18 October 2010

Vertu Motors plc ("Vertu" or "Group")

Unaudited interim results for the six months ended 31 August 2010

Vertu Motors plc, the 8th largest UK motor retailer, announces its interim results for the six months ended 31 August 2010.

	Six months ended 31 August 2010 (H1 2011)	Six months ended 31 August 2009 (H1 2010)
Revenue	£511.1m	£401.3m
Adjusted EBITDA*	£7.2m	£6.3m
Adjusted operating profit*	£5.6m	£5.1m
Adjusted profit before tax*	£5.2m	£4.2m
Adjusted earnings per share*	1.94p	2.02p
EBITDA	£7.1m	£5.0m
Operating profit	£5.4m	£3.7m
Exceptional charges	-	£1.3m
Profit before tax	£4.9m	£2.8m
Earnings per share	1.83p	1.35p
Operating cash inflow	£7.3m	£1.4m
Net cash	£15.0m	£21.0m
Net assets per share	46.8p	44.4p
Tangible net assets per share	38.3p	36.7p

* adjusted for exceptional charges, amortisation of intangible assets and share based payments charge

Financial Highlights

- Revenue grew by 27.3% reflecting substantial growth of the business over the last 12 months
- Profit before tax up 72.9% to £4.9m (H1 2010 : £2.8m)
- Adjusted EBITDA up 14.3% to £7.2m (H1 2010 : £6.3m)
- Balance sheet underpinned by strong freehold and long leasehold property portfolio (including assets held for resale) of £72.6m (31 August 2009: £57.3m)
- Tangible net assets per share 38.3p (H1 2010: 36.7p)
- Excellent operating cash generation of £7.3m (H1 2010 : £1.4m)
- Further growth to be funded through cash generation and new debt facilities
- Maiden interim dividend of 0.2p per share to be paid in January 2011

Operational Highlights

- Trading performance in the half year and September has been ahead of the Board's expectations
- 16 sales outlets in 9 locations added to the Group since 1 March 2010

- Nissan, Alfa Romeo and Mitsubishi added to the franchise portfolio
- Significant Scottish business established in 2010 through the acquisition of 8 sales outlets under the Macklin Motors brand
- Strong sales performance with new retail and used retail car volumes up 6.4% and 6.1% respectively on a like for like basis
- Strategic success in driving improved aftersales performance with a 4.7% increase in aftersales revenue on a like for like basis and enhanced profitability
- Overhead levels and positive cashflows benefited from strong financial controls and focus
- September saw outperformance and market share gains in new retail car sales with UK private registrations falling 19.0% whilst Group volumes fell only 2.6%.

Commenting on the results, Robert Forrester, Chief Executive, said:
"Since our first dealership acquisition in March 2007 the Group has consistently delivered growth. Following the Placing undertaken in June 2009 to accelerate this, 29 sales outlets have been added, representing a 64% growth rate, and the Group now operates 74 sales outlets.

The Group's ability to integrate and drive operational improvements from acquired businesses is evidenced by the rising profitability announced today. The Group continues to deliver on its stated objective to build a successful, scaled automotive retail operation in the United Kingdom.

The acquisitions undertaken last year have performed strongly and yet still have the potential for further improvements in profitability. Our more recent acquisitions are already exhibiting significant operational improvements since purchase and this will underpin future profit growth.

In the light of the positive trends of sustainable growth in profits and cash generation, we are delighted to announce that the Group will commence dividend payments in January.

With the outperformance of market expectations by the Group in the first half of the year and a strong financial result in September, the Group is currently trading ahead of market expectations for the full financial year."

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INTRODUCTION

The Group saw an increase in profitability in the six months ended 31 August 2010 due to the improved profitability of dealerships acquired in the previous financial year. Adjusted profit before tax rose £1.0m to £5.2m in the period. Last year's acquired dealerships contributed £1.5m to profit before tax in contrast to current year acquisitions which, largely due to seasonality, lost £0.3m. Due to the return to normal levels of used car margins following exceptionally high levels seen in 2009, profitability in the core Group fell by £0.2m.

A focus on aftersales has led to rising profitability in all aftersales areas on a like for like basis. Further improvements in aftersales operations are envisaged through the introduction of new technologies, products for customer retention, such as service plans, and a focus on training to improve both efficiency and the customer experience. Aftersales represents 43% of the Group's gross profit.

The Board's strategy has been consistent since flotation and remains to build a scaled, automotive retail business with improving profitability to generate shareholder value. The growth of the last 12 months with 29 sales outlets being added since the June 2009 Placing, together with these results, demonstrate that the Group is on course to delivering on its strategy. It is these factors that have led the Board to decide it is now an opportune time in the Group's evolution to commence payment of a maiden dividend in January 2011.

FINANCIAL REVIEW

Revenue in the period rose by £109.8m (27.3%) to £511.1m (H1 2010: £401.3m) reflecting the contribution of acquisitions, increased new and used car sales volumes and rising transaction prices. Acquisitions were undertaken in the period and contributed £9.6m of revenue, with prior year acquisitions accounting for £66.6m of the rise in revenues. As we anticipated, gross margins fell in the period from 12.5% to 11.5% reflecting a fall in used car margins year on year. Exceptional levels of used car margins in H1 2010 arose as prices rebounded due to supply constraints. There was a return to more normal used car margins as market conditions stabilised in the current period. Higher new and used car transaction prices also contributed to the fall in percentage margins with the average price of new retail and used cars sold increasing by 10.7% and 7.6% respectively compared to H1 2010.

Whilst revenues grew by 27.3% in the period, operating expenses were constrained to a growth of 18.0%. Operating expenses are subject to tight control by the Group's management and additional dealerships being taken on by the Group have not been matched by a commensurate rise in the central costs of management.

Adjusted EBITDA in the period rose to £7.2m, compared to £6.3m in the six months ended 31 August 2009. EBITDA and profit before tax were £7.1m (H1 2010: £5.0m) and £4.9m (H1 2010: £2.8m) respectively. No exceptional charges arose in the period compared to the £1.3m charge in H1 2010 relating to losses on property disposals.

Net finance costs were reduced to £0.5m for the period (H1 2010: £0.8m). Bank loans and overdraft interest reduced from £0.5m in the period to 31 August 2009 to £0.3m following the restructuring of the Group's hedging arrangements in March 2010. Interest costs on manufacturer new vehicle stocking facilities declined from a charge of £0.3m in H1 2010 to a £0.1m net income in H1 2011.

New vehicle manufacturer consignment stocking levels, subject to interest, continued to decline from their peaks of early 2009.

The Group has a strong balance sheet with shareholders' funds of £93.3m (31 August 2009: £87.1m), representing net assets per share of 46.8p (31 August 2009: 44.4p). The balance sheet is underpinned by a freehold and long leasehold property portfolio (including properties held for resale) of £72.6m (31 August 2009: £57.3m) and net cash at the balance sheet date of £15.0m (31 August 2009: £21.0m).

The Group has generated an operating cash inflow of £7.3m reflecting the continued application of strong controls over working capital.

The Group has recently established new loan facilities which have re-scheduled the £10.6m of bank loans repayable in March 2012 into a loan of £10m repayable in instalments over the next five years to October 2015, and created a new, three year acquisition facility of £15m. These new loans are in addition to the existing £20m of overdraft and other money market facilities available to the Group. These facilities, in addition to the existing cash balances and the strong cash generation of the Group, will ensure further expansion of the Group can be undertaken.

OPERATING REVIEW

Group Strategy

The strategy of the Group is focused on creating shareholder value through delivering operational and financial improvements in our existing businesses and augmenting this by acquiring additional UK motor retail operations to add size and scale to the Group. The Board believes that people are crucial to the delivery of this strategy; both through the quality and capacity of the Group's management and the culture of the Group as a whole in ensuring that colleagues are motivated, well remunerated for performance and trained to deliver high sales levels and customer satisfaction.

Portfolio Development

In line with the Group's expansion strategy, 16 sales outlets have been added since 1 March 2010 in 9 locations.

The Group currently operates 70 franchised and 4 non-franchised sales outlets from 59 UK locations. All franchised operations are branded Bristol Street Motors with the exception of those operating the Honda franchise (Vertu Honda) and the Group's new Scottish dealerships under the Macklin Motors brand. The table below sets out the sales outlets currently operated by the Group:

Car Franchises (65)		**Commercial Vehicle Franchises (4)**		**Motorcycle Franchises (1)**	
Ford	20	Iveco	3	Honda	1
Vauxhall	9	Fiat Commercials	1		
Peugeot	8				
Honda	5				
Renault	5				
Citroen	4				
Mazda	4				
Fiat	2				
SEAT	2				
Hyundai	2				
Nissan	1				

Alfa Romeo	1
Chevrolet	1
Mitsubishi	1
Bristol Street Motor Nation used car outlets	4
Stand alone service centres	2

The period saw considerable investment by the Group in Scotland and the Group now operates eight Scottish sales outlets under the Macklin Motors brand. In addition, the Group has built a regional concentration in Cheshire through the purchase of dealerships in Macclesfield, Altrincham and Crewe. Nissan, Mitsubishi and Alfa Romeo were all new franchises added to the Group's portfolio in the period.

The Group continued to invest in its core dealerships to ensure that they provide a first class customer environment and reflect the manufacturer's latest brand image. For example, the Group's Peugeot dealerships will meet the latest 'Blue Box' standards by 31 December 2010.

Given the importance of aftersales to the Group, investment is also being undertaken in this area. A new bodyshop in Newcastle opens in November following the investment of £1.7m in long leasehold premises and plant. This state of the art facility will allow for the former freehold premises to be marketed for sale in due course. The Group continues to actively manage its property portfolio.

Dealership Operations

Vehicle Sales Analysis
For the six month period to 31 August

	FY2011 Core	**FY2011 Acq****	**FY2011 Total**	**FY2010 Core***	**Like for Like % Variance**
New retail	8,700	2,544	11,244	8,179	6.4%
Fleet and commercial	8,282	398	8,680	9,021	(8.2%)
Used retail	15,100	3,271	18,371	14,232	6.1%
	32,082	**6,213**	**38,295**	**31,432**	**2.1%**
New wholesale	633	593	1,226	1,069	(40.8%)
Used trade	10,059	2,360	12,419	9,891	1.7%
Total	**42,774**	**9,166**	**51,940**	**42,392**	**0.9%**

* FY2010 volumes excludes businesses owned for a part-period

** Dealerships acquired since the beginning of FY2010, excluded from like for like comparisons

Revenue and Margins

	New car retail	New Fleet and Commercial	Used cars	Aftersales	Total
Six months ended 31 August 2010					
Revenue (£'m)	145.7	137.3	176.5	51.6	**511.1**
Revenue (%)	29	27	35	9	**100**
Gross Margin %	7.5	2.5	10.9	39.7*	**11.5**
Six months ended 31 August 2009					
Revenue (£'m)	97.7	131.4	130.1	42.1	**401.3**
Revenue (%)	24	33	32	11	**100**
Gross Margin %	8.2	2.4	13.7	40.2*	**12.5**
Year ended 28 February 2010					
Revenue (£'m)	210.1	252.4	269.6	86.8	**818.9**
Revenue (%)	26	31	33	10	**100**
Gross Margin %	8.5	2.4	12.5	40.9*	**12.4**

*margin in aftersales expressed on internal and external turnover

The period has seen the end of the Government's scrappage scheme which provided a major stimulus for private new car sales since its introduction in May 2009. The plate change month of March 2010 was given a particular boost by the scheme and progressively new car sales have reduced against the prior year month with the absence of scrappage volumes. On the positive side, underlying consumer demand exhibited by non scrappage retail new car sales has been higher year on year, and this has partly mitigated the loss of scrappage volumes. In the six months ended 31 August 2010, private registrations in the UK rose by 8.1%. The Group's private new car sales volumes rose in the same period by 6.4% on a like for like basis and 34.7% in total, reflecting acquisitions. In the post-scrappage market the Group is again taking market share with like for like sales growth in advance of the market as the Group's core manufacturers re-establish historic market shares. In addition, the Group's processes, training and management focus are increasingly driving higher than average market shares over time for each of the Group's manufacturers in our market areas.

Gross profit on a per unit basis in new retail car sales was flat in the period. Successive price rises in the new car arena by manufacturers to overcome the devaluation of sterling have led to an increase of 22.2% in the average selling price of new cars sold by the Group in the last two years. As a consequence of these trends, gross margin percentages declined from 8.2% in H1 2010 to 7.5% in H1 2011 on new retail car sales. Overall profitability on a like for like basis rose £0.3m.

Fleet and commercial vehicle sales volumes fell by 8.2% in the period due to the Group undertaking lower volumes of low margin car fleet business. This latter business was undertaken to reduce new vehicle stocks in the prior year. Commercial volumes have grown overall year on year with UK light commercial registrations up 18.5% in the period whilst heavy commercial vehicle registrations remained depressed. The Group's fleet and commercial gross profit per unit has increased;

however, increased selling prices driven by manufacturer price rises reduced this impact on a percentage basis. The Group's expansion strategy is adding more higher margin retail volume to the Group and as a consequence, fleet is reducing as a component of overall sales. This trend will have a margin enhancing impact over time.

The Group's Iveco division, selling and servicing light and heavy vehicles, continues to turnaround and in the first half broke-even against a H1 2010 loss of £0.5m. This was achieved by a significant increase in volumes of vehicles sold, margin increases and an improved aftersales performance.

In H1 2010 the Group's enhanced profitability was secured primarily from a strong performance in its used car operations. Lack of used car supply led to a significant rise in used car prices and margins in the period until the position stabilised in September 2009. The current period has seen used car values adopt a more normal seasonal and downward trend. Used car margins have consequently fallen from 13.7% to 10.9% as used car gross profit per unit levels have returned to historically more sustainable levels and used car prices remain above prior year levels.

The Group has again delivered an increase in like for like used car volumes of 6.1% in the period despite the UK used car market being lower. For example, Experian reported a 0.7% fall in volumes in the period from April to June 2010. These gains in market share reflect the focus and importance the Group attaches to used car sales as part of the overall business model. In addition, credit availability is improving with lower numbers of customers being rejected than in previous periods. The Group's used car operations are aided by industry leading systems and processes, such as the new central used car preparation centre opened in May in Darlington. This provides up to 400 fully prepared used cars per month just in time to the Group's dealerships.

Overall, profitability on a like for like basis from used cars fell £1.0m year on year in the period reflecting reduced margins being partly offset by higher volumes.

Aftersales activities, such as servicing, body repairs and supply of parts also remain a crucial element of the business model. Aftersales operations generated 43.1% of the Group's gross profit (H1 2010: 42.1%). Service revenues rose 2.5% on a like for like basis. This growth has been aided by a number of initiatives in the service area to deliver higher sales and levels of customer retention. These include increased penetration of service plan sales, increased training for colleagues and greater use of technology to ensure sales opportunities are measured and maximised. Overall profitability in service increased on a like for like basis due to higher volumes and tighter cost control, partly offset by a small reduction in margins.

The Group's bodyshops also saw increased profitability in the period on the back of increased sales, enhanced margins and cost control.

The parts supply business saw a significant rise in profitability in the period due to higher sales volumes leading to enhanced bonus earnings from manufacturers. Sales have been increased by focusing on growing trade parts operations in many dealerships over the last three years, together with the benefits from increased sales through the Group's dealership service departments. Overall aftersales margins fell from 40.2% in H1 2010 to 39.7% in H1 2011 reflecting the increased importance of parts sales in the aftersales mix which attract a lower gross margin than service and bodyshop activities.

CURRENT TRADING AND OUTLOOK

As it is a plate change month, September is the second most important month for UK private retail new car sales, and is a key month for the Group's trading performance in the second half of the financial year. The Group's new car performance in September was ahead of the Board's expectations. Underlying private consumer demand increased year on year to partially offset the exceptional scrappage volumes undertaken last year. New car retail volumes (including scrappage in the prior year) in the UK declined 19.0% in the month whilst like for like new retail volumes for the Group fell by only 2.6%. The Group therefore outperformed the market in new car sales and gained market share. This strong retail performance ensured that the Group benefited from manufacturer bonus earnings without recourse to any pre-registration activity to achieve targets. Used car and aftersales performance was in line with the Board's expectations and overall the Group delivered a strong financial result in September.

With the outperformance of market expectations by the Group in the first half and a strong financial result in September, the Group is currently trading ahead of market expectations for the full financial year.

Whilst clearly the Board is mindful of the fragility of UK consumer demand, current trading has been encouraging, with a focus on ensuring we deliver operational improvements from recent acquisitions in order to generate shareholder value. The Board is confident on delivering a record profit in the current financial year.

MAIDEN INTERIM DIVIDEND

The Company is pleased to announce that a maiden interim dividend of 0.2p per share will be paid on 28 January 2011 to all members appearing on the register of members on the record date 7 January 2011. The ex-dividend date for the shares will be 5 January 2011.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2010

	Note	Six months ended 31 Aug 2010 £'000	Six months ended 31 Aug 2009 £'000	Year ended 28 Feb 2010 £'000
Revenue				
Continuing operations		501,522	401,345	818,922
Acquisitions		9,626	-	-
		511,148	**401,345**	**818,922**
Cost of sales				
Continuing operations		(444,111)	(351,298)	(717,476)
Acquisitions		(8,321)	-	-
		(452,432)	**(351,298)**	**(717,476)**
Gross profit				
Continuing operations		57,411	50,047	101,446
Acquisitions		1,305	-	-
		58,716	**50,047**	**101,446**
Operating expenses				
Continuing operations		(51,511)	(44,980)	(93,894)
Acquisitions		(1,562)	-	-
		(53,073)	**(44,980)**	**(93,894)**
Operating profit before amortisation, share based payments charge and exceptional charges				
Continuing operations		5,900	5,067	7,552
Acquisitions		(257)	-	-
		5,643	**5,067**	**7,552**
Amortisation of intangible assets		(125)	(100)	(209)
Share based payments charge		(122)	(4)	(119)
Exceptional charges	5	-	(1,305)	(1,404)
Operating profit		**5,396**	**3,658**	**5,820**
Finance income	4	875	623	1,736
Finance costs	4	(1,362)	(1,441)	(2,432)
Exceptional recycling of cash flow hedge reserve	5	-	-	(498)
Profit before tax, amortisation, share based payments charge and total exceptional charges		5,156	4,249	6,856
Amortisation of intangible assets		(125)	(100)	(209)
Share based payments charge		(122)	(4)	(119)
Total exceptional charges	5	-	(1,305)	(1,902)
Profit before tax		**4,909**	**2,840**	**4,626**
Taxation	6	(1,276)	(800)	(844)
Profit for period attributable to equity holders		**3,633**	**2,040**	**3,782**
Basic earnings per share (p)	7	**1.83**	**1.35**	**2.23**
Diluted earnings per share (p)	7	**1.83**	**1.35**	**2.23**

	Note			
Adjusted earnings per share (p)	7	**1.94**	**2.02**	**3.20**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 August 2010

	Note	Six months ended 31 Aug 2010 £'000	Six months ended 31 Aug 2009 £'000	Year ended 28 Feb 2010 £'000
Profit for the period		**3,633**	**2,040**	**3,782**
Other comprehensive income (expense)				
Actuarial losses on retirement benefit obligations	12	(2,444)	(2,867)	(1,902)
Deferred tax relating to actuarial losses on retirement benefit obligations		684	803	532
Cash flow hedges	8	-	7	-
Deferred tax relating to cash flow hedges	8	-	(2)	-
Recycling of cash flow hedge reserve to the income statement	8	225	-	498
Deferred tax on recycling of cash flow hedge reserve	8	(63)	-	(138)
Other comprehensive income (expense) for the period, net of tax		**(1,598)**	**(2,059)**	**(1,010)**
Total comprehensive income (expense) for the period attributable to equity holders		**2,035**	**(19)**	**2,772**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2010

	Note	31 August 2010 £'000	31 August 2009 £'000	28 February 2010 £'000
Non-current assets				
Goodwill		20,203	18,612	20,110
Other intangible assets		1,019	984	963
Property, plant and equipment		73,800	58,710	67,029
		95,022	**78,306**	**88,102**
Current assets				
Inventories		177,511	131,239	166,309
Property assets held for sale		4,900	5,000	4,900
Trade and other receivables		29,095	17,243	22,078
Cash and cash equivalents		26,969	30,709	34,347
Total current assets		**238,475**	**184,191**	**227,634**
Total assets		**333,497**	**262,497**	**315,736**
Current liabilities				
Trade and other payables		(214,613)	(152,858)	(201,899)
Current tax liabilities		(4,395)	(3,543)	(3,804)
Deferred consideration		-	-	(664)
Borrowings		(1,358)	-	(168)
Total current liabilities		**(220,366)**	**(156,401)**	**(206,535)**
Non-current liabilities				
Borrowings		(10,608)	(9,697)	(10,655)
Derivative financial instruments		(673)	(1,427)	(1,434)
Deferred income tax liabilities		(2,920)	(3,622)	(3,541)
Retirement benefit liability	12	(2,875)	(2,254)	(495)
Provisions for other liabilities		(2,712)	(1,965)	(2,554)
		(19,788)	**(18,965)**	**(18,679)**
Total liabilities		**(240,154)**	**(175,366)**	**(225,214)**
Net assets		**93,343**	**87,131**	**90,522**
Capital and reserves attributable to equity holders of the Group				
Ordinary shares		19,928	19,630	19,756
Share premium		60,506	60,506	60,506
Other reserve		8,820	7,969	8,328
Hedging reserve	8	(510)	(1,027)	(672)
Retained earnings		4,599	53	2,604
Shareholders' equity		**93,343**	**87,131**	**90,522**

CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2010

	Note	Six months ended 31 August 2010 £'000	Six months ended 31 August 2009 £'000	Year ended 28 February 2010 £'000
Operating profit		5,396	3,658	5,820
(Profit) loss on sale of tangible fixed assets		(6)	17	12
Loss on sale of properties		-	1,305	1,304
Amortisation of intangible assets		125	100	209
Depreciation of property, plant and equipment		1,574	1,244	2,945
(Increase) decrease in inventories		(2,815)	(5,327)	4,831
(Increase) decrease in trade and other receivables		(3,879)	3,507	(2,668)
Impairment of assets held for resale		-	-	100
Increase (decrease) in payables		6,607	(3,660)	2,021
Increase in provisions		158	532	1,121
Movement in share based payments charge		122	4	119
Cash generated from operations		**7,282**	**1,380**	**15,814**
Tax received		123	379	379
Tax paid		(809)	-	(459)
Finance income received		42	10	99
Finance costs paid		(386)	(612)	(935)
Payment to terminate swap		(672)	-	-
Net cash generated from operating activities		**5,580**	**1,157**	**14,898**
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(7,375)	(7,225)	(12,023)
Acquisition of freehold land and buildings		(2,803)	(2,752)	(5,950)
Purchases of intangible fixed assets		(181)	(42)	(129)
Purchases of property, plant and equipment		(2,535)	(1,321)	(3,360)
Proceeds from disposal of property, plant and equipment		20	876	895
Proceeds from disposal of property assets held for sale		-	3,839	3,839
Net cash outflow from investing activities		**(12,874)**	**(6,625)**	**(16,728)**
Cash flows from financing activities				
Net proceeds from issuance of ordinary shares		-	29,947	29,947
Repayment of borrowings	9	(84)	(6,677)	(6,677)
Net cash (outflow) inflow from financing activities		**(84)**	**23,270**	**23,270**
Net (decrease) increase in cash and cash equivalents	**9**	**(7,378)**	**17,802**	**21,440**
Cash and cash equivalents at beginning of period		34,347	12,907	12,907
Cash and cash equivalents at end of period		**26,969**	**30,709**	**34,347**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 31 August 2010

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2010	**19,756**	**60,506**	**8,328**	**(672)**	**2,604**	**90,522**
Profit for the period	-	-	-	-	3,633	3,633
Actuarial losses on retirement benefit obligations	-	-	-	-	(2,444)	(2,444)
Tax on items taken directly to equity	-	-	-	(63)	684	621
Recycling of cash flow hedge reserve	-	-	-	225	-	225
Share based payments credit	-	-	-	-	122	122
New ordinary shares issued	172	-	492	-	-	664
As at 31 August 2010	**19,928**	**60,506**	**8,820**	**(510)**	**4,599**	**93,343**

For the six months ended 31 August 2009

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2009	**9,198**	**40,991**	**7,969**	**(1,032)**	**73**	**57,199**
Profit for the period	-	-	-	-	2,040	2,040
Actuarial losses on retirement benefit obligations	-	-	-	-	(2,867)	(2,867)
Tax on items taken directly to equity	-	-	-	(2)	803	801
Fair value gains during the period	-	-	-	7	-	7
Share based payments charge	-	-	-	-	4	4
New ordinary shares issued	10,432	20,864	-	-	-	31,296
Costs associated with issuance of ordinary shares	-	(1,349)	-	-	-	(1,349)
As at 31 August 2009	**19,630**	**60,506**	**7,969**	**(1,027)**	**53**	**87,131**

For the year ended 28 February 2010

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2009	**9,198**	**40,991**	**7,969**	**(1,032)**	**73**	**57,199**
Profit for the year	-	-	-	-	3,782	3,782
Actuarial losses on retirement benefit obligations	-	-	-	-	(1,902)	(1,902)
Tax on items taken directly to equity	-	-	-	(138)	532	394
Recycling of cash flow hedge reserve	-	-	-	498	-	498
Share based payments credit	-	-	-	-	119	119
New ordinary shares issued	10,558	20,864	359	-	-	31,781
Costs associated with issuance of ordinary shares	-	(1,349)	-	-	-	(1,349)
As at 28 February 2010	**19,756**	**60,506**	**8,328**	**(672)**	**2,604**	**90,522**

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

NOTES

For the six months ended 31 August 2010

1. Basis of Preparation

Vertu Motors plc is a Public Limited Company which is listed on the Alternative Investment Market (A*i*M) and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Kingsway North, Team Valley, Gateshead, Tyne and Wear, NE11 0JH. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2010 and similarly the period ended 31 August 2009 has neither been audited nor reviewed by the auditors. The financial information for the year ended 28 February 2010 has been based on information in the audited financial statements for that period.

The information for the year ended 28 February 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain an emphasis of matter statement under section 498 of the Companies Act 2006.

2. Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with IFRSs as adopted by the European Union. The annual report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, share based payments and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies adopted in this interim financial report are consistent with those of the Group's financial statements for the year ended 28 February 2010 and can be found on our website, www.vertumotors.com.

In addition, this unaudited interim financial report does not comply with IAS 34 Interim Financial Reporting, which is not required to be applied under the AiM Rules.

3. Segmental information

The Group complies with 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. As such, the Group has only one reportable business segment, since the Group is operated and is managed on a dealership by dealership basis. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and aftersales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams.

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

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

	New car retail	New Fleet and Commercial	Used cars	Aftersales	Total
Six months ended 31 August 2010					
Revenue (£'m)	145.7	137.3	176.5	51.6	**511.1**
Revenue (%)	29	27	35	9	**100**
Gross Margin %	7.5	2.5	10.9	39.7*	**11.5**
Six months ended 31 August 2009					
Revenue (£'m)	97.7	131.4	130.1	42.1	**401.3**
Revenue (%)	24	33	32	11	**100**
Gross Margin %	8.2	2.4	13.7	40.2*	**12.5**
Year ended 28 February 2010					
Revenue (£'m)	210.1	252.4	269.6	86.8	**818.9**
Revenue (%)	26	31	33	10	**100**
Gross Margin %	8.5	2.4	12.5	40.9*	**12.4**

*margin in aftersales expressed on internal and external turnover

4. Net finance costs

	Six months ended 31 August 2010 £'000	Six months ended 31 August 2009 £'000	Year ended 28 February 2010 £'000
Interest on short term bank deposits	42	62	122
Vehicle stocking interest	61	-	493
Fair value gains on derivative financial instruments	85	-	-
Other finance income relating to Group pension scheme	687	561	1,121
Finance income	**875**	**623**	**1,736**
Bank loans and overdrafts	(344)	(501)	(1,054)
Vehicle stocking interest	-	(250)	-
Recycling of cash flow hedge reserve	(225)	-	-
Other finance costs relating to Group pension scheme	(786)	(683)	(1,365)
Other finance costs	(7)	(7)	(13)
Finance costs	**(1,362)**	**(1,441)**	**(2,432)**

5. Exceptional charges

	Six months ended	Six months ended	Year ended

	31 August 2010 £'000	31 August 2009 £'000	28 February 2010 £'000
Loss on sale of properties	-	1,305	1,304
Impairment of assets held for resale	-	-	100
	-	**1,305**	**1,404**
Recycling of cash flow hedge reserve	-	-	498
	-	**1,305**	**1,902**

Exceptional charges of £1.3m were incurred in the prior year in relation to losses on the disposal of two of the Group's freehold properties.

Assets held for resale have been reviewed by the Board and no additional impairment provision (Year ended 28 February 2010: £0.1m) has been charged to the income statement.

In addition, in the year ended 28 February 2010, the Group was significantly over-hedged in relation to interest rate hedging, following the repayment of certain bank loans. Therefore, the over-hedged proportion of the fair value of the derivative financial instruments, totalling £0.5m, was recognised as an exceptional cost and therefore recycled through the income statement.

6. Taxation

The tax charge for the six months ended 31 August 2010 has been provided at the effective rate of 26.0% (Six months ended 31 August 2009: 28.2%).

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in this interim report.

7. Earnings per share

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

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. None of the share options in issue have an exercise price below fair value.

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

	Six months ended 31 August 2010 £'000	Six months ended 31 August 2009 £'000	Year ended 28 February 2010 £'000
Profit attributable to equity shareholders	3,633	2,040	3,782
Amortisation of intangible assets	125	100	209
Share based payments charge	122	4	119
Exceptional charges	-	1,305	1,902
Tax effect of adjustments	(35)	(393)	(591)
Adjusted earnings attributable to equity shareholders	**3,845**	**3,056**	**5,421**
Weighted average number of shares in issue ('000s)	198,539	151,448	169,224
Potentially dilutive shares ('000s)	-	-	-
Diluted weighted average number of shares in issue ('000s)	**198,539**	**151,448**	**169,224**
Basic earnings per share	**1.83p**	**1.35p**	**2.23p**
Diluted earnings per share	**1.83p**	**1.35p**	**2.23p**
Adjusted earnings per share	**1.94p**	**2.02p**	**3.20p**
Diluted adjusted earnings per share	**1.94p**	**2.02p**	**3.20p**

8. Hedging reserve

	31 August 2010 £'000	31 August 2009 £'000	28 February 2010 £'000
Cash flow hedge:			
At beginning of period	(672)	(1,032)	(1,032)
Fair value gains on derivative financial instruments during the period	-	7	-
Deferred taxation on fair value gains during period	-	(2)	-
Recycling of cash flow hedge reserve through the income statement	225	-	498
Deferred tax on recycling of cash flow hedge reserve	(63)	-	(138)
At end of period	**(510)**	**(1,027)**	**(672)**

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

	31 August 2010 £'000	31 August 2009 £'000	28 February 2010 £'000
Net (decrease) increase in cash and cash equivalents	(7,378)	17,802	21,440

Cash inflow from increase in borrowings	-	-	(1,089)
Cash outflow from repayment in borrowings	84	6,677	6,677
Cash movement in net debt	**(7,294)**	**24,479**	**27,028**
Issue of redeemable loan notes	(1,190)	-	-
Amortisation of loan arrangement fee	(37)	(38)	(75)
Non cash movement in net debt	**(1,227)**	**(38)**	**(75)**
Movement in net debt	**(8,521)**	**24,441**	**26,953**
Opening net cash (debt)	**23,524**	**(3,429)**	**(3,429)**
Closing net cash	**15,003**	**21,012**	**23,524**

During the period, loan notes of £1.2m were issued to the vendors of Bristol Street Motors pursuant to the Sale and Purchase Agreement dated 27 February 2007. These loan notes, payable in cash in October 2010, represent the final tranche of consideration payable under this Sale and Purchase Agreement.

10. Acquisitions

On 31 March 2010, the Group acquired the trade and assets of Paisley Peugeot from Johnston of Renfrewshire Limited, for cash consideration of £2.3m.

On 29 June 2010, the Group acquired the trade and assets of certain dealerships from the administrators of Baker (Crewe) Limited for total cash consideration of £2.8m.

Also, on 1 July 2010, the Group acquired the trade and assets of two dual franchised Ford and Mazda dealerships in Glasgow and Hamilton, for cash consideration of £1.8m.

On 2 August 2010, the Group acquired the trade and assets of Derby SEAT from GK Group Limited, for cash consideration of £0.5m.

11. Events after the balance sheet date

On 10 September 2010, the Group acquired the trade and assets of Dunfermline Peugeot from Hardie Motor Group, for cash consideration of £0.3m.

On 1 October 2010, the Group redeemed the loan notes issued earlier in the period in connection with the acquisition of Bristol Street Motors.

On 4 October 2010, the Group acquired a Renault and Nissan business in Altrincham and a Ford and Renault business in Macclesfield, through the purchase of the trade and certain assets from the Lookers group. The consideration for this acquisition was £3.5m which was settled in cash from existing resources.

12. Retirement benefits

The defined benefit plan assets and liabilities have been updated to reflect their market value as at 31 August 2010. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy.

During the six month period ended 31 August 2010, equity markets fell slightly but bond markets rose and returned more than assumed. Overall, this led to a gain on assets of £736,000. There have also been changes in the financial assumptions underlying the calculation of the liabilities in the same period. In particular, both the yield on AA-rated corporate bonds and the long-term outlook for inflation have decreased. This has led to a higher value being placed on liabilities at the 31 August 2010 than assumed at the beginning of the financial year, resulting in loss of £3,180,000. Therefore, in total, there was an actuarial loss in the period of £2,444,000 before deferred taxation, recognised in the Consolidated Statement of Comprehensive Income.