16 May 2012

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

Final results for the year ended 29 February 2012

Vertu Motors plc, the UK automotive retailer with a network of 78 sales and aftersales outlets across the UK, announces its audited results for the year ended 29 February 2012.

	Year ended 29 February 2012	**Year ended 28 February 2011**	**% change**
Revenue	£1,088.3m	£998.9m	+8.9%
Adjusted EBITDA*	£12.3m	£12.1m	+1.7%
Adjusted operating profit*	£8.4m	£8.7m	-3.4%
Adjusted profit before tax*	£7.3m	£8.4m	-13.1%
Adjusted earnings per share*	3.19p	3.23p	-1.2%
EBITDA	£10.8m	£10.0m	+8.0%
Operating profit	£6.7m	£6.3m	+6.3%
Exceptional costs	£1.3m	£2.8m	-53.6%
Profit before tax	£5.5m	£5.3m	+3.8%
Earnings per share	2.53p	2.02p	+25.2%
Operating cash inflow	£7.5m	£12.0m	-37.5%
Net cash	£3.5m	£13.6m	-74.3%
Net assets per share	50.4p	48.9p	+3.1%
Tangible net assets per share	41.6p	40.1p	+3.7%

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

Highlights

- Revenue up 8.9% to £1.09bn (2011: £0.99bn) reflecting continued acquisition activity
- H2 adjusted operating profit up 21% to £3.7m (2011: £3.1m), re-establishing forward profit momentum
- EBITDA and operating profit up 8.0% and 6.3% respectively
- Profit before tax up 3.8% to £5.5m (2011:£5.3m)
- Strong cash flow conversion of profits with operating cashflow of £7.5m
- Progressive dividend policy continued
    - Proposed final dividend of 0.4p per share
    - Total dividends for the year up 20% to 0.6p per share
- Continued progress in driving enhanced aftersales performance with like-for-like growth in margins and profits
- Outperformance in new car sales with new car retail volumes declining 3.5% against a retail market decline of 11.9%
- Market share increased to over 3% of new car private market (2011: 2.4%)

Current Trading and Outlook

- March and April trading performance significantly ahead of prior year and budget levels
- New car retail market in UK showing growth following period of decline in 2011
- Used car like-for-like volumes up 9.8% in March and April
- Acquisitions undertaken in previous periods continue to exhibit performance improvements
- Strong pipeline of potential acquisition opportunities

Robert Forrester, Chief Executive of Vertu said:

"The Group has successfully navigated a challenging period for the industry driven by reduced consumer demand in 2011. Increased profit before taxation, strong cash generation and the continued development of the dealership portfolio were delivered. The Group saw revenues in excess of £1bn for the first time and profit momentum was re-established in the second half of the year. The Board's confidence in the future is underlined by its recommendation of a 20% increase in the full year dividend announced today.

From the start of 2012, market conditions have improved in the retail car sales sector. The new car retail market has returned to growth and used car demand has been robust. The Group continues to focus heavily on increasing the retention of customers into the Group's service operations and good progress continues to be made in this regard.

Reflecting these market trends and the continued progress made in improving the business performance of acquired businesses, trading in March and April has been stronger than anticipated and profitability is above prior year levels.

The Board remains committed to its growth strategy supported by the strong financial position of the Group. We have a strong pipeline of potential transactions which we are currently working on. These reflect the highly fragmented nature of the sector."

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Notes to Editors

Vertu Motors is a UK automotive retailer with a network of 78 sales and aftersales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu Honda and Macklin Motors brand names. Manufacturer partners are Alfa Romeo, Chrysler Jeep, Citroen, Fiat, Ford, Honda, Hyundai, Iveco, Mazda, Mitsubishi, Nissan, Peugeot, Renault, SEAT and Vauxhall. The Group also operates the Bristol Street Versa Mobility wheelchair accessible vehicle conversion business.

Vertu Motors was established in November 2006 and quoted on AIM in December 2006, with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire motor retail operations to grow a scaled dealership group. The Group's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network.

The Group currently operates 75 franchised sales outlets and 3 non-franchised sales operations from 66 locations across the UK.

Vertu Motors group websites - www.vertumotors.com / www.vertucareers.com

Vertu Motors brand websites - www.bristolstreet.co.uk / www.vertuhonda.com / www.motornation.co.uk / www.macklinmotors.co.uk

CHAIRMAN'S REPORT

Since flotation in December 2006, the Group has established itself as a major player in the United Kingdom automotive retail sector. The Group operates 78 sales outlets and this rapid progress to a scaled business is evidenced by the Group reporting revenues in excess of £1bn for the first time.

The Board has maintained a consistent strategy since flotation to grow a scaled motor dealership Group and has achieved this in its volume franchises in the UK. The highly fragmented nature of the automotive retail sector means that significant growth remains possible through continued strategic acquisitions. In addition, in the medium term the Board will seek to broaden the franchises held by the Group into the premium segment. This will provide a balanced portfolio as the Group seeks to mirror the market share of manufacturers in the UK in the Group's portfolio of franchised dealerships.

The Group's strategy is to deliver enhanced business performance from acquired dealerships through the implementation of consistent business processes and systems. Dealership management quality is a critical factor and the recruitment, development and retention of high performing motor retail professionals is of paramount importance. The Group's culture and strategy is to encourage, develop and retain top performers. The success of this strategy can be seen in the fast pace of growth since the first acquisition in 2007 and the turnaround of acquired dealerships achieved to date notwithstanding periods of challenging and volatile markets. The acquisitions undertaken in recent periods have still to reach maturity in terms of performance and this should enable the Group to deliver further organic profit growth over the medium term.

Our objective has been to enhance the experiences of our customers and, in turn, secure significant gains in vehicle sales market share in our local territories. The increasing local vehicle parc being created, coupled with high levels of customer retention, then drives higher aftersales activity levels allowing the Group to deliver improvements in profitability. The Board believes operational gearing benefits will further accelerate profitability as the United Kingdom economy recovers over the next few years and new car volumes rise. Over two million new car sales per annum are required to maintain the current size of the total UK vehicle parc and in 2012 the market is expected to be below this level again.

Industry observers believe UK GDP growth of 2% or over would generate the necessary consumer confidence to see new car sales increase to over 2 million. The SMMT forecasts this to occur in 2014. The strengthening of sterling would also aid UK volumes of new cars by making the UK a more profitable market for the global manufacturers and enabling potential new car price reductions. The potential for higher activity is likely to go hand in hand with the continued contraction in the number of franchised outlets in the UK as economic and structural pressures are played out. In the medium term the Board believes that higher activity levels will be undertaken through franchised networks with a reduced number of outlets with resulting operational gearing benefits for those retailers that remain.

Historically high fuel costs continue to shape the market for new and used cars encouraging consumers to change their cars for more efficient newer models. Such inflationary pressures are also reducing the number of miles driven in the UK each year which is having an impact in the wider market for aftersales services particularly in the accident repair segment. Substantial increases in insurance costs in recent years are having similar effects and younger people are increasingly finding it difficult to enter the car market at the same stage their parents did. Free insurance offers by manufacturers help overcome these trends and the use of telematics by insurance providers to price risk and monitor driving behaviour may come into play in the next few years in response.

The Group continued to expand in the year through acquisitions with eight outlets opened at new locations or acquired. These generated a further £44m of revenue in the year ended 29 February 2012 and contributed an operating loss of £0.8m. In part this reflected the start-up nature of a number of the operations and historic underperformance in others. In addition the fact that all acquisitions in the year were acquired after the peak trading month of March also contributed to these losses. The Board expects these dealerships to contribute an improved performance in 2012/13. Post year-end, five sales outlets were closed by the Group. These were small outlets which formed part of larger multifranchised businesses. No locations ceased operations as part of these changes and the Board anticipates the changes to be earnings neutral in 2012/13.

The Group's robust balance sheet position with net cash of £3.5m at 29 February 2012 and committed debt facilities of an additional £35m enables further expansion to be undertaken from existing resources. The Board is committed to continuing to build a sustainable, scalable business to deliver shareholder value in a fragmented market.

Current Trading and Outlook

The Group has traded ahead of the prior year in March and April reflecting stronger activity levels and increased contribution from recently acquired dealerships.

March is the most important month for the profitability of UK motor retail as a consequence of the plate change and its impact on new car demand. UK new car registrations to private buyers ("the retail market") in March and April increased by 9.1% as consumer confidence recovered – a trend seen from January 2012 onwards. The Group's like-for-like new retail volumes increased by 4.1% and manufacturer targets were achieved at a high level reflecting the strong penetration of the local retail markets. Profitability from new retail sales moved forward strongly as a consequence.

The Group's like-for-like used retail volumes rose 9.8% year-on-year in March and April. Margins were stable and combined with the volume increases the Group delivered an enhanced profit performance in used cars. Dealerships acquired in recent years are also exhibiting improved used car returns as the Group's systems and the training of management come together.

Service profitability since the year-end has run ahead of the prior year and continues to benefit from the customer retention initiatives being executed by the Group. The accident repair sector continues to exhibit significant volume and margin weakness and this is having a knock on impact to trade parts volumes.

Notwithstanding the challenging and volatile economic backdrop, the improved market conditions seen in 2012 coupled with increasing evidence of the sustained turnaround of acquired businesses give the Board confidence in the Group's prospects for the remainder of the financial year. Investment in growth remains at the top of the Board's agenda and the Group has a strong pipeline of acquisition opportunities. These potential transactions are likely to lead to a further expansion of the Group's number of sales outlets in the coming months.

Dividends

Last year as a consequence of the cash generation of the underlying business, the Company commenced the payment of a dividend to shareholders. The Board is mindful of the Group's strong financial position in its decision and has proposed a final dividend of 0.4 pence per share. Taken together with the interim dividend of 0.2 pence per share, this provides a total dividend for the year of 0.6 pence per share – an increase of 20%.

P R Williams
Non-Executive Chairman

CHIEF EXECUTIVE'S REVIEW

Portfolio Development

During the year the Group expanded the number of sales outlets from 75 to 83 sales outlets through acquisitions and the opening new start-up dealerships. Subsequent to the year-end, five sales outlets in multi-franchise locations have been closed so the Group now operates 78 sales outlets from 66 locations. It is envisaged that the ending of operations of these five smaller franchise sales outlets will be earnings neutral. Aftersales operations have been retained at these locations for the exited franchises.

The current dealership portfolio is summarised below:

Dealership Numbers	**May**	**May**
Car Franchises	**2012**	**2011**
Ford	20	20
Vauxhall	11	10
Peugeot	8	8
Honda	5	5
Citroen	4	4
Mazda	4	4
Nissan	4	2
Hyundai	4	3
SEAT	3	3
Fiat	2	2
Renault	2	5
Alfa Romeo	1	1
Chrysler Jeep	1	-
Mitsubishi	1	1
Chevrolet	-	1
	70	**69**
Commercial Vehicle Franchises		
Iveco	3	3
Fiat	1	1
	4	**4**
Motorcycle Franchise		
Honda	1	1
Non-Franchised Outlets		
Bristol Street Motor Nation	3	3
Total Sales Outlets	**78**	**77**

The Group added two new Nissan dealerships in the year at Widnes and Glasgow. Widnes was acquired through the acquisition of Widnes Car Centre Limited (1994) in August 2011 and includes the freehold property of the dealership. Glasgow Nissan opened in July 2011 in new premises developed by the Group on acquired freehold land. This flagship dealership includes sales of electric vehicles and a Nissan Sports Performance Centre. The Group now operates four Nissan dealerships.

The Group acquired the trade and assets relating to Northampton Vauxhall in January 2012. The Northampton opportunity is significant and as part of the acquisition, two Vauxhall dealerships in the town were consolidated into one. The Group is currently developing an acquired freehold site in Northampton as a new Vauxhall dealership. Operations are expected to be relocated to the new dealership before the end of the year. The Group now operates 11 Vauxhall dealerships.

Alongside the development of the new Vauxhall dealership in Northampton, the Group will complete this month the development of a new flagship Vauxhall brand centre at Chingford, North London. The existing Ilford Vauxhall dealership will relocate to Chingford and the Ilford Chevrolet sales outlet is ceasing operations. Vauxhall have introduced their first electric vehicle, Ampera, and have chosen 23 UK locations to retail the product from. Chingford and the Group's Newcastle Vauxhall brand centre represent two of the 23 locations.

The Group strengthened its links with the Volkswagen Group through the acquisition of Barnsley SEAT in April 2011. This freehold dealership has subsequently been refurbished and brings the number of SEAT dealerships operated by the Group to three. A similar strengthening of the Group's relationship with Hyundai took place with the opening of a new dealership in Peterlee. Hyundai continues to develop its product range and grow its vehicle parc rapidly. The Group now has four Hyundai sales outlets.

In June 2011 the Group purchased the Bristol Mazda dealership. This dealership is in an excellent location in leased premises. Subsequently, the Chrysler Jeep franchise has been added to the operation – a new franchise to the Group and one closely aligned to the Group's existing Fiat Group operations.

In December 2011 Renault announced a review of its UK dealer network in a bid to improve dealer and manufacturer profitability in the face of declining sales volumes. The Board evaluated the Group's Renault operations and agreed with Renault that the Group would exit Renault sales operations at Altrincham, Macclesfield and Darlington, retaining aftersales operations for the brand at each of these locations. These three sales outlets were multi-franchised alongside Nissan, Ford and SEAT respectively and these dealerships will be refurbished to become solus dealerships for sales. These changes took effect on 1 April 2012 and the Group retains Renault sales outlets in Exeter and Gloucester following the changes.

In April 2012 Mazda also announced a review of its UK dealer network and the Group agreed with Mazda the closure of the Glasgow Mazda sales outlet at the end of April. The dealership continues as a solus Ford operation.

The Group's acquisition strategy of purchasing underperforming businesses dilutes earnings in the periods immediately following acquisition and this is exacerbated by the likely impact of missing the profitable March period in the financial year of acquisition. The track record of turning businesses around is, however, strong and the lower margins exhibited by the newly acquired business represent a significant opportunity for the Group to drive organic earnings growth in the coming years. This remains very much the case today.

The Group continues to develop relationships with franchises not currently held by the Group in order to seek to diversify its franchise portfolio. The medium term strategy of the Group is to develop a balanced portfolio which matches the market shares obtained by manufacturers in the UK.

The Board has always sought to balance those dealerships in freehold and leasehold properties. As at 29 February 2012, freehold locations accounted for 48% of total Group locations (2011: 48%).

Operating Review

Digital Operations

In common with other retail sectors, the internet is gradually transforming the shape of the business. In vehicle sales, web presence and digital marketing are vital in order to secure customer enquiries to be fulfilled through the dealership network. For example, in the three months to March 2012 the Group saw an increase in enquiries from the internet on used cars of 21.4%. This drove an increase of 29.3% in sales through this channel as improvements in lead handling processes improved conversion rates. These trends reflected the general increase in the importance of the internet in vehicle marketing and also the effectiveness of the Group's digital strategy. According to Experian's Hitwise report, in March 2012 the Group took the third highest level of web traffic amongst the UK franchise dealer groups and therefore punches above its weight.

As part of the ongoing investment in the digital platform, the Group acquired Compare Click Call Limited in

November 2011. This acquisition provides the Group with a number of well-optimised new car sales websites promoting leasing offers to consumers. The principal website acquired was www.leasecarsdirect.com which provides enquiries to Group and non-group franchised dealerships. The Board believes that further development of the acquired digital real estate will drive further sales of new vehicles.

Digital investment in the aftersales area continues through online bookings (now averaging 600 per month), use of email in customer retention communication and internet marketing to win new service customers. The importance of these activities will only increase over time.

Dealership Operations

Revenue in the year increased to £1,088.3m (2011: £998.9m) reflecting the impact of acquisitions made during the year and the full year impact of prior year acquisitions. Like-for-like revenues declined by £18.0m. Market conditions in vehicle sales softened from April 2011 as consumer confidence in the UK declined sharply for the remainder of the calendar year. This resulted in reduced demand levels for new and used cars from private buyers together with associated greater falls in used car prices than experienced in the previous two years. Despite these market conditions, overall gross margins remained stable at 11.9%.

Adjusted EBITDA increased to £12.3m compared to £12.1m in the year ended 28 February 2011. Profitability growth included a £1.2m increased contribution from acquisitions made in the year ended 28 February 2011. This was partly offset by the losses of £0.8m relating to acquisitions made in the current year. Adjusted operating profits declined by £0.3m from £8.7m to £8.4m as market conditions in vehicle sales softened and prior year comparatives in the first half included the positive impact of the Government Scrappage Scheme which ended in the summer of 2010. Importantly, aftersales operations saw a like-for-like increase in gross profits of £0.7m year-on-year.

First half adjusted operating profit fell from £5.6m to £4.7m whilst in the second half adjusted operating profit rose from £3.1m to £3.7m, re-establishing forward profit momentum. This improvement resulted from stronger market conditions in 2012 and enhanced performances from new businesses as they were integrated into the Group.

Vehicle Unit Sales Analysis	**2012**	**2012**	**2012**	**2011**	**Like-for-Like % Variance**
	Core	**Acquired***	**Total**	**Total****	
New Retail	19,603	5,797	25,400	22,265	(3.5)
Fleet and Commercial	17,279	584	17,863	16,925	4.0
Total New	**36,882**	**6,381**	**43,263**	**39,190**	**(0.3)**
Used Retail	31,874	8,238	40,112	36,317	(1.8)
	68,756	**14,619**	**83,375**	**75,507**	**(1.0)**

* Relates to businesses acquired or developed subsequent to 1 March 2010
** 2011 volumes include businesses acquired in the year ended 28 February 2011

Revenue and Margins	Year ended 29 February 2012				Year ended 28 February 2011			
	Revenue	Revenue	Gross Margin		Revenue	Revenue	Gross Margin	
	£m	%	%		£m	%	%	
New car retail	330.9	30	7.4		291.6	29	7.5	
New fleet and commercial	270.1	25	2.3		258.9	26	2.4	
Used cars	374.8	34	11.1		345.0	35	11.3	
Aftersales	112.5	11	41.7	***	103.4	10	40.8	***
	1,088.3	**100**	**11.9**		**998.9**	**100**	**11.9**	

***margin in aftersales expressed on internal and external turnover

New retail car volumes fell by 3.5% in the year on a like-for-like basis. This compared to a market decline of 11.9% in UK private new car registrations. The Group's operations performed well in the period, delivering above national average penetrations of new car sales for our manufacturer partners in the majority of the Group's dealerships. The Group achieved a 3.1% market share of the new retail car market compared to 2.4% in 2011 as the Group's number of outlets also increased.

Gross margin percentages in new retail car sales slightly declined at 7.4% (2011: 7.5%) with new prices remaining at high levels reflecting the weakness of sterling and commodity price pressures. The combination of the resultant high pricing by manufacturers and reduced consumer appetite clearly impacted the volume of sales in the retail market and this led to underlying margin pressures. This was offset by improvements in the margins obtained in dealerships acquired in recent years which are now approaching the Group average.

New car fleet registrations in the UK rose 4.4% in the year whilst the Group saw like-for-like car fleet volumes decline by 2.4%. The Group's car fleet activities have historically been dominated by large volumes to the daily rental sector and this has made Bristol Street Motors one of the strongest fleet operators in the UK for many years. As manufacturers have sought to regain profitability in the wake of currency movements, volumes to the low margin daily rental sector have been successively reduced. Supplies of cars to the contract hire and corporate market by the Group increased in the year but did not offset the fall in daily rental volumes.

The Group benefited from an improvement in the market for light and heavy commercial vehicles over the period with like-for-like Group volumes of commercial vehicles up 11.6% on top of last year's growth of 12.1%. This is in line with the growth of the UK market which rebounded after a number of years of weakness. In January and February 2012 the UK light van market again saw year-on-year declines in commercial registrations in a reversal of the trends of the last two years.

The Group's margin percentages in the fleet and commercial sector were marginally down in the period at 2.3% (2011: 2.4%). Margins in the first half were reduced compared to the average for recent years. This reflected reduced incentive support levels from vehicle manufacturers under pressure from the exchange rate weakness of sterling. In the second half margins rose to above historical norms as increased contract hire car sales and higher margin commercial sales enriched the sales mix.

The Group's used car operations saw an improved performance in the second half of the financial year. Used vehicle volumes declined by 1.8% on a like-for-like basis in the financial year having recovered from a decline of 5.9% in the first half of the year. Used car demand fell off from April 2011 until the end of the calendar year. 2012 has seen a return to more normal levels of demand. Margins followed a similar trend to demand and were weaker in the first half. This was a consequence of weaker market demand resulting in sales prices being constrained for anything other than small, cheaper cars together with above average declines in used car values over the summer months. There was a recovery in the second half as conditions normalised. Overall used car margins declined from 11.3% to 11.1%.

Recently acquired dealerships have significantly lower used car margins than those obtained in the core business. These businesses generated a used car gross margin in the year of 9.1% compared to the core business margin of

11.4%. The lower margin in newly acquired businesses reflects the Group's strategy to drive volumes post-acquisition and the previously underperforming nature of the majority of the Group's acquired businesses. As Group management processes, training and systems on used cars embed over time in these new businesses, then used car margins are expected to converge on those achieved by the Group as a whole. A further industry used car metric is return on investment and the Group outperforms the industry average of 74% (Source: ASE) in this area. The core dealerships of the Group averaged 146% in the year and recently acquired dealerships averaged 112%. Again this highlights the future profit improvements from acquisitions that the Group expects to obtain going forward.

The Group's aftersales operations comprise servicing, accident repair centres and parts supply. The strategy of the Group is to increase customer retention in these high margin areas through continuing the execution of a number of core strategies. These include a focus on driving increased car sales to build a local vehicle parc which is then marketed to via a sophisticated customer relationship management process. Further retention is driven through the extensive sale of service plans and delivering an outstanding customer experience, for example committing to clean every car during every visit to a service department. Linked to customer retention, the Group has an extensive programme to improve customer satisfaction and every colleague in the Group has a financial incentive to deliver an outstanding level of customer service.

The Group saw like-for-like gross profits in aftersales grow by £0.7m in the period. This growth was driven by increased retail revenues in the service area as more new and used car customers were retained back into the Group's service operations. In addition sales of additional products such as tyres, engine flush and oil were increased. Overall aftersales margins improved from 40.8% to 41.7% on the back of stronger parts margins. The strengthening of parts margins was partly a function of reduced revenues in the trade parts supply business to accident repair centres. The accident repair centre sector was negatively impacted by well documented reductions in accident rates and consequently reductions in activity, a trend seen in the Group's accident repair centres but to a lesser degree than the market fall.

Operating expenses and interest charges are commented on in the Finance Director's report below.

Robert Forrester
Chief Executive

FINANCE DIRECTOR'S REVIEW

Operating expenses and interest charges

Motor retail is a low margin business and consequently vigorous cost control is of paramount importance and a key component in the turning round of underperforming business acquired by the Group. Costs are benchmarked on a monthly basis for every dealership against accepted industry key performance indicators to identify opportunities for profit improvement. In addition, our central purchasing function has continued relentlessly to pursue and achieve savings and efficiencies in the procurement of all goods and services not-for-resale.

Operating expenses rose from £110.1m to £121.0m reflecting the increasing size of the Group and operating expenses as a percentage of revenues remained stable at 11.1% (2011 : 11.0%). Underlying operating expenses declined by £1.5m. Property expenses relating to rates rises and rent reviews rose by £0.7m, however this was more than offset by reduced management incentives resulting from the lower than anticipated profits and the geared nature of the Group's management remuneration packages.

The Group generated operating profit before amortisation, share based payments charge and exceptional costs of £8.4m (2011: £8.7m) in the period, of which £3.7m (2011: £3.1m) was generated in the second half of the year as forward profit momentum was re-established.

Depreciation overall rose £0.5m from £3.4m to £3.9m. This increase related entirely to new businesses acquired or started during the last two years.

Net finance costs in the period increased by £0.7m to £1.1m (2011: £0.4m) due to higher net vehicle stocking interest incurred in the second half of the year as set out in the table below:

	Year ended 29 February 2012			**Year ended 28 February 2011**		
	Total £m	**H2 £m**	**H1 £m**	**Total £m**	**H2 £m**	**H1 £m**
New vehicle stocking interest (payable)/receivable	(0.3)	(0.4)	0.1	0.6	0.5	0.1
Bank interest payable	(0.7)	(0.3)	(0.4)	(0.6)	(0.3)	(0.3)
Pension fund: net interest cost	(0.1)	-	(0.1)	(0.2)	(0.1)	(0.1)
Recycling of cash flow hedge	-	-	-	(0.2)	-	(0.2)
	(1.1)	**(0.7)**	**(0.4)**	**(0.4)**	**0.1**	**(0.5)**

The Group's consignment stocking arrangements with manufacturers become interest bearing after certain stock holding periods. Increased costs were incurred as the new vehicle sales rate slowed with market softening from April 2011 onwards and the stocking pipeline of new vehicles extended. In H2 2012 vehicle stocking interest payable increased by £0.9m year on year, having a significant impact on Group profitability levels. This effect has now been addressed with pipeline inventory at more normalised levels reflecting increased vehicle sales in fleet and retail channels in the first quarter of 2012.

Exceptional charges

Profit before tax increased by £0.2m to £5.5m (2011: £5.3m) and was positively impacted by reduced exceptional costs of £1.3m (2011: £2.8m) which were incurred in the period. These exceptional reorganisation charges related to new acquisitions and portfolio restructuring during the current year.

Taxation

During the year the Group has resolved several outstanding matters with HMRC, which went back over the last four years. As a result the effective tax rate of 9.2% has benefited from the release of prior year tax provisions reducing it from the headline UK Corporation Tax rate of 26%. In future years the Board expects that the Group's effective tax rate will revert to being closer to the headline UK Corporation Tax rate.

Cashflows

The Group continues to be cash generative with an operating cash inflow of £7.5m (2011: £12.0m) in the period. This was reduced from the prior year due to the investment in higher new and used vehicle stock levels to take advantage of the more robust consumer demand in the first quarter of 2012. The cash generation in the period resulted in the Group having a net cash position of £3.5m at 29 February 2012 (2011 : £13.6m). The Group invested £11.9m in the period comprising £9.9m in new businesses and acquiring new freehold land and buildings and a further £2.0m in capital expenditure related to property refurbishments and developments to enhance retail environments and increase the productive capacity of the Group.

Financial Position

The Group has a strong balance sheet with shareholders' funds of £100.5m (2011: £97.5m), representing net assets per share of 50.4p (2011: 48.9p). Tangible net assets per share were 41.6p (2011: 40.1p). The balance sheet is underpinned by a freehold and long leasehold property portfolio of £79.4m (2011: £72.8m). On 29

February 2012, £6.6m of freehold property assets previously held as assets held for resale, were reclassified in the balance sheet into Property, Plant and Equipment.

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and manufacturer partners. The Group has in place a bank loan of £9.5m repayable on an amortising basis by October 2015, and an undrawn acquisition facility of £15m available until October 2013. Interest is payable on these facilities at LIBOR plus 2.25% and LIBOR plus 1.85% respectively. During the period, the Group comfortably complied with all of the financial covenants in respect of these borrowings, which include loan to value, net debt to EBITDA and interest and lease costs to EBITDAR.

In addition to these loan facilities, the Group has £25m of overdraft and other money market facilities. On the overdraft interest was paid on drawn amounts at 1.5% above Base Rate, and on the money market facilities interest was paid at 1.35% above LIBOR. These facilities are available until the next review date of 30 April 2013. The Group operated with substantial cash balances for much of the year and these additional facilities are utilised to fund peak working capital requirements following plate change months. As at 29 February 2012, the Group had cash balances of £12.9m (2011 : £23.4m) and as a consequence net cash of £3.5m (2011 : £13.6m). The positive net cash balance at 29 February 2012 reflects the seasonal reduction in working capital, typical of the industry, which arises at the period end prior to a plate change month. Consequently, the year-end net cash balance is higher than the normalised cash balances throughout the remainder of the year by circa £10m. This cash, the Group's ongoing cash generation and the acquisition loan facility, will be used to fund the Group's on-going acquisition strategy.

Pensions

The Bristol Street defined benefit pension scheme, which is accounted for on the basis of IAS 19, showed a surplus as at 29 February 2012 of £1.7m (2011 : £2.3m). During the year, and in line with the funding programme agreed with the Trustees in 2010, the Group made cash contributions to the scheme of £0.4m (2011 : £0.4m). This scheme is closed to future membership and accrual.

Michael Sherwin
Finance Director

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 29 February 2012

	Note	2012 £'000	2011 £'000
Revenue			
Continuing operations		1,044,122	998,926
Acquisitions		44,140	-
		1,088,262	**998,926**
Cost of sales			
Continuing operations		(919,624)	(880,094)
Acquisitions		(39,011)	-
		(958,635)	**(880,094)**
Gross profit			
Continuing operations		124,498	118,832
Acquisitions		5,129	-
		129,627	**118,832**
Operating expenses			
Continuing operations		(115,312)	(110,090)
Acquisitions		(5,906)	-
		(121,218)	**(110,090)**
Operating profit before amortisation, share based payments charge and exceptional charges			
Continuing operations		9,186	8,742
Acquisitions		(777)	-
		8,409	**8,742**
Amortisation of intangible assets		(293)	(274)
Share based payments charge		(120)	(81)
Exceptional charges	3	(1,311)	(2,100)
Operating profit		**6,685**	**6,287**
Finance income	2	1,423	2,089
Finance costs	2	(2,567)	(2,462)
Exceptional termination of interest rate contract	3	-	(544)
Exceptional write off of loan arrangement fees	3	-	(119)
Profit before tax, amortisation, share based payments charge and total exceptional charges		7,265	8,369
Amortisation of intangible assets		(293)	(274)
Share based payments charge		(120)	(81)
Total exceptional charges	3	(1,311)	(2,763)
Profit before tax		**5,541**	**5,251**
Taxation	4	(508)	(1,227)
Profit for the year attributable to equity holders		**5,033**	**4,024**
Basic earnings per share (p)	5	**2.53**	**2.02**
Diluted earnings per share (p)	5	**2.53**	**2.02**
Adjusted earnings per share (p)	5	**3.19**	**3.23**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)

For the year ended 29 February 2012

	Note	2012 £'000	2011 £'000
Profit for the year		**5,033**	**4,024**
Other comprehensive income			
Actuarial (losses) gains on retirement benefit obligations		(1,348)	2,572
Deferred tax relating to actuarial (losses) gains on retirement benefit obligations		383	(693)
Cash flow hedges	7	(290)	81
Deferred tax relating to cash flow hedges	7	72	(22)
Recycling of cash flow hedge reserve to the income statement	7	-	933
Deferred tax on recycling of cash flow hedge reserve	7	-	(261)
Other comprehensive (expense) income for the year, net of tax		**(1,183)**	**2,610**
Total comprehensive income for the year attributable to equity holders		**3,850**	**6,634**

CONSOLIDATED BALANCE SHEET (AUDITED)
As at 29 February 2012

	Note	2012 £'000	2011 £'000
Non-current assets			
Goodwill		20,620	20,509
Other intangible assets		987	1,060
Retirement benefit asset		1,690	2,295
Derivative financial instruments		-	81
Property, plant and equipment		87,374	74,063
		110,671	**98,008**
Current assets			
Inventories		208,436	191,656
Property assets held for sale		-	6,630
Trade and other receivables		28,248	28,828
Cash and cash equivalents		12,859	23,442
Total current assets		**249,543**	**250,556**
Total assets		**360,214**	**348,564**
Current liabilities			
Trade and other payables		(238,706)	(229,156)
Current tax liabilities		(3,492)	(3,937)
Borrowings		(2,000)	(500)
Total current liabilities		**(244,198)**	**(233,593)**
Non-current liabilities			
Borrowings		(7,349)	(9,303)
Derivative financial instruments		(209)	-
Deferred income tax liabilities		(3,225)	(4,016)
Provisions for other liabilities		(4,757)	(4,150)
		(15,540)	**(17,469)**
Total liabilities		**(259,738)**	**(251,062)**
Net assets		**100,476**	**97,502**
Capital and reserves attributable to equity holders of the Group			
Ordinary shares		19,928	19,928
Share premium		60,506	60,506
Other reserve		8,820	8,820
Hedging reserve	7	(159)	59
Retained earnings		11,381	8,189
Shareholders' equity		**100,476**	**97,502**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)
For the year ended 29 February 2012

	Note	2012 £'000	2011 £'000
Operating profit		6,685	6,287
(Profit) loss on sale of property, plant and equipment		(11)	171
Amortisation of other intangible assets		293	274
Depreciation of property, plant and equipment		3,860	3,389
Increase in inventories		(8,159)	(5,852)
Decrease (increase) in trade and other receivables		205	(1,479)
Impairment of assets held for sale		-	1,508
Increase in payables		3,902	6,028
Increase in provisions		608	1,595
Share based payments charge		120	81
Cash generated from operations		**7,503**	**12,002**
Tax received		11	311
Tax paid		(1,325)	(1,742)
Payment to terminate interest rate swap		-	(1,041)
Finance income received		61	711
Finance costs paid		(945)	(577)
Net cash generated from operating activities		**5,305**	**9,664**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(5,831)	(11,977)
Acquisition of freehold land and buildings		(4,035)	(2,604)
Purchases of intangible fixed assets		(220)	(371)
Purchases of property, plant and equipment		(4,362)	(4,331)
Proceeds from disposal of property, plant and equipment		56	54
Net cash outflow from investing activities		**(14,392)**	**(19,229)**
Cash flows from financing activities			
Repayment of borrowings	8	(500)	(10,941)
Proceeds from borrowings	8	-	10,000
Dividends paid to Company shareholders		(996)	(399)
Net cash outflow from financing activities		**(1,496)**	**(1,340)**
Net decrease in cash and cash equivalents	**8**	**(10,583)**	**(10,905)**
Cash and cash equivalents at beginning of year		23,442	34,347
Cash and cash equivalents at end of year		**12,859**	**23,442**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
For the year ended 29 February 2012

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2011	**19,928**	**60,506**	**8,820**	**59**	**8,189**	**97,502**
Profit for the year	-	-	-	-	5,033	5,033
Actuarial losses on retirement benefit obligations	-	-	-	-	(1,348)	(1,348)
Tax on items taken directly to equity	-	-	-	72	383	455
Fair value losses	-	-	-	(290)	-	(290)
Total comprehensive income for the year				(218)	4,068	3,850
Dividend paid	-	-	-	-	(996)	(996)
Share based payments charge	-	-	-	-	120	120
As at 29 February 2012	**19,928**	**60,506**	**8,820**	**(159)**	**11,381**	**100,476**

For the year ended 28 February 2011

	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 year	-	-	-	-	4,024	4,024
Actuarial gains on retirement benefit obligations	-	-	-	-	**2,572**	2,572
Tax on items taken directly to equity	-	-	-	(283)	(693)	(976)
Recycling of cash flow hedge reserve	-	-	-	**933**	-	933
Fair value gains	-	-	-	81	-	81
Total comprehensive income for the year	-	-	-	731	5,903	6,634
Dividend paid	-	-	-	-	(399)	(399)
Share based payments charge	-	-	-	-	81	81
New ordinary shares issued	172	-	492	-	-	664
As at 28 February 2011	**19,928**	**60,506**	**8,820**	**59**	**8,189**	**97,502**

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 year ended 29 February 2012

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 Group prepares financial information under International Financial Reporting Standards (IFRS) issued by the IASB and as adopted by the European Union (EU) and on the same basis as in 2011. Further information in relation to the Standards adopted by the Group is available on the Group's website www.vertumotors.com.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS's), this announcement does not itself contain sufficient information to comply with IFRS's. The Group published full financial statements that comply with IFRS's today and these are available on the Group's website, www.vertumotors.com.

The financial information presented for the years ended 29 February 2012 and 28 February 2011 does not constitute the Company's statutory accounts as defined in Section 434 of the Companies Act 2006, but is derived from those financial statements. The auditors' reports on the 2012 and 2011 financial statements were unqualified. A copy of the statutory accounts for 2011 has been delivered to the Registrar of Companies. Those for 2012 will be delivered following the Company's annual general meeting, which will be convened on 24 July 2012.

Accounting policies

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

The accounting policies adopted in this annual report are consistent with those of the Group's financial statements for the year ended 28 February 2011 and can be found on our website, www.vertumotors.com.

Segmental information

The Group adopts IFRS 8 "Operating Segments" which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive. There has been no change in the Group's one reportable 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 after-sales 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.

	2012	2012	2012	2011	2011	2011
			Gross			Gross
	Revenue	Revenue	Margin	Revenue	Revenue	Margin
	£'m	%	%	£'m	%	%
New car retail	330.9	30	7.4	291.6	29	7.5
New fleet and commercial	270.1	25	2.3	258.9	26	2.4
Used cars	374.8	34	11.1	345.0	35	11.3
Aftersales	112.5	11	41.7*	103.4	10	40.8*
	1088.3	**100**	**11.9**	**998.9**	**100**	**11.9**

*margin in after-sales expressed on internal and external turnover

2. Finance income and costs

	2012	2011
	£'000	£'000
Interest on short term bank deposits	61	82
Vehicle stocking interest	-	650
Other finance income relating to Group pension scheme	1,362	1,357
Finance income	**1,423**	**2,089**
Bank loans and overdrafts	(809)	(658)
Vehicle stocking interest	(267)	-
Recycling of cash flow hedge reserve	-	(224)
Other finance costs relating to Group pension scheme	(1,477)	(1,567)
Other finance costs	(14)	(13)
Finance costs	**(2,567)**	**(2,462)**

3. Exceptional charges

	2012	2011
	£'000	£'000
Reorganisation and closure costs	1,311	592
Impairment of assets held for resale	-	1,508
	1,311	**2,100**
Recycling of cash flow hedge reserve	-	544
Loan arrangement fees written off	-	119
	1,311	**2,763**

Reorganisation and closure costs relate to new acquisitions and portfolio restructuring during the current year.

In the prior year the impairment cost related to properties held for resale, and the recycling of the cashflow hedge reserve resulted from the cancellation of previous hedging arrangements.

4. Taxation

	2012	2011
	£'000	**£'000**
Current tax		
Current tax charge	1,647	1,572
Adjustment in respect of prior years	(786)	155
Total current tax	**861**	**1,727**
Deferred tax		
Origination and reversal of temporary differences	(305)	(221)
Adjustment in respect of prior years	182	(160)
Rate differences	(230)	(119)
Total deferred tax	**(353)**	**(500)**
Income tax expense	**508**	**1,227**
Comprising:		
Taxation – excluding exceptional charges	770	2,001
Taxation – exceptional charges	(262)	(774)
	508	**1,227**
Factors affecting taxation expense in the year		
Profit before taxation and exceptional charges	6,852	8,014
Exceptional charges	(1,311)	(2,763)
Profit before taxation from continuing operations	**5,541**	**5,251**
Profit before taxation multiplied by the rate of corporation tax in the UK of 26.17% (2011 : 28%)	1,450	1,470
Non-deductible amortisation	76	77
Non-deductible expenses	115	164
Effect on deferred tax balances due to rate change	(230)	(119)
Small companies rate	(3)	(6)
Property adjustment	(257)	(271)
Permanent benefits	(39)	(83)
Adjustments in respect of prior years	(604)	(5)
Total tax expense included in the income statement	**508**	**1,227**

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 26.17%.

5. Earnings per share

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

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

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

	2012	**2011**
	£'000	**£'000**
Profit attributable to equity shareholders	5,033	4,024
Amortisation of intangible assets	293	274
Share based payments charge	120	81
Exceptional charges	1,311	2,763
Tax effect of adjustments	(401)	(711)
Adjusted earnings attributable to equity shareholders	**6,356**	**6,431**
Weighted average number of shares in issue ('000s)	199,278	198,901
Potentially dilutive shares ('000s)	14	-
Diluted weighted average number of shares in issue ('000s)	**199,292**	**198,901**
Basic earnings per share	**2.53p**	**2.02p**
Diluted earnings per share	**2.53p**	**2.02p**
Adjusted earnings per share	**3.19p**	**3.23p**
Diluted adjusted earnings per share	**3.19p**	**3.23p**

6. Dividends per share

The dividends paid in the year to 29 February 2012 were 0.5p per share in total (2011 0.2p per share). A final dividend in respect of the year ended 29 February 2012 of 0.4p per share, amounting to a dividend of £797,000 is to be proposed at the annual general meeting on 24 July 2012. The associated record date is 15 June 2012. These financial statements do not reflect this dividend payable.

The last date for shareholders to elect for the Dividend Re-Investment Plan (DRIP) will be 2 July 2012 (or such other date as the Group may specify). A facility is provided by Capita IRG Trustees Limited in conjunction with the Group's registrars, Capita Registrars, for any Group shareholders who wish to re-invest dividend payments in the Group. Under this facility, cash dividends may be used to purchase additional ordinary shares.

Any shareholder requiring further information should call 0871 664 0300 (calls cost 10p a minute plus network extras; lines are open from 8.30am to 5.30pm Monday to Friday excluding bank holidays), or if calling from outside the United Kingdom +44 (0)208 639 3399, or else email shareholder.services@capitaregistrars.com or visit www.capitaregistrars.com.

7. Hedging reserve

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

	2012 £'000	2011 £'000
At beginning of year	59	(672)
Fair value (losses) gains on derivative financial instruments during the year	(290)	81
Deferred taxation on fair value (losses) gains during year	72	(22)
Recycling of cash flow hedge reserve through the income statement	-	933
Deferred tax on recycling of cash flow hedge reserve	-	(261)
At end of year	**(159)**	**59**

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

	2012 £'000	2011 £'000
Net decrease in cash and cash equivalents	(10,583)	(10,905)
Cash inflow from increase in borrowings	-	(10,000)
Cash outflow from repayment in borrowings	500	10,941
Cash movement in net cash	**(10,083)**	**(9,964)**
Capitalisation of loan arrangement fees	76	277
Loan arrangement fees written off	-	(119)
Amortisation of loan arrangement fee	(122)	(79)
Non-cash movement in net cash	**(46)**	**79**
Movement in net cash	**(10,129)**	**(9,885)**
Opening net cash	**13,639**	**23,524**
Closing net cash	**3,510**	**13,639**

9. Acquisitions

On 31 August 2011 the Group acquired 100% of the share capital of Widnes Car Centre (1994) Limited, which operated a Nissan dealership in Widnes and a wheelchair accessible vehicle conversion business based in Batley, West Yorkshire. Consideration, which was satisfied in cash, amounted to £3,005,000. If the acquisition of Widnes Car Centre (1994) Limited had taken place on 1 March 2011, Group revenues for the year would have been £16,544,000 higher and Group profit attributable to equity holders would have been £185,000 lower.

The Group also made the following acquisitions in the year to 29 February 2012 for a total cash consideration of £3,091,000;

On 18 April 2011 the Group acquired a SEAT dealership in Barnsley through the purchase of trade and certain assets from Wheatside (Motors) Limited.

On 1 June 2011 the Group acquired a Mazda dealership in Bristol through the purchase of trade and certain assets from Williams Automobiles Limited.

On 1 December 2011 the Group acquired the entire issued share capital of Compare Click Call Limited, a web business marketing contract hire and personal contract hire. If the acquisition of Compare Click Call Limited had occurred on 1 March 2011, Group revenues for the year would have been £132,000 higher and Group profit attributable to equity holders would have been £8,000 lower.

Acquisition related costs (included in the consolidated income statement for the year ended 29 February 2012) totalled £311,000.