is based on ethical values and behaviours.	Group Strategy - pages 9-17 Colleagues - pages 35-39
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	Roles and Responsibilities – page 53 Division of Responsibilities – page 52 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 52 Audit Report - pages 76-83
	Remuneration Committee Report - pages 59-65 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 (65) brings to the Group over 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 (69) is a former partner of Arthur Andersen and has held senior executive director roles in many listed companies including RPS Group plc, 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 WANDisco plc and a Non-executive Director of Rockwood Strategic 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 (59) is an experienced Human Resources professional who is Chief People Officer 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 (53) 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 (55) 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 (51) 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 5 times in person and 11 times 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	16	16	3	3	2	1	3	3
R T Forrester	16	16	-	-	-	-	-	-
D P Crane	16	16	-	-	-	-	-	-
K Anderson	16	16	-	-	-	-	-	-
K Lever	16	16	3	3	2	1	3	3
P Best	16	15	3	3	2	1	3	3

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 re-financed loan facilities of the Group	Approval of the FY2023 full year results and FY2023 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	Annual General Meeting Meetings with key shareholders on results roadshows Communication around the substantial acquisition of Helston completed in FY23	Annual review of key Group risks and mitigating controls Approval of the Groups energy purchase policy Approval of the Groups hedging strategy

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			• 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 but the terms of Pauline Best and Kenneth Lever have been extended up to nine 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 2022 Annual General Meeting will expire on the date of the 2023 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 50.

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 52.

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
Recognition and measurement of assets and liabilities in a business combination	The Group completed the acquisition of Helston Garages Group Limited on 17 December 2022 for total consideration of £181,914,000, representing the largest acquisition in the Group's history. Management undertook an exercise to identify and value the assets and liabilities that had been acquired as part of this business combination, including identification and measurement of any intangible assets arising as a result of the acquisition. Valuations from external experts were obtained where necessary, to aid determination of the fair value of assets and liabilities acquired. The Committee reviewed the assumptions applied in this assessment and concluded that the fair values disclosed in note 17 of the consolidated financial statements were appropriate.
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 2023 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 2023 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 2023 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 2023 as shown in note 21 and concluded that these were appropriate.

Audit, Risk and Internal Control (continued)

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 44 and 45.
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. <i>The valuation of the scheme assets and the present value of the obligations are calculated by external advisors.</i> The Committee reviewed the assumptions applied in calculating the scheme assets and obligation (set out in note 30) at 28 February 2023 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 76 to 83.

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 2023, 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

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 fifteen 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 2023. 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

10 May 2023

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 2023. 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 2023 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 2023 and is subject to an advisory shareholder vote at this year's AGM.

The information in the Directors' Remuneration Report set out on pages 66 to 71, and highlighted as being subject to audit, has been audited by the Group's auditors.

Key remuneration decisions for the year to 28 February 2023

In October 2022 the Group undertook a comprehensive review of its remuneration strategy in light of the general economic backdrop, cost of living pressures and high vacancy levels in the UK. This review included consideration of the impact of the 2023 National Minimum Wage rates on the Group's colleague pay spectrum. Given this backdrop, the Group's pay review strategy for 2023 (effective 1st March 2023) focused spend where it would yield the most positive impact. Generally, the Group delivered a basic salary increase of between 3% and 6% for its lowest paid colleagues earning less than £35,000. The decision to maintain the Executive directors existing remuneration levels into FY24 is consistent with this wider Group approach. The Groups strategy was agreed by its Executive directors and its operational board as the correct approach to support colleagues in line with the Group Values whilst also being mindful of controlling its cost base over the longer term.

The Executive Director annual bonus structure remains unchanged from the scheme operated in the year commencing 1 March 2022. 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 profit bonus paid at the rate of 109% for the year commencing 1 March 2022 reflecting the above target performance.

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. This Scheme continued in the year ended 28 February 2023 and will also apply in the year commencing 1 March 2023. 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 continues to be very well received by the beneficiaries.

The performance of the Group is such that the Partnership Share award made in the year ended 28 February 2023 will vest in full for the majority of beneficiaries, including the Executive Directors. Beneficiaries will receive the vested shares three years from the end of the financial year to which they relate if they remain employed by the Group.

Remuneration Committee Report (continued)

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

Key remuneration decisions for the year to 28 February 2023 (continued)

A Partnership Share Scheme annual award to the executive directors has been made for the year commencing 1 March 2023. This award was made at at 40% of on-target earnings consistent with the level made in the year commencing 1 March 2022.

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 2023. 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
10 May 2023

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, <i>inter alia</i> , 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 Committee Report (continued)

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 FY24. 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

Remuneration Committee Report (continued)

Remuneration Policy (continued)

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.

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.

Remuneration Committee Report (continued)

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. 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.	Good leaver circumstances comprise death, illness, injury, disability, retirement, transfer of employing business outside Group or exceptional circumstances at the discretion of the Committee.
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.

Remuneration Committee Report (continued)

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

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.

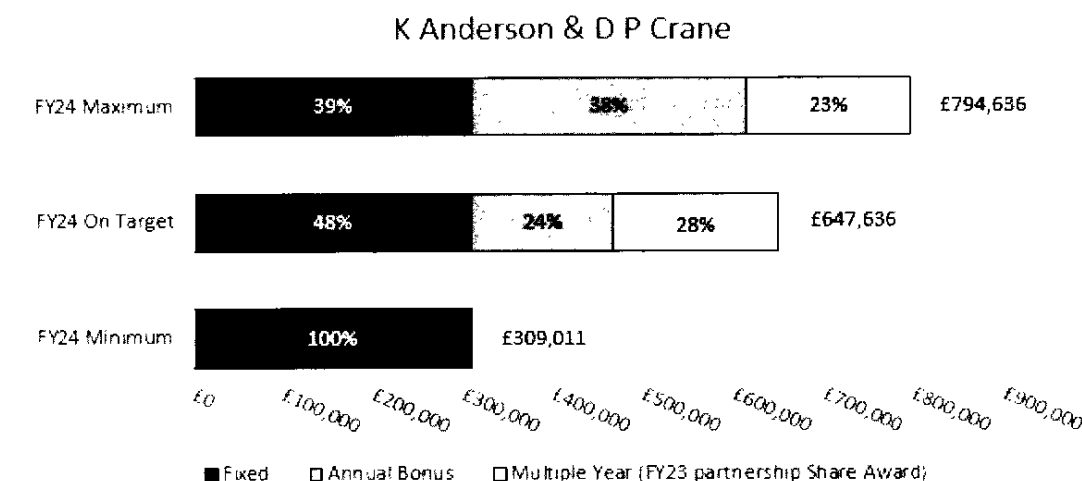
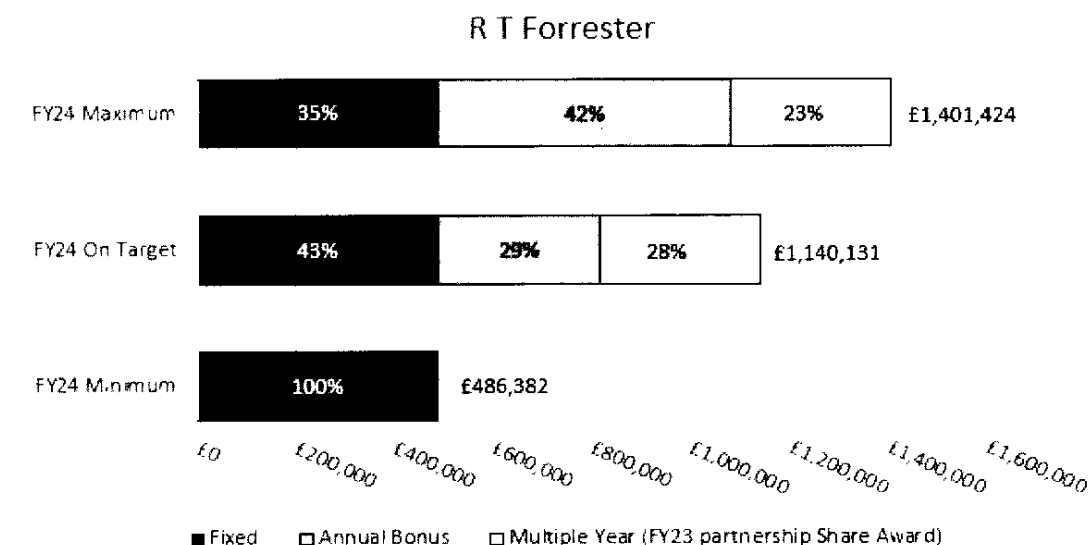
Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
NON-EXECUTIVE DIRECTOR ('NED') FEES			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	NED fees are determined by the Board within the limits set out in the 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 2023/24 Remuneration Opportunity

The chart below illustrates the remuneration that would be paid to each of the Executive Directors in the 2023/24 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 29 February 2024 and is based on the closing share price on 1 March 2023.



Directors' Remuneration Report (continued)

Total 2023/24 Remuneration Opportunity (continued)

Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for the 2023/2024 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 (FY23 Partnership Share Award)	Value of Partnership Share Scheme Awards which vest in the year ended 29 February 2024 but are subject to a three-year holding period thereafter. Value is based on the number of shares awarded at the closing share price on 1 March 2023.

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

Annual report on remuneration

The annual basic salaries and fees to be paid to Directors in the year ending 29 February 2024 are set out in the table below, together with any increase expressed as a percentage.

	28 February 2024 £'000	28 February 2023 £'000	Increase %
R T Forrester	415	415	-
K Anderson	263	263	-
D P Crane	263	263	-
K Lever	62	62	-
P Best	52	52	-
A P Goss	130	130	-

Directors' Remuneration Report (continued)

Information subject to audit

Single Total Figure of Remuneration

The remuneration of the Directors who served during the period from 1 March 2022 to 28 February 2023 is as follows:

	Salary or fees		Taxable Benefits ²		Pension		Bonus		Long Term Incentive Plan		Single total figure	
	£'000		£'000		£'000		£'000		£'000		£'000	
	2023 ¹	2022	2023	2022	2023	2022	2023	2022	2023 ⁴	2022 ³	2023	2022
Executive Directors												
R T Forrester	415	395	3	3	68	65	355	525	247	-	1,088	988
K Anderson	263	250	3	3	43	41	174	272	139	40	822	606
D P Crane	263	250	3	3	43	41	174	272	139	40	622	606
Non-Executive Directors												
A P Goss	130	130	1	1	-	-	-	-	-	-	131	131
K Lever	62	62	1	1	-	-	-	-	-	-	63	63
P Best	52	52	1	1	-	-	-	-	-	-	53	53

¹ 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

² Taxable benefits include vehicle insurance, together with medical and life assurance premiums.

³ 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 and the exercise price applicable to each of the grants.

⁴ Represents PSO nil cost awards granted in March 2021 which vested in March 2022. The value has been calculated by reference to the closing share price of the Company on 1 March 2022. These vested awards are subject to a 3 year holding period.

Annual Bonuses

The Executive Directors have been awarded Company profit performance bonus at a level commensurate with 109% performance against the profit target, customer outcome bonus at the level of 62% and colleague satisfaction bonus at the level of 50% - having achieved a colleague great place to work result in the full annual survey above 85% (the 50% target) but below 90% (the 100% target), to be paid in May 2023.

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 2023 is as follows:

	Number at 1 March 2022	Exercised in Year	Lapsed in Year	Granted in Year ¹	Number at 28 February 2023
R T Forrester	443,451	-	-	518,438	961,889
K Anderson	779,480	(30,000)	-	291,667	1,041,147
D P Crane	833,063	(83,583)	-	291,667	1,041,147

¹ These Partnership Share Scheme awards vested in March 2023 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 2023 and their connected persons had interests in the issued share capital of the Company as at 28 February 2023 as follows:

	Number of shares held (including by connected persons)		Vested unexercised share options		Vested share options subject to 3 year holding period		Unvested share options subject to performance conditions	
	28 February 2023	28 February 2022	28 February 2023	28 February 2022	28 February 2023	28 February 2022	28 February 2023 ¹	28 February 2022
R T Forrester	7,486,575	7,444,181	-	-	443,451	-	518,438	443,451
K Anderson	1,163,694	1,130,597	500,000	530,000	249,480	-	291,667	249,480
D P Crane	465,479	404,036	500,000	583,583	249,480	-	291,667	249,480
K Lever	100,800	100,800	-	-	-	-	-	-
P Best	-	-	-	-	-	-	-	-
A P Goss	62,083	62,083	-	-	-	-	-	-

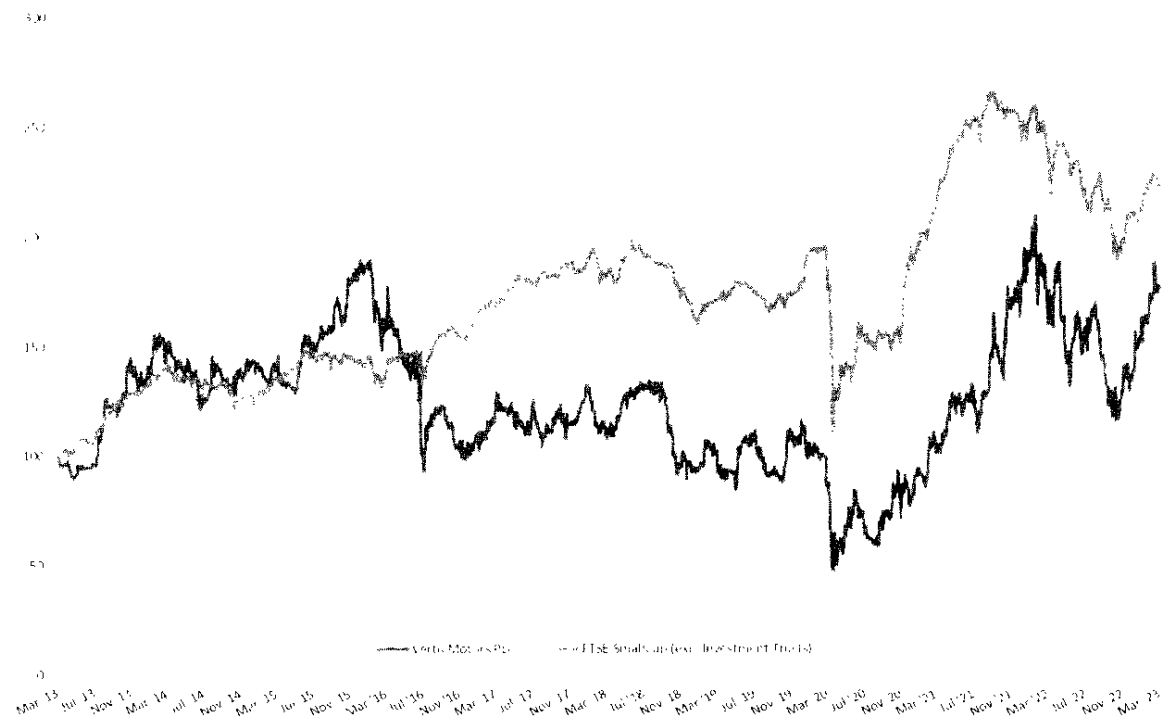
¹ These options vested post year end and are now subject to a 3 year holding period.

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 2023 was 61.0p (28 February 2022: 60.0p) and the range during the financial year was 38.9p to 68.6p (2022: 36.0p to 75.8p).

Changes in remuneration of Chief Executive Officer

The following table sets out the change in the Chief Executive's salary, benefits and bonus between the years ended 28 February 2022 and 28 February 2023 compared with the average percentage change in each of those components for the employees of the Group.

	Increase in base salary	Change in benefits	Change in bonus
CEO	5.0%	0%	(32.4%)
Employees	4.3%	0%	(5.1%)

Directors' Remuneration Report (continued)

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	5 May 2022

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 2022 and 28 February 2023 compared with other disbursements from profit (i.e. the distributions to shareholders).

	Spend in the year ended 28 February 2023 £'000	Spend in the year ended 28 February 2022 £'000	% change
Spend on remuneration (including Directors)	266,423	233,818	13.9%
Profit distributed by way of dividend	6,003	2,327	258.0% ¹

¹ Dividends paid in the year ended 28 February 2022 represent an interim dividend only. There was no final dividend paid in respect of the year ended 28 February 2021.

Shareholders' Vote on Remuneration at the 2022 AGM

2022 Directors' Remuneration Report

	Number	Proportion of votes cast (%)
Votes cast in favour	151,328,925	93.80
Votes cast against	10,000,414	6.20
Total votes cast in favour or against	161,329,339	100.00
Votes withheld	3,953	

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 52.

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 2-45) 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	2-45
Business model	Strategic Report	2-45
Corporate Governance Framework	Corporate Governance Report	46-75
Community and charitable giving	Strategic Report	2-45
Details of Directors	Corporate Governance Report	46-75
Directors' share interests and remuneration	Directors Remuneration Report	66-71
Diversity, equality and inclusion	Strategic Report	2-45
Employee engagement	Strategic Report	2-45
Financial Instruments	Financial Statements (Note 27)	
Future developments and strategic priorities	Strategic Report	2-45
Going concern statement	Strategic Report	2-45
Principal risks and risk management	Strategic Report	2-45
Modern Slavery Statement	Strategic Report	2-45
Results	Consolidated Income Statement	84
Section 172 Statement	Strategic Report	2-45
Stakeholder engagement	Strategic Report	2-45
Statement of Directors Responsibilities	Corporate Governance Report	46-75
Viability Statement	Strategic Report	2-45

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 £318,000 were made by the Group during the year ended 28 February 2023 (2022: £357,000).

Contracts

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 2023.

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 2023 was £6,003,000 (1.75p per share) (2022: £2,327,000 (0.65p per share)). A final dividend in respect of the year ended 28 February 2023 of 1.45p per share, is to be proposed at the annual general meeting on 28 June 2023. The ex dividend date will be 29 June 2023 and the associated record date 30 June 2023. The dividend will be paid on 28 July 2023, 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 (2022: Nil).

Post Balance Sheet Events

Details of events after 28 February 2023 are disclosed in note 39 of the Financial Statements.

Powers for the issuance or repurchase of Shares

At 1 March 2022, 4,141,272 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 2023, 2,436,251 shares held by the trust were transferred to individuals pursuant to exercises of options (or sold to satisfy the exercise price or resulting tax). 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. 5,665,352 ordinary shares in the Company were held by the Trustee at 28 February 2023.

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 2022 AGM.

Directors Report (continued)

Share Capital

As at 28 February 2023, the Company's issued share capital comprised a single class: ordinary shares of 10 pence each of which 348,945,522 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
10 May 2023

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 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 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 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 Company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 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
10 May 2023

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 2023 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 as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 and Financial Statements (the "Annual Report"), which comprise: Vertu Motors plc as at 28 February 2023; Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated cash flow statement and Consolidated Statement 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 other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- Three full scope audit components have been identified, alongside the company.
- This approach provides coverage of 71% of the Group's revenue.

Key audit matters

- Carrying value of intangible assets including goodwill (Group)
- Valuation of pension scheme liabilities (Group)
- Carrying value of investments in subsidiaries (Company)
- Completeness and valuation of assets and liabilities in the business combination (Group)

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

Our audit approach (continued)

Overview (continued)

Materiality

- Overall Group materiality: £3,600,000 (2022: £3,200,000) based on 0.09% of revenue.
- Overall Company materiality: £3,000,000 (2022: £2,750,000) based on 1% of total assets (capped for Group materiality).
- Performance materiality: £2,700,000 (2022: £2,400,000) (Group) and £2,250,000 (2022: £2,062,500) (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.

Completeness and valuation of assets and liabilities in the business combination is a new key audit matter 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; Assessed the mathematical accuracy of the model; 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 inputs are assessed and challenged, for example discount rates, inflation and forecast revenues and costs; We engaged with PwC Valuations experts to assess the discount rate; We performed sensitivity analysis on the forecasts, including downside scenarios to assess headroom; and We reviewed the disclosures included in the financial statements for consistency. We are satisfied with management's conclusion on the carrying value of goodwill and other intangibles.

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

Our audit approach (continued)

<i>Key audit matter (continued)</i>	<i>How our audit addressed the key audit matter (continued)</i>
<i>Valuation of pension scheme liabilities (Group)</i> 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.
<i>Carrying value of investments in subsidiaries (Company)</i> 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 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; Key inputs are assessed, for example discount rates, inflation and forecast revenues and costs; We engaged with PwC Valuations experts to assess the discount rate; We performed sensitivity analysis on the forecasts, including downside scenarios to assess headroom; and We have assessed the disclosures made by management. We are satisfied with management's conclusion on the carrying value of investments.
<i>Completeness and valuation of assets and liabilities in the business combination (Group)</i> On 17 December 2022, the Group acquired the entire share capital of Helston Garages Group Limited ("Helston"), an automotive retail group based in the South West of England, for consideration of £181,914,000. This met the definition of a business combination under IFRS 3 Business combinations which required management to undertake an acquisition accounting exercise. Management obtained support from external experts in determining the fair value of the tangible assets acquired. Management performed a calculation to determine the valuation of the intangible asset - franchise relationships, recognised at £15,008,000. We identified this as a key audit matter due to the risk that not all assets and liabilities acquired are identified and due to the judgement involved in determining fair values for	We addressed the risk that not all assets and liabilities acquired had been identified through: Considering what assets and liabilities were identified by management against the requirements of IFRS 3 Business combinations and IAS 38 Intangible assets; and considering the results of our audit work over the Helston dealerships brought into the group to determine whether or not any assets or liabilities existed that had not been recognised by management as part of the acquisition accounting exercise. To address the risk that the fair values determined for the intangible and tangible assets were not reasonable we have: Engaged our internal valuation experts to challenge the methodology and assumptions used by management in determining their fair values;

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

Our audit approach (continued)

<i>Key audit matter (continued)</i>	<i>How our audit addressed the key audit matter (continued)</i>
<i>Completeness and valuation of assets and liabilities in the business combination (Group) (continued)</i>	
the intangible and tangible assets acquired. Further details found in note 17.	Tested key inputs into the valuation models including future cash flow forecasts that support the franchise relationship intangible and the existence of land, buildings and equipment acquired; and Reviewed the related disclosures to ensure these are consistent with our audit work. In performing these procedures, we did not identify any issues.

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 in scope components are carried out as part of our audit procedures, in order to verify the existence of stock.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

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:

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

Our audit approach (continued)

Materiality (continued)

	<i>Financial statements - Group</i>	<i>Financial statements - Company</i>
Overall materiality	£3,600,000 (2022: £3,200,000).	£3,000,000 (2022: £2,750,000).
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 £3,100,000 and £2,900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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% (2022: 75%) of overall materiality, amounting to £2,700,000 (2022: £2,400,000) for the Group financial statements and £2,250,000 (2022: £2,062,500) 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 £180,000 (Group audit) (2022: £160,000) and £150,000 (Company audit) (2022: £137,000) 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:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting;
- 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, as well as assessing the year to date performance against budget for the 2024 financial year;
- Obtaining and reviewing the Group's financing arrangements, including an audit of bank covenant compliance and the classification of debt between current and non-current; and
- Reviewing and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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

Conclusions relating to going concern (continued)

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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.

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 2023 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.

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

Responsibilities for the financial statements and the audit (continued)

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 health and safety regulations, 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 AIM Rules, Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation 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 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); and
- 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.

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

Responsibilities for the financial statements and the audit (continued)

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.

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 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.

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
10 May 2023

Consolidated Income Statement

For the year ended 28 February 2023

		Underlying items 2023	Non- underlying items 2023 (Note 8)	Total 2023	Underlying items 2022	Non- underlying items 2022 (Note 8)	Total 2022
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	5	4,014,544	-	4,014,544	3,615,052	-	3,615,052
Cost of sales		(3,566,134)	-	(3,566,134)	(3,179,632)	-	(3,179,632)
Gross profit	5	448,410	-	448,410	435,420	-	435,420
Operating expenses	6	(399,590)	(6,828)	(406,418)	(347,753)	(1,934)	(349,687)
Operating profit / (loss)		48,820	(6,828)	41,992	87,667	(1,934)	85,733
Finance income	11	1,300	-	1,300	163	-	163
Finance costs	11	(10,842)	-	(10,842)	(7,126)	-	(7,126)
Profit / (loss) before tax		39,278	(6,828)	32,450	80,704	(1,934)	78,770
Taxation	12	(7,663)	746	(6,917)	(16,062)	(2,708)	(18,770)
Profit / (loss) for the year attributable to equity holders		31,615	(6,082)	25,533	64,642	(4,642)	60,000
Basic earnings per share (p)	13			7.40			16.64
Diluted earnings per share (p)	13			7.02			15.96

Consolidated Statement of Comprehensive Income

For the year ended 28 February 2023

	Note	2023 £'000	2022 £'000
Profit for the year		25,533	60,000
Other comprehensive (expenses) / income			
Items that will not be reclassified to profit or loss:			
Actuarial (losses) / gains on retirement benefit obligations	30	(5,973)	2,801
Deferred tax relating to actuarial losses / (gains) on retirement benefit obligations	30	1,493	(700)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	32	172	503
Deferred tax relating to cash flow hedges	32	(43)	(96)
Other comprehensive (expense) / income for the year, net of tax		(4,351)	2,508
Total comprehensive income for the year attributable to equity holders		21,182	62,508

Consolidated Balance Sheet

As at 28 February 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Goodwill and other indefinite life assets	15	127,590	103,470
Other intangible assets	16	2,286	1,797
Retirement benefit asset	30	3,188	9,055
Property, plant and equipment	18	328,405	254,133
Right-of-use assets	19	73,078	78,278
Derivative financial instruments	27	507	-
Total non-current assets		535,054	446,733
Current assets			
Inventories	21	674,380	475,027
Trade and other receivables	23	86,317	51,839
Current tax assets		1,654	-
Cash and cash equivalents	24	78,984	83,793
		841,335	610,659
Property assets held for sale	22	6,077	-
Total current assets		847,412	610,659
Total assets		1,382,466	1,057,392
Current liabilities			
Trade and other payables	25	(758,594)	(529,086)
Current tax liabilities		-	(3,734)
Derivative financial instruments	27	-	(13)
Contract liabilities	29	(13,477)	(11,752)
Borrowings	26	(29,821)	(12,283)
Lease liabilities	19	(14,498)	(14,132)
Total current liabilities		(816,390)	(571,000)
Non-current liabilities			
Borrowings	26	(124,519)	(55,343)
Lease liabilities	19	(68,959)	(74,698)
Deferred income tax liabilities	28	(19,117)	(13,023)
Contract liabilities	29	(12,104)	(11,447)
Total non-current liabilities		(224,699)	(154,511)
Total liabilities		(1,041,089)	(725,511)
Net assets		341,377	331,881
Capital and reserves attributable to equity holders of the Group			
Ordinary share capital	31	34,894	35,942
Share premium	31	124,939	124,939
Other reserve	31	10,645	10,645
Hedging reserve	32	133	4
Treasury share reserve	31	(2,653)	(1,586)
Capital redemption reserve	31	4,833	3,785
Retained earnings		168,586	158,152
Total equity		341,377	331,881

These consolidated financial statements on pages 84 to 131 have been approved for issue by the Board of Directors on 10 May 2023 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 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Operating profit		41,992	85,733
Loss/(profit) on sale of property, plant and equipment	6	102	(9)
Profit on lease modification	19	(449)	(269)
Amortisation of other intangible assets	16	509	407
Depreciation of property, plant and equipment	18	14,510	14,365
Depreciation of right of use asset	19	16,225	16,658
Impairment charges	15	1,500	131
Movement in working capital	34	23,737	(27,973)
Share based payments charge		1,651	1,061
Cash inflow from operations		99,777	90,104
Tax received		100	135
Tax paid		(9,118)	(14,479)
Finance income received		1,053	39
Finance costs paid		(10,983)	(6,798)
Net cash inflow from operating activities		80,829	69,001
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	17	(122,066)	(9,508)
Acquisition of freehold and long leasehold land and buildings		(7,468)	-
Purchases of intangible assets		(186)	(44)
Purchases of other property, plant and equipment		(13,785)	(16,571)
Proceeds from disposal of property, plant and equipment		179	1,605
Net cash outflow from investing activities		(143,326)	(24,518)
Cash flows from financing activities			
Proceeds from borrowings	33	110,570	5,699
Repayment of borrowings	33	(23,358)	(10,638)
Principal elements of lease repayments	19	(16,187)	(15,786)
Purchase of treasury shares		(2,000)	-
Sale of treasury shares		744	951
Cash settled share options		(180)	(403)
Repurchase of own shares		(5,898)	(6,014)
Dividends paid to equity holders		(6,003)	(2,327)
Net cash inflow/(outflow) from financing activities		57,688	(28,518)
Net (decrease)/increase in cash and cash equivalents	33	(4,809)	15,965
Cash and cash equivalents at beginning of year		83,793	67,828
Cash and cash equivalents at end of year	24	78,984	83,793

Consolidated Statement of Changes in Equity

For the year ended 28 February 2023

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

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

The treasury share reserve relates to shares acquired by Ocorian Limited, the Trustee of Vertu Motors plc's Employee Benefit Trust ("EBT"). The shares were purchased by the Trustee to be held for the purposes of the EBT and may be used to transfer shares to individuals when options are exercised. This could include the Company's Long Term Incentive Plan ("LTIP"), the Company Share Option Plan ("CSOP") or Partnership Share Options ("PSO"), under which each of the executive directors of the Company, the Company's other PDMRs and certain other senior managers are potential participants and is therefore regarded as having a notional interest in these shares. During the year, a further 3,960,331 shares were purchased for £2,000,000.

During the year, 2,436,251 shares were transferred from the EBT on exercise of vested CSOP, LTIP and PSO awards. 5,665,352 shares remain in the EBT at 28 February 2023.

Consolidated Statement of Changes in Equity (continued)

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

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 29 February 2024 as well as the known financial performance of the Group in the period subsequent to 28 February 2023, 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 from consumers as well as further cost increases. 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 140 to 142 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 2023 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 2023 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 2023 of the subsidiaries listed below, further details of which are provided in note 36.

Notes to the Consolidated 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 2023 by virtue of s479A Companies Act 2006 are:

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

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 28 February 2023 by virtue of s394A of Companies Act 2006 are:

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

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Basis of preparation (continued)

Standards and interpretations adopted by the Group in the year ended 28 February 2023

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 March 2022:

- Amendments to IFRS 3, 'Business Combinations'
- Amendments to IAS 16, 'Property, Plant and Equipment'; and
- Amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'.

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 2023 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.

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Leases (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including intangible assets not previously recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the consideration over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the consideration, the excess or "negative goodwill" is recognised immediately in the 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.

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 where the asset arises 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%

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Property, plant and equipment (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Inventories (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Impairment of financial and non-financial assets (continued)

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.

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 instruments held by the Group throughout the year were cash flow hedges swapping floating for fixed interest rates or capping a floating rate. 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:

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Taxation (continued)

- a. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- b. in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Revenue (continued)

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.

Disaggregation of revenue:

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

	2023	2022
	£'000	£'000
Aftersales	336,886	288,819
Used cars	1,658,202	1,584,378
New car retail & Motability	1,121,896	969,846
New fleet & commercial	897,560	772,009
Total	4,014,544	3,615,052

Timing of revenue recognition:

Recognised at a point in time	4,001,280	3,607,039
Recognised over time	13,264	8,013
Total	4,014,544	3,615,052

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting Policies (continued)

Pension costs (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

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.

Notes to the Consolidated Financial Statements (continued)

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	2,566	48,486	-	-	-	51,052
Mortgage	9,612	9,325	26,973	39,480	54,731	140,121
Other borrowings	25,460	-	-	-	-	25,460
Lease liabilities	19,420	16,827	33,524	24,066	8,485	102,322
Contract liabilities	13,477	8,169	3,912	23	-	25,581
Trade and other payables (excluding social security and other taxes)	744,945	-	-	-	-	744,945
At 28 February 2023	815,480	82,807	64,409	63,569	63,216	1,089,481

	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

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 £158,813,000 (including £83,457,000 lease liabilities) at 28 February 2023 as disclosed in note 33 to the consolidated financial statements (2022: net debt of £72,663,000 including £88,830,000 lease liabilities).

Notes to the Consolidated Financial Statements (continued)

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 2023, 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 and amortisation rates applied are set out in Note 1.

Pension benefits

During the year ended 28 February 2023, 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 2023 are provided in note 30.

Notes to the Consolidated Financial Statements (continued)

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 2023. 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 2023	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin ¹ %
Aftersales	336.8	8.4	182.5	40.7	44.5
Used cars	1,658.2	41.3	125.2	27.9	7.5
New car retail and Motability	1,121.9	27.9	98.4	22.0	8.8
New fleet and commercial	897.6	22.4	42.3	9.4	4.7
	4,014.5	100.0	448.4	100.0	11.2
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

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

Notes to the Consolidated Financial Statements (continued)

6. Operating expenses

	2023 £'000	2022 £'000
Wages and salaries excluding share based payments charge (note 9)	226,441	199,855
Depreciation on property, plant and equipment (note 18)	14,510	14,365
Depreciation on right-of-use assets (note 19)	16,225	16,658
Loss/(profit) on disposal of property, plant and equipment	102	(9)
Profit on lease modification (note 19)	(449)	(269)
Auditors' remuneration (note 7)	375	263
Rental income	(686)	(291)
Share based payments charge (note 31)	2,066	1,396
Amortisation (note 16)	509	407
Impairment charges (note 15)	1,500	131
Non-underlying acquisition costs (note 8)	2,753	-
Other expenses	143,072	117,181
	406,418	349,687

7. Auditors' remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	375	258
Fees payable to the Company's auditors and its associates for other services:		
- audit of Group's subsidiaries	-	5
	375	263

8. Non-underlying items

	2023 £'000	2022 £'000
Acquisition costs	(2,753)	-
Share based payments charge (note 31)	(2,066)	(1,396)
Amortisation (note 16)	(509)	(407)
Impairment charges (notes 15)	(1,500)	(131)
Non-underlying loss before tax	(6,828)	(1,934)

Acquisition costs relating to the acquisition of Helston Garages Group Limited (note 17 (c)) have been included in non-underlying items in the year ended 28 February 2023 due to the one-off nature and material value of the individual acquisition.

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

	2023 £'000	2022 £'000
Wages and salaries	234,182	205,774
Social security costs	25,752	22,362
Pension costs – defined contribution plans	6,489	5,682
	266,423	233,818
Share based payments charge (note 31)	2,066	1,396
	268,489	235,214

Notes to the Consolidated Financial Statements (continued)

9. Employee benefit expense (continued)

Employee benefit expense included in:

	2023 £'000	2022 £'000
Operating expenses	226,441	199,855
Cost of sales	39,982	33,963
Share based payments charge (note 31)	2,066	1,396
	268,489	235,214

Details of the remuneration of the Directors who served during the year from 1 March 2022 to 28 February 2023 and the year from 1 March 2021 to 28 February 2022 are given in the Directors' Remuneration Report on pages 66 to 71.

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

	2023 Number	2022 Number
Sales and distribution	2,195	1,979
Service, parts and accident repair centres	3,083	2,718
Administration	1,441	1,173
	6,719	5,870

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

	2023 Number	2022 Number
Sales and distribution	2,355	2,071
Service, parts and accident repair centres	3,423	2,836
Administration	1,545	1,280
	7,323	6,187

11. Finance income and costs

	2023 £'000	2022 £'000
Interest on short-term bank deposits	1,053	39
Net finance income relating to defined benefit pension scheme (note 30)	247	124
Finance income	1,300	163
Bank loans and overdrafts	(3,112)	(1,701)
Vehicle stocking interest	(4,242)	(1,844)
Lease liability interest (note 19)	(3,488)	(3,581)
Finance costs	(10,842)	(7,126)

12. Taxation

	2023 £'000	2022 £'000
Current tax		
Current tax charge	6,444	16,350
Adjustment in respect of prior years	(1,836)	14
Total current tax	4,608	16,364
Deferred tax		
Origination and reversal of temporary differences	409	(245)
Adjustment in respect of prior years	1,684	(147)
Rate differences	216	2,798
Total deferred tax (note 28)	2,309	2,406
Income tax expense	6,917	18,770

Notes to the Consolidated Financial Statements (continued)

12. Taxation (continued)

	<u>2023</u> <u>£'000</u>	<u>2022</u> <u>£'000</u>
Profit before taxation	32,450	78,770
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2022: 19%)	6,166	14,966
Non-qualifying depreciation	658	638
Non-deductible expenses	658	432
Effect on deferred tax balances due to rate change	216	2,798
IFRS 16	(65)	77
Property adjustment	10	41
Permanent benefits	(574)	(49)
Adjustments in respect of prior years	(152)	(133)
Total tax expense included in the income statement	6,917	18,770

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

	Underlying items 2023 £'000	Non- underlying items 2023 £'000	Total 2023 £'000	Underlying items 2022 £'000	Non- underlying items 2022 £'000	Total 2022 £'000
Profit / (loss) before tax	39,278	(6,828)	32,450	80,704	(1,934)	78,770
Taxation	(7,663)	746	(6,917)	(16,062)	(2,708)	(18,770)
Profit / (loss) after tax	31,615	(6,082)	25,533	64,642	(4,642)	60,000
Effective tax rate	19.51%		21.32%	19.90%		23.83%

The Group's underlying effective rate of tax is 19.51% (2022: 19.90%) 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 2023.

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. As a result the Group's deferred tax obligations at 28 February 2023 and 28 February 2022 have been measured at 25%.

The overall effective tax rate of 21.32% includes tax on non-underlying items (2022: 23.83%).

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 73.

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.

Notes to the Consolidated Financial Statements (continued)

13. Earnings per share (continued)

	2023 £'000	2022 £'000
Profit attributable to equity shareholders	25,533	60,000
Non-underlying loss after tax (note 12)	6,082	4,642
Underlying earnings attributable to equity shareholders	31,615	64,642
Weighted average number of shares in issue ('000s)	345,239	360,651
Potentially dilutive shares ('000s)	18,703	15,222
Diluted weighted average number of shares in issue ('000s)	363,942	375,873
Basic earnings per share	7.40p	16.64p
Diluted earnings per share	7.02p	15.96p
Basic underlying earnings per share	9.16p	17.92p
Diluted underlying earnings per share	8.69p	17.20p

14. Dividends per share

Dividends of £6,003,000 were paid in the year ended 28 February 2023 (2022: £2,327,000), 1.75p per share (2022: 0.65p).

A final dividend of 1.45p per share is to be proposed at the Annual General Meeting on 28 June 2023. The ex-dividend date will be 29 June 2023 and the associated record date 30 June 2023. The dividend will be paid, subject to shareholder approval, on 28 July 2023 and these financial statements do not reflect this final dividend payable.

15. Goodwill and other indefinite life assets

2023	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost			
At 1 March 2022	91,026	28,895	119,921
Acquisitions (note 17)	10,612	15,008	25,620
At 28 February 2023	101,638	43,903	145,541
Accumulated impairment charges			
At 1 March 2022	16,451	-	16,451
Impairment charges	1,500	-	1,500
At 28 February 2023	17,951	-	17,951
Net Book Value			
At 28 February 2023	83,687	43,903	127,590
At 28 February 2022	74,575	28,895	103,470

Impairment charges in the year ended 28 February 2023 relates to two of the Group's previously acquired Jaguar sales outlets for which goodwill arose on acquisition. The franchise will cease at these locations on 30 October 2024.

Notes to the Consolidated Financial Statements (continued)

15. Goodwill and other indefinite life assets (continued)

2022	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost			
At 1 March 2021	87,930	27,582	115,512
Acquisitions	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

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 2023 and 28 February 2022, 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.

A summary of the goodwill purchased is presented below:

	2023 £'000	2022 £'000
Bristol Street Group Limited	13,860	13,860
Albert Farnell Limited	12,529	13,279
Helston Garages Group Limited	8,422	-
SHG Holdings Limited	7,842	7,842
Hillendale Group Limited	4,409	5,159
Sigma Holdings Limited and Hughes Group Holdings 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	2,769
Wiper Blades Limited	1,607	-
Leeds, Huddersfield, Harrogate and Skipton Volkswagen	1,114	1,114
Other acquisitions	10,617	10,034
	83,687	74,575

A summary of franchise relationships acquired is presented below:

	2023 £'000	2022 £'000
Helston Garages Group Limited	15,008	-
Sigma Holdings Limited and Hughes Group Holdings 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	1,313
Leeds, Huddersfield, Harrogate and Skipton Volkswagen	677	677
Sunderland, Durham, Teesside, Malton and York BMW MINI	495	495
	43,903	28,895

Notes to the Consolidated Financial Statements (continued)

15. Goodwill and other indefinite life assets (continued)

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 9% (2022: 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 vehicle sales or reduced demand for service work as a consequence of a reduced vehicle parc significantly reduces the Group's earnings in the year ending 29 February 2024, with a return to normalised trading in the year ending 28 February 2025, it is not expected to create an additional impairment charge.
- If the growth rate in years three to five is reduced to -5%, an additional impairment charge in respect of goodwill and other indefinite life assets of £4.3m 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 £8.4m would arise.

16. Other intangible assets

2023	Software costs £'000	Brand £'000	Customer relationships £'000	Total £'000
Cost				
At 1 March 2022	2,631	795	1,985	5,411
Acquisitions (note 17)	-	812	-	812
Additions	186	-	-	186
Disposals	(1,616)	-	-	(1,616)
At 28 February 2023	1,201	1,607	1,985	4,793
Accumulated amortisation				
At 1 March 2022	2,351	200	1,063	3,614
Charge for the year	156	213	140	509
Disposals	(1,616)	-	-	(1,616)
At 28 February 2023	891	413	1,203	2,507
Net book value at 28 February 2023	310	1,194	782	2,286
Net book value at 28 February 2022	280	595	922	1,797

Notes to the Consolidated Financial Statements (continued)

16. Other intangible assets (continued)

2022	Software costs	Brand	Customer relationships	Total
	£'000	£'000	£'000	£'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

17. Business combinations

a) Acquisition of Wiper Blades Limited

On 1 July 2022, the Group acquired the entire issued share capital of Wiper Blades Limited which operates as an e-commerce specialist. Total consideration of £3,513,000 was settled from the Group's existing cash resources.

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

	Fair Value
	£'000
Intangible assets	812
Property, plant and equipment	4
Right of use assets	31
Inventories	123
Trade and other receivables	20
Cash and cash equivalents	1,137
Trade and other payables	(121)
Lease liabilities	(31)
Corporation tax	(69)
Net assets acquired	1,906
Goodwill	1,607
Consideration	3,513

Acquisition related costs (included in underlying operating expenses in the consolidated income statement for the year ended 28 February 2023) totalled £67,000 in respect of this acquisition.

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

If the acquisition of Wiper Blades Limited had occurred on 1 March 2022, Group revenues would have been £696,000 higher and Group profit before tax would have been £72,000 higher.

Notes to the Consolidated Financial Statements (continued)

17. Business combinations (continued)

b) Shipley and Rotherham Motorrad

On 31 October 2022, the Group acquired the business and assets of two BMW Motorrad outlets in Shipley and Rotherham, Yorkshire. Total consideration of £4,150,000 was settled from the Group's existing cash resources.

	Fair Value £'000
Property, plant and equipment	1,963
Inventories	2,867
Trade and other receivables	7
Trade and other payables	(1,187)
Deferred tax	(83)
Net assets acquired	3,567
Goodwill	583
Consideration	4,150

Acquisition related costs (included in underlying operating expenses in the consolidated income statement for the year ended 28 February 2023) totalled £103,000 in respect of this acquisition.

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

c) Helston Garages Group Limited

On 17 December 2022, the Group acquired the entire issued share capital of Helston Garages Group Limited ("Helston"). Helston is a predominantly premium manufacturer automotive retail group in the South West of England representing 28 franchised outlets.

Total consideration of £181,914,000 was met from a combination of a new £74,757,000 mortgage facility secured against a portfolio of 22 freehold and long leasehold properties including a combination of acquired properties and existing Group properties, renegotiated banking facilities and existing cash resources. £22,000,000 of the renegotiated banking facility was drawn down for the initial acquisition payment, however, was subsequently repaid in February 2023.

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

	Fair Value £'000
Other indefinite life assets	15,008
Property, plant and equipment	69,414
Right of use assets	962
Inventories	59,740
Trade and other receivables	19,518
Corporation tax receivable	1,062
Cash and cash equivalents	66,692
Trade and other payables	(52,790)
Lease liabilities	(962)
Deferred tax	(5,152)
	173,492
Goodwill	8,422
	181,914

Notes to the Consolidated Financial Statements (continued)

17. Business combinations (continued)

Acquisition related costs (included in non-underlying operating expenses in the consolidated income statement for the year ended 28 February 2023) in respect of this acquisition totalled £2,753,000.

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

If the acquisition of Helston Garages Group Limited had occurred on 1 March 2022, Group revenues would have been £387,343,000 higher and Group profit before tax would have been £18,568,000 higher.

d) Summary of acquisitions' cash consideration

	Cash consideration	(Cash)/ Borrowings acquired	Total
	£'000	£'000	£'000
Wiper Blades Limited	3,513	(1,137)	2,376
Shipley & Rotherham Motorrad	4,150	-	4,150
Helston Garages Group Limited	181,914	(66,692)	115,222
	189,577	(67,829)	121,748
Previous year acquisitions	318	-	318
Cash consideration for acquisitions	189,895	(67,829)	122,066

e) Summary of the fair value of net assets acquired

	Wiper Blades Limited	Shipley & Rotherham Motorrad	Helston Garages Group Limited	Total
	£'000	£'000	£'000	£'000
Other indefinite life assets	-	-	15,008	15,008
Intangible assets	812	-	-	812
Property, plant and equipment	4	1,963	69,414	71,381
Right-of-use asset	31	-	962	993
Inventories	123	2,867	59,740	62,730
Trade and other receivables	20	7	19,518	19,545
Cash and cash equivalents	1,137	-	66,692	67,829
Trade and other payables	(121)	(1,187)	(52,790)	(54,098)
Lease liabilities	(31)	-	(962)	(993)
Corporation tax	(69)	-	1,062	993
Deferred tax	-	(83)	(5,152)	(5,235)
Net assets acquired	1,906	3,567	173,492	178,965

Notes to the Consolidated Financial Statements (continued)

18. Property, plant and equipment

2023

	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 2022	277,754	5,937	15,569	24,530	323,790
Acquisitions (note 17)	68,230	43	2,004	1,104	71,381
Transfer to assets held for resale (note 22)	(6,421)	-	-	-	(6,421)
Additions	14,659	591	3,826	4,683	23,759
Reclassifications	(3)	3	(9)	9	-
Disposals	(3,917)	(1,505)	(1,043)	(6,071)	(12,536)
At 28 February 2023	350,302	5,069	20,347	24,255	399,973
Accumulated depreciation and impairment					
At 1 March 2022	41,352	3,317	9,027	15,961	69,657
Depreciation charge	6,519	775	2,998	4,218	14,510
Transfer to assets held for resale (note 22)	(344)	-	-	-	(344)
Reclassifications	-	-	4	(4)	-
Disposals	(3,831)	(1,505)	(943)	(5,976)	(12,255)
At 28 February 2023	43,696	2,587	11,086	14,199	71,568
Net Book Value					
At 28 February 2023	306,606	2,482	9,261	10,056	328,405
At 28 February 2022	236,402	2,620	6,542	8,569	254,133

¹ Includes leasehold improvements and franchise standards property improvements.

Depreciation expense of £14,510,000 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 (2022: £10,900,000) have been granted to manufacturer partners as security against consignment stocking lines. A further specific fixed charge is held over certain freehold and long leasehold properties in respect of mortgage funding of £85,515,000 (2022: £15,950,000).

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	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.

Notes to the Consolidated Financial Statements (continued)

19. Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Right-of-use assets		
Property	66,767	73,019
Vehicles	6,311	5,259
	73,078	78,278
Lease liabilities		
Current	(14,498)	(14,132)
Non-current	(68,959)	(74,698)
	(83,457)	(88,830)

Additions to the right-of-use assets and lease liabilities during the year ended 28 February 2023 were £13,307,000 (2022: £14,132,000).

During the year ended 28 February 2023, right-of-use assets with a net book value of £2,044,000 (2022: £348,000) were disposed of as a result of assignment, settlement or modification of various leases. The corresponding lease liability disposed of was £2,493,000 (2022: £617,000) generating a £449,000 profit recognised in the Consolidated Income Statement (2022: £269,000).

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Included in operating expenses		
Depreciation charge in respect of right-of-use assets:		
Property	10,970	10,984
Vehicles	5,255	5,674
	16,225	16,658
 Profit on lease modification	 (449)	 (269)
Included in finance costs		
Interest expense	3,488	3,581

The total cash outflow in respect of lease payments in the year ended 28 February 2023 was £19,675,000, of which £3,488,000 related to interest on lease liabilities (2022: £19,367,000 including £3,581,000 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 2023 and 28 February 2022 is given in note 7 of the Vertu Motors plc company only financial statements (pages 140 to 142).

Notes to the Consolidated Financial Statements (continued)

21. Inventories

	2023 £'000	2022 £'000
New vehicle stock	427,126	274,873
Used vehicle stock	172,920	155,000
Demonstrator and courtesy vehicles	52,286	30,938
Parts and sundry stocks	22,048	14,216
	674,380	475,027

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

	2023 £'000	2022 £'000
Interest bearing consignment stock	30,778	23,387
Stock invoiced not yet paid held by Manufacturers to the order of the Group	322,559	217,617
Other new vehicle stock	73,789	33,869
	427,126	274,873

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 £3,651,240,000 (2022: £3,273,963,000).

22. Property assets held for resale

	2023 £'000	2022 £'000
At beginning of year	-	1,369
Transfers in from freehold property	6,077	-
Property sold during the year	-	(1,369)
At end of year	6,077	-

During the year ended 28 February 2023, the Group transferred the following properties from tangible fixed assets to property assets held for resale:

Freehold land in Glasgow adjacent to one of the Group's Nissan dealerships in Glasgow.

Long-leasehold property in Newburn, Newcastle upon Tyne from which the Group operated an accident repair operation until the trade and assets of this business were sold on 30 April 2023 (note 39).

Two empty properties in Taunton acquired with the acquisition of Helston Garages Group Limited.

All properties are expected to be disposed of in the next 12 months recovering cash proceeds in excess of their book value.

23. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	70,785	42,262
Less provision for impairment of trade receivables	(3,680)	(2,062)
Trade receivables (net)	67,105	40,200
Other receivables	941	428
Prepayments and accrued income	18,271	11,211
	86,317	51,839

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.

Notes to the Consolidated Financial Statements (continued)

23. Trade and other receivables (continued)

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

	Current	31-60	61-90	>90	Trade	Loss	Trade
	£'000	days	days	days	Receivables	Allowance	Receivables
		£'000	£'000	£'000	£'000	£'000	(net)
							£'000
2023	60,045	7,811	953	1,976	70,785	(3,680)	67,105
2022	37,240	3,454	531	1,037	42,262	(2,062)	40,200

As at 28 February 2023, trade receivables of £3,134,000 (2022: £886,000) 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:

	2023	2022
	£'000	£'000
At beginning of year	2,062	1,967
Net remeasurement of loss allowance	3,073	980
Receivables written off during the year as uncollectible	(1,455)	(885)
At end of year	3,680	2,062

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

	2023	2022
	£'000	£'000
Cash in bank and in hand	78,984	83,793

25. Trade and other payables

	2023	2022
	£'000	£'000
Current		
Trade payables	630,451	415,011
Social security and other taxes	13,649	17,664
Accruals	88,494	70,411
Other payables	26,000	26,000
	758,594	529,086

Notes to the Consolidated Financial Statements (continued)

25. Trade and other payables (continued)

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 £13,150,000 (2022: £11,894,000) in respect of outstanding service plans.

26. Borrowings

	2023 £'000	2022 £'000
Current		
Other borrowings	25,460	11,647
Mortgage	4,361	636
	<u>29,821</u>	<u>12,283</u>
Non-current		
Mortgage	81,153	11,337
Bank borrowings	43,366	44,006
	<u>124,519</u>	<u>55,343</u>
	154,340	67,626

Borrowings are repayable as follows:

	2023 £'000	2022 £'000
6 months or less	27,602	11,962
6-12 months	2,219	321
1-5 years	57,213	46,549
Over 5 years	67,306	8,794
	<u>154,340</u>	<u>67,626</u>

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

At 1 March 2022 the Group had a committed Revolving Credit Facility ("RCF") available of £62,000,000. Interest was charged on this facility at a 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. £44,100,000 of the RCF was drawn at 1 March 2022.

On 7 December 2022, the Group completed the refinancing of its long-term bank facilities. As a result of this, a new three year facility was entered into with a limit of £93,000,000, replacing the Group's previous RCF, which was due to expire in February 2024. A third lending bank joined the Group's existing lenders in the new facility which is in place until November 2025 with an option to further extend to 2027. This facility bears an interest rate of between 1.8% and 2.6% above SONIA depending on the value of the Group's net debit to EBITDA rate.

£22,000,000 of this facility was drawn down in respect of the Helston Garages Group limited acquisition in December 2022, however, was subsequently repaid in February 2023. £44,000,000 of the facility remained drawn at 28 February 2023.

During the year ended 28 February 2023, the Group had two interest rate swaps in place in respect of funds drawn on the RCF facility. One covered £15,000,000 swapping the SONIA variable element of the interest charge for a fixed rate of 1.214% and a further £7,000,000 of the drawn balance was covered by a swap replacing the variable rate for a fixed rate of 1.424%. Both swaps expired on 27 February 2023. The Group entered into a new interest rate swap arrangement, effective from 8 March 2023, covering £30,000,000 of the drawn balance swapping the variable element of the interest charge for a fixed rate of 4.42%.

Notes to the Consolidated Financial Statements (continued)

26. Borrowings (continued)

a) Bank borrowings (continued)

A rate of 1.45% above base rate has been applied in relation to overdrafts during the year ended 28 February 2023. 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 17 April 2023 until 31 May 2024 with the same limits as were in place at 28 February 2023.

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

	2023 £'000	2022 £'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	49,000	17,900
- Other borrowings	44,540	23,353
	146,540	94,253

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

b) Mortgage funding

The Group had two mortgage facilities in place at 28 February 2023. The first drawn down in December 2020 was the Group's existing 20 year mortgage drawn down in a previous financial year to partially fund the BMW MINI acquisition in the North East and Yorkshire. This mortgage is secured against the freehold and long leasehold properties in Sunderland, Durham and Teesside which were acquired as part of the acquisition. This mortgage is repayable in equal monthly instalments over the 20 year term and interest is charged on this facility at a fixed rate of 2.9% per annum for the first 5 years.

During the year ended 28 February 2023 the Group entered into a new 20 year mortgage facility for £74,757,000 to partially fund the acquisition of Helston Garages Group limited. This mortgage is secured against a portfolio of 22 freehold and long leasehold properties including a combination of properties acquired with the acquisition as well as existing properties owned by the Group. This mortgage is repayable in equal instalments over the 20 year term and interest is charged on this facility rate of 2.8% above BMW Base Rate. During the year ended 28 February 2023, the Group also entered into interest rate cap arrangements in respect of £50,000,000 of this facility to limit the variable element of the applicable interest rate to a maximum of 4.5%.

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. As a result of the acquisition of Helston Garages Group Limited during this year ended 28 February 2023, the limit on this facility was increased to £70,000,000.

At 28 February 2023 the total used vehicle stocking facility available to the Group was £70,000,000 (2022: £35,000,000).

d) Financial assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £78,984,000 (2022: £83,793,000). 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.

Notes to the Consolidated Financial Statements (continued)

27. Derivative financial instruments

Interest rate swap and cap contracts

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

	2023 £'000	2022 £'000
£50m Interest rate cap – cash flow hedges	507	-
£7m Interest rate swap – cash flow hedges	-	(13)
£15m Interest rate swap – cash flow hedges	-	18
Total derivatives designated as hedging instruments	507	5

	2023 £'000	2022 £'000
Non-current borrowings subject to hedging instruments	50,000	22,000
Total derivative financial liabilities	50,000	22,000

The Group manages its cash-flow interest rate risk by using a combination of interest rate swap and cap contracts. Normally the Group raises long-term borrowings at floating rates and manages the exposure to interest rate variability by swapping floating rates for fixed rates or capping floating rates at a fixed amount.

At 28 February 2022, the Group had two interest rates swaps in place in respect of £22,000,000 of the Group's bank borrowings. Both of these swaps expired on 27 February 2023.

During the year ended 28 February 2023, the Group entered into interest rate cap contracts in respect of £50,000,000 of the Group's outstanding mortgage funding which was drawn in respect of the acquisition of Helston Garages Group Limited, capping the applicable underlying floating rate at 4.5%. The floating rate in respect of this borrowing is BMW Base Rate.

The notional principal amounts of outstanding floating to fixed interest rate swap and interest rate cap contracts designated as hedging instruments in cash flow interest rate hedges of variable rate debt at 28 February 2023 totalled £50,000,000 (2022: £22,000,000). The fair value of these instruments at 28 February 2023 was an asset of £507,000 (2022: £5,000). At 28 February 2022 the £18,000 asset in respect of the £15m interest rate swap was included within prepayments in note 23.

An interest rate swap has been entered into in respect of £30,000,000 of borrowing under the RCF. This swap fixes the underlying rate at 4.42% per annum. The swap is effective from 8 March 2023 to 8 March 2025.

Gains and losses recognised in the cash flow hedging reserve in equity on interest rate swap contracts as at 28 February 2023 will be released to the consolidated statement of comprehensive income as the related interest expense is recognised.

Notes to the Consolidated Financial Statements (continued)

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:

	2023 £'000	2022 £'000
Deferred tax asset to be recovered after more than 12 months	(4,090)	(4,825)
Deferred tax liabilities to be recovered after more than 12 months	23,207	17,848
Deferred tax liabilities (net)	19,117	13,023

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

2023	Deferred tax liabilities £'000	Deferred tax assets £'000	Net £'000
At 1 March 2022	17,848	(4,825)	13,023
Charged / (credited) to income statement (note 12)	1,617	692	2,309
(Credited) / charged directly to equity	(1,493)	43	(1,450)
Acquisitions (note 17)	5,235	-	5,235
At 28 February 2023	23,207	(4,090)	19,117

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	4,262	(1,856)	2,406
Charged directly to equity	700	96	796
Acquisitions	641	-	641
At 28 February 2022	17,848	(4,825)	13,023

2023	Accelerated tax depreciation £'000	Share based payments £'000	Pensions £'000	Other timing differences £'000	Total £'000
At 1 March 2022	4,462	(1,379)	2,264	7,676	13,023
Charged / (credited) to income statement (note 12)	3,633	(273)	26	(1,077)	2,309
Acquisitions (note 17)	3,534	-	-	1,701	5,235
Charged directly to equity	-	-	(1,493)	43	(1,450)
At 28 February 2023	11,629	(1,652)	797	8,343	19,117

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	808	(401)	378	1,621	2,406
Acquisitions	313	-	-	328	641
Charged directly to equity	-	-	700	96	796
At 28 February 2022	4,462	(1,379)	2,264	7,676	13,023

Deferred tax balances as at 28 February 2023 have been measured at a rate of 25%.

Notes to the Consolidated Financial Statements (continued)

29. Contract liabilities

	Warranty policies £'000	Free servicing £'000	Total £'000
At 1 March 2022	21,286	1,913	23,199
Created in the year	14,344	2,052	16,396
Recognised as income during the year	(13,264)	(750)	(14,014)
At 28 February 2023	22,366	3,215	25,581
Current	11,157	2,320	13,477
Non-current	11,209	895	12,104
	22,366	3,215	25,581

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 2023 are estimated to be £Nil.

The IAS 19 (Revised) figures and disclosures have been based on the 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.

Notes to the Consolidated Financial Statements (continued)

30. Retirement benefit asset (continued)

The fair value of the assets of the scheme are:

	Market Value 28 February 2023 £'000	Market Value 28 February 2022 £'000
Liability driven Investment Funds	26,137	38,782
Diversified growth funds	3,964	10,091
Secured finance	5,464	5,453
Other	390	1,131
	35,955	55,457

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 28 February 2022 was 2.75%. This is equal to the discount rate used in the calculation of the net interest income for the year ended 28 February 2023.

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:

	2023 £'000	2022 £'000
Fair value of scheme assets	35,955	55,457
Present value of funded obligations	(32,767)	(46,402)
Asset on the balance sheet	3,188	9,055

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:

	2023 £'000	2022 £'000
Opening fair value of scheme assets	55,457	56,171
Interest income	1,497	1,100
Actuarial (losses) / gains	(18,952)	541
Benefits paid	(1,906)	(2,239)
Expenses recognised in the income statement	(141)	(116)
Closing fair value of scheme assets	35,955	55,457

Notes to the Consolidated Financial Statements (continued)

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:

	2023	2022
	£'000	£'000
Opening fair value of scheme liabilities	46,402	49,925
Interest cost	1,250	976
Actuarial gains	(12,979)	(2,260)
Benefits paid	(1,906)	(2,239)
Closing fair value of scheme liabilities	32,767	46,402

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

	2023	2022
	£'000	£'000
Expenses	141	116
Net interest income (note 11)	(247)	(124)
Total income included in income statement	(106)	(8)

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

	2023	2022
	£'000	£'000
Expected return on scheme assets	1,497	1,100
Actuarial (losses) / gains	(18,952)	541
	(17,455)	1,641

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

	2023	2022
Discount rate	4.95%	2.75%
Limited Price Indexation ("LPI") pension increases	3.00%	3.60%
Inflation rate	2.45%	3.10%

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:

	2023	2022
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:

	2023	2022
Male	23	23
Female	26	26

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

	2023	2022
	£'000	£'000
Actuarial (losses) / gains	(5,973)	2,801
Related deferred tax credit / (charge) (note 28)	1,493	(700)
Total, included within retained earnings	(4,480)	2,101
Cumulative actuarial (losses)/gains	(3,960)	520

Notes to the Consolidated Financial Statements (continued)

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	925
0.25% decrease in discount rate	(970)
0.25% increase in price inflation (and associated assumptions)	(737)
0.25% decrease in price inflation (and associated assumptions)	621
1 year increase in life expectancy at age 65	(1,003)
1 year decrease in life expectancy at age 65	1,002

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

2023	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 2022	355,281	35,942	124,939	10,645	(1,586)	3,785	173,725
Purchase of treasury shares	(3,960)	-	-	-	(2,000)	-	(2,000)
Issuance and sale of treasury shares	2,436	-	-	-	933	-	933
Repurchase of own shares	(10,477)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(1,048)	-	-	-	1,048	-
At 28 February 2023	343,280	34,894	124,939	10,645	(2,653)	4,833	172,658

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

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

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.

Notes to the Consolidated Financial Statements (continued)

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 £2,066,000 (2022: £1,396,000) 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 2023 No of shares	Granted / Outstanding at 28 February 2022 No of shares	Exercise price	Date from which exercisable	Expiry date
12 Jun 2012 ¹	CSOP	-	800,000	27.50p	30 Aug 2015	12 Jun 2022
24 Oct 2012 ¹	CSOP	-	1,130,000	39.25p	30 Aug 2015	24 Oct 2022
20 Aug 2013 ¹	LTIP	-	53,583	0.00p	20 Aug 2016	20 Aug 2023
5 Sep 2016 ¹	LTIP	40,337	40,337	0.00p	5 Sep 2019	5 Sep 2026
2 Jul 2018 ¹	CSOP	2,400,000	3,000,000	49.60p	2 Jul 2021	2 Jul 2028
8 Nov 2018 ¹	CSOP	3,062,533	3,747,500	38.25p	8 Nov 2021	8 Nov 2028
1 Mar 2020 ¹	PSO	4,454,437	5,074,569	0.00p	1 Mar 2024	1 Mar 2030
1 Mar 2021 ¹	PSO	6,250,352	7,223,847	0.00p	1 Mar 2025	1 Mar 2031
24 Jun 2021	PSO	942,411	942,411	0.00p	1 Mar 2025	1 Mar 2031
1 Mar 2022	PSO	6,015,573	-	0.00p	1 Mar 2026	1 Mar 2032
		23,165,643	22,012,247			

¹ Vested.

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

	2023 No of share options	2022 No of share options
At beginning of year	22,012,247	21,762,732
Granted	6,453,290	8,500,899
Forfeited	(1,709,436)	(716,024)
Exercised	(3,138,287)	(4,511,242)
Lapsed	(452,171)	(3,024,118)
At end of year	23,165,643	22,012,247

The weighted average share price during the year was 52.8p (2022: 52.3p). The weighted average fair value of PSO options granted during the year, determined using the Black-Scholes model was 56.3p 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 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
Granted	-	-	-	-	6,453,290	0.00p	6,453,290
Forfeited	(554,966)	45.44p	-	-	(1,154,470)	0.00p	(1,709,436)
Exercised	(2,650,001)	36.71p	(53,583)	0.00p	(434,703)	0.00p	(3,138,287)
Lapsed	(10,000)	39.25p	-	-	(442,171)	0.00p	(452,171)
At 28 February 2023	5,462,533	43.24p	40,337	0.00p	17,662,773	0.00p	23,165,643

Notes to the Consolidated Financial Statements (continued)

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	37%
Option life	10 years
Expected life	7 years
Annual risk-free interest rate	0.9%
Dividend yield	3%

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

CSOP options issued on 2 July 2018 and 8 November 2018 vested in full in the year ended 28 February 2022.

The number of vested CSOP options which remained outstanding at 28 February 2023 are shown in the table on page 126.

There were no CSOP share options issued during the financial year to 28 February 2023.

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.

Notes to the Consolidated Financial Statements (continued)

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

Share Option Schemes (continued)

d) Partnership Share Options ("PSO")

A 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 2022, 6,453,290 PSO awards were made to the Executive Directors and certain senior managers. 412,932 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 2023.

The number of vested PSO awards which remained outstanding at 28 February 2023 are shown in the table on page 126.

On 1 March 2023, 7,025,400 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:

	2023	2022
	£'000	£'000
At beginning of year	4	(403)
Fair value gains on derivative financial instruments during the year	172	503
Deferred taxation on fair value gains during year (note 28)	(43)	(96)
At end of year	133	4

Notes to the Consolidated Financial Statements (continued)

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

	2023 £'000	2022 £'000
Net (decrease)/increase in cash and cash equivalents	(4,809)	15,965
Cash inflow from proceeds of borrowings	(110,570)	(5,699)
Cash outflow from repayment of borrowings	23,358	10,638
Cash movement in net debt	(92,021)	20,904
Capitalisation of loan arrangement fees	1,037	-
Amortisation of loan arrangement fees	(131)	(206)
Increase in accrued loan interest	(408)	-
Non-cash movement in net debt	498	(206)
Movement in net debt (excluding lease liabilities)	(91,523)	20,698
Opening net cash / (debt) (excluding lease liabilities)	16,167	(4,531)
Closing net (debt) / cash (excluding lease liabilities)	(75,356)	16,167
Lease liabilities at 1 March	(88,830)	(91,101)
Capitalisation of new leases (Note 19)	(13,307)	(14,132)
Disposal of lease liabilities (Note 19)	2,493	617
Interest element of lease repayments (Note 11)	(3,488)	(3,581)
Cash outflow from lease repayments (Note 19)	19,675	19,367
Lease liabilities at 28 February (Note 19)	(83,457)	(88,830)
Closing net debt (including lease liabilities)	(158,813)	(72,663)

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.

2023	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)			(758,594)	
Contract liabilities (Note 29)			(25,581)	
At 28 February 2023	674,380	86,317	(784,175)	
At 28 February 2022	475,027	51,839	(552,285)	
Balance sheet movement	(199,353)	(34,478)	231,890	
Acquisitions (Note 17)	62,730	19,545	(54,098)	
Previous year acquisitions	-	-	333	
Movement excluding business combinations	(136,623)	(14,933)	178,125	26,569
Pension related balances				141
Increase in capital creditor				(2,268)
Increase in interest accrual				(705)
Movement as shown in Consolidated Cash Flow Statement				23,737

Notes to the Consolidated Financial Statements (continued)

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

2022	Inventories £'000	Current trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(529,086)	
Contract liabilities			(23,199)	
At 28 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	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)

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 2022	67,626	88,830	(1,586)	158,152	313,022
Cash flows from financing activities:					
Purchase of treasury shares	-	-	(2,000)	-	(2,000)
Issue of treasury shares	-	-	933	(189)	744
Repurchase of own shares	-	-	-	(5,898)	(5,898)
Proceeds from borrowings	110,570	-	-	-	110,570
Repayment of borrowings	(23,358)	-	-	-	(23,358)
Lease repayments	-	(16,187)	-	-	(16,187)
Dividends paid	-	-	-	(6,003)	(6,003)
Cash settled share options	-	-	-	(180)	(180)
Net cash outflow from financing activities	87,212	(16,187)	(1,067)	(12,270)	57,688
Other changes:					
Liability related: capitalisation and amortisation of loan fees and expenses	(906)	-	-	-	(906)
Liability related: capitalisation of lease liabilities	-	13,307	-	-	13,307
Liability related: disposal of lease liabilities	-	(2,493)	-	-	(2,493)
Liability related: increase in accrued loan interest	408	-	-	-	408
Equity related: other movements	-	-	-	22,704	22,704
As at 28 February 2023	154,340	83,457	(2,653)	168,586	403,730

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 page 91 were subject to at the end of 28 February 2023 until they are satisfied in full. These liabilities total £1,146,788,000 (2022: £823,915,000), including intercompany loans of £349,460,000 (2022: £329,074,000). Such guarantees are enforceable against Vertu Motors plc by any person to whom any such liability is due.

Notes to the Consolidated Financial Statements (continued)

37. Capital commitments

Capital commitments in respect of property, plant and equipment amounting to £1,712,000 were outstanding as at 28 February 2023 (2022: £415,000).

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 2023 is set out in the Directors' Remuneration Report on pages 66 to 71.

Ken Lever, a Director of the Company, sat on the board of Biffa Limited prior to his resignation from the board of Biffa Limited in January 2023. A subsidiary company of Biffa plc provides waste disposal services to the Group on normal commercial terms. In the year ended 28 February 2023, the value of such services provided was £592,913 (2022: £584,757). £120,865 was unpaid at 28 February 2023 in respect of these services (2022: £62,379). In the year ended 28 February 2023, sales of £13,647 (2022: £14,071) were made to Biffa plc, of which £3,267 was outstanding at the year end (2022: £Nil).

During the year to 28 February 2023, 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 2023 and the year ended 28 February 2022 is presented below. No profit or loss was made in respect of these transactions in the year ended 28 February 2023 or the year ended 28 February 2022. 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 2023 (2022: £Nil).

2023

	Bought from the Group		Sold to the Group	
	Number of vehicles	Purchase price £'000	Number of vehicles	Sale price £'000
Robert Forrester	3	285	3	299
David Crane	3	297	3	274
Karen Anderson	4	357	4	318
Andrew Goss	2	115	2	114
Pauline Best	2	126	2	123
Ken Lever	2	133	2	125

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

39. Post balance sheet events

On 30 April 2023, the Group sold the trade and assets of its standalone accident repair operation in Newburn, Newcastle upon Tyne at above net book value. The sale included the leasing of the long-leasehold property to the buyer.

Company Balance Sheet

As at 28 February 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	5	302	274
Tangible assets	6	3,151	2,953
Investments	7	348,636	166,722
		352,089	169,949
Current assets			
Debtors	8	119,402	185,504
Cash at bank and in hand		~	83,633
Total current assets		119,402	269,137
Creditors: amounts falling due within one year	10	(120,437)	(95,301)
Net current (liabilities)/assets		(1,035)	173,836
Total assets less current liabilities		351,054	343,785
Creditors: amounts falling due after more than one year	11	(55,470)	(55,453)
Net assets		295,584	288,332
Capital and reserves			
Called up share capital	13	34,894	35,942
Share premium account	13	124,939	124,939
Other reserve	13	10,645	10,645
Hedging reserve	14	133	4
Treasury share reserve	13	(2,653)	(1,586)
Capital redemption reserve	13	4,833	3,785
Profit and loss account:			
At start of year		114,603	75,388
Profit for the year		18,809	46,987
Other changes in retained earnings		(10,619)	(7,772)
	15	122,793	114,603
Total shareholders' funds		295,584	288,332

These financial statements, on pages 132 to 146, have been approved for issue by the Board of Directors on 10 May 2023 and signed by:

Robert Forrester
Chief Executive

Karen Anderson
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 28 February 2023

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total Equity £'000
As at 1 March 2022	35,942	124,939	10,645	4	(1,586)	3,785	114,603	288,332
Profit for the year	-	-	-	-	-	-	18,809	18,809
Tax on items taken directly to equity	-	-	-	(43)	-	-	-	(43)
Fair value gains	-	-	-	172	-	-	-	172
Total comprehensive income for the year	-	-	-	129	-	-	18,809	18,938
Purchase of treasury shares	-	-	-	-	(2,000)	-	-	(2,000)
Sale of treasury shares	-	-	-	-	933	-	(189)	744
Repurchase of own shares	-	-	-	-	-	-	(5,898)	(5,898)
Cancellation of repurchased shares	(1,048)	-	-	-	-	1,048	-	-
Dividends paid	-	-	-	-	-	-	(6,003)	(6,003)
Share based payments charge	-	-	-	-	-	-	1,471	1,471
As at 28 February 2023	34,894	124,939	10,645	133	(2,653)	4,833	122,793	295,584

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 (continued)

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

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 2023 was £18,809,000 (2022: £46,987,000).

The consolidated financial statements include the results of all subsidiaries owned by Vertu Motors plc listed on pages 140 to 142 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 2023 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 2023 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 2023 of the subsidiaries listed below, further detail of which is provided in note 36 to the consolidated financial statements on page 130.

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 2023 by virtue of s479A Companies Act 2006 are:

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

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 28 February 2023 by virtue of s394A of Companies Act 2006 are:

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

The auditors' remuneration for audit and other services was £25,000 (2022: £25,000).

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.

Notes to the Company Financial Statements (continued)

1. Accounting Policies (continued)

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 2023, 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

	2023	2022
	£'000	£'000
Wages and salaries	19,250	18,005
Social security costs	6,719	6,061
Pension costs – defined contribution plans	2,639	2,360
	28,608	26,426
Share based payments charge (note 17)	2,066	1,396
	30,674	27,822

Details of the emoluments of the Directors who served during the years ended 28 February 2023 and 28 February 2022, which are included in the table above, are provided in the Directors' Remuneration Report on page 66 to 71 of the consolidated financial statements.

Notes to the Company Financial Statements (continued)

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

	2023 Number	2022 Number
Sales	149	144
Service	24	22
Administration	581	485
	754	651

5. Intangible assets

	Computer Software £'000
Cost	
At 1 March 2022	2,629
Additions	186
Disposals	(1,453)
At 28 February 2023	1,362
Accumulated Amortisation	
At 1 March 2022	2,355
Amortisation charge	156
Disposals	(1,451)
At 28 February 2023	1,060
Net Book Value	
At 28 February 2023	302
At 28 February 2022	274

6. Tangible assets

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 March 2022	11,135	742	11,877
Additions	1,989	83	2,072
Disposals	(4,983)	(538)	(5,521)
At 28 February 2023	8,141	287	8,428
Accumulated Depreciation			
At 1 March 2022	8,344	580	8,924
Depreciation charge	1,794	61	1,855
Disposals	(4,964)	(538)	(5,502)
At 28 February 2023	5,174	103	5,277
Net Book Value			
At 28 February 2023	2,967	184	3,151
At 28 February 2022	2,791	162	2,953

Notes to the Company Financial Statements (continued)

7. Investments

	£'000
Cost	
At 1 March 2022	179,993
Additions	181,914
At 28 February 2023	361,907
Accumulated impairment charges	
At 1 March 2022 and 28 February 2023	13,271
Net Book Value	
At 28 February 2023	348,636
At 28 February 2022	166,722

Vertu Motors plc, the Company, as at 28 February 2023 and 28 February 2022, invested in 100% of the ordinary share capital of the following subsidiary undertakings, incorporated in the United Kingdom:

Company	Principal activity
<u>The registered office address of the following companies is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne & Wear, NE11 0XA:</u>	
Bristol Street First Investments Limited	Motor retailer
Bristol Street Fourth Investments Limited	Motor retailer
Vertu Motors (VMC) Limited	Motor retailer
Grantham Motor Company Limited	Motor retailer
Vertu Motors (Chingford) Limited	Motor retailer
Albert Farnell Limited	Motor retailer
Tyne Tees Finance Limited 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
South Hereford Garages Limited ¹	Dormant company
Hughes of Beaconsfield Limited ¹	Dormant company
Vertu Motors (Knaresborough) Limited	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

Notes to the Company Financial Statements (continued)

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
Typocar Limited	Dormant company
Widnes Car Centre Limited ¹	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
Carsandvansdirect Limited ¹	Dormant company
Power Bulbs Online Limited ¹	Dormant company
Power Bulbs Ltd ¹	Dormant company
Farmer & Carlisle Holdings Limited ¹	Dormant company
Farmer & Carlisle Limited ¹	Dormant company
Farmer & Carlisle Leicester Limited ¹	Dormant company
F.C. Business Operations Limited ¹	Dormant company
Nottingham TPS LLP ¹	Dormant LLP

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

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

The registered address of the following company is Peugeot Paisley, Saturn Avenue, Phoenix Retail Park, Paisley, PA1 2BH

Easy Vehicle Finance Limited	Dormant company
------------------------------	-----------------

The registered address of the following company is 900 Kennishead Road, Darnley, Glasgow, G53 7RA

The Taxi Centre Limited	Dormant company
-------------------------	-----------------

¹ Held indirectly by the Company.

The following subsidiaries which the Company was invested in as at 28 February 2022 were dissolved during the year ended 28 February 2023, with no impact on the carrying value of the Company's investments:

Company	Principal activity
Why Pay More For Cars Limited	Dormant company
Peter Blake (Clumber) Limited	Dormant company
KC Mobility Solutions Limited	Dormant company
Compare Click Call Limited	Dormant company
Horseshoe Vehicle Contracts Limited	Dormant company

The registered address of the above subsidiary companies was Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne & Wear, NE11 0XA.

Notes to the Company Financial Statements (continued)

7. Investments (continued)

The following subsidiary undertaking (ordinary shares 100% owned and incorporated within the United Kingdom) were acquired by the Company during the year ended 28 February 2023:

Company	Principal activity
Helston Garages Group Limited	Holding company
Helston Garages Group (Management) Limited ²	Payroll administration company
Helston Garages Limited ²	Motor retailer
Westcountry Enterprises Limited ²	Property company
Jactamial Properties Limited ²	Dormant company
Westcountry Ventures Limited ²	Dormant company
Group SMB Limited ²	Dormant company

² Held indirectly by the Company

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 2023:

Company	Principal activity
Wiper Blades Limited ^{3, 4}	Online retailer

³ Held indirectly by the Company

⁴ On 1 July 2022, this company was acquired by All Car Parts Limited, a subsidiary of the Group.

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 9% (2022: 8%) is applied.

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

If restricted vehicle sales or reduced demand for service work as a consequence of a reduced vehicle parc significantly reduces the Group's earnings in the year ending 29 February 2024, with a return to normalised trading in the year ending 28 February 2025, it is not expected to create an additional impairment charge.

If the growth rate in years three to five is reduced to -5%, an additional impairment charge of £28.6m would arise in respect of the Company's investments.

If the post-tax WACC was increased to 12%, an additional impairment charge of £33.5m would arise in respect of the Company's investments.

Notes to the Company Financial Statements (continued)

8. Debtors

	2023 £'000	2022 £'000
Trade debtors	2,165	2,189
Amounts owed by Group undertakings	87,717	163,006
Deferred tax asset (note 9)	3,780	3,535
Corporation tax	1,937	-
Value Added Tax	14,296	8,693
Prepayments and accrued income	9,507	8,081
	119,402	185,504

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

9. Deferred tax asset

	2023 £'000	2022 £'000
At beginning of year	3,535	2,416
Credited to the profit and loss account	288	1,215
Charged directly to equity	(43)	(96)
At end of year	3,780	3,535

The amounts recognised for deferred tax assets, calculated under the liability method at 25% (2022: 25%) are set out below:

	2023 £'000	2022 £'000
Depreciation in excess of capital allowances	248	1,116
Other short-term timing differences	3,532	2,419
Total	3,780	3,535

During the year ending 29 February 2024, the reversal of deferred tax assets is expected to decrease the corporation tax charge for the year by £478,000. This is primarily due to timing differences in relation to depreciation in excess of capital allowances.

10. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank overdraft	19,193	-
Trade creditors	9,529	10,633
Other creditors	26,000	26,000
Corporation tax	-	2,589
Other taxation and social security	7,807	6,180
Accruals	44,431	38,147
Deferred income	13,477	11,752
	120,437	95,301

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

Accruals includes £13,150,000 (2022: £11,894,000) in respect of outstanding service plans.

Notes to the Company Financial Statements (continued)

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

	2023 £'000	2022 £'000
Bank borrowings	43,366	44,006
Deferred income (note 12)	12,104	11,447
	55,470	55,453

	2023 £'000	2022 £'000
Borrowings are repayable as follows:		
1-2 years	-	44,006
2-5 years	43,366	-
	43,366	44,006

The bank borrowings are secured on the assets of the Company and the subsidiaries. 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.

	Within one year £'000	Within two to five years £'000	Total £'000
Bank borrowings	-	43,366	43,366
Trade and other creditors	120,437	12,104	132,541
At 28 February 2023	120,437	55,470	175,907

	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

12. Deferred income

Deferred income due in greater than one year comprises:

	2023 £'000	2022 £'000
Warranty policies	11,209	10,987
Free servicing	895	460
	12,104	11,447

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 £11,157,000 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 (2022: £10,299,000).

Notes to the Company Financial Statements (continued)

12. Deferred income (continued)

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 £2,320,000 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 (2022: £1,453,000).

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

2023	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 2022	355,281	35,942	124,939	10,645	(1,586)	3,785	173,725
Purchase of treasury shares	(3,960)	-	-	-	(2,000)	-	(2,000)
Sale of treasury shares	2,436	-	-	-	933	-	933
Repurchase of own shares	(10,477)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(1,048)	-	-	-	1,048	-
At 28 February 2023	343,280	34,894	124,939	10,645	(2,653)	4,833	172,658

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.

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

14. Hedging reserve

	2023 £’000	2022 £’000
Cash flow hedges:		
At beginning of year	4	(403)
Fair value gains on derivative financial instruments during the year	172	503
Deferred taxation on fair value gains during year	(43)	(96)
At end of year	133	4

Notes to the Company Financial Statements (continued)

15. Profit and loss account

	2023	2022
	£'000	£'000
As at beginning of year	114,603	75,388
Profit for the financial year	18,809	46,987
Dividend paid	(6,003)	(2,327)
Share based payments charge	1,471	658
Repurchase of own shares	(5,898)	(6,014)
Treasury shares issued	(189)	(89)
As at end of year	122,793	114,603

16. Dividends per share

Dividends of £6,003,000 were paid in the year ended 28 February 2023 (2022: £2,327,000), 1.75p per share (2022: 0.65p).

A final dividend of 1.45p per share is to be proposed at the Annual General Meeting on 28 June 2023. The ex-dividend date will be 29 June 2023 and the associated record date 30 June 2023. The dividend will be paid, subject to shareholder approval, on 28 July 2023 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 £2,066,000 (2022: £1,396,000).

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 2022 to 28 February 2023 is set out within the Directors' Remuneration Report on pages 66 to 71.

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:

	2023	2022
	£'000	£'000
Commitments under non-cancellable operating leases payable:		
No later than 1 year	614	557
Later than 1 year and no later than 5 years	523	283
Later than 5 years	-	-
	1,137	840

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.
FY23	The twelve month period ended 28 February 2023.
FY22	The twelve month period ended 28 February 2022.
Adjusted	Adjusted for share based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs, 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

	2023	2022
	£'000	£'000
Operating profit	41,992	85,733
Non-underlying items (note 8):		
Acquisition costs	2,753	-
Share based payment charge (note 31)	2,066	1,396
Amortisation (note 16)	509	407
Impairment charges (note 15)	1,500	131
Adjusted operating profit	48,820	87,667

Free Cash Flow

	2023	2022
	£'000	£'000
Net cash inflow from operating activities	80,829	69,001
Purchase of other property, plant and equipment	(13,785)	(16,571)
Enhancement capital expenditure included in above	3,459	6,180
Purchase of intangible assets	(185)	(44)
Proceeds from disposal of property, plant and equipment	179	1,605
Principal elements of lease repayments	(16,187)	(15,786)
Free cash flow	54,310	44,385

Alternative Performance Measures (continued)

Adjusted Profit Before Tax (PBT)

	2023 £'000	2022 £'000
Profit before tax	32,450	78,770
Non-underlying items (note 8):		
Acquisition costs	2,753	
Share based payment charge (note 31)	2,066	1,396
Amortisation (note 16)	509	407
Impairment charges (note 15)	1,500	131
Adjusted PBT	39,278	80,704

Tangible net assets per share

	2023 £'000	2022 £'000
Net assets	341,377	331,881
Less:		
Goodwill and other indefinite life assets	(127,590)	(103,470)
Other intangible assets	(2,286)	(1,797)
Add:		
Deferred tax on above adjustments	12,621	10,856
Tangible net assets	224,122	237,470
Tangible net assets per share	65.3p	66.8p

At 28 February 2022, there were 348,945,522 shares in issue (2022: 359,422,972) of which, 5,665,352 were held by the Group's employee benefit trust (2022: 4,141,272). 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

2023	FY23 Group revenue £'m	FY23 Acquisition revenue £'m	FY23 Disposals revenue £'m	FY23 Like-for-like revenue £'m
New car retail and Motability	1,121.9	(54.0)	-	1,067.9
New fleet and commercial	897.6	(31.1)	-	866.5
Used cars	1,658.2	(89.0)	-	1,569.2
Aftersales	336.8	(24.7)	-	312.1
Total revenue	4,014.5	(198.8)	-	3,815.7

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	(3.8)	(2.5)	963.6
New fleet and commercial	772.0	(2.6)	-	769.4
Used cars	1,584.4	(6.9)	(13.6)	1,563.9
Aftersales	288.8	(2.3)	(1.5)	285.0
Total revenue	3,615.1	(15.6)	(17.6)	3,581.9

Alternative Performance Measures (continued)

Like-for-like reconciliations (continued):

Gross profit ("GP") by department

2023	FY23 Group GP £'m	FY23 Acquisition GP £'m	FY23 Disposals GP £'m	FY23 Like-for-like GP £'m
New car retail and Motability	98.4	(4.5)	-	93.9
New fleet and commercial	42.3	(2.0)	-	40.3
Used cars	125.2	(5.0)	-	120.2
Aftersales	182.5	(10.8)	-	171.7
Total GP	448.4	(22.3)	-	426.1

2022	FY22 Group GP £'m	FY22 Acquisition GP £'m	FY22 Disposals GP £'m	FY22 Like-for-like GP £'m
New car retail and Motability	80.7	(0.3)	(0.2)	80.2
New fleet and commercial	35.5	(0.1)	-	35.4
Used cars	154.4	(0.6)	(0.7)	153.1
Aftersales	164.6	(1.0)	(0.9)	162.7
Total GP	435.2	(2.0)	(1.8)	431.4

Company Information

Nominated Advisor and Broker

Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

Solicitors

Muckle LLP
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London E1 6PW

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Level 5 and 6
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Tax Advisors

Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle upon Tyne
NE1 2HF

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Financial PR Advisors

Camarco
107 Cheapside
London
EC2V 6DN

Company Secretary

Nicola Loose
cosec@vertumotors.com

Registered office

Vertu Motors plc
Vertu House
Fifth Avenue Business Park
Team Valley
Gateshead
Tyne & Wear
NE11 0XA



Vertu
Motors plc

Registered Office:
Vertu House,
Fifth Avenue Business Park,
Team Valley, Gateshead,
Tyne and Wear, NE11 0XA
Company Number: 05984855
www.vertumotors.com