14 October 2015

Vertu Motors plc ("Vertu", "Group")

Unaudited interim results for the six months ended 31 August 2015

Record half year profits and cash flows - full year results now anticipated to be ahead of expectations

Vertu Motors plc, the automotive retailer with a network of 119 sales and aftersales outlets across the UK, announces its interim results for the six months ended 31 August 2015.

Financial Highlights

- Revenues increased by 14.0% to £1,236.1m (2014 H1 : £1,083.9m)
- Record profit before tax up 28.1% to £16.4m (2014 H1 : £12.8m)
- Adjusted[1] profit before tax up 27.8% to £17.0m (2014 H1: £13.3m)
- Period end net cash of £32.1m (2014 H1 : £34.4m)
- Very strong cash generated from operations of £37.6m (2014 H1 : £15.9m)
- Earnings per share up 27.8% to 3.82p (2014 H1 : 2.99p)
- Interim dividend up 28.6% to 0.45p per share (2014: 0.35p per share) to be paid in January 2016

Operational Highlights

- Growth strategy progressed with 119 sales outlets in the Group portfolio: greater premium mix
- Record trading performance driven by improvement in recently acquired businesses, existing outlets and growth in higher margin service area
- Total car and van volumes up by 10%
- Service revenues up 6.2% in the core Group
- Service margins strengthened, up to 76.9% from 75.8%
- Strong performance in fleet and commercial sales, with growth in like-for-like margins leading to a strengthening in profitability
- Like-for-like used vehicle volumes increased 4.2%, the 8th consecutive half year of growth
- Operating expenses as a percentage of revenues continues to fall from 9.4% to 9.2%

Outlook Highlights

- Continued strong trading performance in September with results ahead of last year
- The Board now anticipates full year results will be ahead of its expectations

[1] Adjusted for amortisation of intangible assets and share based payments charge

	Total	Like-for-Like
Group revenues	14.0%	5.2%
Service revenues	12.6%	6.2%
Volumes :		
New retail vehicles	8.6%	1.2%
Motability vehicles	13.4%	6.0%
Fleet new cars	3.6%	(8.5%)
Commercial new vehicles	36.2%	24.2%
Used retail vehicles	7.7%	4.2%

Commenting on the results, Robert Forrester, Chief Executive, said:

"We are delighted with this record first half performance in terms of profitability and cash generation, which has given us the confidence to increase the interim dividend significantly. Recent acquisitions, growth in high margin aftersales activity, improvements in organic performance and the disposal of underperforming businesses and assets are all underpinning improved returns. We now expect to deliver results ahead of expectations for the full financial year.

The Group has a strong balance sheet and net cash position, despite significant capital expenditure and acquisition investment in the period. This, together with the operational management strength in the Group, gives the Board great confidence to keep growing the business, organically and through acquisitions, in the period ahead as the ongoing consolidation of the sector continues."

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INTRODUCTION

During the six months ended 31 August 2015 ("the Period") the UK automotive retail sector has continued to respond positively to the supply push of new vehicles into the UK market by manufacturers reacting to weaker demand from other global markets and helped by the strong sterling/euro exchange rate. This resulted in September 2015 recording the 43rd consecutive month of growth in UK new vehicle registrations, albeit with slowing growth in private new retail registrations with the balance picked up by stronger fleet activity. After three consecutive years of growth in new vehicle registrations the supply of used vehicles has now normalised from the previous period of supply constraint. The used car market now displays more normalised patterns of seasonal depreciation of used vehicles. As the vehicle parc has also started to grow again, the long term opportunity for aftersales has begun to accelerate.

Against this background the Group has performed strongly, for example, recording like-for-like gross profit growth in all key channels. The record profitability in the Period has been driven by pursuing the three elements of the Group's strategy to deliver earnings growth, supported by the favourable UK market conditions.

- Acquiring further businesses, both currently profitable and turnaround opportunities representing both existing manufacturer partners and those which may be new to the Group;
- Improving the profit contribution from the significant number of businesses acquired or opened in recent years; and
- Continued review of the Group's portfolio in terms of franchise representation and appropriate allocation of capital to identify future opportunities to make changes to maximise return on investment.

Pre-tax profit rose 28.1% to record levels of £16.4m (2014 H1 : £12.8m). The interim dividend to be paid in January 2016 will be 0.45 pence per share – an increase of 28.6%.

Importantly, during a period when new vehicle supply into the UK has increased, and used vehicle values have returned to more normalised seasonal depreciation patterns, the Group has maintained a strict discipline over working capital and inventory in particular. This has resulted in strong conversion of profits into cash, generating £37.6m of operating cash inflow (2014 H1 : £15.9m). This is important during a period of significant investment in the Group's asset portfolio and delivery of its acquisition strategy. This record cash performance further strengthens the Group's balance sheet which had net cash of £32.1m at 31 August 2015 (2014 : £34.4m) despite investing £8.8m in acquisitions and £7.6m in capital expenditure during the Period.

FINANCIAL REVIEW

Revenues in the Period grew by 14.0% (£152.2m) to £1,236.1m (2014 H1 : £1,083.9m). Acquisitions in the period accounted for £20.6m of revenue growth and those businesses acquired in the prior year contributed further revenues of £94.4m. Core Group revenues grew by 5.2% (£54.5m), reflecting increases in both vehicle sales and aftersales revenues whilst closed or sold businesses accounted for a decline in revenue of £17.3m. Overall gross margins were stable at 10.6% with a decline in used vehicle margins offset by stronger fleet and aftersales margins.

The higher levels of dealership revenues, improved operational performance and stringent cost control resulted in a further reduction in operating expenses as a percentage of revenues to 9.2% (2014 H1 : 9.4%). This measure has reduced consistently over the last few years from 10.7% in H1 2011 and reflects operational gearing benefits as the Group grows both organically and through acquisitions while leveraging a central cost base which is growing more slowly. Operating profit has grown by 30.0% in the Period to £16.9m (2014 H1 : £13.0m). Adjusted operating margins consequently increased from 1.2% to 1.4%.

Following the reduction in the UK Corporation Tax rate, the Group's effective tax rate is 20.5% (2014 H1 : 21%). Profit after tax has increased by 28.7% to £13.0m (2014 H1 : £10.1m).

During the Period, the Group had a renewed focus on controlling working capital tightly driven by the impact of higher levels of self-registered new vehicles entering dealership used car stocks and the resumption of more normalised, seasonal depreciation pattern in the used car market as used car supply has risen. The previous used car supply constraint position following the fall in new car supply in the recession has now reversed. The Group has reduced the level of new vehicle inventory by £8.0m, and has worked with consumer finance partners to accelerate cash receipts by £2.0m. A further £7.0m of cash inflow resulted from lower VAT payments due to fluctuations in new car consignment inventory levels. The net result is a working capital reduction of £17.0m which contributes to the operating cash inflow of £37.6m during the Period.

The Group has increased earnings per share by 27.8% to 3.82p (2014 H1 : 2.99p) reflective of the improvement in returns being generated.

Following the review of the Group's dividend strategy announced in May 2015, the final 2015 dividend paid to shareholders in July 2015 was increased to 0.7 pence per share (2014 : 0.5p) and the interim 2016 dividend, payable on 22 January 2016 will be increased by 28.6% to 0.45 pence per share (2014 : 0.35p). The ex-dividend date will be 24 December 2015 and the associated record date 29 December 2015.

CURRENT TRADING AND OUTLOOK

The UK economy continues to display positive growth, and consumer demand remains buoyant and responsive to attractive finance led offers for new cars which, with the support of manufacturer partners, are available to the car buying public. The latest SMMT forecast for the total UK new car market for 2015 is 2.6m and the forecast for 2016 is also set at 2.6m. The Board currently envisages a period of stability in the UK new car market in the short to medium term.

September is a vital month for Group profitability in the second half of the financial year, being the new vehicle plate change month. While the SMMT data has reported September's private new vehicle registrations for the franchises represented by the Group as being flat year on year, the Group's private new vehicle sales were 3.3% below last year. Despite this, the Group's new car profitability in September was a record for the month, and along with a solid performance in used vehicles (with like-for-like volume growth of 5.4%) and aftersales, this has established a sound base for the balance of the second half of the year. September profits were ahead of the prior year with strong turnarounds delivered in a number of businesses acquired in recent years.

The Group operates all four core brands of the Volkswagen Group in the UK, which have been subject to much press comment over recent weeks with regard to diesel emissions and testing. After the most recent acquisition announced on 1 October 2015, the franchises will represent approximately 9% of Group revenues. The manufacturer and retailers are currently working together to ensure that any impacted vehicles are identified and issues resolved. In the near term this is likely to boost aftersales revenues. The Group has to date witnessed no significant decline in total vehicle sales volumes or used car valuations above normal seasonal variations, in the four Volkswagen Group brands.

The Board now anticipates that, given the current performance of the Group and market trends, the full year result will be ahead of current expectations.

OPERATING REVIEW

Growth Strategy and Portfolio Development

The Group continues both to grow the business, with the addition of nine sales outlets since 1 March 2015, and to review its portfolio, resulting in the disposal of one sales outlet, the refranchising of another and the closure of three sales outlets. The Group now operates 119 sales outlets at 99 locations across the United Kingdom with a rebalancing of the dealership portfolio resulting from the addition of more premium businesses.

During the Period the Group has continued to invest both in acquiring new dealerships, most notably the Bury Land Rover and Bradford Jaguar businesses, but also in developing both existing and new property assets to enhance and expand the ongoing business. This activity is summarised below:

On 1 April 2015 the Group became the sole franchise partner in Glasgow for Nissan and began to operate from temporary facilities in North Glasgow to complement the Group's existing South Glasgow business. In September 2015 the Group acquired a significant freehold property for £3.9m close to the centre of Glasgow upon which it will develop a landmark Nissan dealership over the next twelve months. The new dealership development will occupy approximately half of the site acquired, with the remainder of the site earmarked for re-sale.

On 10 April 2015 the Group closed its sub-scale Peugeot dealership in Ilkeston, and on 17 July 2015 the Group disposed of its Dunfermline Peugeot dealership. There were no significant costs incurred as a result of this closure and disposal.

On 30 April 2015 the Group acquired the business and certain assets of Bury Land Rover from a subsidiary of Pendragon PLC for a total consideration of £7.0m. On 12 May 2015 the Group also acquired the business and certain assets of Bradford Jaguar from a subsidiary of Jardine Motors Group. Both of these businesses are being successfully integrated into the Group's existing Farnell Jaguar Land Rover division and complement existing Group dealerships such as Bolton Jaguar and Bradford Land Rover.

On 5 June 2015, the Group acquired the entire share capital of Blacks Autos Limited, which operates a Skoda dealership in Darlington. This is the Group's first Skoda dealership, which operates in leasehold premises situated adjacent to the Group's Darlington Nissan business. The total consideration amounted to £1.5m.

In July 2015 the Group refranchised its former Suzuki outlet in Mansfield to become a new Renault and Dacia outlet to complement the Group's existing Renault and Dacia outlets in Nottingham and Derby. The Suzuki outlet closed in April 2015 and this saw the Group exit from representing the Suzuki franchise.

During the Period the Group disposed of a peripheral aftersales outlet acquired with the Bolton Ford acquisition in November 2014 realising cash of £0.7m.

As previously announced the Group is engaged in a substantial programme to refurbish and redevelop a number of dealerships to latest manufacturer standards. A number of these projects have been completed in the period including the development of a Ford Store in Orpington, completion of Nottingham Volkswagen South and a number of Vauxhall refurbishments. The substantial redevelopment and enlargement of the Group's Vauxhall dealership in Waltham Cross has also now been completed. A number of projects are currently ongoing such as the development of a Ford Store at Bristol Street, Birmingham and the refurbishment of Mansfield Volkswagen.

Since the end of the Period

In September 2015, the Group disposed of a further freehold satellite dealership acquired with the Gordons of Bolton acquisition in November 2014. The site in Horwich, Lancashire realised a further £1.3m of cash.

On 1 October 2015 the Group acquired the entire share capital of SHG Holdings Limited. This group operates three sales outlets in Hereford being Volkswagen Passenger Cars, Volkswagen Commercials and Audi. In addition, two Volkswagen Group parts distribution centres are operated in Gloucester and Hereford along with a further used car sales outlet and Volkswagen aftersales operation in Whitchurch, South Herefordshire. These are high performing businesses with a strong track record of profitability and delivery of outstanding customer experience. The business will retain the South Hereford Garages branding.

The consideration paid was £12.8m with a further £1.5m payable under certain conditions in two years' time. This acquisition introduces Audi to the Group, strengthening the premium franchise mix of dealership representation. It also brings Volkswagen Commercials to the Group which will open up synergy opportunities with other Group businesses such as Bristol Street Versa and Taxi Centre. The Group will be investing approximately £1.5m in the redevelopment of Hereford Audi in the next financial year.

On 8 September 2015, the Group purchased long leasehold dealership premises in Exeter for consideration of £2.4m. In the coming months this property will be refurbished to allow the future relocation of the Group's existing Hyundai operation and a Renault van operation to this excellent location.

In October 2015, the Group ceased sales operations at two multi-franchised dealerships being Cheltenham Alfa Romeo and Bristol Jeep. Aftersales operations are retained at these locations for these brands. In addition, a petrol forecourt operated alongside the Stroud Ford dealership was closed to allow expansion of used car operations.

OPERATIONAL PERFORMANCE

Vehicle unit sales analysis

	HY2016 Core	HY2016 Acquired[2]	HY2016 Total	HY2015 Total[3]	Total % Variance	Like-for-Like % Variance
New retail cars	19,256	1,823	21,079	19,413	8.6%	1.2%
Motability cars	5,486	524	6,010	5,300	13.4%	6.0%
Fleet and commercial vehicles	16,653	1,954	18,607	16,121	15.4%	3.3%
Total New vehicles	**41,395**	**4,301**	**45,696**	**40,834**	**11.9%**	**2.7%**
Used retail vehicles	33,324	2,384	35,708	33,164	7.7%	4.2%
	74,719	**6,685**	**81,404**	**73,998**	**10.0%**	**3.3%**

2. relates to businesses acquired or developed subsequent to 1 March 2014 with businesses migrating into core once they have been in the Group for over 12 months
3. 2014 volumes include businesses acquired in the year ended 28 February 2014

Revenue and Margins
Six months ended 31 August 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
New car retail and Motability	413.1	33.4	30.3	23.1	7.3
New fleet and commercial	302.7	24.5	7.9	6.0	2.6
Used cars	426.5	34.5	42.0	32.1	9.8
Vehicle sales	1,142.3	92.4	80.2	61.2	7.0
Aftersales[4]	93.8	7.6	50.7	38.8	44.4
	1,236.1	**100.0**	**130.9**	**100.0**	**10.6**

Six months ended 31 August 2014

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
New car retail and Motability	356.4	32.9	25.9	22.5	7.3
New fleet and commercial	267.1	24.6	5.7	4.9	2.1
Used cars	378.2	34.9	39.4	34.1	10.4
Vehicle sales	1,001.7	92.4	71.0	61.5	7.1
Aftersales[4]	82.2	7.6	44.4	38.5	44.0
	1,083.9	**100.0**	**115.4**	**100.0**	**10.6**

Year ended 28 February 2015

	Revenue £'m	Revenue Mix %	Gross Margin £'m	Gross Margin Mix %	Gross Margin %
New car retail and Motability	679.4	32.7	50.9	22.3	7.5
New fleet and commercial	498.5	24.0	12.3	5.4	2.5
Used cars	728.9	35.2	75.5	33.1	10.4

Vehicle sales	1,906.8	91.9	138.7	60.8	7.3
Aftersales[4]	168.1	8.1	89.4	39.2	43.5
	2,074.9	**100.0**	**228.1**	**100.0**	**11.0**

[4.] margin in aftersales expressed on internal and external turnover.

New Cars

During the Period, the UK new car market recorded a 1.8% growth in private registrations for the franchises represented by the Group and overall UK private registrations rose by 3.1% as the market continued to be driven by the strong push of new car product by vehicle manufacturers into the UK. Higher levels of self-registration of vehicles by automotive retailers have positively contributed to private registration levels and market growth in the Period with dealers being incentivised by higher levels of manufacturer support. During the Period, the Group's like-for-like new retail sales volumes to private customers grew by 1.2%. This is slightly below the reported market registration levels due to the inclusion of pre-registered vehicles in the market registration data.

The Group increased like-for-like Motability sales by 6.0% during the Period, gaining market share in this important market segment with total UK sales of vehicles under the Motability Scheme declining by 0.5% during the Period. Motability volumes represented 22.2% of the Group's total new car retail and Motability volumes in the Period. Motability customers provide the Group with very high levels of aftersales retention during their three year contract. The Group is currently Motability Operations Dealer Group of the Year.

The Group's like-for-like new retail and Motability vehicle gross profit per unit strengthened by 4.8% in the Period as manufacturer targets were achieved at high levels thus maximising earnings. This resulted in stable like-for-like new retail vehicle gross margins of 7.3% (2014 H1 : 7.3%) as the average selling price per car also strengthened from £13,342 to £14,213.

Fleet & Commercial

The UK commercial van market continues to perform very strongly with total market registrations in the Period up 16.4%, according to the SMMT, reflecting the willingness of both large and small enterprises in the UK to invest in their businesses. Lower fuel prices have supported this trend, encouraging transport businesses to invest in their vehicle fleets. The Group continues to grow market share in the van market with like-for-like van sales growing by 24.2% in the Period alongside strengthening margins.

Following a shift in sales mix in the Period with reduced supply to lower margin daily rental channels, the Group's like-for-like fleet car volumes fell by 8.5%. Gross profit per unit improved resulting in growth in like-for-like gross profit generation. The Fleet business of the Group is subject to periodic fluctuations in channel mix as manufacturer strategies and customer requirements change.

Used Vehicles

The strong supply push characteristics of the UK new vehicle market over the last three years have resulted in an increase in the supply of vehicles into the used vehicle market. This has grown the newer (1 to 3 year old) element of the vehicle parc and this increased supply, competing with highly attractive finance-led offers for new vehicles, has caused the market to return to more normalised seasonal depreciation of used vehicles. In the Period, the Group grew like-for-like sales volumes by 4.2%. This growth is against a very strong performance in the prior year Period which saw an increase of 11.6% in like-for-like volumes and represents the 8th consecutive six month period of like-for-like used car sales volume growth. Like-for-like gross margins and gross profit per unit both declined in line with the Board's expectations.

The Group remains very focussed on maximising used car return on investment. Rising stock levels from self-registrations and increased used car depreciation have placed pressure on used car returns with sector return on investment for the 12 months to 31 August 2015 declining to 76.5%[5] (2014 : 82.6%). The Group continues to generate returns significantly above the industry levels with return on investment in the Period of 115.2% (2014 H1 : 126.3%).

Aftersales

During the Period, the Group increased like-for-like aftersales revenues by 3.7% and gross margins to 45.5% (2014: 43.7%). In the high margin service area, like-for-like revenues grew by 6.2%. Increased sales of service plans have once again improved customer retention into the service channel, particularly of older used cars. Lower margin fuel sales through the Group's forecourts declined significantly with fuel prices, muting overall aftersales revenue growth, but strengthening margins due to the more favourable mix.

Other Non-Dealership Businesses

The Group has a number of non-dealership businesses which add value to the scaled Group. The Board is pleased to report that these businesses have performed strongly in the period.

Bristol Street Versa is one of the UK's leading converters of wheelchair accessible vehicles and is now profitable having undertaken a successful turnaround plan since acquisition in August 2011. The Group currently has 5% of the UK Motability wheelchair accessible vehicle market and supplied 222 vehicles in the Period of which the bulk were procured from the Group for conversion.

The Group purchased the Taxi Centre business in November 2014 which provides taxis to the private hire market including arranging finance. In the Period the Group supplied 419 vehicles, the bulk of which were purchased from Group dealerships. The performance has been in line with expectations at the time of the acquisition and the business makes an increasing contribution to the Group.

In March 2014 the Group entered into a business arrangement with Haymarket Media Group to jointly operate the What Car? Leasing platform. This on-line platform provides UK automotive retailers with a route-to-market to customers who wish to purchase new cars via a leasing model. The business generates advertising revenues from the retailers on the website. The business continues to be successfully developed and its contribution to Group results is increasing. The platform generated over 72,000 enquiries for its subscribing retailers in the Period. An expansion of the Group's joint operations with Haymarket Media Group is currently being planned.

[5] Source = ASE

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2015

	Note	Six months ended 31 August 2015 £'000	Six months ended 31 August 2014 £'000	Year ended 28 February 2015 £'000
Revenue				
Continuing operations		1,215,522	1,083,851	2,074,912
Acquisitions		20,561	-	-
		1,236,083	**1,083,851**	**2,074,912**
Cost of sales				
Continuing operations		(1,086,566)	(968,472)	(1,846,843)
Acquisitions		(18,629)	-	-
		(1,105,195)	**(968,472)**	**(1,846,843)**
Gross profit				
Continuing operations		128,956	115,379	228,069
Acquisitions		1,932	-	-
		130,888	**115,379**	**228,069**
Operating expenses				
Continuing operations		(111,075)	(101,948)	(205,334)
Acquisitions		(2,316)	-	-
		(113,391)	**(101,948)**	**(205,334)**
Operating profit before amortisation and share based payments charge				
Continuing operations		17,881	13,431	22,735
Acquisitions		(384)	-	-
		17,497	**13,431**	**22,735**
Amortisation of intangible assets		(273)	(173)	(405)
Share based payments charge		(367)	(287)	(645)
Operating profit		**16,857**	**12,971**	**21,685**
Finance income	4	74	177	353
Finance costs	4	(545)	(330)	(1,040)
Profit before tax, amortisation and share based payments charge		17,026	13,278	22,048
Amortisation of intangible assets		(273)	(173)	(405)
Share based payments charge		(367)	(287)	(645)
Profit before tax		**16,386**	**12,818**	**20,998**
Taxation	5	(3,356)	(2,695)	(4,459)
Profit for the period attributable to equity holders		**13,030**	**10,123**	**16,539**
Basic earnings per share (p)	6	**3.82**	**2.99**	**4.87**
Diluted earnings per share (p)	6	**3.74**	**2.94**	**4.78**
Adjusted earnings per share (p)	6	**3.99**	**3.11**	**5.15**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 August 2015

	Note	Six months ended 31 August 2015 £'000	Six months ended 31 August 2014 £'000	Year ended 28 February 2015 £'000
Profit for the period		**13,030**	**10,123**	**16,539**
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Actuarial gain/(loss) on retirement benefit obligations	10	642	63	(461)
Deferred tax relating to actuarial gain/(loss) on retirement benefit obligations		(128)	(10)	97
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges	7	19	30	49
Deferred tax relating to cash flow hedges	7	(4)	(6)	(10)
Other comprehensive income/(expense) for the period, net of tax		**529**	**77**	**(325)**
Total comprehensive income for the period attributable to equity holders		**13,559**	**10,200**	**16,214**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2015

	Note	31 August 2015 £'000	31 August 2014 £'000	28 February 2015 £'000
Non-current assets				
Goodwill and other indefinite life assets	9, 12	59,392	50,011	50,867
Other intangible assets		1,797	1,190	1,905
Retirement benefit asset	10	3,771	3,339	3,003
Property, plant and equipment		138,037	119,130	135,153
Trade and other receivables		-	192	-
		202,997	**173,862**	**190,928**
Current assets				
Inventories		395,519	319,833	394,287
Trade and other receivables		51,005	39,868	53,500
Property assets held for sale		1,144	-	1,866
Cash and cash equivalents		39,012	38,960	19,254
Total current assets		**486,680**	**398,661**	**468,907**
Total assets		**689,677**	**572,523**	**659,835**
Current liabilities				
Trade and other payables		(473,178)	(374,834)	(459,250)
Deferred consideration		(1,809)	(1,300)	(1,518)
Current tax liabilities		(7,194)	(6,287)	(6,028)
Derivative financial instruments		(5)	-	(25)
Borrowings		(6,759)	(2,000)	(3,423)
Total current liabilities		**(488,945)**	**(384,421)**	**(470,244)**
Non-current liabilities				
Borrowings		(166)	(2,554)	(161)
Derivative financial instruments		-	(43)	-
Deferred consideration		(291)	(1,300)	(291)
Deferred income tax liabilities		(3,446)	(4,246)	(3,699)
Deferred income		(5,610)	(5,738)	(5,806)
		(9,513)	**(13,881)**	**(9,957)**
Total liabilities		**(498,458)**	**(398,302)**	**(480,201)**
Net assets		**191,219**	**174,221**	**179,634**
Capital and reserves attributable to equity holders of the Group				
Ordinary shares		34,109	34,033	34,091
Share premium		96,848	96,778	96,810
Other reserve		10,645	10,479	10,645
Hedging reserve	7	(2)	(32)	(17)
Retained earnings		49,619	32,963	38,105
Shareholders' equity		**191,219**	**174,221**	**179,634**

CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2015

	Note	Six months ended 31 August 2015 £'000	Six months ended 31 August 2014 £'000	Year ended 28 February 2015 £'000
Operating profit		16,857	12,971	21,685
(Profit)/Loss on sale of property, plant and equipment		(29)	5	186
Amortisation of intangible assets		273	173	405
Depreciation of property, plant and equipment		3,166	2,701	5,915
Impairment of preferred shares receivable		-	-	192
Movement in working capital	11	16,994	(283)	(2,887)
Share based payments charge		357	287	617
Cash generated from operations		**37,618**	**15,854**	**26,113**
Tax received		3	-	182
Tax paid		(2,680)	(1,942)	(4,653)
Finance income received		29	110	219
Finance costs paid		(678)	(302)	(933)
Net cash generated from operating activities		**34,292**	**13,720**	**20,928**
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(8,837)	(5,588)	(17,437)
Acquisition of freehold land and buildings		(150)	(2,049)	(8,929)
Proceeds from disposal of business (net of cash, overdrafts and borrowings)		782	-	752
Purchases of intangible assets		(164)	(154)	(347)
Purchases of property, plant and equipment		(7,308)	(1,874)	(9,849)
Proceeds from disposal of property, plant and equipment		-	602	1,964
Net cash outflow from investing activities		**(15,677)**	**(9,063)**	**(33,846)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		56	57	119
Proceeds from borrowings	8	4,474	-	-
Repayment of borrowings	8	(1,000)	(1,000)	(2,000)
Dividends paid to equity shareholders		(2,387)	(1,702)	(2,895)
Net cash inflow/(outflow) from financing activities		**1,143**	**(2,645)**	**(4,776)**
Net increase in cash and cash equivalents	8	**19,758**	**2,012**	**(17,694)**
Cash and cash equivalents at beginning of period		19,254	36,948	36,948
Cash and cash equivalents at end of period		**39,012**	**38,960**	**19,254**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2015

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2015	**34,091**	**96,810**	**10,645**	**(17)**	**38,105**	**179,634**
Profit for the period	-	-	-	-	13,030	13,030
Actuarial gain on retirement benefit obligations	-	-	-	-	642	642
Tax on items taken directly to equity	-	-	-	(4)	(128)	(132)
Fair value gains	-	-	-	19	-	19
Total comprehensive income for the period	**-**	**-**	**-**	**15**	**13,544**	**13,559**
New ordinary shares issued	18	38	-	-	-	56
Dividend paid	-	-	-	-	(2,387)	(2,387)
Share based payments charge	-	-	-	-	357	357
As at 31 August 2015	**34,109**	**96,848**	**10,645**	**(2)**	**49,619**	**191,219**

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

For the six months ended 31 August 2014

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2014	**33,678**	**96,729**	**8,820**	**(56)**	**24,208**	**163,379**
Profit for the period	-	-	-	-	10,123	10,123
Actuarial losses on retirement benefit obligations	-	-	-	-	63	63
Tax on items taken directly to equity	-	-	-	(6)	(10)	(16)
Fair value gains	-	-	-	30	-	30
Total comprehensive income for the period	**-**	**-**	**-**	**24**	**10,176**	**10,200**
New ordinary shares issued	355	49	1,659	-	-	2,063
Dividend paid	-	-	-	-	(1,702)	(1,702)
Share based payments charge	-	-	-	-	281	281
As at 31 August 2014	**34,033**	**96,778**	**10,479**	**(32)**	**32,963**	**174,221**

For the year ended 28 February 2015

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

NOTES

For the six months ended 31 August 2015

1. Basis of Preparation

Vertu Motors plc is a Public Limited Company which is quoted on the AiM Market and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2015 and similarly the period ended 31 August 2014 has neither been audited nor reviewed by the auditors. The financial information for the year ended 28 February 2015 has been based on information in the audited financial statements for that period.

The information for the year ended 28 February 2015 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 2015 and can be found on the Group's 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 additional voluntary disclosure analysing revenue and gross profit within the reportable segment.

	New car retail and Motability	New fleet and commercial	Used vehicles	Aftersales*	Total
Six months ended 31 August 2015					
Revenue (£'m)	413.1	302.7	426.5	93.8	**1,236.1**
Revenue (%)	33	24	35	8	**100**
Gross Margin %	7.3	2.6	9.8	44.4	**10.6**
Six months ended 31 August 2014					
Revenue (£'m)	356.4	267.1	378.2	82.2	**1,083.9**
Revenue (%)	33	25	35	7	**100**
Gross Margin %	7.3	2.1	10.4	44.0	**10.6**
Year ended 28 February 2015					
Revenue (£'m)	679.4	498.5	728.9	168.1	**2,074.9**
Revenue (%)	33	24	35	8	**100**
Gross Margin %	7.5	2.5	10.4	43.5	**11.0**

*margin in aftersales expressed on internal and external turnover

4. Finance income and costs

	Six months ended 31 August 2015 £'000	Six months ended 31 August 2014 £'000	Year ended 28 February 2015 £'000
Interest on short term bank deposits	23	47	50
Vehicle stocking interest	-	63	163
Net finance income relating to Group pension scheme	51	67	140
Finance income	**74**	**177**	**353**
Bank loans and overdrafts	(290)	(319)	(642)
Other finance costs	(44)	(11)	(398)
Vehicle stocking interest	(211)	-	-
Finance costs	**(545)**	**(330)**	**(1,040)**

'Other finance costs' in the year ended 28 February 2015 included £383,000 in respect of interest payable relating to previous periods due to HMRC.

5. Taxation

The tax charge for the six months ended 31 August 2015 has been provided at the effective rate of 20% (Six months ended 31 August 2014: 21%).

From 1 April 2015 the main rate of Corporation tax was 20%.

6. 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.

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 2015 £'000	**Six months ended 31 August 2014 £'000**	**Year ended 28 February 2015 £'000**
Profit attributable to equity shareholders	13,030	10,123	16,539
Amortisation of intangible assets	273	173	405
Share based payments charge	367	287	645
Tax effect of adjustments	(55)	(37)	(86)
Adjusted earnings attributable to equity shareholders	**13,615**	**10,546**	**17,503**
Weighted average number of shares in issue ('000s)	340,968	338,973	339,797
Potentially dilutive shares ('000s)	7,107	5,872	6,410
Diluted weighted average number of shares in issue ('000s)	**348,075**	**344,845**	**346,207**
Basic earnings per share	**3.82p**	**2.99p**	**4.87p**
Diluted earnings per share	**3.74p**	**2.94p**	**4.78p**
Adjusted earnings per share	**3.99p**	**3.11p**	**5.15p**
Diluted adjusted earnings per share	**3.91p**	**3.06p**	**5.06p**

7. Hedging reserve

	31 August 2015 £'000	**31 August 2014 £'000**	**28 February 2015 £'000**
Cash flow hedge:			
At beginning of period	(17)	(56)	(56)
Fair value gains on derivative financial instruments during the period	19	30	49
Deferred taxation on fair value gains during period	(4)	(6)	(10)
At end of period	**(2)**	**(32)**	**(17)**

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

	31 August 2015 £'000	31 August 2014 £'000	28 February 2015 £'000
Net increase in cash and cash equivalents	19,758	2,012	(17,694)
Cash inflow from increase in borrowings	(4,474)	-	-
Cash outflow from repayment of borrowings	1,000	1,000	2,000
Cash movement in net cash	**16,284**	**3,012**	**(15,694)**
Capitalisation of loan arrangement fees	201	38	48
Amortisation of loan arrangement fee	(68)	(79)	(120)
Non cash movement in net cash	**133**	**(41)**	**(72)**
Movement in net cash	**16,417**	**2,971**	**(15,766)**
Opening net cash	**15,670**	**31,436**	**31,436**
Closing net cash	**32,087**	**34,407**	**15,670**

9. Acquisitions

On 30 April 2015 the Group acquired the business and assets of Bury Land Rover in Lancashire from a subsidiary of Pendragon PLC. Total consideration amounted to £7,021,000 and was settled in cash from the Group's existing resources. The excess of consideration over the provisional fair value of the net assets acquired was £7,010,000, of which £2,595,000 has been allocated to franchise relationships.

On 12 May 2015 the Group acquired the business and assets of Bradford Jaguar in West Yorkshire from a subsidiary of Lancaster plc. Total consideration amounted to £826,000 and was settled in cash from the Group's existing resources. The excess of consideration over the provisional fair value of the net assets acquired was £750,000.

On 5 June 2015, the Group acquired the entire share capital of Blacks Autos Limited, which operated a Skoda dealership in Darlington. Total consideration amounted to £1,546,000 including retention payable of £250,000. The remaining balance was settled in cash from the Group's existing resources. The excess of consideration over the provisional fair value of the net assets acquired was £765,000. The accounts of Blacks Autos Limited for the year ended 31 December 2014 showed revenues of £9,800,000 and profit before taxation of £372,000.

10. Retirement benefits

During the six month period ended 31 August 2015, there was a loss on assets of £418,000. There have also been changes in the financial assumptions underlying the calculation of the liabilities in the same period. In particular, the discount rate has increased in line with a rise in corporate bond yields over the six month period, this was partially offset by a rise in future expectations of inflation. The effect of these changes in financial assumptions was a decrease in liabilities of £1,059,000. In total, there was an actuarial gain in the period of £642,000 before deferred taxation, recognised in the Consolidated Statement of Comprehensive Income.

11. Cash flow from movement in working capital

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

For the six months ended 31 August 2015

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(473,178)	
Deferred consideration			(2,100)	
Deferred income			(5,610)	
At 31 August 2015	395,519	51,005	(480,888)	
At 28 February 2015	394,287	53,500	(466,865)	
Balance sheet movement	**(1,232)**	**2,495**	**14,023**	
Acquisitions	1,080	99	(1,223)	
Disposals	(116)	(23)	88	
Movement excluding business combinations	**(268)**	**2,571**	**12,888**	**15,191**
Pension related balances				(75)
Decrease in capital creditor				828
Increase in fixed asset disposal debtor				1,057
Increase in interest accrual				(7)
Movement in working capital				**16,994**

For the six months ended 31 August 2014

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(374,834)	
Deferred consideration			(2,600)	
Deferred income			(5,738)	
At 31 August 2014	319,833	39,868	(383,172)	
At 28 February 2014	334,452	42,971	(400,006)	
Balance sheet movement	**14,619**	**3,103**	**(16,834)**	
Acquisitions	4,559	1,263	(6,614)	
Movement excluding business combinations	**19,178**	**4,366**	**(23,448)**	**96**
Pension related balances				(140)
Increase in capital creditor				(254)
Decrease in interest accrual				15
Movement in working capital				**(283)**

For the year ended 28 February 2015

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

12. Goodwill and other indefinite life assets

	31 August 2015 £'000	31 August 2014 £'000	28 February 2015 £'000
Goodwill	47,675	40,889	41,745
Other indefinite life assets – Franchise relationships	11,717	9,122	9,122
At end of period	**59,392**	**50,011**	**50,867**

13. Post balance sheet events

On 24 September the Group disposed of a freehold satellite dealership acquired with the Gordons of Bolton acquisition in November 2014. The site in Horwich, Lancashire realised £1,365,000 of cash.

On 1 October 2015 the Group acquired the entire share capital of SHG Holdings Limited which operates Audi, Volkswagen Passenger Cars and Volkswagen Commercials outlets in Hereford. The estimated consideration was £12,800,000 and was settled in cash from the Group's existing resources. Further consideration of £1,500,000 is to be deferred for two years and will be payable under certain conditions.

On 8 September 2015, the Group purchased long leasehold dealership premises in Exeter for consideration of £2,400,000. Further, on 9 September 2015, the Group purchased a freehold property in Glasgow for £3,900,000, for future development for the Nissan franchise.