Vertu Motors plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 29 February 2024

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Financial Diary

Annual General Meeting	25 June 2024
Interim Results 2024/25	October 2024
Final Results 2024/25	May 2025

Performance Highlights

Operational Highlights

- Profit before tax rose 6.5% to £34.6m from £32.5m.
- Adjusted[1] profit before tax of £37.8m (FY23: £39.3m), on record revenues of £4.7 billion. Profit in line with current market expectations.
- Operating expenses as a percentage of revenues fell to 9.7% (FY23: 9.9%) reflecting application of strong cost disciplines despite inflationary pressures.
- Used car margins weakened in H2 due to price corrections in the market: values and margins stabilised by the end of the Year.
- Aftersales delivered a strong performance, with like-for-like revenue up 8.6% and Core Group gross profit up £13.2m compared to FY23.
- Free Cash Flow of £57.0m in the Year (FY23: £54.3m) reflecting excellent working capital management and the underlying cash generative nature of the business.
- Net debt[2] of £54.0m as at 29 February 2024, lower than market expectations (FY23: Net debt: £75.3m).
- Final Dividend of 1.50p per share recommended, bringing full year dividend to 2.35p per share (FY23: 2.15p), an increase of 9.3%.
- Net tangible assets per share of 70.5p.
- £7.5m returned to shareholders via repurchase of 11.3m shares during the Year.

Current Trading and Outlook Highlights

- Strong trading performance delivered in key months of March and April gives confidence for the new financial year.
- Group gained market share in the critical March and April new retail market showing like-for-like decline of 2.6% against market decline in SMMT registrations of 10.8%.
- Fleet volumes and margins remain robust.
- Used vehicle prices have been stable with volumes and margins robust in March and April. Like-for-like used car volumes grew 5.8% year-on-year and gross profit increased.
- Aftersales revenues and profits remain highly resilient and saw growth aided by retention products, such as service plans, and additional numbers of technicians recruited.
- Battery electric vehicle sales growth in the UK has stalled. Government mandated targets increase over the coming years and there is a risk the industry falls short of these targets. With the threat of significant fines on Manufacturers on missing targets, the risk of potential market volatility later in the year and medium-term is elevated.
- In FY25 cash proceeds from disposal of properties of £10.6m are anticipated, approximately £2.6m in excess of book value.
- Group well positioned with stable management and a very strong balance sheet.
- A share buyback approval for the potential purchase of shares for up to £3m has been put in place for the new financial year. Gearing limit of up to 1.5x net debt/EBITDA reconfirmed.

[1] Adjusted to remove non-underlying items
[2] Excludes lease liabilities, includes used vehicle stocking loans

Performance Highlights (continued)

Financial Summary

Years ended 29 February	2024	2023	2022
Revenue	£4,719.6m	£4,014.5m	£3,615.1m
Adjusted[1] profit before tax	£37.8m	£39.3m	£80.7m
Profit before tax	£34.6m	£32.5m	£78.8m
Basic Adjusted[1] EPS	8.37p	9.16p	17.92p
Dividends per share	2.35p	2.15p	1.70p
Free Cash Flow	£57.0m	£54.3m	£44.4m
Net (Debt)[2]/ Cash	(£54.0m)	(£75.3m)	£16.2m

[1] Adjusted to remove non-underlying items
[2] Excludes lease liabilities, includes used vehicle stocking loans

At a Glance

188 sales outlets

32 car, bike and commercial franchise partners

143 locations across the UK

7,600 colleagues

218,350 vehicles sold

£4.7bn revenue

87.1% Used Car Customer Experience (Net Promoter Score)

72.7% of Colleagues consider Group as a great place to work

Car

Commercial

Bikes

Group Stakeholders

Engaging with Stakeholders - section 172 statement

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

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

Colleagues

How we engage:

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

Key interests raised:

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

Outcomes of engagement:

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

Customers

How we engage:

Customer satisfaction surveys are regularly undertaken through both the Group's Manufacturer partners and via Judge service reviews. The Group has a dedicated customer services team. We also communicate via social media and regular blogs.

Key interests raised:

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

Outcomes of engagement:

- Website and email communications to customers on the Group's database
- Improved sales process giving customers more control over their chosen sales journey
- 14-day money back guarantee
- Consistency of part exchange and sell your car valuation

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)

Investors

How we engage:

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

Key interests raised:

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

Outcomes of engagement:

- Meetings held throughout the year
- Dividend increased for FY24 and share buy-back programme continued in the financial year
- Results webcast for retail investors

Manufacturer Partners

How we engage:

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

Key interests raised:

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

Outcomes of engagement:

- Execution of franchise developments including multi-franchising
- Delivery of the move to an agency distribution model in certain franchises
- Agreement of volume targets
- Investment in premises

Suppliers

How we engage:

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

Key interests raised:

- Group strategy
- Collaborative working
- Integration of systems

Outcomes of engagement:

- Cost reductions through contract revisions

Group Stakeholders (continued)

Engaging with Stakeholders - section 172 statement (continued)

Finance Providers

How we engage:

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

Key interests raised:

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

Outcomes of engagement:

- Renewal of annual facilities
- Continued review of retail finance arrangements in response to changes in base rates
- Implementation of Consumer Duty
- Assisting with finance provider responses to commission disclosure FCA investigation.

Communities

How we engage:

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

Key interests raised:

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

Outcomes of engagement:

- Engagement with schools
- Investment in apprenticeship programme to provide youth employment opportunities
- Ongoing and new sponsorship programmes benefiting communities local to the Group's operations
- 'Driving Sustainability' programme

Group Stakeholders (continued)

Engaging with Stakeholders – section 172 statement (continued)

Government and Regulators

How we engage:

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

Key interests raised:

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

Outcomes of engagement:

- Donations to other community initiatives
- Input to and member of industry working groups
- Response to FCA on their sector review on commission disclosure.
- Implementation of new FCA Consumer Duty.

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

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

Chairman's Statement

The Group has again executed well, in what turned out to be a challenging Year, delivering an Adjusted[1] profit before tax of £37.8m, broadly in line with analysts' expectations. There were noteworthy highlights in the Year:

- The successful integration of the significant Helston acquisition completed in December 2022 and the bolt on acquisition of Rowes in October 2023, augmenting the Group's growing presence in the Southwest of England.
- The delivery of operational excellence and digitalisation continued with the full roll-out of the Group's in-house analytics system 'Vertu Insights', a used vehicle stock management tool. Use of this dynamic tool helped the Group to successfully navigate the significant impact of movements in the wholesale used vehicle market in the second half of the Year.
- The roll out of the in-house developed 'Pay Later' product to all Group sites, allowing customers to spread their vehicle repair payments interest free over 3-5 months. This has aided conversion of the sale of repair work identified as part of the Group's vehicle health check process, and reduced costs compared to a third-party solution.
- The successful reduction of vacancy levels, particularly in respect of service technicians.
- A 9.3% increase in the annual dividend per share reflects the Board's confidence in the Group's future trading and continued strong free cash flow generation.
- The return of £7.5m to shareholders through the purchase of 11,343,372 shares for cancellation, representing 3.3% of opening total issued share capital.

The Board welcomed two new non-executive directors during the Year. John Mewett, the Chief Executive Officer of Screwfix, part of the Kingfisher plc group, joined the Board in June 2023. John is responsible for the development of the Screwfix business across the UK, Ireland and France and has over 25 years' retail experience. David Gillard, a Non-Executive Director and the Chair of Audit Committee at Bradford and Sons Limited, a builders' merchant, joined the Board in January 2024. David was previously the Group Finance Director and Deputy to the Managing Partner at DAC Beachcroft LLP, the international law firm. David will replace Ken Lever as chair of the Audit Committee when Ken leaves the Board at the forthcoming AGM after nine years' service. I would like to take this opportunity to thank Ken for his tremendous contribution to the strategy and success of the Group over his nine-year tenure.

The Board is cognisant of possible challenges in the year ahead. These include the impacts of a General Election, high interest rates and a cost-of-living squeeze on consumer confidence. There is additionally, potential for disruption in new vehicle supply as the UK Government seeks to transition to battery electric vehicles and Manufacturers attempt to navigate new emission legislation and potential significant fines. These impacts have the potential to effect revenues and profitability in the short-term. We remain, however, focused on the delivery of the Group's long-term strategic goals, appropriate capital allocation and free cash flow generation.

The Group's performance is, as always, the result of the commitment and hard work of all colleagues. I would like to thank all the team for their continued effort and dedication.

Andy Goss, Chairman

[1] Adjusted to remove non-underlying items

Group Strategy

Mission & Values

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

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

Strategic Goals

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

Digitalisation – cohesive "bricks and clicks" strategy
- Omni-channel development
- Digitalise aftersales process
- Reduce cost base and deliver efficiency through use of systems
- Utilise data driven decision making to deliver enhanced returns

Colleague and Customer focus
To develop and motivate the Group's colleagues to ensure consistency of operational excellence and delivery to customers across the business

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

Sustainability Goals

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

Group Strategy (continued)

17 years of trading and 100 years of history

March 2024 marked a milestone 17 years of trading of the Group. This followed the £40m purchase back in March 2007 of Bristol Street Group Limited, which operated 32 franchised dealerships and three used vehicle supermarkets. Since this initial acquisition, the Group has grown from 35 to 188 sales outlets and the number of colleagues employed by the Group has risen from 1,700 to over 7,600. Over that same period, revenues have increased from the £0.6 billion delivered by Bristol Street Group in 2006 to the £4.7 billion reported in these results.

Whilst the Vertu Group is a relative youngster in the sector, another significant milestone was reached in March 2024, the centenary of Bristol Street Motors. Officially incorporated on 18 March 1924, Bristol Street Motors operated a single Ford dealership in the heart of Birmingham. Today, Bristol Street Motors Birmingham Ford still operates as part of the Group from the same location as it did 100 years ago. Bristol Street Motors is the Group's largest brand; and is also the most well-known automotive brand in England. This strength comes from 88 locations and substantial marketing activity including TV campaigns, sponsorship of a British Touring Car Championship racing team and the EFL's Bristol Street Motors Trophy cup competition.

The Group has faced several considerable challenges over its short history. A global financial crisis, Brexit, a global pandemic and its impact on supply chains, a shift in powertrains and more normal economic fluctuations. The business has proven to be very resilient in the face of these and indeed has developed significant advantages:

- **Dealer network**
  The Group operates franchised dealerships from a physical network of 143 locations, from as far north as Paisley in Scotland, down to Orpington in the South East and Truro in the South West of England. These locations are pivotal to the delivery of the Group's Mission 'to deliver an outstanding customer motoring experience through honesty and trust' and to serve the requirements of our Manufacturer partners.

- **In-House systems**
  Over the years, the Group has developed in-house bespoke and proprietary systems, including our showroom sales process system, fully integrated with the Group's on-line customer journey, excellent management information systems providing data in real time and used vehicle inventory management systems. The Group currently has 56 in-house developers and robotics specialists.

- **Stable committed management team**
  The stable senior management team have a wealth of sector expertise and the Group has a focus on growing its 'Next Generation' of senior leaders to assure the continued and sustainable delivery of the Group's strategic goals in the long-term.

- **Customer base**
  The Group's 2 million strong customer base enables the Group to focus on retention in sales and service and the further development of ancillary services such as retail cosmetic repair operations.

- **Resilient aftersales operations**
  The Group has a well-established and growing aftersales business. Customer retention initiatives such as over 163,000 live service plans together with focus on the delivery of high levels of customer service aid the resilience of this business.

- **Brand strength**
  The longevity of the Bristol Street Motors brand along with the Group's continued investment in brand marketing and partnerships mean that Bristol Street Motors remains the most recognised motor retail brands in England. Macklin Motors in Scotland and Vertu also have growing brand awareness. Such awareness is vital in a world of customers searching on the internet and undertaking omni-channel retailing.

Group Strategy (continued)

17 years of trading and 100 years of history (continued)

- **Strong Manufacturer relationships**
  Operational delivery and strong mutual respect have generated good relationships with the Group's chosen Manufacturer partners. Such relationships are key to the delivery of future scale and provide excellent support to the Group in periods of crisis, such as the pandemic.

- **Balance sheet**
  Significant asset backing, low levels of net debt and strong cash generation enable the Group to continue to deliver on its strategic goals.

- **Values based Group**
  Strong values-based culture and commitment to customer service with the Mission 'to deliver an outstanding customer motoring experience through honesty and trust'.

Strategy Summary

The Group's key long-term strategic goal remains: To deliver growing, sustainable cashflows from operational excellence in the automotive retail sector. The strategic objectives of the Group, which were reviewed during the Year, remain consistent and are summarised below:

- To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, while being mindful of industry development trends, to maximise long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy, together with a focus on cost optimisation and efficiency:
  - Optimise our omnichannel retail offering and promote our brands to drive enquiry levels.
  - Digitalise aftersales processes to improve customer service and productivity.
  - Reduce the cost base of the Group by delivering efficiency using technology.
  - Utilise data driven decision making to generate enhanced returns.
- To develop and motivate the Group's colleagues to ensure operational excellence is delivered constantly across the business.
- To develop ancillary businesses to add revenue and returns that complement the automotive retail dealership business.

Group Strategy (continued)

Execution of Group Strategy

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on growth opportunities and deliver scale benefits. The following changes to the scale of the Group have been delivered since 1 March 2023.

- *Acquisitions*

The Group completed the acquisition of Rowes Garage Limited ('Rowes') in October 2023. This added four sales outlets in South-West of England and further strengthened the Group's position in the region. These dealerships were rebranded to Bristol Street Motors or Vertu Motors and were fully integrated onto Group systems and processes upon acquisition. The outlets represent the Honda franchise in Plymouth and Truro and a used car sales outlet in Plymouth. In February 2024, the Honda outlet acquired in Plymstock was closed with the business being consolidated into the central Plymouth site. The now empty Plymstock dealership will be refranchised to provide Plymouth with a Volvo outlet in the months ahead. The Group already operates Volvo in the region such as in Truro, Exeter and Barnstaple. The Plymouth used cars outlet will be franchised to represent Renault and Dacia which the Group already represents in Exeter.

- *Multi-franchising and new outlets*

On 24 April 2023, the Group agreed a sub-lease of a former Cazoo outlet in Tamworth, Staffordshire. The outlet opened in July 2023 as a Bristol Street Motornation used car outlet and has performed successfully since opening. The opening follows the strategy of the Group to take opportunities as they arise in strong retail locations for the Group. In the past, outlets which opened as Bristol Street Motornation have been transitioned to Franchise dealerships over time. It is anticipated that Tamworth will be franchised within the next 12 months.

In July 2023, the Group agreed a sub-lease of a former Jaguar dealership in the west of Newcastle upon Tyne. This excellently located dealership site was refurbished for the relocation of the Group's existing Vauxhall franchise from nearby Scotswood Road in the city. Vauxhall opened in this new location in October 2023. Following the move, the substantial freehold dealership vacated by Vauxhall was re-opened on 1 December 2023 as a Ford car and commercial vehicle operation. This follows the award by Ford of Tyne and Wear as a market area to the Group. This additional significant Ford operation augments the existing representation of the brand by the Group in nearby Morpeth, Durham, and Hartlepool.

On 12 September 2023, the Group opened the MG franchise in Chesterfield, alongside the Group's existing Vauxhall dealership. This marks the fourth sales outlet for the MG brand (owned by SAIC of China) operated by the Group, alongside the existing outlets in Beaconsfield, Carlisle and Edinburgh. MG had a 4.3% market share of the UK car market in calendar 2023 having seen significant growth.

On 28 November 2023, Bristol Street Motornation Stockton was re-franchised to Nissan, providing a substantial dealership for this brand in Teesside and augmenting the existing representation of the brand by the Group in nearby Darlington.

The Group has been in discussions with BYD, the world's leading Manufacturer of new energy vehicles, and the Board are delighted to announce that the Group will shortly commence trading at Worcester and Gloucester with BYD.

- *Active Management*

The Board continues to actively manage the Group's portfolio of properties and businesses. This includes assessing further growth opportunities as well as the future potential of existing businesses, utilising strict investment return metrics to ensure discipline in capital allocation.

During the Year, the Group closed operations at its BMW/MINI outlet in Malton, Yorkshire and secured an early exit from the associated leasehold premises. The Group also exited from a Ford operation in Stroud, Gloucestershire, and closed its SEAT Cupra operation, exiting the associated lease, in Birmingham in January 2024. Exiting these sub-scale dealerships has reduced operating expenses, and the Group has retained many of the respective sales and service customers in its nearby York BMW and MINI and Gloucester Ford dealerships, so

Group Strategy (continued)

Execution of Group Strategy (continued)

Developing the Scale of the Group (continued)

augmenting revenues and profits at these outlets. Additionally, in existing multi-franchised dealership locations, the Renault/Dacia franchises in Mansfield and the Hyundai Franchise in Morpeth have been relinquished in consultation with the Manufacturers.

In the financial year, the Group continued to generate cash from surplus properties. A surplus dealership in Taunton, acquired in the Helston acquisition, was sold for proceeds of £0.8m and an accident repair centre business and property in Newcastle was disposed of for £1.4m in the period. In addition, a surplus property in Hayle acquired with the Rowes acquisition was sold for proceeds of £1.4m. These transactions collectively generated cash proceeds of £3.6m and a profit on disposal of £0.5m.

Subsequent to the financial year end, planning was formally granted in respect of surplus land adjacent to the Group's Nissan dealership in central Glasgow. This 1.15-acre site had been held by the Group since FY16. The sale has not completed as contractually anticipated, due to the impact of recent legislative changes in Scotland imposing rent controls. The Group continue to work with the developer concerned and the Board consider that a disposal is likely to be completed in FY25.

A further surplus property, acquired with the Helston acquisition in FY23, has been sold following the year end on 13 March 2024. This property in Taunton generated cash proceeds of £0.8m, in line with the asset's carrying value.

Additional surplus properties held by the Group are expected to be disposed of in the next 18 months. In total, in FY25, cash proceeds from disposal of properties of £10.6m are presently anticipated, approximately £2.6m in excess of book value.

Digitalisation Developments

Omni-channel Retail Sales

Consumers continue to value a blended retail experience, with a desire to complete tasks digitally as well as visiting a dealership to touch, feel and test drive their prospective new vehicle ('omni-channel retailing').

In FY24, the Group focused on increasing the number of on-line vehicle sales reservations, as such reservations convert to a sale at more than twice the rate of traditional vehicle sales enquiries. The Group took over 22,000 on-line vehicle reservations in FY24, up 113% on the previous year.

In terms of continued development of the customer journey, changes to the Group's sales experience/process software, built on the same platform that underpins our eCommerce journeys, have been rolled out across the Group. These changes provide further efficiency for the sales teams in the dealerships as well as improving the customer buying journey.

Data Model and Customer Data Platform

During FY24 the Group continued to scale its data capability. Further investment in the data and business intelligence teams, which now number 14 colleagues, were made. This enabled the launch of a comprehensive data warehouse in Q1 FY24. Utilising existing infrastructure, this provides the bedrock of data for the Group and the opportunity to drive further efficiencies across our finance and marketing functions as well as in dealership operations.

This data platform drives the used vehicle pricing algorithm in use in the Group's in-house developed 'Vertu Insights' system. This was rolled out across the Group in FY24 and enables real-time review and updates to used vehicle prices to reflect market conditions, and it also forms the basis of our part exchange valuations to customers on-line. Since completing the rollout of Vertu Insights, the number of used car price changes per day have increased by 150% as the technology, which uses a combination of proprietary and third party machine learning, enables price changes across all vehicles at a location to be moved in line with market supply and demand with a single click. Prices can go up as well as down to maximise profitability. The system is also supported by our innovative QR Code based forecourt pricing approach, where 'windscreen' pricing is updated in real-time, eliminating the need for traditional price boards, which are time consuming to update.

Digitalisation Developments (continued)

Data Model and Customer Data Platform (continued)

FY24 also saw the introduction of the Group Internal Auction Platform, which allows dealerships to sell part exchanges that do not meet their stock profile to other Group dealerships, instead of them having traditionally been sold via an external remarketing channel. Since launch, over 2,200 used vehicles have been retained in the business to retail, helping with used vehicle inventory supply whilst reducing stock availability to competitors.

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

Digitalisation in Aftersales

The Year saw increased customer uptake of the digital self-service check-in in the Group's service departments. 60% of customers now check in for their service from home with a third of these going on to use the instore kiosks to safely deposit their vehicle keys. The Group has also seen increased penetration of add-on sales in service from customers using this facility. The functionality of the kiosks is being further enhanced to allow courtesy vehicle collection, customer check out and payment as well as integration with the Group's new Retail smart repair offering, 'Bristol Street Motors Repair Master'.

'Pay Later', an in-house developed deferred payment option for service customers, was fully rolled out during the Year. This has substantially reduced the cost to the business of offering this service, previously provided by a third party. Working capital increased by £1.3m to the end of the financial year following the rollout and no material credit issues have been experienced to date. The offering is an efficient use of capital and has a powerful impact on converting work from Visual Health Check activity. It is driving higher average invoice values.

Digitalisation to improve efficiency and reduce cost

A new substantial project has commenced, investing significant development resource to improve the productivity of the Group's financial processing. The first project, to allow the seamless transfer of vehicles between Group dealerships, including invoicing, transfer of supporting records and payment is currently under development. This functionality will then be utilised to allow similar ease of cross charging for Group parts supply and for services such as cosmetic repairs. The successful implementation of this technology should substantially improve the efficiency of the Group's finance functions. Further opportunities to increase finance efficiency, which should bring cost savings, have also been identified.

Recruiting, Retaining and Developing Colleagues

It is a priority of the Group to develop and motivate the Group's colleagues to ensure the delivery of operational excellence and outstanding customer experiences. The Group has been successful in reducing colleague turnover in recent years. Nevertheless, the Board considers that turnover in the key roles of sales executives and service advisors remains at too high a level. In order to increase colleague stability in all areas, the Group has commenced substantial training and other initiatives to improve recruitment, induction and appraisal processes. For example, every manager is currently undergoing training to improve coaching skills. These initiatives should enhance colleague retention and therefore the Group's ability to deliver operational excellence.

Whilst the number of UK job vacancies has reduced slightly to 0.9 million in January 2024 from the more than 1.0 million seen, throughout much of 2023, (source: ONS: March 2024 labour market overview) workforce recruitment and retention remains a challenge for many UK businesses. Resource constraints, coupled with cost-of-living pressures and the significant increase in the national minimum wage have led to wage inflation, with average weekly income growing in absolute and real terms in the UK. Following the recent increase in the National Minimum Wage, 24.3% of the Group's colleagues are paid at or within 5% of Minimum Wage, up from 12.3%. Such colleagues are no longer able to participate in tax efficient salary sacrifice schemes such as the holiday purchase scheme or making pension

Recruiting, Retaining and Developing Colleagues (continued)

contributions. The consequence of these Government actions appears to have led to reduced level of satisfaction amongst these colleagues. A survey conducted in February 2024 saw 72.7% of colleagues ranking the Group as a great place to work (down from 85.9% in the full annual survey). The greatest reductions in satisfaction scores were recorded in roles paid at or just above minimum wage. In the face of such challenges, the Group continues to strive to achieve a reasonable balance between managing the growth of employment costs whilst ensuring that a stable, motivated workforce is in place.

The Group has long been committed to extensive investment in the development of all colleagues to provide opportunity to those who are talented and driven to succeed. Programmes include a degree apprentice scheme, technician apprentice schemes and 'Evolution' development programmes to facilitate progression to management roles in all areas. These programmes are critical to delivering a business which is meritocratic and full of opportunity for colleagues.

Ancillary Businesses

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

The Taxi Centre, which has been in operation for over 20 years, delivered 1,066 taxis in the Year (FY23: 854) and importantly generated profit before tax of £1.0m, a significant increase on the £0.5m delivered in FY23. Improved supply of vehicles, and an expansion in the size of the sales team, drove this strong performance.

Aceparts sells parts to customers via Marketplaces, with over 2.5 million listings on eBay, and makes on average 2,000 despatches per day. The business has grown 'direct to consumer' sales from selected suppliers which has allowed sales growth whilst inventory levels have been reduced. Wiperblades.com augments this business with a website sales platform. Wiperblades distribution has been consolidated into the Group's existing warehouse in Sittingbourne in Kent. Aceparts is also a material supplier to our Dealerships for non-manufacturer parts and consumables, facilitated from distribution centres in the Group's existing dealership premises.

Vansdirect had a good year, with a robust financial performance of £2.1m in profit before tax (FY23: £2.8m). Supply dislocation in respect of a number of supplying Manufacturers held back sales volumes in the Year and margins normalised.

Strategic Summary

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

Group Strategy (continued)

Sector Trends

The franchised automotive retail sector continues to evolve with the following trends apparent.

1. Supply and outlet dynamics

The supply disruption in the post pandemic period eased as the Year progressed with production flowing more freely once again. This resulted in a 17.9% increase in the number of new vehicles registered in the UK in 2023 (Source: SMMT). Supply was such that pre-registration activity reappeared, which had been largely absent in the last three years. This indicates an excess of supply of inventory versus demand and a return to a supply push environment. There is an expectation of increased competition from Chinese manufacturers as they seek to expand vehicle sales into the relatively low tariff environments in both Europe and the UK as growth in their domestic market has stalled. Governments in the UK and EU are considering the competition aspects of this with the potential for additional tariffs for Chinese producers.

Despite the addition of new entrants such as BYD and GWM ORA, the UK's total number of franchised sales outlets fell 3.2%[2] (133 outlets), to a total of just over 4,200 outlets. This decline in outlets continues the trend of the last few years and should mean increased sales from those outlets which remain.

[2] Source: Auto Retail Networks Report 2024

2. Electrification

The Group is supportive of the transition to electrified powertrains in the UK vehicle parc as part of the move to a cleaner environment, particularly in respect of urban air pollution. Investment in training, charging infrastructure, specialised tooling and dedicated battery competence centres has been made to support this transition. The Group has recently received recognition for the efforts made in embracing the transition to 'zero emissions', winning the National Franchised Dealers Association ('NFDA') Green Dealer Award in April 2024. The award was given for the Group's commitment to the Electric Vehicle Accreditation ('EVA') programme, demonstrating dedication to being at the forefront of electric vehicle retailing.

In 2023, the UK Government rolled back the full ban on the sale of new petrol and diesel cars in the UK from 2030 to 2035. Despite this policy announcement, the UK Government have imposed the Vehicle Emission Trading Scheme (VETS) from January 2024. VETS was imposed instead of the much-discussed Zero Emissions Vehicle (ZEV) mandate. VETS represents two schemes which run concurrently, namely the Non-Zero Emission Car Registration Trading Scheme (CRTS) and Non-Zero Emission Car CO_2 Trading Scheme (CCTS). This is the most aggressive Government imposed environment policy in Europe, pushing BEV vehicle sales through fines rather than incentives.

CRTS requires Manufacturers to achieve specific zero emissions vehicle sales targets, starting at 22% of total car sales and 10% of van sales in 2024. The target rises incrementally each year to 80% for cars and 70% for vans in 2030, and 100% for both by 2035. Manufacturers can generate additional allowances through the purchase of credits from other Manufacturers or through the CCTS scheme. The CCTS scheme looks at the average CO_2 of a Manufacturer's registered vehicles in 2021, and if average CO_2 is reduced overall in future years, overachievement can be converted into CRTS credits. For every vehicle that does not comply under CRTS the Manufacturer pays a fine of £15,000. If a Manufacturer misses their CCTS target a fine of £86 is levied for every gramme of CO_2 over the base line.

The potential fines for Manufacturers from these two schemes are huge (particularly after 2024 as targets ramp up). Increased pressure for the sale of new electric vehicles is evident in response to this complex legislation. Retail demand for electric vehicles remains muted with no financial incentives from Government available, despite the onerous targets and fine regime. Most demand is coming from the fleet and business channels where Government tax incentives are in place. Manufacturers are seeking to stimulate retail demand for these vehicles through the offer of discounted prices and supported finance rates, yet these are clearly costly to their profitability.

2. Electrification (continued)

Both CRTS and CCTS are only judged at the end of the calendar year and as such it is highly likely that the pressure to generate BEV volumes will further increase as the year progresses and in future years as targets tighten. One outcome may well be a reduction in the supply of Internal Combustion Engine (ICE) vehicles in the second half of FY25 to minimise exposure to regulatory fines. This could, in turn, impact on the size of the UK vehicle market.

A further potential challenge to the transition to BEV discussed in previous reports arose from tightening Rules of Origin requirements where BEVs sold between the EU and UK face 10% tariffs, based on the origin of their components. The introduction of this tariff has been delayed from 1 January 2024 to 2027 which is clearly a helpful development.

The Society of Motor Manufacturers and Traders (SMMT) registration statistics show UK BEV registrations in the period January to April 2024 represented 15.7% of all sales, below the mix achieved in 2023. Growth has been achieved in the fleet and Motability sales channel, rather than retail.

3. Financial Conduct Authority (FCA)

The Financial Conduct Authority (FCA) is currently investigating Discretionary Commission Arrangements (DCAs) within automotive finance. Preliminary findings from the FCA review suggest that motor finance providers, and motor finance credit brokers (including motor dealers) who have engaged in motor finance agreements involving DCAs could be impacted. The Group ceased sales involving DCAs in January 2021. The FCA have indicated that an update on this investigation will be given by September 2024. The Board does not currently consider that provisions are required to be made in respect of any exposures in this area and will update shareholders as the position becomes clearer.

In a separate development, in November 2023, the FCA highlighted concerns regarding the proportion of premiums paid by customers being disbursed in claims in respect of guaranteed asset protection (GAP) insurance. The Group ceased the sale of GAP insurance to customers on 31 January 2024. No provisions have been made.

4. Agency Distribution

Under the agency distribution model, the Manufacturer transacts with the customer for new vehicle sales while the retailer remains the physical touchpoint with the customer and undertakes the sales process, customer contact and vehicle delivery as an agent. The retailer-turned-agent receives a commission on each new vehicle sale. There are varying versions of the agency model proposed and the picture is evolving in terms of such factors as Manufacturers' appetite to change, the legal structure of the model, and the details of operational implementation.

The Group has long operated on an agency basis for a significant proportion of fleet and parts sales. Mercedes-Benz passenger cars moved to a genuine agency model on 1 January 2023 and Volvo from July 2023 in respect of retail new car sales. The Volkswagen Group brands have also implemented agency distribution for their BEV ranges in the retail channel. Honda also moved to agency for the e:Ny1 product from the end of April 2024. A number of others still plan to do so in time.

A number of Manufacturers previously announced they were considering implementing the agency model in the UK, notably Ford and Land Rover. Both recently announced the transition will not now take place.

Group Strategy (continued)

Current trading and outlook

- March and April 2024 Trading (the 'Period')

The Board is pleased with the Group's strong trading performance in the critical first two months of the new financial year. Overall the performance was slightly ahead of the Board's expectations and expectations for the full year are unchanged.

The UK new car market saw a growth in total registrations in March and April 2024 of 7.4% compared to the prior year. This increase arose in the Fleet and Motability channels, whilst registrations to private retail customers saw continued weakness and fell 10.8%.

The Group's volumes of new retail vehicles sold fell only 2.6% in the Period, significantly ahead of the 10.8% market decline, improving share to 4.9% (4.5% in the comparative Period). The Group's Motability sales grew 43.7% like-for-like compared to an increase of 48.5% in the UK Market. The growing mix of Motability sales, along with increased supply of new vehicles generally, continues to weigh on margins. Gross profits per unit on the sale of new retail and Motability vehicles in the Core Group were £2,101 in the Period, a decline of £308 Period-on-period with gross margins normalising to 8.1%. Overall gross profits from the sale of new vehicles were below prior year levels.

The Group's Fleet and Commercial performance remained strong in the Period, generating increased gross profit levels compared to the prior year Period. Group Fleet and Commercial like-for-like volumes grew 6.7% in the Period. Gross profits per unit continued to exceed prior year levels at over £1,300 per unit and consequently gross profits in this channel were above prior year Period levels.

The UK used vehicle market saw relative stability in the post year end period, in respect of both consumer demand and used vehicle prices. Like-for-like volumes of used cars sold by the Group grew 5.8% in the Period year-on-year. Core Group Gross margins on the sale of used cars were robust, growing 0.3% to 7.9%. This margin percentage increase was due to a reduction in average selling prices of almost £2,000 per unit (9.0%) reflecting lower used vehicle prices following the market correction in late 2023. Overall, gross profit from the sale of used vehicles was slightly up on the prior year period.

Like-for-like the Group delivered improved gross profit from all aftersales channels in the Period compared to last year. Service revenues in the Core Group grew by 9.5% with margins stable.

As anticipated, the Core Group saw an increase in operating expenses. Salary costs rose due to the impact of the National Minimum Wage and further success in filling vacancies. Vehicle running costs increased year-on-year due to enhanced depreciation rates being applied and the requirement by manufacturers for larger demonstrator ranges. Interest costs also exceeded prior period levels because of the impact of increased interest rates.

- Outlook

The Board is encouraged by the strong trading results in the first two months of FY25 and this provides confidence for the remainder of the financial year.

The SMMT recently upgraded its outlook for 2024 to 1.984m registrations (previously 1.974m) with BEV vehicles expected to represent a 19.8% share, (reduced on the previous 21.0% share anticipated). For the four months to April 2024 BEV vehicles have taken a 15.7% share. The softness of BEV retail demand represents a considerable challenge in achieving the ZEV mandate targets for Manufacturers. If unamended this regime, together with the absence of incentives for consumers in the retail market, may cause volatility and disruption in the UK new vehicle market in the near and medium term.

The used vehicle market and pricing is likely to remain robust except potentially in BEV residuals as consumer offers by Manufacturers increase to avoid fines and supply to the used car market increases. A curtailment of supply of new ICE vehicles by Manufacturers to improve the BEV mix in the light of potential fines, could underpin future used vehicle residual values.

The Fleet and Motability markets are likely to remain strong powered by financial tax incentives for BEV vehicles and the need to push BEV product in channels other than retail.

Group Strategy (continued)

Current trading and outlook (continued)

- Outlook (continued)

Aftersales demand looks to be well set in the months ahead as the Group benefits from its customer retention strategies. Higher availability of technician resource is another favourable tailwind.

Group Management remains focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives.

Robert Forrester, CEO

Key Performance Indicators

The Group has a number of Key Performance Indicators ("KPIs") by which it monitors its business. These include analysis of results by channel; as set out on page 22-33, together with the below:

	KPI	Definition	Performance	Risk Factor Link
Financial KPIs	Underlying EPS	Underlying profit after tax divided by weighted average number of shares (note 13)	FY24 – Underlying EPS of 8.37p FY23 – Underlying EPS of 9.16p	1 2 3 4 5 6 7 8 9 10 11 12 13 14
Financial KPIs	Underlying PBT	Profit before tax and non-underlying items	FY24 – Underlying PBT £37.8m FY23 – Underlying PBT £39.3m	1 2 3 4 5 6 7 8 9 10 11 12 13 14
Financial KPIs	Gross Margin by channel	Gross profit divided by revenue by channel	See page 23	2 3 4 5 6 9 14

Strategic / Operational KPIs	Like-for-Like Used Volume growth	Number of used vehicles sold in dealerships with comparable trading periods in two consecutive years	FY24 – decline of 2.0% FY23 – decline of 10.1%	2 3 5 6 9 12 13
Strategic / Operational KPIs	Like-for-Like New Retail volume compared to UK private registrations	Number of new retail vehicles sold in dealerships with comparable trading periods in two consecutive years compared to the movement in UK private registrations	**Group** FY24 – decline of 0.9% FY23 – decline of 3.6% **UK private registrations** FY24 – decline of 1.0% FY23 – decline of 1.9%	2 3 5 9 12 14
Strategic / Operational KPIs	Like-for-Like Service Revenue growth	Labour sales activity for the servicing, repair and preparation of motor vehicles in dealerships with comparable trading periods in two consecutive years	FY24 – growth of 6.2% FY23 – growth of 5.9%	2 6 8 9
Strategic / Operational KPIs	Online Growth	Website visits to all Group trading websites.	FY24 – unique users 10.42m FY23 – unique users 8.11m	2 3 7 9 10 11
Strategic / Operational KPIs	Customer Service	Customer service is measured via email survey responses from customers gathered by our manufacturer partners for new vehicles or on net promoter score for used vehicles	87.1% Net promoter score (FY23 – 86.3%)	4 7 8 9

Financial Review

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

	FY24 £'m	FY23 £'m	Variance %
Revenue	**4,719.6**	**4,014.5**	**17.6**
Gross profit	**516.1**	**448.4**	**15.1**
Operating expenses reported	(456.8)	(399.6)	(14.3)
Adjusted Operating profit	**59.3**	**48.8**	**21.5**
Net Finance Charges	(21.5)	(9.5)	126.3
Adjusted Profit Before Tax	**37.8**	**39.3**	**(3.8)**
Non-Underlying items[3]	(3.2)	(6.8)	52.9
Profit Before Tax	**34.6**	**32.5**	**6.5**
Taxation	(8.9)	(6.9)	(29.0)
Profit After Tax	**25.7**	**25.6**	**0.4**

[3] Non-underlying items represent share-based payments charge, amortisation of intangible assets, impairment charges and other non-underlying items.

The Group generated an adjusted profit before tax of £37.8m (FY23 £39.3m). Underlying operating profitability declined due to the impact of declining used car vehicle values in the final quarter of 2023 and the consequent impact on used car margins and gross profit generation. Group profit before tax of £34.6m exceeded prior year levels by 6.5% due to lower non-underlying costs incurred in the Year.

Revenue grew to £4.7 billion, a growth of £705.1m (17.6%) compared to the prior year. Acquisitions completed after 1 March 2022 contributed additional revenues of £450.1m, whilst dealerships disposed of or closed in the Year generated a £46.5m reduction in revenues. Revenue in the Core Group increased by £301.5m (7.9%) driven by an increase in fleet and Motability vehicle sales volumes, as new car supply increased.

Acquisition performance is dominated by the £115m Helston acquisition completed in December 2022. This was the largest single acquisition undertaken by the Group and will generate significant shareholder value. All of the acquired dealerships were fully integrated onto Group systems and processes by the first quarter of the Year as anticipated. Synergies have also been delivered as intended, yet despite this, the financial contribution in the Year from this acquisition was below expectations due to the impact of the used car price correction, concentrated in premium businesses in the second half of the Year. Financial performance is now stronger in the ex-Helston dealership as used car prices have stabilised and a robust contribution is anticipated in FY25.

Financial Review (continued)

Revenue and Gross Profit by Department

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

	FY24 £'m	FY23 £'m	Variance £'m
Revenue			
New	1,452.5	1,121.9	330.6
Fleet & Commercial	1,037.4	897.6	139.8
Used	1,816.2	1,658.2	158.0
Aftersales	413.5	336.8	76.7
Total Group Revenue	**4,719.6**	**4,014.5**	**705.1**
Gross Profit			
New	119.6	98.4	21.2
Fleet & Commercial	55.6	42.3	13.3
Used	122.5	125.2	(2.7)
Aftersales	218.4	182.5	35.9
Total Gross Profit	**516.1**	**448.4**	**67.7**
Gross Margin			
New	8.2%	8.8%	(0.6%)
Fleet & Commercial	5.4%	4.7%	0.7%
Used	6.7%	7.5%	(0.8%)
Aftersales[4]	43.5%	44.5%	(1.0%)
Total Gross Margin	**10.9%**	**11.2%**	**(0.3%)**

[4] Aftersales margin expressed on internal and external revenues

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

	Total Units Sold			Like-for-Like Units Sold		
	FY24	FY23	*% Variance*	FY24	FY23	*% Variance*
Used retail vehicles	**86,437**	**82,561**	***4.7***	**79,691**	**81,336**	***(2.0)***
Direct new retail cars	35,228	33,727	*4.5*	31,607	33,167	*(4.7)*
Agency new retail cars	1,585	80	-	1,326	80	-
Total new retail cars	36,813	33,807	*8.9*	32,933	33,247	*(0.9)*
Motability cars	19,706	11,029	*78.7*	19,082	10,995	*73.6*
Direct fleet cars	19,474	18,259	*6.7*	18,388	17,813	*3.2*
Agency fleet cars	7,770	5,236	*48.4*	7,770	5,237	*48.4*
Total fleet cars	27,244	23,495	*16.0*	26,158	23,050	*13.5*
Commercial vehicles	17,569	17,710	*(0.8)*	17,276	17,636	*(2.0)*
Total New vehicles	**101,332**	**86,041**	***17.8***	**95,449**	**84,928**	***12.4***
Total vehicles	**187,769**	**168,602**	***11.4***	**175,140**	**166,264**	***5.3***

	UK Market year-on-year change[6]	Group year-on-year change v UK market[5]
New Retail Car	(1.0%)	0.1%
Motability Car	70.2%	3.4%
Fleet Car	26.5%	(13.0%)
Commercial	19.3%	(21.3%)

[5] Represents the year-on-year variance of like-for-like Group volumes compared to the UK trends reported by SMMT
[6] Source SMMT

Used retail vehicles

The used vehicle market in the UK was best described as volatile in the Year, particularly in the second half.

In terms of supply, low new vehicle registrations in the UK from 2020-2022 have meant that generally the supply of older used vehicles into the market remains constrained. Improving new vehicle supply as 2023 progressed allowed for the renewal of large corporate, Motability and daily rental fleets particularly in September. This in turn generated an influx of supply into the used wholesale markets, particularly of sub-3-year-old used petrol vehicles and BEVs. Fleet companies typically held lower-than-market residual values on those vehicles being de-fleeted, so wholesale sellers were willing to accept lower prices to liquidate inventory than previously prevailing market prices, leading to price falls.

Whilst used vehicles have remained a necessity purchase for many consumers, factors like cost-of-living pressures, high interest rates, high vehicle prices following considerable price inflation in 2022 and the first half of 2023, and soaring insurance costs dampened consumer demand. This was particularly pronounced in the more expensive premium segment.

These market dynamics had an impact on wholesale UK used vehicle prices over the Year. Values saw relative stability in the months to August 2023, with prices remaining some 25-30%[7] above historic levels. Gentle monthly downward movements in prices were witnessed in the first half of the financial year in all but BEVs. Used BEV supply had grown rapidly, albeit from a very low base, and outstripped retail demand. Used BEV prices consequently fell significantly, with a 44%[8] correction being seen over the twelve months to August 2023. Later in the financial year, the influx of de-fleet supply, described above, met with more muted demand and so UK wholesale values across all powertrains experienced a significant price correction. Wholesale values fell by 10.3% between October and December (Source: CAPHPI). Premium vehicle values at the higher end of the market saw the greatest declines within this, with CAP reporting drops of 7% - 11% in each month, October to December. Used vehicle prices saw greater stability from January 2024 overall, however Premium vehicles within this continued to show greater weakness than the market generally.

The Group continually monitors the used vehicle pricing, demand and supply environment. Monitoring is significantly aided by the in-house developed 'Vertu Insights' system and enhanced by the Group's new data lake. This includes a pricing algorithm to ensure that, in fast-moving market conditions, prices are adjusted to optimise stock turn, volume and margin mix. Retail prices of Group inventory are now frequently changed on used cars both upwards and downwards. The ability to respond quickly to market changes is enhanced by the Group's strong marketing and digital capability.

The Year started with low levels of used vehicle stock as the Group reduced inventory. Group target inventory levels were increased in the first half of the Year reflecting good levels of consumer demand and to take account of increased time needed to prepare vehicles for sale due to the aging parc. Despite the ongoing supply constraints prevalent at the time, the Group was successful in growing inventory levels to 31 August 2023 compared to the opening position. As market conditions changed, and especially in response to the wholesale pricing conditions evident from the end of September 2023, the Group sought to increase stock turn and substantially reduce inventory levels. The Group was successful in driving increased stock turn, delivering like-for-like volume growth of 2.0% in the second half of the financial year. In the first half used volumes declined 5.7% like-for-like, mainly due to the absence of 0% finance used car events. Used vehicle inventory at 29 February 2024 totalled £163.0m, a 5.7% reduction on the opening position and substantial reduction of over £40.0m when compared to half year-end inventory levels (31 August 2023: £205.9m). Approximately £11m of the reduction was due to an 8% fall in the average price of inventory, aided by the market price declines. The remaining £29m reduction was driven by a 16% reduction in the number of used retail vehicles held in stock, a fall of over 1,500 units.

Core Group gross profit from the sale of used vehicles totalled £110.1m for the Year. This represented a £9.7m decrease in Core Group gross profit year-on-year generated from used vehicle sales. The following like-for-like variances compared to last year arose:

Used retail vehicles (continued)

- 2.0% decrease in the number of used retail vehicles sold, with this all arising in the first half of the Year. This decline was partly due to being unable to execute 0% finance offer events due to increased interest rates.
- Gross profit per unit £1,447 (FY23: £1,533) reflective of declining used vehicle prices and margins in the second half.
- Average selling price of £20,200, a 1.4% increase.
- Gross margin reduced to 7.2% (FY23: 7.7%) reflective of higher sales prices and reduced gross profit per unit.

Outstanding customer experience on used cars remains vital to the Group's ongoing success in terms of profitability and future retention of customers. The Group assesses customer experience through an extensive mystery shopping programme and in the majority of the Group via the Judge Service third party platform. Net Promoter Scores recorded via Judge Service throughout the Year have been very strong at c.85%, which the Board believe to be sector leading amongst major market players.

[7] Source: CAPHPI: October 2023 Car market overview
[8] Source: CAPHPI: September 2023 Car market overview

New retail cars and Motability sales

UK retail car registrations declined 1.0% in the year to 29 February 2024. Retail demand has become increasingly muted over the Year, and this is particularly the case for BEVs. Increased supply of new BEV vehicles exceeded retail demand. Manufacturers are facing the challenging combination of slow retail sales, complex new regulatory targets (with related significant fines) related to the share of BEV, and increased competition from new entrants. As a result, significant discounting and finance offers are increasingly apparent to stimulate consumer demand for electric models.

The Group saw like-for-like new retail vehicle volumes decline by 0.9% when compared to the prior year, in line with the market. Overall, the Group increased its UK retail market share to 4.6% (FY23: 4.1%) aided by new dealerships from acquisitions.

UK Motability registrations continued to benefit from pent up demand, as already extended contracts came to an end and supply improved from Manufacturers, rising a significant 70.2%, compared to FY23. The Group's Motability volumes outperformed the market, growing 73.6% on a like-for-like basis and representing an increasing UK market share of 6.2% (FY23: 5.9%). The Group remains Motability's largest partner in the UK with over 41,200 vehicles on the fleet. These vehicles require an annual service funded by Motability in the Group's service departments over the three-year lease period and therefore important to aftersales revenues.

The Group is seeing a dampening effect on new vehicle gross profits as supply push dynamics become more prevalent and impact margins and as the Motability channel increases as a proportion of the new car market. BEV margins are coming under pressure as the need to hit Government targets rises.

The following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £7.0m increase in gross profit generated, driven by the substantial increase in Motability volumes.
- Gross profit per unit of £1,970 (FY23: £2,155) representing the higher mix of lower margin Motability volumes and increasing discounting to drive volumes.
- An average selling price of £24,637 per unit, a 2.9% increase. This is part driven by increased BEV mix which has higher sales prices than internal combustion engine product.
- Gross margin of 8.0% (FY23: 8.8%).

Financial Review (continued)

New retail cars and Motability sales (continued)

In new vehicles, sales customer experience is measured by the Group's Manufacturer partners. Approximately 70% of the Group's Core sales outlets delivered experience levels above national average levels. This represents significant outperformance and reflects the Group's focus on executing its Mission Statement ''to deliver an outstanding customer motoring experience through honesty and trust.''

Fleet & Commercial vehicle sales

The UK car fleet market has driven the increase in new vehicle registrations in the UK over the Year. Registration volumes in the UK car fleet market have grown 26.5% year-on-year compared to FY23. This growth has been aided by robust demand for electric vehicles through the fleet channel. Within the fleet market, daily rental registrations were up 139%[9] in the Year, as several manufacturers increased volumes in this area. These daily retail volumes are still a long way short of pre-pandemic levels.

Like-for-like, the Group delivered over 26,000 fleet cars in the Year, representing an increase of 13.5% compared to FY23. The Group's performance was below the market trends as the Group kept pricing disciplines to maintain margin and did not undertake significant volumes of low margin daily rental sales. Overall, the Group has a 3.6% (FY23: 3.9%) share of the UK fleet car market.

UK van registrations grew 19.3% in the year to 29 February 2024 as supply pressures eased and demand stabilised. The market started to see increased pre-registration activity and a large number of customers paying for vans, which while registered, were not delivered. These trends therefore tended to flatter registration trends versus actual sales reported. The Group's like-for-like sales of new commercial vehicles fell 2.0% in the Year, largely due to keeping strong pricing disciplines. The Group sold 5.1% of UK new light commercial vehicles in the Year (FY23: 6.1%).

Importantly, the Group saw increased profit generation from its combined fleet and commercial operations, growing Core Group gross profit by £10.0m compared to last year. The following fleet and commercial trends were seen on a like-for-like basis:

- Like-for-like fleet and commercial volumes increased 6.8% and a total of 44,800 vehicles were sold by the Group in this channel.
- An average selling price of £27,382 (FY23: £24,634) reflecting increased BEV sales.
- Record gross profit per unit of £1,203, a rise of 18.2% from £1,018.
- Gross margin rising to a record 5.2% from 4.7%.

[9] Source: SMMT

Financial Review (continued)

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating over 42% of total gross profit. The Group is delighted to report that it saw growth in gross profit generation in all major channels of aftersales on a like-for-like basis as set out below:

	Service £'m	Parts £'m	Accident & Smart Repair £'m	Fuel Forecourt £'m	Total £'m
Revenue[10]	169.2	213.8	23.9	11.8	418.7
Revenue[10] change	9.9	21.1	4.3	(2.1)	33.2
Revenue[10] change (%)	6.2%	11.0%	21.8%	(15.1%)	8.6%
Gross profit	123.5	47.0	14.0	0.9	185.4
Gross profit change	5.8	3.8	3.6	-	13.2
Gross margin[11] FY24 (%)	73.0%	22.0%	58.9%	7.8%	44.3%
Gross margin[11] FY23 (%)	73.9%	22.4%	53.3%	6.4%	44.7%
Margin change (%)	(0.9%)	(0.4%)	5.6%	1.4%	(0.4%)

[10] includes internal and external revenues
[11] Aftersales margin expressed on internal and external revenues

- *Service*

At the end of September 2023, there were 41.3 million[12] licensed vehicles in the UK, including commercial vehicles. In January 2024, the UK reached a milestone in that the millionth BEV reached the road. Despite this milestone, BEV still represent a very small proportion of the overall vehicle parc, less than 3%.

Vehicle servicing and repair remains a vital and resilient revenue stream for the Group, benefitting from robust demand aided by the Group's excellent retention and conquest strategies in this area. In the first half of the financial year, the Group faced challenges in meeting demand due to constraints in technician resources, impacting both retail service work and the preparation of used vehicles for sale. In the first half of the Year, the Group averaged 126 technician vacancies and, in response, the Group implemented additional pay measures to enhance the recruitment and retention of technicians. Each technician contributes an average of £115,000 in service and parts gross profit for the Group, underscoring the significance of reducing technician vacancies to capitalise on revenue opportunities. The Group was successful in reducing vacancy levels and bolstering its technician workforce, with a 9.8% increase in like-for-like technician numbers, totalling 914 technicians by the end of the Year (compared to 832 in those same dealerships in February 2023).

The Group has embraced the use of technology to improve productivity in aftersales. Over 60% of eligible customers now check-in for their service or repair on-line in advance of attending the dealership. A third of those customers now also go on to use the check-in kiosks in dealerships. This increases colleague productivity and enhances the customer experience.

The added efficiency and improvement in technician resource has helped the Group achieve greater consistency of execution in its vehicle health check process. This process checks every vehicle in the workshop to identify safety related issues requiring immediate attention and any items which may warrant the customers attention within the next few months. The customer is sent a video from the vehicle technician, highlighting any such items found and then a colleague will contact the customer to ascertain whether they would like the work to be carried out whilst the vehicle is with the dealership. On average, each customer was sold an additional approximately £95 per visit because of this process, aiding average invoice values to reach record levels of over £330 during the Year. The ability to sell identified work to customers was augmented during the Year by the launch of 'Pay Later', which allows customer to spread the cost of their repair, interest free, over 3 to 5 equal instalments. In addition, the Group is now piloting a new technology solution whereby work identified is communicated digitally to the customer who can click to approve the work to be undertaken and can also pay for such work online.

Aftersales (continued)

- *Service (continued)*

Service performance and delivery of outstanding customer experiences was, negatively impacted in the Year by dislocation in parts supply in respect of certain of the Group's Manufacturer partners and technician shortages. This led to significantly longer repair lead times for some customers and also reduced the efficiency of a number of the Group's service operations. The Group's service departments delivered above average customer experiences as measured by the Manufacturers.

The Group remains committed to excellence of customer service and uses several customer retention strategies to ensure that vehicle sales customers return to the Group for their service. Service plans, through which customers pay monthly or upfront for their annual service, are a vital part of the retention strategy. The Group has over 163,000 live service plans, including manufacturer service plans, which creates significant resilience to future revenue streams.

Reflecting the trends set out above, like-for-like service revenue growth of £9.9m (6.2%) was delivered in the Year. Gross margin percentages on vehicle servicing were 73.0% (FY23: 73.9%) in the Core Group reflecting increased remuneration to address technician resource constraints and hence gross profit generation rose on a like-for-like basis by £5.8m in service.

[12] source www.gov.uk

- *Parts*

The Group's substantial parts operations include traditional wholesale operations, agency distribution centres, on-line parts retailing and accessory sales to dealership customers. These operations supply parts to the Group's service and accident repair operations as well as to other businesses and retail customers in the UK and indeed across the world via the Groups online parts operations. The Group successfully grew like-for-like revenue by £21.1m (11%) from the sale of parts in the Year compared to FY23. Along with price rises, two operational enhancements have helped overall performance. First, improvements in the Group's vehicle health check process as outlined above drove an increase in parts revenues per labour hour sold through the Group's workshops. Secondly, all the Group's dealerships are now serviced by a new Gateshead based central parts sales hub where 21 colleagues handle inbound parts sales calls in respect of retail parts sales. This increased conversions and sales.

Gross profits generated from the sale of parts increased by £3.8m over the Year. Parts margins reduced slightly to 22.0% in the Year reflecting higher selling prices and reduced bonuses from Manufacturers.

- *Accident and Smart Repair*

The Group's accident repair centres are managed separately from the dealership businesses in a standalone division, concentrating solely on the management of accident repair operations. The Group now operates 13 accident repair centres, from Sunderland in the North East to Truro in the South West of England. The successful accident repair business in Yeovil, acquired with the Helston acquisition, was relocated to standalone leasehold premises in October 2023 with an investment of £0.5m. In addition, an accident repair operation in Truro was acquired with the Rowes Garages acquisition on 31 October 2023 and immediately integrated into the Division and Group systems. The introduction of uniform operating systems, specific key performance indicators and focus on higher margin work providers, have all driven performance improvements over the Year.

The Group's Smart Repair operations have two fixed operations in addition to 100 vans, mainly servicing the Group's dealerships' demand for internal repairs to used cars. A new retail focused smart repair operation ('Bristol Street Motors Repair Master') has been created as a new business unit to serve the Group's two million customers. Four vans are currently operational, servicing corporate clients. Services to retail customers have commenced in early April 2024 with a pilot in the Group's Sunderland BMW outlet. The pilot uses the service check-in kiosks in dealerships to determine whether customers require a quote for work. The Group has the aspiration to significantly increase the capacity of this new business offering substantially over the next 18 months.

Financial Review (continued)

Aftersales (continued)

- *Accident and Smart Repair (continued)*

The Group has delivered a 21.8% increase in revenues generated from the Group's accident and smart repair Core operations and a £3.6m increase in related gross profit.

- *Fuel Forecourt*

In the Core Group, one fuel forecourt is operated by the Group in Widnes. As a result of the tempering of fuel prices from the peaks in FY23, this forecourt saw slightly reduced revenues but a return to more normal gross margins of 7.8% in the Year. Active pricing strategies ensured that the forecourt has maintained market share and delivered increased gross profit.

Operating Expenses

A summary of Group operating expenses is set out below:

	FY24	FY23	FY24 variance to FY23	
	£'m	£'m	£'m	%
Salary costs	220.0	214.2	5.8	2.7%
Vehicle and valeting costs	45.6	38.0	7.6	20.0%
Marketing costs	35.3	36.5	(1.2)	(3.3%)
Property costs and depreciation	48.1	45.4	2.7	5.9%
Energy costs	8.6	7.9	0.7	8.9%
Other	33.0	33.8	(0.8)	(2.4%)
Core Group operating expenses	**390.6**	**375.8**	**14.8**	**3.9%**
Acquisitions	62.5	14.9	47.6	
Disposals	3.7	8.9	(5.2)	
Group Net Underlying Operating Expenses	**456.8**	**399.6**	**57.2**	
Operating expenses as a % of Revenue	**9.7%**	**9.9%**		**(0.2%)**

Reported underlying operating expenses of £456.8m, increased by £57.2m compared to the year ended 28 February 2023. Dealerships acquired or sold in the period since 1 March 2022 generated a net £42.4m of this increase. Underlying Core Group operating expenses therefore grew, by 3.9%, (£14.8m) compared to last year. Vitally, operating expenses as a percentage of revenue fell to 9.7% (FY23: 9.9%) despite obvious inflationary pressures.

The largest operating cost of the Group is salary costs, which have increased by £5.8m (2.7%) in the Core Group, compared to last year. Salary costs shown in operating expenses exclude the productive cost of the Group's aftersales technicians, which are included in cost of sales. Much of increase in salary costs is the result of the Group's success in reducing outstanding vacancy levels in the Year and the impact of the investment in the Group's Accident and Smart repair business. Salary changes, such as the impact of the minimum wage were broadly offset by reduced commissions and bonus payments because of reduced retail volumes delivered in the Year and by lower profitability reducing management bonuses.

The cost of the Core Group's demonstrator and courtesy vehicle fleet, included within vehicle and valet costs, increased by £6.7m in the Year. The improving supply position and expanding product ranges meant a return to increased demonstrator requirements mandated by Manufacturers. The Group also applied in the Year increased vehicle depreciation rates, reflecting the price correction in the wholesale vehicle market in the Year, to ensure that vehicle carrying values on de-fleet are appropriate. BEV and Premium vehicles, in particular, required higher write-down rates.

The Group reduced its core marketing costs principally as a result of fewer used vehicle events undertaken in the Year. These savings were delivered whilst further enhancing the awareness of the Group's brands. Return on investment is a priority for all marketing spend with a focus on increasing its effectiveness, especially in the digital space, maximising conversion, and a renewed focus on retention rather than conquest activity.

Operating Expenses (continued)

As anticipated, energy was a significant cost headwind for the Group in the first half of the financial year. Successful execution of the Group's energy purchasing strategy, efforts to reduce usage along with the softening in the market price of electricity meant that Core Group energy costs grew just £0.7m over the Year. The Group reduced gas and electricity consumption by 2.0% on a total basis compared to FY23. The Group completed its investment in LED Lighting and solar panel installation totalling £2.8m in FY24. A total of 41 of the Group's dealership now have roof solar installations. 5.9% of the Group's total electricity requirements were self-generated in FY24 by this onsite clean solar energy, with this figure expected to exceed 10% in FY25 as the full year benefit of the installations comes through.

Other costs were tightly controlled delivering a £0.8m saving in the Core Group compared to prior year.

Non-underlying operating expenses

	FY24 £'m	FY23 £'m	FY24 Var to FY23 £'m
Redundancy costs	0.9	-	0.9
Lease surrender premium	(0.8)	-	(0.8)
Impairment charges	0.1	1.5	(1.4)
Share based payments charge	2.5	2.1	0.4
Amortisation	0.5	0.5	-
Acquisition fees	-	2.7	(2.7)
	3.2	**6.8**	**(3.6)**

The Group undertook a strategic review of aftersales collection and delivery services at the start of the Year. Customer charges for this service were introduced or increased, to match the cost of provision more closely. The number of employed drivers was also significantly reduced in order to match reduced demand levels. This led to a one-off redundancy cost in the Year of £0.9m.

The Group purchased the freehold interest in its Derby multi-site operation in FY23. A premium was received in the Year in respect of the remaining lease obligation from the intermediate landlord. The premium received has been included in non-underlying items due to its one-off nature and size.

Net Finance Charges

Net finance charges are analysed below:

	FY24 £'m	FY23 £'m	FY24 Var to FY23 £'m
New vehicle Manufacturer stocking interest	8.2	3.4	4.8
Mortgage Interest	6.2	1.4	4.8
Interest on bank borrowings	3.8	1.7	2.1
Used vehicle stock funding interest	1.1	0.8	0.3
Interest on lease liabilities	3.5	3.5	-
Interest income	(1.3)	(1.3)	-
Net Finance Charges	**21.5**	**9.5**	**12.0**

The Group saw a significant increase in interest charged by Manufacturers on funded new vehicle inventory. This increase was due to increased interest rates being charged as successive base rate rises took effect, increased average prices of new vehicles in the pipeline and an easing of supply of new vehicles in some franchises so extending the pipeline consigned. The trend was exacerbated in some franchises by reduced interest free stocking periods offered by Manufacturers which resulted in a cost transfer to retailers. Total Group new vehicle stock as at 29 February 2024 was £516m (2023: £427m), up 21%.

Net Finance Charges (continued)

Interest on bank borrowings and mortgages increased due to the additional facilities drawn for the acquisition of Helston Garages in December 2022 as well as the impact of increased base rate applicable to the borrowing. To minimise the interest rate risk to the Group, derivative contracts have been entered into. The Group has secured an interest rate cap contract over £50m of mortgage borrowing capping the underlying rate (excluding the applicable margin) to a maximum of 4.50%. In addition, in respect of the RCF, an interest rate swap over £30m of borrowing has been entered into, fixing the underlying SONIA rate charged at 4.42% until March 2025.

Pension Costs

The Group has a closed defined benefit scheme. The last actuarial valuation of the scheme was performed as at 5 April 2021. This valuation showed the scheme had a funding surplus, with no contributions required from the Company to meet the cost of accrued benefits. Expenses are also met by the scheme. No contribution payments are therefore expected for the accounting period beginning 1 March 2024.

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

On the accounting valuation basis, the scheme is in surplus. A reduction in the surplus arose over the Year relating to movements in the applicable inflation assumptions. Overall, a net actuarial loss of £0.7m was recognised in the Statement of Comprehensive Income for the Year. The accounting surplus on the scheme decreased to £2.5m as at 29 February 2024 (2023: £3.2m).

Tax Payments

The Group's underlying effective rate of tax for the Year was 25.0% (FY23: 19.5%). The overall effective tax rate, increased to 25.6% (FY23: 21.3%) as a result of the increase in the corporation tax rate applied in the Year. The total tax charge for the Year increased to £8.9m from £6.9m. The Group continues to be classified as 'low risk' in a recent review by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Cash Flows

Free Cash Flow of £57.0m (FY23: £54.3m) was generated in the Year:

	FY24 £'m	FY23 £'m	FY24 Var to FY23 £'m
Operating profit	56.0	42.0	14.0
Depreciation, amortisation, share based payments & other	37.5	34.1	3.4
Movement in working capital	16.7	23.7	(7.0)
Interest and tax payments	(26.2)	(19.0)	(7.2)
Net Cash Inflow from operating activities	**84.0**	**80.8**	**3.2**
Sustaining capital expenditure	(12.4)	(10.3)	(2.1)
Proceeds from sale of property, plant and equipment	3.6	-	3.6
Lease principal repayments	(18.2)	(16.2)	(2.0)
Free Cash Flow	**57.0**	**54.3**	**2.7**

Net cash inflow from operating activities benefited from a cash inflow of £16.7m from a reduction in working capital (FY23: £23.7m). The movements in working capital which resulted in this cash inflow were: A reduction in the Group's used vehicle inventory which generated a £12.6m inflow. An £11.6m inflow arose from an increase in creditors, this represented increased activity in the Group's businesses, including ancillary businesses such as Aceparts, Vansdirect and in the Group's used vehicle procurement business together with an increase in VAT recoverable on certain new vehicle inventory. These two inflows were partially offset by a £7.5m outflow in respect of an increase in trade receivables, arising from increased Fleet and Commercial vehicle sales in the Year.

Financial Review (continued)

Cash Flows (continued)

In addition to the above movements in working capital, the Year saw a significant increase in new vehicle inventory, matched by an equivalent increase in Manufacturer funding shown within creditors, thus having no impact on cash flow overall. This £94.0m movement comprised an increase of new vehicle inventory in the pipeline of approximately £53.0m, a £33m increase in tactical registrations of vehicles purchased to supply the Group's fleet and commercial vehicle operations and an £8m increase in demonstrator vehicles.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £353.4m (2023: £341.4m) underpinned by a freehold and long leasehold portfolio of £311.8m (2023: £306.6m) and net debt (excluding lease liabilities) of £54.0m as at 29 February 2024. The Group's conservative financing and capital structure resulted in a strong tangible net assets position of £235.0m as at 29 February 2024, representing 70.5p per share.

The Group has a committed acquisition debt facility of £93m taken out in December 2022 for three years with the option to extend for a further two years. During the Year, this facility was extended for the first of the two additional years out to December 2026. £44m of this committed facility was drawn as at 29 February 2024 with £49m therefore available undrawn. The Group operated comfortably within all covenants during the Year.

The Group also has long term debt funding in the form of 20-year mortgages totalling £81.5m provided by BMW Financial Services ('BMW FS'). The mortgages are amortising facilities with annual repayments of capital of £4.3m.

The Group makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. While, during the Year, there was some utilisation of the facility, as at 29 February 2024, no amounts were drawn in this facility. The Group has a £50.0m facility under these arrangements and held £163.0m of unencumbered used vehicle inventory at 29 February 2024.

Capital Allocation

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

The Group spent £6.0m on acquisitions during the Year, invested £9.2m in multi-franchising or the expansion of capacity at existing dealerships and made a one off investment in solar panels of £2.4m, collectively 'expansion capex'. These cash outflows are excluded from sustaining capital expenditure utilised in the calculation of Free Cash Flow.

Cash returns to shareholders in the form of dividends are an important part of the Company's capital allocation decision making process and remain a priority for the Board. The Group applies a dividend policy of dividends being covered three to four times by adjusted diluted earnings per share. An interim dividend of 0.85p per share was paid in January 2024. The Board recommends a final dividend in respect of the year ended 29 February 2024 of 1.50p per share to be approved at the Annual General Meeting on 25 June 2024. This dividend will be paid, subject to shareholder approval, on 26 July 2024. The ex-dividend date will be 27 June 2024 and the associated record date 28 June 2024. This final dividend brings the total dividend in respect of FY24 to 2.35p per share (FY23: 2.15p), an increase of 9.3%. Against adjusted, fully diluted EPS of 7.83p this dividend is covered 3.3 times in line with the Group's stated policy of 3-4 times.

During the Year, the Group purchased 11,343,372 shares for cancellation, representing 3.3% of opening total issued share capital, for £7.5m. The Board believes that this is an appropriate use of capital and will continue a programme of Buybacks as a relevant element of returns to shareholders, alongside dividend payments. Authority is held for a further £3m buyback programme to be appropriately deployed. £7.8m was spent on dividends paid, representing the final dividend in respect of the year ended 28 February 2023 and interim dividend in respect of the Year.

Financial Review (continued)

Capital Allocation (continued)

The Group also deploys capital on its extensive franchised dealership network, expending £24.0m on asset additions in FY24. This included £11.6m of non-sustaining 'expansion capital expenditure' increasing Group capacity to generate revenues. The balance of £12.4m is considered sustaining capital expenditure. For FY25, sustaining capital expenditure is anticipated to be approximately £18.0m, which includes some redevelopment projects to meet revised Manufacturer standards which do not necessarily increase Group capacity. A further £13.8m of expenditure is anticipated in respect of expansion capital expenditure. This high level of activity includes the cost of land purchases to provide additional vehicle compounding for certain of the Group's dealerships. The category also includes the build costs of the Ayr Toyota dealership and the expansion of the Group's Toyota dealership in Chesterfield. The Group has surplus property assets with disposals in FY25 expected to generate cash proceeds of c.£10m, £0.8m of which has already been received after 29 February 2024.

Karen Anderson, CFO

Environmental, Social and Governance

The Group recognises the reporting recommendations across the four core elements of the Task Force on Climate-Related Financial Disclosures (''TCFD'') in relation to governance, strategy, risk management, and metrics and targets.

Governance

Governance around the Group's response to climate change, providing oversight on climate-related risks and opportunities and the assessment of progress on actions required in response is embedded within the Group's risk management processes set out on page 46.

The Board is responsible for the identification of risks and setting the strategic objectives of the Group. The CEO, Robert Forrester, oversees sustainability and communicates with our stakeholders, the Board and management about the Group's action plan and progress. The COO, and head of the Group's Compliance Committee, David Crane, oversees supplier matters and communicates to the Board on regulatory changes in response to climate change and their potential impact on the Group. The CFO, Karen Anderson, provides reporting on progress towards the Group's sustainability goals and oversees the assessment and monitoring of climate-related risks.

The Audit Committee's key responsibilities include monitoring the Group's risk management process and systems of internal controls. The Compliance Committee is responsible for Compliance and Whistleblowing. An internal Efficiency Committee, comprising the Executive Directors and senior management of the Group focuses on the delivery of cost saving initiatives, such as energy reduction, reduction in resources used by the Group and sustainability. Regular colleague forums also take place throughout the Group's network and feedback is requested on climate related issues.

Strategy

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

Risk Management

The Group's risks associated with climate change have been identified and are set out on page 50.

Metrics and targets

Key metrics in respect of the Group's sustainability programme are set out on pages 35 and 36.

Environmental, Social and Governance (continued)

Sustainability initiatives

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

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

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

Sustainability Goals

	Goals	Link to SDG
Work with our Manufacturer partners to provide increasingly sustainable choices for all customers	Increase the share of the Group's sales of alternatively fuelled vehicles by a minimum 30% each year to 2030 Maintain our position as the UK's largest supplier of vehicles to the Motability fleet	3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS
Reduce the environmental footprint of our business	Deliver an annual 10% like-for-like reduction in the energy the Group draws from the national grid 70% of all dry waste to be recycled by 2025 25% of the corporate fleet to be alternatively powered by 2025	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Care for our colleagues and support our communities	At least 90% of Colleagues to agree that the Group is a great place to work Continue to support causes local to our dealership network applying a central support budget of £150,000 per annum	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Environmental, Social and Governance (continued)

Progress toward Sustainability Goals

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

Like-for-like the Group grew its sales of new retail battery electric (BEV) and hybrid vehicles by 1.0% in FY24. BEV and hybrid vehicle sales represented 27.1% of the Group's total new retail vehicle sales in FY24 compared to 27.7% in FY23.

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

Reduce the environmental footprint of our business

The Group has maintained a strong focus on the reduction of energy used in its operations in FY24.

The Group advanced its 'War on Waste' programme during the financial year. This programme highlights the importance of reducing energy wastage and helped the Group to deliver a like-for-like decrease in electricity usage across the business despite an increase in both the size and use of BEV charging Infrastructure. In FY24 the Group invested £2.4m in solar panel installations across 41 Group locations, these will provide 10% of the Group's electricity requirements in the first full year post installation. Energy usage data is shared across the Group and energy management reviews, and audits provide support to those sites where the potential for reduction in energy use has been identified.

The Group has a commitment to renewable energy procurement and ended the year with 100% of energy purchased directly from the grid procured from Certified Renewable Green certified clean means of generation (i.e. wind, solar or hydro plants).

Emissions associated with transportation have increased, with an increased volume of fuel consumed over the financial year, this is due to increased operational and business travel as the business continues to return to pre-covid operational levels.

The carbon intensity of the Group's operations has seen an overall 9.09% decrease year-on-year.

In FY24 smart water meters were fitted to those dealerships consuming the most water. This allows the monitoring of water consumption half hourly, so potential water leaks, both internally and externally, can be detected quickly and resolved.

The Group recycled 61% of its dry waste on site in FY24.

Care for our colleagues and support our communities

In a recent pulse survey of all Group colleagues, 72.7% of respondents agreed that the Group is a great place to work. The Group's colleague engagement strategy continues to provide opportunities for improvement in this score.

The Group centrally supported communities by over £300,000 in FY24 with some of those benefitting from this support highlighted in the following 'community' section.

Responsible Sourcing

All of the Group's business locations are situated within the UK and operate in strict compliance with all applicable labour relations laws. We have no presence, either directly or via sub-contractors, in any areas which present a material risk of the exploitation of men, women or children in the workplace. We work with vehicle manufacturers and other suppliers who manage their supply chains in a responsible way. The Group's modern slavery statement is published on the Group's website, at https://investors.vertumotors.com/.

Environmental, Social and Governance (continued)

Environmental Management

The Group's strategy on environmental matters is to ensure legal and regulatory compliance as well as seeking to manage costs and usage through effective resource allocation. Half Hourly energy usage data and purchasing monthly usage data is monitored to highlight areas of potential wastage for attention, as well as providing a firm benchmark for energy and water usage reduction activities. Energy audits have been carried out in a sample of the Group's dealerships identifying potential savings. The Group targets 70% of dry waste to be recycled at source and has also set a 15% reduction in paper usage and printing target to be delivered in FY25.

Energy and Emissions Reporting

This table below summarises the Group's energy usage, associated emissions, energy efficiency actions and energy performance under the government policy Streamlined Energy & Carbon Reporting (SECR). This is implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Government Emissions Factor Database 2023 version 1.1 has been used, utilising the published kWh gross calorific value (CV) and kgCO2e emissions factors relevant for the reporting period, being the year ended 29 February 2024.

Estimations to cover missing billing periods for properties were calculated on a kWh/day pro-rata basis at the meter level. These full-year estimations were applied to five electricity supplies and six gas supplies. All estimations equated to 4.00% of reported consumption.

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

	Natural Gas & Other Fuels	Electricity	Transport	Total
2024 Carbon and Energy Consumption				
kWh	26,993,845	27,009,947	47,201,064	101,204,856
tCO_2e	4,967	5,593	10,738	21,298
2023 Carbon and Energy Consumption				
kWh	28,954,281	29,028,884	38,232,241	96,215,406
tCO_2e	5,303	5,614	8,897	19,814
Y0Y Percentage Change (tCO_2e)	**(6.34%)**	**(0.37%)**	**20.69%**	**7.49%**
Carbon Intensity Metric (tCO_2e/Revenue)				
2024	1.05	1.18	2.27	4.50
2023	1.33	1.40	2.22	4.95
YoY Percentage Change	**(21.05%)**	**(15.71%)**	**2.25%**	**(9.09%)**

Total emissions for the Group have increased, because of the growth in the Group through acquisitions completed in FY23 and FY24. Despite this growth in the number of Group locations, a decrease in location-based emissions associated with electricity, natural gas, and other fuel consumption was delivered compared to FY23.

Community

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

The projects the Group's chosen to support reflect the diversity and depth within the business, and also the desire our colleagues have to be an active part of the communities served by their dealership. During the year to 29 February 2024, the Group's community activities have included:

Great Christmas Raffle:

The Group supported the Great Christmas Raffle again by donating a 23-Reg Toyota Aygo X. Over the last four years, the raffle has raised more than £200,000 for over 100 different charities across the UK. The many worthy causes included in the raffle had seen fundraising depleted as a consequence of the pandemic, in addition to them combatting inflation and the rising cost of living.

St. Oswald's Hospice:

Another charity that the Group has continued to support through the donation of a car was St Oswald's Hospice, who provide outstanding, specialist and expert care to adults and children with life-limiting conditions. This year, the donation of a 23-Reg Hyundai i10 helped to raise over £40,000. St Oswald's Hospice has now raised a remarkable total of £1.45 million over the years in running its Big Car Raffle, making a huge difference to their operation.

Vertu Motors Arena naming rights:

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

Wolverhampton Project:

The Group has long been a supporter of Wolverhampton's Churches 4 Positive Change charity, previously aiding the launch of the Back To Eden Project, which included more than ten allotments that serve to combat health inequalities and support mental wellbeing, particularly for members of the local African Caribbean community. The Group has since supported a year of events and conferences designed to promote community cohesion, including a summer BBQ & family sports day, which was attended by more than 3,000 local people, in addition to the charity's Civic Engagement Youth Conference, which aims to offer young people civil opportunities and organically develop a new generation of local leaders.

Yorkshire Cricket Foundation:

The Group has supported the Yorkshire Cricket Foundation, which delivers a number of community projects across the County, with both monetary support and provision of a 17-seater minibus. The Group's support this year also assisted with the expansion of the Club's college facilities, with the installation of an on-site gym for students. Vertu Motors helps the Foundation deliver its vital work in the areas of education, health and wellbeing, participation and heritage.

Burnley FC in the Community:

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

Community (continued)

Sunderland AFC Mental Health Hub:

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

Dunston Silver Band:

The Group continues to back Dunston Silver Band and Dunston Silver Youth Band, as they build back following the pandemic and rising cost of living. Our support facilitates the bands' operations, including covering rent expenses for the Dunston Community Centre and professional conductor's fees. The partnership aims to promote the enduring power of music within the local community; the bands have been a source of joy, entertainment, and cultural enrichment since 1908.

English Football League (EFL) Community Outreach:

The Group's new partnership with the EFL has provided the opportunity to support a huge and diverse range of community initiatives across England and Wales, through their relationships with their local football clubs. For each round of fixtures in the Bristol Street Motors Trophy, we have provided the home team with complimentary tickets to be gifted to a programme of their choosing, enabling people from a wide cross-section of the community to attend fixtures.

Other:

The Group's Dealerships have also been busy supporting their local communities, including sponsorship of grassroots sport, donations and fundraising for food banks and community groups.

Some examples include Bristol Street Motors Bolton Ford's Green Christmas Appeal, an initiative set up by the dealership to promote sustainability along with raising vital funds for their local community. Derby Renault Dacia ran a shoebox appeal, with all donations going to children in Ukraine, Moldova, Georgia, Bosnia, and Romania. Sunderland Vauxhall supported two young local gymnasts with a donation towards their competition costs, which culminated with them becoming European Champions.

Vertu Volvo Taunton further supported Somerset Cricket's Museum to help with their website development, whilst Vertu Sunderland MINI raised over £1,300 for Children's Cancer North through their MINI Big Love Campaign. Vertu Bolton Jaguar Land Rover is a patron of Bolton Lads and Girls Club, which offers sports, arts, mentoring and community outreach to around 3,500 young people in Bolton, and took them on a thrilling Land Rover Experience Day.

Macklin Motors Toyota Glasgow supported Darnley School's 6-week employability programme, designed to ignite the creative and entrepreneurial spirits of local nine-year-old pupils.

The above are just a few examples of dealership community support throughout the Group, whilst colleagues in head office at Vertu House have also been involved in charitable initiatives, most notably with a football match that saw Vertu and Rotterdam House go up against Digital House to raise funds for automotive industry charity BEN as well as Mind.

Health and Safety

A consistent Group-wide approach is taken with regards to Health and Safety and environmental matters. A Health and Safety Committee meets monthly to consider all aspects of our Health and Safety performance, including reviewing any incidents, and considering how to spread best practice across the Group. All line managers receive comprehensive, externally provided training to ensure they understand relevant legislation and the scope of their responsibility in this critical area. There are clear lines of responsibility which are communicated to all colleagues.

The General Manager is the main responsible individual at each dealership for all Health and Safety matters, supported by a dealership Health and Safety Co-ordinator. A Group Health and Safety Manager is responsible for monitoring compliance with Health and Safety systems and providing support and advice to the General Managers, as well as continually assessing the quality of our systems, outputs and recommending improvements. The Health and Safety Committee also reports monthly to the Board, and key findings are communicated regularly to Senior and General Managers to retain a focus on Health and Safety matters.

Our Health and Safety Dashboard, which focuses on key risk areas within the Dealerships, is a cornerstone of our processes with consistent reporting on any shortfalls being provided to the Board. This has allowed us to quickly identify any locations where the required level of concentration on this critical area is falling short and allows us to generate corrective actions.

In order to manage the Health and Safety risk involved in driving, telematics devices are fitted into the cars of the Group's younger drivers, as they are our largest risk population, and this system gives us real time reporting on driver behaviour.

Group locations receive an independent external audit carried out without prior warning, to assess adherence to our Health and Safety Operating System. This year we have raised the pass mark on this audit from 80% to 85%. The results of these audits continue to be encouraging with most Dealerships scoring very highly, and only a small number of failed audits which result in a follow-up audit with the pass mark raised again to 90%.The audit output also provides a list of improvements to be addressed at each dealership and attending to these will again raise the bar on delivering a safe environment for Customers and Colleagues.

Colleagues

Engaging our Colleagues

The engagement and development of our colleagues is one of the Group's core strategic objectives and a significant amount of focus is placed on this subject across the business at all levels, including at both operational and PLC Board level. Colleague based metrics measuring our success in these areas feature consistently in our annual Vision and in both operational and PLC Board meetings.

The Group seeks to create a welcoming culture and an inclusive environment within which colleagues feel valued and can fulfil their individual potential. The Group provides several structured development pathways at all levels for those who wish to develop their career. Recruitment activity is designed to attract talent from a wide range of backgrounds and our internal talent development programmes are structured to open up opportunity to ensure that all colleagues have equal prospects to progress within the Group, irrespective of background. This approach maximises our ability to attract a diverse range of talent and to develop sufficient colleagues to support the Group's growth strategy. Structured and regularly deployed Colleague engagement and feedback programmes are in-place and are working well, ensuring that colleagues have a voice and this it is represented at a senior level.

The Board seeks to create an environment within which every colleague understands the impact they can have on the business, feels valued and knows that they will be rewarded and recognised for their contributions.

Colleague Communication

The Group is committed to providing colleagues with information on matters of interest to them on a regular basis. Individual achievement is recognised publicly and privately to reinforce behaviours in line with the Group's Values and Mission Statement. 'Working together' is vital when developing a successful team and at the very heart of this is good communication.

The Group utilises many formal and informal channels to achieve this. For example, the CEO produces regular vlogs and blogs and regular updates are emailed to colleagues relating to Group initiatives, benefits and news. These are posted onto the Group wide intranet site and/or included in monthly Team Briefs which are held in each of our businesses every month. Each General Manager is responsible for delivering these monthly Team Briefs, updating colleagues on relevant issues impacting the Group, their franchised operating division and the dealership. These meetings seek to reinforce the Group's values and contribute to the creation of a Group culture. Colleague recognition and the benefits and support services available to them feature in these briefings. These are supported by regular video updates on key colleague and franchise related matters by members of the operational board.

Colleague Satisfaction Surveys

A key strand of our workforce engagement strategy is the delivery of an annual comprehensive Colleague Satisfaction Survey which takes place in October each year. This provides colleagues with the ability to provide feedback on a wide range of subjects. The annual survey is followed-up with two shorter pulse surveys which take place in February and June each year.

In October 2023, 72.6% of colleagues participated in the annual survey maintaining the participation rate achieved in 2022. 85.9% of colleagues confirmed that they would recommend the Group as a great place to work (2022: 86.2%). In the annual survey, Colleagues have the opportunity to answer a comprehensive list of questions that allow us to identify areas of strength and areas for development across every aspect of the business from their understanding of the Group Vision and objectives, how they feel about their pay and reward level to how well we train and develop and whether or not management live the Group Values. Colleagues can also provide free text feedback which is exceptionally valuable in helping us improve their experience. All feedback is gathered anonymously and trust in the survey is high.

The results of every survey are reviewed at PLC and operational board level, dealership level managers receive the results relevant to their businesses. Areas of opportunity for improvement are identified and where relevant, action plans and management focus is specifically targeted to deliver on these plans.

Colleagues (continued)

Engaging our Colleagues (continued)

<u>Colleague Engagement Meetings</u>

A non-executive member of the Board (Pauline Best) undertakes the role of Workforce Engagement Director. Working closely with the Group HR Director, Pauline guides our workforce engagement strategy to ensure that the views and concerns of colleagues are adequately represented and considered by the PLC Board and the senior executive management team, particularly when they are making decisions that could affect the workforce. Suitable and effective feedback is provided to the workforce on what steps have been taken to implement their ideas or address and concerns.

A key strand of the workforce engagement strategy involves quarterly colleague engagement meetings which are held in every business across the Group. These meetings follow a standard format and are delivered by the General Manager (with the support of the HR department where required). These meetings are attended by elected colleague representatives and focus on how the Group can deliver a great place to work for colleagues and the Groups sustainability initiatives.

The Workforce Engagement Director and Group HR Director also hold multiple colleague feedback sessions around the Group. These include elected colleague engagement representatives to give their feedback on the Group Colleague Satisfaction Survey results and any other issues that are concerning colleagues.

The Groups workforce engagement strategy links closely to the 'Driving Sustainability' ESG strategy to ensure that colleagues are engaged with, and able to have an impact on, the wider Group strategy in these areas, including discussions around the Group’s ‘War on Waste’ programme.

Colleague feedback is collected, considered and progressed to the operational board and Board where specific time is allocated to consider it.

<u>Colleague Recognition Programmes</u>

The Group operates several different formalised colleague recognition programmes. These are intended to recognise and reward talented and committed individuals at all levels who deliver results and support the Values and culture of the business.

One of the cornerstones of this strategy is The Masters Awards. This non-management recognition programme is specifically designed to identify and recognise colleagues for their exceptional personal performance or contribution. There are several different types of award category, ranging from individual performance-based awards, designed to identify high performers in specific fields, quality based awards, where achievement of high standards (i.e. generating positive customer outcomes) is recognised, and all-round behaviour and contribution awards. This approach facilitates engagement through competition as well as identifying those making valuable contributions to the culture and performance of the Group in other ways. Our Divisional Colleague of the Year category identifies one winning colleague from each of our operating divisions based on nominations from colleagues. Colleagues throughout the Group can nominate their non-management co-workers for awards linked to performance, demonstration of the Group’s Values or for any other notable reason. This approach generates a dealership colleague of the year winner and one of these colleagues wins the divisional award. All non-management colleagues have the ability to win one of these awards. These awards reinforce the Group’s culture through the recognition of those behaviours which exemplify the Values and the colleagues who go above and beyond to deliver an outstanding level of personal performance.

The CEO Management Awards, announced each December recognise high performing managers for their outstanding leadership performance. These awards are linked directly to excellence in managers delivery against the Group’s annual Vison.

Within our dealerships and in our support centres in Gateshead, a Colleague of the Month Award is delivered each month as part of the Team Brief.

Colleagues (continued)

Engaging our Colleagues (continued)

Colleague Recognition Programmes (continued)

The Group also recognises colleagues with long service, with specific recognition for those reaching key milestones such as 10, 15, 20 and even 60 years within the Group. This recognition programme includes celebratory social events, which bring together long-serving colleagues and the Group's senior management team as a thank you for their commitment. These colleague award programmes are designed to reward and reinforce behaviours underpinning both Group financial performance and other strategic objectives including the delivery of an outstanding customer experience.

In order to develop a culture that is positive and contributes to the Group performance, seven core values are used extensively in the business to signpost desired behaviours. These are as follows:

Values

- **Passion**

  We are proud of our Company and dedicated to its purpose. We are enthusiastic, enjoy challenges and are eager for success.
- **Respect**

  We are friendly and courteous in all our relationships with colleagues, customers, and suppliers.
- **Professionalism**

  We are reliable and consistent, and we excel in the standards and presentation of our people, products and premises.
- **Integrity**

  We are trustworthy and honest in all that we say and do and take responsibility for our own actions.
- **Recognition**

  We appreciate the endeavours of our colleagues. We praise their achievements and enjoy celebrating their success.
- **Opportunity**

  We have a vision of what can be achieved and provide colleagues with personal development, supportive training and exciting career progression.
- **Commitment**

  We are all determined to achieve total customer satisfaction by providing a service built on trust.

Diversity and Inclusion

The Group is focused on the attraction, recruitment and development of colleagues who embody what we call the five unteachable attributes, namely, Character, Attitude, Energy, Drive and Talent, irrespective of background. Our recruitment processes are structured to attract applicants from a wide range of backgrounds to maximise the opportunity for talented individuals to apply to work for the Group. The Group believes that appointments into all roles or into internal talent programmes should be based on the individual's suitability for a particular post or potential to develop and without reference to demographics factors or personal characteristics. The principle of equality of opportunity for all colleagues is woven into our development and recognition programmes.

The motor retail sector within which the Group operates has traditionally attracted higher proportions of male applicants into entry level roles, specifically Sales Executive and Technician roles and this remains the case today. The Group has taken specific steps, including implementing a Sales Advisor role, and introducing a Customer Service Apprenticeship scheme to attract more female and out of sector applicants to help address this imbalance. The Group is a member of the Automotive 30% Club, which is focused on achieving a better gender balance within the automotive industry, and with the aim of filling at least 30% of key leadership positions in the member organisations with women by 2030 through a "30 by 30" strategy. The Group's current gender split is 25% female and 75% male, consistent with the wider motor-retail sector.

Colleagues (continued)

Diversity and Inclusion (continued)

The Group's aim is to attract and retain the best people from within and beyond the automotive retail sector whilst observing best practice in employment policies and procedures through a commitment to:

- Offering equal opportunities in recruitment and promotion;
- The continuous development of all colleagues;
- Encouraging internal promotion;
- Using progressive, consistent and fair selection methods;
- Offering family friendly policies and ensuring colleagues are treated with respect and dignity in an environment where no form of intimidation or harassment is tolerated.

Employment career progression and development of disabled people is considered on merit with regard only to the ability of the applicant to carry out the function required. Arrangements to enable disabled people to carry out the function required will be made if it is reasonable to do so. A colleague becoming disabled would, where appropriate, be offered retraining and support to continue in their role where possible.

Group Colleagues Gender Split:

	At 29 February 2024			At 28 February 2023		
	Female	Male	Total	Female	Male	Total
Directors	2	6	8	2	4	6
Group Senior Managers	8	56	64	8	65	73
All Colleagues	1,891	5,719	7,610	1,813	5,510	7,323

Learning and Development

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

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

A significant number of leadership development programmes are operated by the Group including many in partnership with Dale Carnegie training. Over 10% of the Group's management will progress through these programmes during FY25. Selection for development through the Group's leadership programmes is made through the application of a talent strategy model which links both current performance and individual behaviour to identify potential.

The Group also operates a substantial apprenticeship programme in partnership with the Group's Manufacturer partners, with over 450 apprentices currently engaged in training.

The Group also offers access to an 'Evolution' programme which provides a development path for promising non-management colleagues in the areas of sales, aftersales and finance to line management roles. This programme has been operating for over 7-years and has developed a pedigree of delivering management level appointees to support the Group's growth strategy. The programme has supported the development of a disproportionate number of female colleagues into management roles over recent years, helping to improve gender balance in management positions.

Colleagues (continued)

Learning and Development (continued)

Our Next Generation Senior Development Programme launched in FY24 continues to operate with the aim of developing senior managers into director level positions. The most recent appointment to the Operational Board came through this route.

Whistleblowing

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

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

Anti-fraud, Bribery and Corruption

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

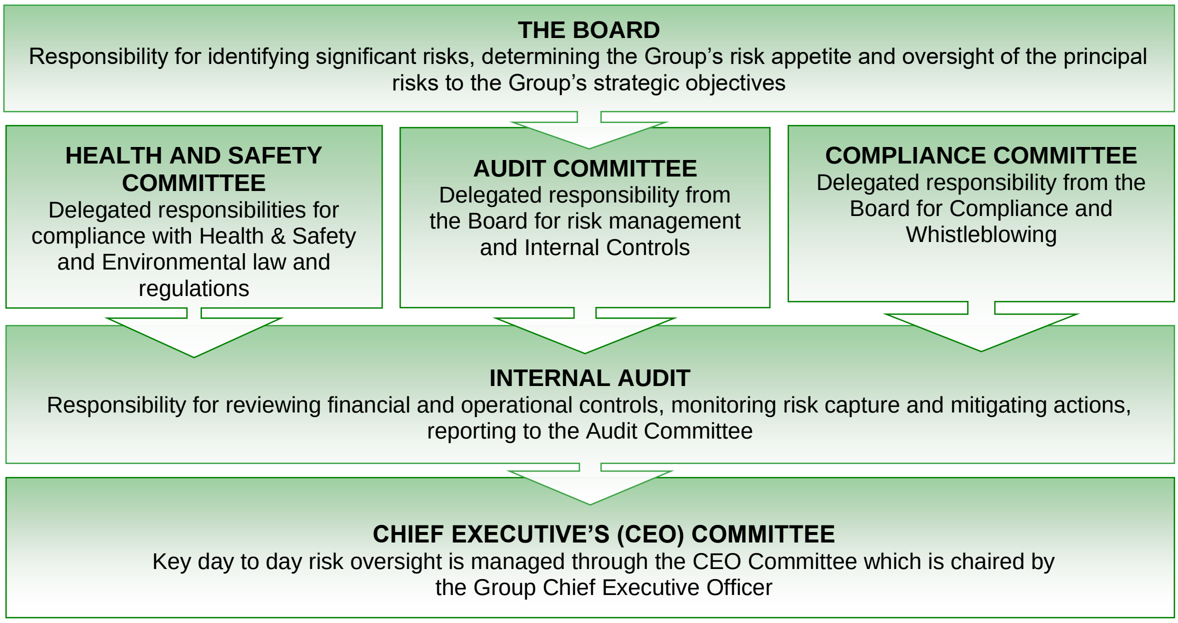
A fraud register is maintained by the Group and any items recorded on this register are investigated by the Group Head of Risk and reported to the Audit Committee.

Preventing Modern Slavery

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

Risk Management

Process



Financial and Business Reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. A statement of the Directors' responsibilities for preparing the Annual Report and financial statements is set out on page 81. The statement by the auditors about their reporting responsibilities is given on pages 88 and 89.

Risk Management and Internal Controls

The Board is responsible for establishing and maintaining adequate internal controls over regular financial reporting for the Group, including the consolidation process. There is a comprehensive system of internal controls in place, including the Annual Business Plan ("Plan") which is reviewed and approved by the Board. Monthly actual results are reviewed by management against both the Plan and prior year results. All data to be consolidated in the Group's financial statements is reviewed thoroughly by management to ensure that it complies with relevant accounting policies and the financial reporting presents a true and fair reflection of the financial performance and position of the Group.

The Board has overall responsibility for risk management and is advised of key risks facing the Group on a regular basis with a formal review of the most significant risks annually, or more frequently if required. The Board takes a proactive approach to the management of all forms of risk, and views risk management as a vital constituent of its commitment to provide value protection and growth for its various stakeholders. The internal controls system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can, therefore, only provide reasonable, rather than absolute, assurance against material misstatement or loss. The Board regularly reviews the risks to which the Group is exposed, as well as the operation and effectiveness of the system of internal controls.

The day-to-day responsibility for compliance and certain regulatory activities has been delegated to the Compliance Committee, chaired by the COO and made up of members of senior management including the CFO and Company Secretary. This includes the Group's compliance with regulation under the requirements of the Financial Conduct Authority (FCA), the Advertising Standards Authority, the Trading Standards Institute, the Data Protection Act and all other applicable regulations.

Oversight of health and safety and environmental regulatory risk is delegated to the Health and Safety Committee, made up of members of senior management.

Risk Management (continued)

Risk Management and Internal Controls (continued)

The Board's approach involves identification of material risks including climate related risks that may restrict the Group's ability to meet its objectives, the assessment of these risks in terms of impact, likelihood and control effectiveness, and the establishment of risk management strategies. For some key risks, where it is considered necessary, specialist advice is sought from external agencies and professional advisers.

Principal Risks and Uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors, as set out below, are not an exhaustive list of all the potential risks and uncertainties that could adversely impact the Group's results:

STRATEGIC

	Description of risk	Impact	Mitigation
1	Failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses	Stalled growth of the Group and associated shareholder returns Reputation risk	• Maintain strong relationships with Manufacturer partners to ensure that the Group remains a valued and relevant candidate for any potential franchised network development opportunities • Thorough reviews of acquisition opportunities to ensure Group investment hurdles are met • Established process for swift integration of acquired businesses into the Group
2	Failure to meet competitive challenges to our business model or sector	Loss of customers to competitors Reduced profitability	• The Group's scale, technological capability and diversification creates the ability to capitalise on market opportunities • Omni-channel development / digital prowess • Customer experience focus of the Group attracts customer loyalty • Ongoing monitoring to identify emerging competitive threats and act on these quickly
3	Advances in vehicle technology provide customers with mobility solutions which bypass the dealer network	Business model becomes obsolete	• Maintain strong relationships with Manufacturer partners to work closely with them as the future shape of the sector evolves • Establish sufficient scale with Manufacturer partners to ensure the Group is a key part of their route to market • Provide Manufacturer partners with excellent retail facilities and customers with excellent services, to ensure Group is successful in the event of significant industry consolidation • Build on the Group's established on-line sales capability

BRAND PARTNERS AND REPUTATION

	Description of risk	Impact	Mitigation
4	Inability to maintain current high quality relationships with Manufacturer partners	Impact on our ability to retain existing contracts and to take on new opportunities for growth	• Group Vision and Values set the tone from the top to deliver strong service to our Group stakeholders • Constant focus on improvement in performance and effective communication with our Manufacturer partners to ensure that our objectives are closely matched to theirs

Risk Management (continued)

Principal Risks and Uncertainties (continued)

ECONOMIC, POLITICAL AND ENVIRONMENTAL

	Description of risk	Impact	Mitigation
5	Economic conditions, including geopolitical impacts	Volume and margin are affected particularly in vehicle sales Amendments to franchise contracts, embracing new legislation	• Close monitoring of UK economic conditions • Maintain close relationships with Manufacturer partners • Focus on retention initiatives particularly in aftersales • Focus on cost control
6	Market and environmental considerations impact on vehicle supply and values	Vehicle supply constraints as a result of vehicle component shortages, government regulation and new entrants in the used vehicle market	• Daily monitoring of used vehicle market to detect pricing movements and react to changes. • Real time inventory management and control to enable the Group to react quickly to pricing changes

LEGAL AND REGULATORY

	Description of risk	Impact	Mitigation
7	Litigation and regulatory risk in an environment of ever increasing regulatory scrutiny	Litigation or breaching regulations could have a financial impact and/or reputational impact	• Standard Group-wide policies and procedures are in place to ensure compliance with relevant regulations, adherence to which is overseen by the Compliance Committee • In-house developed sales system to ensure regulatory compliance and ease of customer journey, with key checks in place • Risk management programme in place aimed at preventing issues in the first instance but also providing appropriate response to any issues that do arise • Continuation of Group focus on customer experience and a partnership approach with its Manufacturer partners, to minimise impact of regulatory changes, and ensure continued customer relationship
8	Failure to comply with Health and Safety (H&S) Policy	Injury to customers or colleagues	• Group has a dedicated H&S Manager • Group H&S Committee monitors compliance and recommends any corrective or preventative actions • Training for all colleagues • Specific H&S dashboard developed, monitoring KPIs • Independent external H&S audits carried out

COLLEAGUES

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

Principal Risks and Uncertainties (continued)

SYSTEMS AND TECHNOLOGY

	Description of risk	Impact	Mitigation
10	Failure of Group information or telecommunication systems	Business is interrupted	• Robust business continuity process has been developed • Operation of this process is regularly tested, reviewed and updated as necessary
11	Group or key system provider is targeted for malicious cyber attack	Business is interrupted Data is compromised	• Robust business continuity process has been developed • Upgraded all devices and users with endpoint and web security. • Managed Detect and Response service initiated with NCC Group provides 24/7 monitoring 365 days a year. • 'Be Aware' cyber risk training completed by all colleagues. • Penetration and vulnerability testing reviewed regularly to assess new threats

FINANCE AND TREASURY

	Description of risk	Impact	Mitigation
12	Availability of credit and vehicle financing	Inability to secure funding impacting on distribution sales or expansion opportunities	• Detailed working capital cash flow monitoring in place • Maintain relationships with key banks • Leverage Group relationship with OEM finance companies and retail finance providers
13	Use of estimates	Variance in accounting judgement impacts profitability	• Key accounting judgements are reviewed on a regular basis to ensure these remain appropriate • Regular review of changes in accounting standards framework to assess any likely impact on the Group
14	Currency risk	Fluctuation in exchange rates impact the profitability of our manufacturer partners which may change their prices or support packages to the dealer network	• Portfolio of manufacturer partners spreads potential risk • No material foreign exchange transactions are undertaken directly by the Group

Risk Management (continued)

Principal Risks and Uncertainties (continued)

	Climate Related		
	Description of risk	**Impact**	**Mitigation**
15	Impact of the transition to lower emissions alternatives and Battery Electric vehicles (BEV)	Vehicle Emission Trading Scheme (VETS) compliance. Retail demand for BEV may not match required VETS sales targets. BEV vehicles changing aftersales work.	• Focus on the delivery of excellent customer experiences to ensure retention. • Ensure the Group has the right technology and training in latest vehicle models. • Maintain close relations with Manufacturer partners. • Introduction of retail Smart Repair.
16	Potential for changes in cost base driven by climate goals	BEV currently more expensive than ICE vehicles. Cost of missing VETS targets for Manufacturers Increasing cost of compliance with changing legislation. Investment in BEV tools and charging infrastructure.	• Maintain close relationships with Manufacturer partners. • Monitor regulatory changes. • Focus on sustainability goals. • Ensure appropriate capital allocation.
17	Physical risks	Climate change may result in extreme heat or increased risk of flooding. Possibility of business interruption within the Group's extensive network of dealerships.	• Business continually planning for location identified as at greater risk of flooding. • Maintain heating and ventilation systems and drainage. • Maintain adequate insurance cover. • Ensure appropriate capital allocation.

Viability and Going Concern

Viability Statement

Assessment of Prospects

The Group's business model and strategy are central to an understanding of its prospects. The Group's strategy is to grow a scaled automotive retail group in both volume and premium motor retail franchises, by acquisition or organic growth through enhanced performance. Further details of the Group's strategy can be found in the Strategic Report. The nature of the Group's activities is long-term, and the business model is open-ended.

The Assessment Process and Key Assumptions

The Group's prospects are assessed primarily through its strategic planning process. This process includes a detailed annual business plan review, led by the CEO through the Chief Executive's Committee.

The Board participates fully in the annual process through both the review and approval of the annual business plan and through annual strategic reviews. Part of the Board's role is to consider whether the plan continues to take appropriate account of the external environment including macroeconomic, political, social, environmental and technological changes. The output of the annual review process is an analysis of the risks that could prevent the plan from being delivered and financial forecasts highlighting the impact of the strategic plan. The latest updates to the strategic plan were finalised in February 2024 following this year's review.

This considered the Group's current position and the development of the business as a whole, and the Board assessed the viability of the Company over the three-year period to 28 February 2027.

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

Financial forecasts were prepared for the three-year period to 28 February 2027, so that two years nine months remains at the time of approval of this year's annual report. The first year of the financial forecasts comprised of the Group's detailed business plan. Years two and three of the forecasts are extrapolated from the first year, based on the overall content of the strategic plan.

The key assumptions in the financial forecasts, include:

- The Core Group with no acquisitive growth beyond a known pipeline, reflecting the Strategic and Brand Partners principal risks set out on page 47 of the Strategic Report.
- Prudent growth assumptions in both volume and margin, reflecting the risks set out on pages 47 to 50 of the Strategic Report.

The Group's banking facilities were renewed in FY23, and now expire in December 2026, with an option to extend out to December 2027. The Group is also funded by a 20 year mortgage facility expiring in 2043.

The Board carried out a robust assessment of the principal risks facing the Group and the purpose of the principal risks on pages 47 to 50 is primarily to summarise those matters that could prevent the Group from implementing its strategy. A number of other aspects of the principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained below.

Assessment of Viability

Although the strategic plan reflects the Directors' estimate of the future prospects of the business, the Board has also considered the potential impact on the Group of a number of scenarios over and above those included in the plan, that would represent serious threats to its liquidity. The principal risks and mitigation steps that the Board considered as part of this viability assessment are set out in pages 47 to 50 of the Strategic Report. The Group also mitigates the principal risks it faces through the diverse revenue generation from all parts of the vehicle cycle, range of franchise representation and investment in complementary business streams together with regular monitoring to identify change quickly. The Board believes that the Group is well placed to manage its business risk successfully.

Viability and Going Concern (continued)

Viability Statement (continued)

Assessment of Viability (continued)

Based on their assessment of prospects and viability as set out above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 28 February 2027.

Going Concern

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

On behalf of the Board

Robert Forrester	**Karen Anderson**
Chief Executive Officer	Chief Financial Officer
15 May 2024	15 May 2024

Corporate Governance Report

Chairman's Corporate Governance Statement

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

We continue to report under the QCA Corporate Governance Code ("QCA Code") and this report sets out how we comply with, and have applied, the principles and Code during the year. The QCA Code was updated in 2023 and the Board have reviewed the updated Code to consider any necessary changes or improvements that will need to be made in FY25. The Board has adopted the 2023 Code for FY25 with reporting based on the 2023 Code to be reflected in full in the Corporate Governance Report for that year. The Board has shown the 2023 Code Principles below but does not yet fully comply with the 2023 Code requirements.

As previously stated, the Group continued to deliver on its strategy. The Board continues to work and interact well together through both its regular formal meetings and other ad-hoc contacts and the two new directors (referred to previously and below have integrated well).

The Group's sustainability strategy builds on the Group's long track record of making a positive contribution to Colleagues and the communities it operates in, and outlines the Company's ambition to drive the sustainability agenda in the years ahead. The strategy includes updates on the targets and goals aligned to the strategic objectives of the Group.

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

Changes During the Year

Two new Non-executive Directors joined the Board during the year, John Mewett and David Gillard. David will replace Ken as Chair of the Audit Committee following the AGM in June. Pauline will replace Ken as the Senior Independent Director at the same time.

The Board undertook an annual board evaluation in February 2024 through an anonymous survey by the Board. Results have been reviewed and actions for the coming year agreed. As a result, particular focus will continue to be given to the work of the Nominations Committee and the future structure of the Board. The Board are also reviewing alternative methods of evaluation for the future. Annual appraisals of the Executive Directors, with the CEO appraised by the Chairman, have also been carried out.

This year's Annual General Meeting ("AGM") will be held on 25 June 2024.

Andrew Goss
Non-executive Chairman
15 May 2024

QCA Code Principle 2023	Where to find out more (page)
1. Establish a purpose, strategy and business model which promote long-term value for shareholders.	Group Strategy - pages 10-20
2. Promote a corporate culture that is based on ethical values and behaviours.	Roles and Responsibilities – page 60 Division of Responsibilities – page 59 investors.vertumotors.com
3. Seek to understand and meet shareholder needs and expectations.	investors.vertumotors.com
4. Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success.	s172 statement - pages 5-8
5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.	Risk Management - pages 46-50
6. Establish and maintain the Board as a well-functioning balanced team led by the Chair.	Board Leadership - pages 55-58
7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.	Division of Responsibilities – page 59 Audit Report - pages 82-89 Board Leadership - pages 55-58
8. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Chairman's Corporate Governance Statement page 53
9. Establish a remuneration structure which is supportive of long-term value creation and the company's purpose, strategy and culture.	Remuneration Committee Report - pages 66-72
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.	Remuneration Committee Report - pages 66-72 investors.vertumotors.com

Board Leadership

Board of Directors

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

Andrew Goss
Non-Executive Chairman

Appointed 3 September 2018 as director
24 July 2019 as Chairman

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

Relevant Experience

Andrew (66) brings to the Group over 40 years of experience in the automotive sector, having held senior roles in Citroen UK, Nissan Europe, Lexus (GB), Toyota (GB), Porsche and most recently Jaguar Land Rover. Between 2010 and 2013 Andrew headed Jaguar Land Rover's business in North America as its President and CEO, and between 2013 and 2018 he sat on the Jaguar Land Rover Board as Global Sales Operations Director. During this period, he also represented Jaguar Land Rover in its joint venture interests in China and in its Spark 44 advertising agency.

Ken Lever
Senior Independent Director

Appointed 1 June 2015

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

Relevant Experience

Ken (70) is a former partner of Arthur Andersen and has held senior executive director roles in many listed companies including Alfred McAlpine plc, Albright & Wilson plc and Tomkins plc. Ken was CFO of Numonyx in Switzerland from April 2008 to September 2010 and was CEO of Xchanging plc from June 2011 until December 2015. From 2007 to 2013, Ken was a Member of the Accounting Committee of the Financial Reporting Council (formerly the UK Accounting Standards Board).

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

External Appointments

Ken is Non-executive Chairman of Cirata plc, a Non-executive Director of Rockwood Strategic Plc and Deputy Chairman of Rainier Developments Ltd. Ken also Chairs the Advisory Board of the Alliance Manchester Business School.

Pauline Best
Non-Executive Director

Appointed 31 May 2016

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

Relevant Experience

Pauline (60) is an experienced Human Resources professional who is Chief People Officer of Specsavers and whose previous roles include Global Leadership and People Capability Director for Vodafone and Human Resources Director of Talkland.

Pauline's human resources and people experience is invaluable as Chair of the Remuneration Committee and she also brings that perspective to the Board. Pauline is also the designated Non-executive Director for workforce engagement and will replace Ken as the Senior Independent Director after the AGM in June.

Board Leadership (continued)

Board of Directors (continued)

John Mewett
Non-Executive Director

Appointed 6 June 2023
Committee Membership

Relevant Experience

John (56) has over 25 years of retail experience having held roles such as Marketing Director and Digital Director and is currently Chief Executive Officer of Screwfix, part of the Kingfisher plc Group.

David Gillard
Non-Executive Director

Appointed 2 January 2024
Committee Membership
Audit Committee, Nominations Committee and Remuneration Committee

Relevant Experience

David (61) is an experienced financial professional having held several senior finance positions in the UK and overseas including Group Finance Director and Deputy to the Managing Partner of DAC Beachcroft LLP, the international law firm. David is also a Non-Executive Director and chair of the Audit Committee at Bradford and Sons Limited, a builder's merchant. He will replace Ken Lever as Chair of the Audit Committee and Chair of BSH Pension Trustee Limited following the AGM in June.

Robert Forrester
Chief Executive Officer

Appointed 6 November 2006

Relevant Experience

Robert (54) was a Director of Reg Vardy plc between 2001 and 2006 where he held the roles of Finance Director and Managing Director. Robert qualified as a chartered accountant with Arthur Andersen. He was also a member of the Economic Growth Board of the Confederation of British Industry. Robert founded the Company in 2006.

David Crane
Chief Operating Officer

Appointed 26 July 2018

Relevant Experience

David (56) was appointed as Commercial Director of the Group in February 2007 having been previously at Reg Vardy PLC since 1999. He was Commercial Director of Reg Vardy PLC between 2004 and 2006, until the sale of Reg Vardy PLC to Pendragon PLC in February 2006, at which point he was appointed Group Services Director of Pendragon PLC. Prior to his employment with Reg Vardy PLC he was Aftersales Operations Manager at Renault UK between 1991 and 1999. He was appointed to the position of COO in March 2016.

Karen Anderson
Chief Financial Officer

Appointed 1 March 2019

Relevant Experience

Karen (52) was the Finance Director of the Group from 2006 to 2010 through its initial flotation and growth period, and stepped back into the Chief Financial Officer role from her role as Deputy CFO and Company Secretary.

From 2001 to 2006 she was employed by Reg Vardy PLC, where she ultimately held the position of Group Financial Controller. Karen qualified as a chartered accountant with Arthur Andersen.

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

Board Leadership (continued)

Board Meetings and Attendance

Board meetings are structured to allow the Board sufficient time to discuss and review financial performance, achievement of objectives, development of the Group's strategy, operational performance and risk and internal controls. Standing agenda items are discussed at each Board meeting, which include:

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

During the financial year the Board has met formally 8 times in person and 6 times on other occasions via Teams video call. The number of meetings attended by each Director was as follows:

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	SCHEDULED	ATTENDED	SCHEDULED	ATTENDED	SCHEDULED	ATTENDED	SCHEDULED	ATTENDED
A P Goss	14	14	3	3	3	3	5	5
R T Forrester	14	14	-	-	-	-	-	-
D P Crane	14	14	-	-	-	-	-	-
K Anderson	14	14	-	-	-	-	-	-
K Lever	14	14	3	3	3	3	5	5
P Best	14	11	3	3	3	3	5	4
J Mewett	10	10	-	-	-	-	-	-
D Gillard	2	2	-	-	-	-	2	2

Conflicts

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

Time Commitment

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

Additional Appointments

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

Access to Advice

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

Board Leadership (continued)

Key Areas of Board Focus During the Year

STRATEGY	FINANCIAL PERFORMANCE	GOVERNANCE	SHAREHOLDER ENGAGEMENT	RISK
Group strategy review Business development Reviewing M&A opportunities Approval of annual business plan and capital budget Review of colleague engagement survey and colleague engagement meeting feedback	Approval of the FY2024 full year results and FY2024 interim results Monthly management accounts and comparison against annual business plan Long range forecast and funding requirement planning	Re-appointment of auditors Monitoring Compliance and Health and Safety Committees Monitoring implementation of the consumer duty by the FCA regulated entities in the Group Monitoring the culture and Values including colleague survey feedback Monitoring the FCA investigation into commission structures and disclosure and the actions and responses taken by the Group. Developing the Group's consideration, and reporting, relating to TCFD.	Annual General Meeting Meetings with key shareholders on results roadshows	Annual review of key Group risks and mitigating controls, including TCFD elements. Approval of the Group's hedging strategy

Division of Responsibilities

The table below shows the key committees and their responsibilities.

	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	CEO COMMITTEE	COMPLIANCE COMMITTEE	HEALTH AND SAFETY COMMITTEE
Members	PLC BOARD COMMITTEES					
	• K Lever (Chair) • A P Goss • P Best • D Gillard	• P Best (Chair) • K Lever • A P Goss • D Gillard	• A P Goss (Chair) • K Lever • P Best • D Gillard	• R T Forrester (Chair) • D P Crane • K Anderson • N Loose • 13 Senior Managers	• D P Crane (Chair) • K Anderson • N Loose • 6 Senior Managers • Regular attendance by Audit Chair	• 9 Senior Managers • H & S Manager
Delegated authorities	• Financial reporting • Financial risk management • Internal control	• Remuneration policy • Incentive plans • Performance targets	• Balance of the Board • Leadership of the Group • Director succession planning	• Review, communication, delivery and management of Group strategy and day to day operations	• Compliance with laws and regulations (excluding Health & Safety and environmental) • Whistleblowing procedures • Communication with regulators where required	• Compliance with Health & Safety and environmental law and regulations • Developing Group best practices
Reviews	• Full year and half year results • Accounting policies • Terms of engagement of auditors • Internal audit	• Achievement of performance targets for short and long term incentives • Senior management pay structure	• Composition of the Board • Skills, knowledge & experience on the Board • Diversity	• Group HR and IT strategy • Allocation of resources (financial and colleague) • Group performance	• Adequacy and effectiveness of Group policies in response to current law and regulation • Licences and consents required • Internal regulatory audit	• Health & Safety policies and procedures • Health & Safety audits • Accident statistics and causes
Recommends	• Re-appointment of auditors • Audit tender • Auditors' remuneration	• Level and structure of Executive remuneration • Remuneration policy	• Appointments to the Board	• Annual business plan to the Board • Group Vision	• Training • Policy change • Remedial or pre-emptive action	• Training • Policy change • Remedial or pre-emptive action
Monitors	• Integrity of financial statements • Effectiveness of internal controls and risk management • Internal audit function • Legal & regulatory requirements • External audit	• Appropriateness of Remuneration policy	• Independence of Non-Executive Directors • Succession planning	• Performance against key performance indicators, plans and prior year • Compliance with Group risk management strategy, policy and procedures	• Appropriate retail finance metrics • Indicators of non-compliance with policy • Any relevant complaints • Legal and regulatory developments	• Accidents and near misses • Changes to law and regulations • New sites to the Group and redevelopments • Other changes in working practice
Approves	• Statements in Annual Report concerning internal controls and risk management	• Remuneration policy • Remuneration packages for Executive Directors • Design of share incentive plans	• Appointments for Executive Directors • Skills profile for Non-Executive Directors	• Appointments to dealership management positions • Performance related remuneration of dealership colleagues • Operational process and changes	• Reports to the Board • Submissions to relevant authorities • Changes to relevant policies and processes • Training programmes • Whistleblowing procedures	• Reports to the Board • Changes to relevant policies • Training programmes

Division of Responsibilities (continued)

Roles and Responsibilities

Chairman – **Andrew Goss**	The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate facilitating constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that the Board receive accurate, timely and clear information.
Senior Independent Director – **Ken Lever**	The Senior Independent Director (SID) is an independent Non-Executive Director, who provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders where necessary. The SID also leads the annual appraisal and review of the Chairman's performance. As Non-Executive Director, Ken is also responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using his broad range of experience and expertise, particularly in relation to finance and listed company issues.
Non-executive Director – **Pauline Best**	As Non-Executive Director, Pauline is responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using her broad range of experience and expertise. She also acts as the nominated Non-Executive Director for workforce engagement.
Non-executive Director – **John Mewett**	As Non-Executive Director, John is responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using his experience and expertise, particularly relating to multi-site retail, marketing and digital retailing.
Non-executive Director – **David Gillard**	As Non-Executive Director, David is responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using his experience and expertise, particularly relating to finance.
Chief Executive Officer – **Robert Forrester**	The Chief Executive Officer is responsible for the day-to-day running of the Group's businesses and the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Group Executive and Senior Management Teams. He also oversees sustainability and communicates with our stakeholders, the Board and management about the Group's action plan and progress.
Chief Operating Officer – **David Crane**	The Chief Operating Officer supports the Executive Management Team in developing and implementing strategy and is responsible for the oversight of the day-to-day administrative and operational functions of the Group. He also oversees supplier matters and communicates to the Board on compliance and regulatory changes, including in response to climate change, and their potential impact on the Group.
Chief Financial Officer – **Karen Anderson**	The Chief Financial Officer, oversees the day-to-day financial activities of the Group, including ensuring that Group financial and operating policies and practices are adopted at all levels of the Group. She also provides reporting on progress towards the Group's sustainability goals and oversees the assessment and monitoring of climate-related risks.

Nominations, Composition and Succession

The Nominations Committee continually reviews board composition to ensure that the Board provides the Group with the strategic oversight, vision and governance that it needs. Ordinarily, Non-executive Directors serve for a maximum of six years but the terms of Pauline Best and Kenneth Lever have been extended up to nine years.

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

Appointment and Powers of the Company's Directors

All Directors appointed by the Board must retire and seek election at the first Annual General Meeting following their appointment. One third of the other Directors are then required to retire and submit themselves for re-election each year so that all Directors are required to retire and submit themselves for re-election at least once in every three years. The Board is satisfied that plans are in place for orderly succession for appointments to the Board and senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

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

Subject to the Articles (which shareholders may amend by special resolution), relevant legislation and any directions given by special resolution, the Company and its Group is managed by its board of Directors. By resolutions passed at Company general meetings, the shareholders have authorised the Directors: (i) to allot and issue ordinary shares; and (ii) to make market purchases of the Company's ordinary shares (in practice exercised only if the Directors expect it to result in an increase in earnings per share). The authorities conferred on the Directors at the 2023 Annual General Meeting will expire on the date of the 2024 General Meeting. Details of movements in the Company's share capital are given in note 31 to the consolidated financial statements.

Succession

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

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

Andrew Goss
Non-Executive Chairman
15 May 2024

Audit, Risk and Internal Control

Audit Committee Report

Audit Committee Membership and Meetings

During the Year the Audit Committee was comprised of Committee Chairman, K Lever and two other Non-Executive Directors of the Group, namely, A P Goss and P Best. The Committee met three times during the financial year and attendance is shown in the table on page 57.

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

The key responsibilities of the Committee are set out in the table on page 59.

Activities during the year

During the Year the Committee focused on the following matters:

- Review of the interim and year-end financial statements for the Group
- Review of the consistency and appropriateness of the accounting policies
- Review of the methods used to account for significant transactions, completeness of disclosures and material areas in which significant judgements had been applied
- Review of the effectiveness of internal controls, risk assessment process, the assurance process and changes to significant risks
- Approval of the terms of engagement, strategy, scope and effectiveness of independent auditors

Significant Issues

As part of the reporting and review process, the Committee has discussed the significant issues considered in relation to the financial statements and how those issues were addressed.

During the Year the Committee considered the following key risks, accounting issues and judgements:

Significant issue	Action taken
Recognition and measurement of assets and liabilities in a business combination	The Group completed the acquisition of Rowes Garage Limited on 31 October 2023. Management undertook an exercise to identify and value the assets and liabilities that had been acquired as part of this business combination, including identification and measurement of any intangible assets arising as a result of the acquisition. Valuations from external experts were obtained where necessary, to aid determination of the fair value of assets and liabilities acquired. The Committee reviewed the assumptions applied in this assessment and concluded that the fair values disclosed in note 17 of the consolidated financial statements were appropriate.
Carrying value of goodwill, other intangibles and tangible assets	Management performed a detailed impairment review on the goodwill, other intangibles and tangible assets in the consolidated financial statements of the Group, based on forecast future cash flows. The Committee challenged the methodology, assumptions, and sensitivity analysis used by management. The Committee also considered the independent review by the independent auditors. The Committee concluded that the February 2024 carrying amounts shown in notes 15, 16 and 18 of the consolidated financial statements were appropriate and approved the disclosures.
Valuation of inventory	The Group's assessment of the valuation of used vehicle inventory at 29 February 2024 involves an element of estimate to determine the expected net realisable value post year end. Key assumptions used in the valuation of used vehicle inventory at 29 February 2024 include sales which took place post year end, latest industry guidance and historical trends. The committee reviewed and challenged the assumptions applied in determining the valuation of inventory at 29 February 2024 as shown in note 21 and concluded that these were appropriate.

Audit, Risk and Internal Control (continued)

Audit Committee Report (continued)

Significant Issues (continued)

Significant issue	Action taken
Viability and Going Concern	Management have prepared detailed financial projections for a period of 12 months from the date of signing the financial statements (‘Review Period’). These projections are based on the Group’s detailed annual business plan. Management have reviewed the output of these detailed projections alongside the Group’s funding facilities and banking covenants, further details of which are provided in note 26 of the consolidated financial statements. Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections to model the impact of severe but plausible downside risks. By their very nature forecasts and projections are inherently uncertain. Circumstances could arise under which extreme downside scenarios may occur that would render the preparation of accounts based on the assumption of a going concern inappropriate. Based on what is known at this time and based upon the forecast information available, the Directors believe it appropriate to prepare accounts under the going concern basis. The Committee challenged the assumptions used and also considered the review conducted by the independent auditors. The Committee concluded that the Board is able to make the Viability and Going Concern statements on pages 51 and 52.
Pension benefits	Assets and obligations under the “Bristol Street Pension Scheme”, which is a defined benefit scheme in which accrual ceased on 31 May 2003, are recognised in the balance sheet. The valuation of the scheme assets and the present value of the obligations are calculated by external advisors. The Committee reviewed the assumptions applied in calculating the scheme assets and obligation (set out in note 30) at 29 February 2024 and confirmed that these were appropriate.
Manufacturer bonus income	Income is received from manufacturer partners in the form of rebates and volume related bonuses. A Group wide income recognition policy is in place in respect of this income. Management allocate responsibility to Divisional Finance Directors, as nominated ‘franchise experts’ to ensure bonus programmes are fully understood and communicated to Dealership teams. The Group’s internal audit function reviews the treatment of manufacturer bonus income recognition on a dealership-by-dealership basis. The Committee also considered the review performed by the independent auditors. The Committee concluded that it was satisfied with the income recognition policy, and with the appropriateness of the controls currently in operation, over manufacturer bonus income recognition.
Revenue recognition	The Group’s main product/service lines are the sale of motor vehicles, parts and aftersales services. The Group operates an income recognition policy that ensures that revenue is recognised in line with satisfaction of the performance obligation, as set out in note 1 of the consolidated financial statements. Given the complexity of the initial sale of a vehicle for which it is not unusual to have a discount applied in a sales transaction which may or may not include multiple other products, judgement is involved in determining the appropriate allocation of such a discount between the products involved in the sale, particularly where there is a difference between the products, in when the relevant performance obligations are satisfied. Complexity of distribution arrangements also give rise to potential judgement as to whether the Group is acting as principal or agent in respect of sales transactions. The committee reviewed the assumptions set out in the revenue recognition policy and confirmed that the assumptions applied and categorisation of sales as principal or agent were appropriate.

Audit, Risk and Internal Control (continued)

Audit Committee Report (continued)

Financial and Business Reporting

The Committee is responsible for monitoring the integrity of the financial statements including the Group's annual and half-yearly results and ensuring they are fair, balanced and understandable.

The independent auditors also provide an auditors' report to the members providing an independent opinion on the truth and fairness of the Group's financial statements. This report can be found on pages 82 to 89.

Risk Management and Internal Controls

The Group has well established risk management and internal control processes. These are regularly subject to audit and the results are reported to the Audit Committee and the Board for their review.

Day to day management of risk is delegated to the Chief Executive's Committee, which consists of the Chief Executive, the Chief Financial Officer, the Company Secretary, the Chief Operations Officer, the Chief Marketing Officer, the HR Director, the Sales Director, the Chief Technology Officer, the Group Strategy Director and the seven Divisional Operations Directors of the Group.

The Audit Committee confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

Internal Audit

The Group Risk team report regularly on the audits carried out in each dealership which, for the financial year ended 29 February 2024, covered both balance sheet and sales process audits as well as audits of key financial control processes. The Group Risk team met with the Committee without the presence of management.

External Audit

The Audit Committee has recommended to the Board that a resolution be put to shareholders at the Annual General Meeting to reappoint PwC as auditors of the Company for a further year. PwC have been appointed as auditors to the Company for the previous 16 financial years. In accordance with ethical standards requirements, the audit partner responsible for the engagement was subject to rotation after each five-year period and consequently a new audit partner, Nicholas Cook has taken responsibility for the FY24 audit from Jonathan Greenaway who had served since February 2019. No tender has been conducted. The Committee reviewed the effectiveness, independence and objectivity of the independent auditors and no matters of concern were raised during the financial year to 29 February 2024. It will continue to monitor this.

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

Audit Committee Report (continued)

Independence of the Independent Auditors

Both the Audit Committee and the Independent Auditors have in place safeguards to avoid the Independent Auditors' objectivity and independence being compromised. The Group's policy with regard to services provided by the Independent Auditors, PricewaterhouseCoopers LLP, is as follows:

- Statistory audit services

  The Independent Auditors, who are appointed annually by the shareholders, undertake this work. The Independent Auditors also provide regulatory services and formalities relating to shareholder and other circulars. The Committee reviews the Independent Auditors' performance on an ongoing basis.

- Further assurance services (this includes work relating to acquisitions and disposals)

  The Group's policy is to appoint advisors to undertake such work where their knowledge and experience is appropriate for the assignment. Where PricewaterhouseCoopers LLP are used, the Board reviews their independence and expertise on every assignment. Other professional services firms are employed in certain cases on acquisition and disposal related assignments.

- Other non-audit services

  The Independent Auditors are not permitted to provide internal audit, risk management, litigation support or remuneration advice. The provision of other non-audit services, is assessed on a case by case basis, depending on which professional services firm is best suited to perform the work. These safeguards, which are monitored by the Committee, are regularly reviewed and updated to ensure they remain appropriate. The appointment of PricewaterhouseCoopers LLP to provide non-audit services requires Board approval for any assignment with fees above a set financial limit. The Independent Auditors report to the Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence, including the rotation of key members of the audit team. PricewaterhouseCoopers LLP have formally confirmed this to the Board. PricewaterhouseCoopers LLP did not provide any non-audit services to the Group during the year ended 29 February 2024.

K Lever
Chairman of Audit Committee
15 May 2024

Remuneration Committee Report

Annual Statement from the Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 29 February 2024. This Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee ("the Committee") in accordance with the Companies Act 2006, as well as with the spirit, principles and, as far as is reasonably practical, the requirements of the Quoted Companies Alliance Remuneration Guidance, the Investment Association's Principles of Remuneration and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, notwithstanding that, as the Company is listed on AiM, these regulations do not all strictly apply. This report is split into two sections:

- the Directors' remuneration policy sets out the Company's intended policy on Directors' remuneration from 1 March 2024 and is provided for information to shareholders; and
- the annual report on remuneration sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the year to 29 February 2024 and is subject to an advisory shareholder vote at this year's AGM.

Key remuneration decisions for the year to 29 February 2024

On 1 March 2023, the Group awarded a £1,000 pay rise to all colleagues earning under £30,000. During FY24 the Group reviewed key skilled roles and undertook a benchmarking exercise. As a result, changes were implemented to remuneration packages for key roles. In late 2023 into early 2024, the Group undertook a comprehensive review of its remuneration strategy. This included reviewing the impact of the significant investments made in this area over the last two financial years, the general economic backdrop, the recent performance of the Motor Retail sector and the employment cost headwinds facing UK employers. This review also included consideration of the impact of the 2024 National Minimum Wage rates on the Group's cost base. It concluded that applying a general pay award to colleagues on 1 March 2024 was not appropriate but that role specific adjustments would be reviewed (and where appropriate enacted) throughout FY25 as required to ensure that the Group is able to continue to attract and retain talent.

This review also incorporated the external benchmarking of the remuneration packages of the Executive Directors. This benchmarking exercise included a range of relevant comparator companies from both within and beyond the Motor Retail sector. It concluded that the Executive Directors' remuneration packages remained below those in comparator companies. Accordingly, the Remuneration Committee recommended a 5% pay rise be applied. This recommendation was rejected by all three Executive Directors given the performance of the Group in FY24 and in light of the approach taken to the wider Group remuneration strategy outlined above.

The Executive Director annual bonus structure remains unchanged from the scheme operated in the last three financial years. It continues to include measures on financial performance (Group profit), customer satisfaction and colleague satisfaction with 70% of bonus relating to profit targets with the remaining 30% split equally between customer outcome and colleague outcome measures. The maximum profit bonus earnings level of 135% of on-target earnings equates to delivery of 135% of the business plan.

The Executive Directors will not receive the Group profit element bonus for the year commencing 1 March 2023 (FY24) as the threshold of 85% of the target was not reached in the financial year. They will receive the elements related to customer satisfaction and colleague satisfaction.

The Partnership Share Scheme continued to operate in the year ended 29 February 2024 (FY24) for senior management of the Group, and will also apply in the year commencing 1 March 2024 (FY25) with 232 members participating. Under this Scheme, an award is made in the form of a nil-cost option at the beginning of each financial year over a maximum number of shares (to be determined annually by the Remuneration Committee based on a fixed percentage of on-target earnings). At the end of each financial year, vesting is directly linked to the level of pay-out of each participant's annual bonus for that year. For example, if

Remuneration Committee Report (continued)

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

Key remuneration decisions for the year to 29 February 2024 (continued)

the annual bonus pay-out is at 95% of the amount that would be earned at the on-target level, 95% of the nil-cost option will be awarded. Performance is capped at the 100% level and the employee must remain in employment for three further complete financial years before the nil-cost options are awarded to them. This scheme continues to be very well received by the beneficiaries and this year was the first year in which beneficiaries received shares under the scheme (following the conclusion of the three-year holding period for shares issued in FY21). The Executive Directors were not issued Partnership Share Scheme options in FY21 and are therefore not included in the population of colleagues whose shares vested. The Executive Directors' participation started in FY22.

The Partnership Share award made in the year ended 29 February 2024 (FY24) will vest in part for the majority of beneficiaries, but, due to the lack of Group profit bonus payable to the Executive Directors, only 23% of their Partnership Share options for the year ended 29 February 2024 have vested.

A Partnership Share Scheme annual award to the Executive Directors has again been made for the year commencing 1 March 2024 at 40% of on-target earnings (consistent with the level made in the previous year).

The Remuneration Committee considered the compound impact of the lack of profit bonus on the Partnership Share Scheme award and agreed to make a necessary adjustment to the remuneration policy for FY24 onwards to provide it with flexibility in relation to the setting of the minimum threshold for the payment of Group profit bonus in special circumstances. As a result, the Remuneration Committee will in future reserve the right to use its discretion to review the 85% annual profit bonus threshold and adjust it downwards (to a minimum of 75%) and to pay a proportion of the annual profit bonus for performance between the adjusted threshold and the original 85% target. This discretion would be used only where appropriate to reflect special circumstances and where performance by the Executive justifies it. Partnership share options would then vest at the rate of bonus actually paid. The Remuneration Committee believe that this flexibility is required to ensure that the Executive Directors' remuneration remains competitive and to retain a motivated, stable and experienced Executive Director team.

Conclusion

The Directors' remuneration policy which follows this annual statement sets out the Committee's principles on remuneration for the future and the annual report on remuneration provides details of remuneration for the year ended 29 February 2024. The Committee continues to be mindful of shareholder views and interests, and the importance of retaining the stable, experienced management team. We believe that our Directors' remuneration policy continues to be prudent and aligned with the achievement of the Company's business objectives. We hope that we can rely on your votes in favour of the annual report on remuneration.

By Order of the Board:

P Best
Chairman of Remuneration Committee
15 May 2024

Remuneration Committee Report (continued)

Remuneration Policy

The policy of the Committee is to ensure that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package to Executive Directors, including long-term incentive plans, to attract, retain and motivate individuals of the calibre required to ensure that the Group is managed successfully in the interests of shareholders. In addition, the Committee's policy is that a substantial proportion of the remuneration of the Executive Directors should ordinarily be performance related, consistent with the balance of remuneration paid to Directors and Senior Management in the automotive retail sector.

Future Policy Table

The main elements of the remuneration package of Executive Directors are set out below:

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
BASIC SALARY			
Attract and retain high calibre Executive Directors to deliver strategy.	Paid in 12 equal monthly instalments during the year.	Reviewed periodically to reflect experience, role, responsibility and performance of the individual and the Group, and to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Committee has regard to, *inter alia,* the Group's revenue, profitability, market worth and business sector. There is no prescribed maximum increase. Annual rates are set out in the annual report on remuneration for the current year and the following year.	None
BENEFITS			
Provide benefits consistent with role.	Currently these consist of the option of two company cars, or access to an employee car ownership scheme, health insurance, critical illness cover and life assurance and the opportunity to join the Company's share incentive plan ("SIP"). The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Group.	The cost of providing benefits is borne by the Company and varies from time to time.	None

Remuneration Committee Report (continued)

Remuneration Policy (continued)

Future Policy Table (continued)

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
ANNUAL BONUS			
Incentivises achievement of business objectives by providing rewards for performance against annual profit targets, customer outcome targets including manufacturer new car and service customer satisfaction ("CSI") scores as well as used car Judge Service results, and colleague satisfaction with exact measures reviewed annually.	Paid in cash after the end of the financial year to which it relates.	It is the normal policy of the Committee to cap maximum annual bonuses. The levels of such caps are reviewed annually.	Targets are based on adjusted profit before tax of the Group and customer outcome and colleague satisfaction measures. The Committee sets performance measures, threshold and maximum targets on an annual basis. A sliding scale operates between threshold and maximum performance. No company profit performance bonus is payable where performance is below the threshold of 85% (unless the Committee exercises its discretion in special circumstances, in which case it may be reduced downwards, and a proportion of the original bonus paid). No colleague satisfaction bonus is payable where performance is below an annual target. No customer satisfaction bonus is payable if minimum targets are not met. Payment of any bonus earned is subject to overriding discretion of the Committee in the event of gross misconduct.
LONG-TERM INCENTIVES			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares through the Partnership Share Scheme (part of the Long Term Incentive Plan (LTIP).	Grant of £Nil cost options under the Partnership Share Scheme. Options vest in proportion to the amount of annual bonus earned in the year of issue. Options may then be exercised after 3 years starting at the end of the financial year to which the bonus relates.	Annual award of options to Executive Directors is 40% of on-target earnings for FY24. The Remuneration Committee will determine at the beginning of future financial years, the maximum value of shares over which an award can be granted.	Vesting is pro rata to achievement of the participant's bonus measures for the year.
PENSION			
Attract and retain Executive Directors for the long-term by providing funding for retirement.	All Executive Directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions.	The Group currently makes payments of up to 16.5% of basic salary into any pension scheme or similar arrangement as the Executive Director may reasonably request. Such payments are not counted for the purposes of determining bonus or formulating the award value of the partnership share scheme. Any new Directors would receive a pension contribution in line with the majority of the workforce.	None

Remuneration Policy (continued)

Notes to the Policy Table

Differences from remuneration policy for all employees

All employees of the Company are entitled to base salary or hourly rate and various other colleague benefits. The opportunity to earn a bonus is made available to all management colleagues in the Group. The maximum opportunity available is based on the seniority and responsibility of the role.

Share options are only granted under the Partnership Share Scheme to senior management in the Group and selected key employees who are crucial to the long-term success of the Company.

Statement of consideration of employment conditions of employees elsewhere in the Group

The Committee receives reports on an annual basis on the level of any pay rises awarded across the Group and takes these into account when determining salary increases for Executive Directors. In addition, the Committee receives regular reports on the structure of remuneration for senior management in the tier below the Executive Directors and uses this information to ensure a consistency of approach for the most senior managers in the Group.

The Committee also approves the award of any long-term incentives and other share schemes.

The Committee does not specifically invite colleagues to comment on the Directors' remuneration policy, but it does take note of any comments made by colleagues.

Statement of consideration of shareholder views

The Chairman of the Committee consults with major shareholders from time to time or where any significant remuneration changes are proposed, in order to understand their expectations with regard to Executive Directors remuneration and reports back to the Committee. The Committee also takes into account emerging best practice and guidance from major institutional shareholders and advisors.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.

Any new Executive Director's regular remuneration package would include the same elements and be in line with the policy table set out earlier in this Directors' remuneration policy (subject to the statement regarding pension contributions and any specific personal targets or development), including the same limits on performance related remuneration.

Where an internal candidate is promoted to the Board the original grant terms and conditions of any bonus or share award made before that promotion will continue to apply, as will membership of any of the Group's pension arrangements.

Reasonable relocation and other similar expenses may be paid if appropriate.

Directors' Service Contracts, Notice Periods and Termination Payments

Provision	Policy	Details
Notice periods in Executive Directors' service contracts	12 months by Company or Executive Director	Executive Directors may be required to work during the notice period.
Compensation for loss of office	No more than 12 months' basic salary and benefits (including company pension contributions).	
Treatment of annual bonus on termination	Bonuses which have already been declared are payable in full. In the event of termination by the Company (except for cause) pro-rated bonus to the end of the notice period is payable at the discretion of the Remuneration Committee.	
Treatment of LTIP and CSOP awards and Partnership Share Awards	Partnership Share Awards for the current financial year (and other unvested LTIP awards), will normally lapse on cessation of employment. However, for Good Leavers, the Committee shall determine whether the award is released on the normal release date or on some other date. For the Partnership Share Scheme, the extent of vesting will be determined by the Committee taking into account the amount of time that the employee has worked in the financial year. Following release, Good Leavers may exercise their options at any time after cessation of employment. For other LTIP awards, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the performance period. Good Leavers may exercise their options within 12 months (or such a period as the Committee determines). Good Leaver LTIP awards that have vested but not been released (i.e. during the holding period) will ordinarily continue to the normal release date when they will be released to the extent vested. The Committee retains the discretion to release awards earlier. Unvested CSOP Awards will normally lapse on cessation of employment but, for Good Leavers, may vest in full or part as determined by the Remuneration Committee. Vested CSOP options can be executed for up to 6 months (or 12 months in the case of death) except following summary dismissal, when they lapse.	Good leaver circumstances comprise death, illness, injury, disability, retirement, transfer of employing business outside Group or exceptional circumstances at the discretion of the Committee.
Exercise of discretion	Intended only to be relied upon to provide flexibility in exceptional or inequitable circumstances.	The Committee's determination will take into account the particular circumstances of the Executive Director's departure and the recent performance of the Company and will be detailed in the next published Remuneration Committee Report.
Outside appointments	Subject to approval	Board approval must be sought.
Non-Executive Directors	Re-election	All Non-Executives are subject to re-election every three years. No compensation payable if required to stand down.

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

In the event of the negotiation of a settlement agreement between the Company and a departing Director, the Committee may make payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements.

The Committee may also include the reimbursement of fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

Non-Executive Directors' Fee Policy

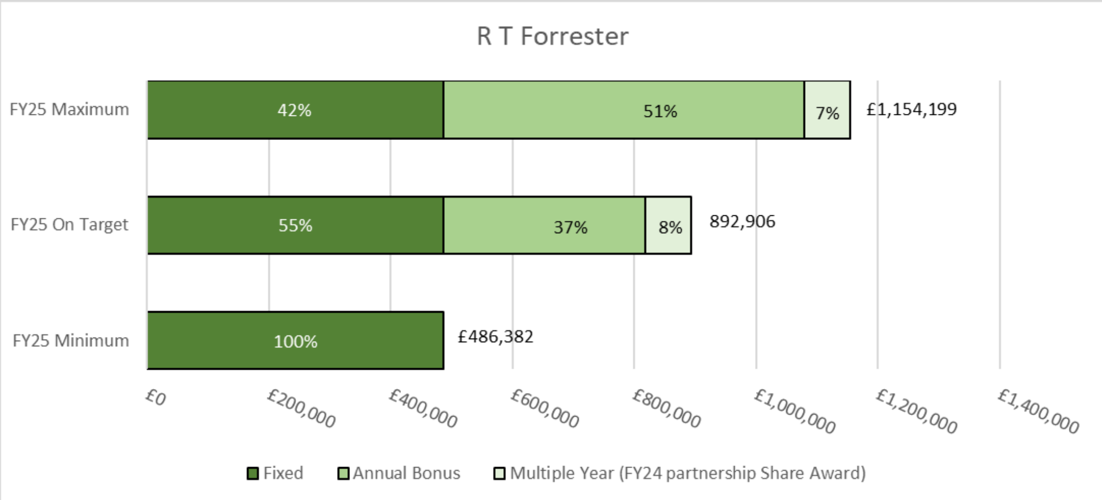
The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors are not entitled to a bonus, they cannot participate in the Company's share option scheme and they are not eligible for pension arrangements.

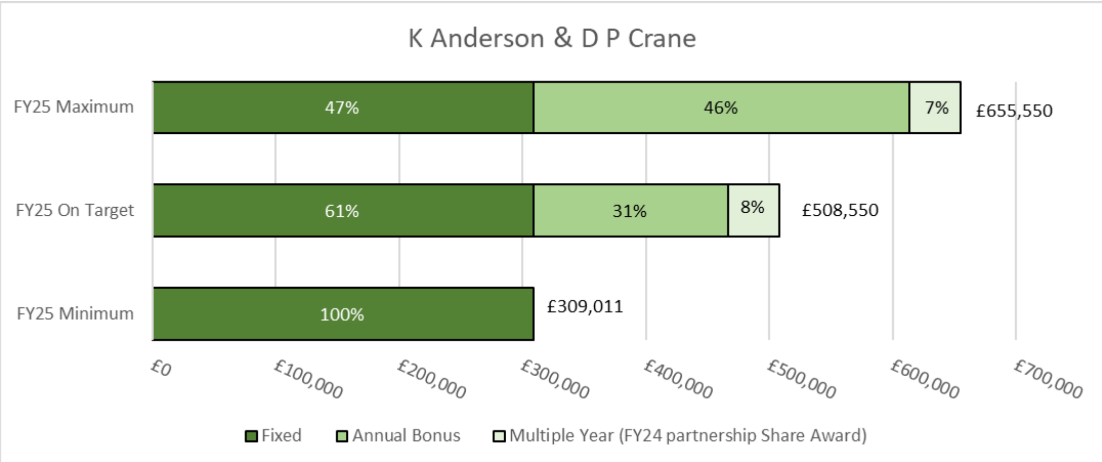
Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
NON-EXECUTIVE DIRECTOR ('NED') FEES			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	NED fees are determined by the Board within the limits set out in the Articles of Association and are paid in 12 equal monthly instalments during the year. Non-Executive Directors may be eligible for benefits such as the use of secretarial support or other benefits that may be appropriate. They also may receive a company car with insurance, using a scheme and type of the Company's choosing.	Annual rate set out in the annual report on remuneration for the current year and the following year. No prescribed maximum annual increase. The cost of providing benefits is borne by the Company and varies from time to time.	None

Total 2024/25 Remuneration Opportunity

The chart below illustrates the remuneration that would be paid to each of the Executive Directors in the 2024/25 financial year under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable (annual bonus awards); and (iii) Multiple year (LTIP awards) which are set out in the future policy table above. The element included for multiple year (LTIP Awards) relates to Partnership Share Scheme options which are capable of vesting in the financial year to 28 February 2025 and is based on the closing share price on 1 March 2024.





Directors' Remuneration Report (continued)

Total 2024/25 Remuneration Opportunity (continued)

Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for the 2024/2025 financial year plus pension and benefits.
Annual Bonus	Annual bonus awards based on adjusted profit before tax, customer outcome measures and colleague satisfaction targets.
Multiple Year (FY24 Partnership Share Award)	Value of Partnership Share Scheme Awards which vest in the year ended 28 February 2025 but are subject to a three-year holding period thereafter. Value is based on the number of shares awarded at the closing share price on 1 March 2024.

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

Annual report on remuneration

The annual basic salaries and fees to be paid to Directors in the year ending 28 February 2025 are set out in the table below, together with any increase expressed as a percentage.

	28-Feb	29-Feb	
	2025 £'000	2024 £'000	Underlying Increase (Excluding Committee Appointments) %
R T Forrester	415	415	-
K Anderson	263	263	-
D P Crane	263	263	-
K Lever	20**	62	-
P Best	59***	52	-
A P Goss	130	130	-
J Mewett	45	34*	-
D Gillard	50****	8*	-

*Reflects a part year figure for appointment during the year ended 29 February 2024.

**Reflects a part year figure for resignation at the AGM.

***The figures for P Best include an increase from the date she takes over the Senior Independent Director role.

****The figures for D Gillard include an increase from the date he takes over the Audit Committee Chair role.

Directors' Remuneration Report (continued)

Single Total Figure of Remuneration

The remuneration of the Directors who served during the period from 1 March 2023 to 29 February 2024 is as follows:

	Salary or fees		Taxable Benefits[1]		Pension		Bonus		Long Term Incentive Plan		Single total figure	
	£'000		£'000		£'000		£'000		£'000		£'000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**[3]	2023[2]	**2024**	2023
Executive Directors												
R T Forrester	**415**	415	**4**	3	**68**	68	**76**	355	**317**	247	**880**	1,088
K Anderson	**263**	263	**3**	3	**43**	43	**36**	174	**178**	139	**523**	622
D P Crane	**263**	263	**4**	3	**43**	43	**36**	174	**178**	139	**524**	622
Non-Executive Directors												
A P Goss	**130**	130	**1**	1	**-**	-	**-**	-	**-**	-	**131**	131
K Lever	**62**	62	**1**	1	**-**	-	**-**	-	**-**	-	**63**	63
P Best	**52**	52	**1**	1	**-**	-	**-**	-	**-**	-	**53**	53
J Mewett	**34**	-	**-**	-	**-**	-	**-**	-	**-**	-	**34**	-
D Gillard	**8**	-	**-**	-	**-**	-	**-**	-	**-**	-	**8**	-

[1] Taxable benefits include vehicle insurance, together with medical and life assurance premiums.
[2] Represents PSO nil cost awards granted in March 2021 which vested in March 2022. The value has been calculated by reference to the closing share price of the Company on 1 March 2022. These vested awards are subject to a 3 year holding period.
[3] Represents PSO nil cost awards granted in March 2022 which vested in March 2023. The value has been calculated by reference to the closing share price of the Company on 1 March 2023. These vested awards are subject to a 3 year holding period.

Annual Bonuses

The Executive Directors were awarded no Company profit performance bonus for the Year as the minimum target was not achieved. Customer outcome bonus was awarded at the level of 52% and colleague satisfaction bonus at the level of 100% - having achieved a colleague great place to work result in the full annual survey above 85%. These bonuses are to be paid in May 2024.

Pensions

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

Directors' Share Options

The movement in share options held by the Directors during the year ended 29 February 2024 is as follows:

	Number at 1 March 2023	Exercised in Year	Lapsed in Year	Granted in Year[1]	Number at 29 February 2024
R T Forrester	961,889	-	-	484,772	1,446,661
K Anderson	1,041,147	-	-	272,727	1,313,874
D P Crane	1,041,147	-	-	272,727	1,313,874

[1] These Partnership Share Scheme awards vested in March 2024 at a rate of 22.8% and are subject to a holding period of three years prior to being exercised.

Partnership Share Award vesting criteria:

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

Directors' Remuneration Report (continued)

Statement of Directors' Shareholding

The Directors who held office on 29 February 2024 and their connected persons had interests in the issued share capital of the Company as at 29 February 2024 as follows:

	Number of shares held (including by connected persons)		**Vested unexercised share options**		**Vested share options subject to 3 year holding period**		**Unvested share options subject to performance conditions**	
	29 February 2024	**28 February 2023**	**29 February 2024**	**28 February 2023**	**29 February 2024**	**28 February 2023**	**29 February 2024[1]**	**28 February 2023**
R T Forrester	7,489,518	7,486,575	-	-	961,889	443,451	484,772	518,438
K Anderson	1,166,637	1,163,694	500,000	500,000	541,147	249,480	272,727	291,667
D P Crane	481,462	465,479	500,000	500,000	541,147	249,480	272,727	291,667
K Lever	100,800	100,800	-	-	-	-	-	-
P Best	-	-	-	-	-	-	-	-
A P Goss	62,083	62,083	-	-	-	-	-	-
J Mewett	-	n/a	-	n/a	-	n/a	-	n/a
D Gillard	-	n/a	-	n/a	-	n/a	-	n/a

[1] These options vested at a rate of 22.8% post year end and are now subject to a 3 year holding period.

Changes in remuneration of Chief Executive Officer

The following table sets out the change in the Chief Executive's salary, benefits and bonus between the years ended 28 February 2023 and 29 February 2024 compared with the average percentage change in each of those components for the employees of the Group.

	Increase in base salary	**Change in benefits**	**Change in bonus**
CEO	0.0%	0%	(78.7%)
Employees	8.3%	0%	(6.4%)

Date of Service Contracts/Letters of Appointment

DIRECTOR	**Date of service contract/ letter of appointment**
R T Forrester	20 December 2006
K Anderson	1 March 2019
D P Crane	25 July 2018
A P Goss	19 July 2019
K Lever	25 February 2021
P Best	5 May 2022
J Mewett	2 June 2023
D Gillard	29 December 2023

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

Relative Importance of Spend on Pay

The table below sets out the total spend on remuneration in the Group in the years ended 28 February 2023 and 29 February 2024 compared with other disbursements from profit (i.e. the distributions to shareholders).

	Spend in the year ended 29 February 2024 £'000	**Spend in the year ended 28 February 2023 £'000**	**% change**
Spend on remuneration (including Directors)	302,831	266,423	13.7%
Profit distributed by way of dividend	7,759	6,003	29.3%

Directors' Remuneration Report (continued)

Shareholders' Vote on Remuneration at the 2023 AGM

2023 Directors' Remuneration Report	**Number**	**Proportion of votes cast (%)**
Votes cast in favour	124,643,705	98.74
Votes cast against	1,587,022	1.26
Total votes cast in favour or against	**126,230,727**	**100.00**
Votes withheld	28,833	

The Committee

The Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors. The Committee's terms of reference are available on the Company's website. The members of the Committee during the financial year were P Best (Chairman), K Lever, D Gillard (joined in the year) and A P Goss and details of meetings held are shown on page 57.

Directors' Report

The Directors' report sets out the information required to be disclosed by the Company in compliance with the Companies Act 2006 and the Financial Conduct Authority's Disclosure and Transparency Rules (DTR). It forms part of the management report as required under the DTR, along with the Strategic Report (pages 2-52) and other sections of this Annual Report and audited consolidated financial statements. The below requirements are covered by reference as set out below:

Information	Reported within	Pages
Acquisitions and disposals	Strategic Report	2-52
Business model	Strategic Report	2-52
Corporate Governance Framework	Corporate Governance Report	53-81
Community and charitable giving	Strategic Report	2-52
Details of Directors	Corporate Governance Report	53-81
Directors' share interests and remuneration	Directors Remuneration Report	73-77
Diversity, equality and inclusion	Strategic Report	2-52
Employee engagement	Strategic Report	2-52
Financial Instruments	Financial Statements (Note 27)	
Future developments and strategic priorities	Strategic Report	2-52
Going concern statement	Strategic Report	2-52
Principal risks and risk management	Strategic Report	2-52
Modern Slavery Statement	Strategic Report	2-52
Results	Consolidated Income Statement	90
Section 172 Statement	Strategic Report	2-52
Stakeholder engagement	Strategic Report	2-52
Statement of Directors Responsibilities	Corporate Governance Report	53-81
Viability Statement	Strategic Report	2-52

Annual General Meeting ("AGM")

At the AGM, a separate shareholders' resolution is proposed for each substantive matter. We will publish to shareholders the Company's annual report and financial statements together with the notice of AGM, giving not less than the requisite period of notice. The notice will set out the resolutions the Directors are proposing and explanatory notes for each. At the AGM, Directors' terms of appointment are available for inspection. On the day of the AGM, the Board takes the opportunity to update shareholders on the Company's trading position via an RNS announcement. Normally, the Chairman and each committee chairman are available at the AGM to answer questions put by shareholders present.

Branches

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

Change of control

The Company and members of its Group are party to agreements relating to banking, properties, employee share plans and motor vehicle franchises which alter or terminate if the Company or Group Company concerned undergoes a change of control. None is considered significant in terms of its likely impact on the business of the Group as a whole other than the motor vehicle franchises.

Charitable Donations

Charitable donations of £311,000 were made by the Group during the year ended 29 February 2024 (2023: £318,000).

Contracts

None of the other Directors had an interest in any contract with the Group (other than their service agreement or appointment terms and routine purchases of vehicles for their (or their family's) own use) at any time during the financial year to 29 February 2024.

Directors Indemnities and Insurance

In line with market practice and the Company's Articles, each Director has the benefit of an ongoing deed of indemnity from the Company, which includes provisions in relation to duties as a Director of the Company or an associated company, qualifying third party indemnity provisions and protection against derivative actions. Copies of these are available for shareholders' inspection at the AGM. Directors' and Officers' insurance has also been established for all Directors and Officers to provide cover for their reasonable actions on behalf of the Group.

Dividend

The dividend paid in the year to 29 February 2024 was £7,759,000 (2.30p per share) (2023: £6,003,000 (1.75p per share)). A final dividend in respect of the year ended 29 February 2024 of 1.5p per share, is to be proposed at the annual general meeting on 25 June 2024. The ex dividend date will be 27 June 2024 and the associated record date 28 June 2024. The dividend will be paid on 26 July 2024, and the financial statements do not reflect this final dividend payable.

Independent Auditors

In the case of each person who was a Director of the Group at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and;
- each of the Directors has taken all the steps that they ought to have taken as a Director, as far as is reasonably practical, in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Political Donations

The Group made no political donations and incurred no political expenditure during the year (2023: Nil).

Post Balance Sheet Events

Details of events after 29 February 2024 are disclosed in note 39 of the Financial Statements.

Powers for the issuance or repurchase of Shares

At 1 March 2023, 5,665,352 shares were held by Ocorian Limited ("Trustee"), the trustee of the Company's employee benefit trust. The shares are held for the purpose of the trust and may be used to transfer shares to individuals exercising share options in the Company. During the year ended 29 February 2024, 1,273,903 shares held by the trust were transferred to individuals pursuant to exercises of options (or sold to satisfy the exercise price or resulting tax). The Trustee waives its right to dividends on any Company shares held in the trust and such holdings are disclosed within 'Treasury Shares' in the Financial Statements. 4,391,449 ordinary shares in the Company were held by the Trustee at 29 February 2024.

The rights and obligations attaching to the Company's ordinary shares are set out in the Articles. The Company is currently authorised to issue up to two-thirds of its current issued share capital pursuant to a resolution passed at its 2023 AGM.

Directors' Report (continued)

Share Capital

As at 29 February 2024, the Company's issued share capital comprised a single class: ordinary shares of 10 pence each of which 337,602,150 were in issue. The Articles permit the creation of more than one class of share, but there is currently none other than ordinary shares. Details of the Company's share capital are set out in note 31 to the consolidated financial statement. All issued shares are fully paid.

Shareholders (other than any who, under the Articles or the terms of the shares they hold, are not entitled to receive such notices) have the right to receive notice of, and to attend and to vote at, all general and (if any) applicable class meetings of the Company. A resolution put to the vote at any general or class meeting is decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is properly demanded. At a general meeting, every member present in person has, upon a show of hands, one vote, and on a poll, every member has one vote for every 10 pence nominal amount of share capital of which they are the holder. In the case of joint holders of a share, the vote of the member whose name stands first in the register of members is accepted to the exclusion of any vote tendered by any other joint holder. Unless the Board decides otherwise, a shareholder may not vote at any general or class meeting or exercise any rights in relation to meetings whilst any amount of money relating to his shares remains outstanding. A member is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting. Further details regarding voting can be found in the notes to the notice of the AGM. To be effective, electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than 48 hours before a general meeting. The Articles may be obtained from Companies House in the UK or upon application to the Company Secretary. Other than those prescribed by applicable law and the Company's procedures for ensuring compliance with it, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the Articles and prevailing legislation. The Directors are not aware of any agreement between holders of the Company's shares that may result in restrictions on the transfer of securities or the exercise of voting rights. No person has any special rights of control over the Company's share capital.

By order of the Board

Nicola Loose
Company Secretary
15 May 2024

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

On behalf of the Board

Karen Anderson
Chief Financial Officer
15 May 2024

Independent Auditors’ Report to the members of Vertu Motors plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Vertu Motors plc’s group financial statements and company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the company’s affairs as at 29 February 2024 and of the group’s profit and the group’s cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the “Annual Report”), which comprise: the Consolidated Balance Sheet and Company Balance Sheet as at 29 February 2024; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- 24 full scope audit components were identified, including the Company. For additional coverage, audit procedures were performed over certain financial statement line items across a further 19 components.

Our audit approach (continued)

Overview (continued)

Audit scope (continued)

- This approach provides coverage of 87% of the group's profit before tax through the audit of full scope components.

Key audit matters

- Carrying value of goodwill and other indefinite life assets (group)
- Carrying value of investments in subsidiaries (parent)

Materiality

- Overall group materiality: £23,600,000 based on 0.5% of revenue.
- Overall company materiality: £4,400,000 based on 1% of total assets.
- Performance materiality: £17,700,000 (group) and £3,300,000 (company).

The scope of our audit

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

Key audit matters

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

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

Valuation of pension scheme liabilities and Completeness and valuation of assets and liabilities in the business combination, which were key audit matters last year, are no longer included because of our revised risk assessment and materiality in respect of pension scheme liabilities and the business combination only being applicable in the prior year. Otherwise, the key audit matters below are consistent with last year.

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

Our audit approach (continued)

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of goodwill and other indefinite life assets (group)	
The Group has significant goodwill and other indefinite life assets in respect of acquisitions made across various CGUs of £129,092,000 (2023: £128,080,000). The recoverable amount of the CGUs is impacted by various factors, a number of which are outside of Vertu's control, which could affect whether results are in line with expectations. Where this is the case and a CGU has lower than expected performance, there is a risk around the recoverability of goodwill and other indefinite life assets. An impairment assessment is required to be prepared annually by accounting standards for goodwill and intangible assets that are not amortised. Management have prepared a value in use assessment including sensitivities to consider the carrying value of the CGUs. There is inherent uncertainty and judgement in forecasting future cash flows and therefore this is a judgemental area of the audit. Refer to the accounting policies section within the consolidated financial statements for disclosures of the related accounting policies, judgements and estimates and note 15 in the consolidated financial statements for detailed disclosures in respect of goodwill and other indefinite life assets.	To address this risk, we have performed the following: • Assessed the Group’s budgeting procedures as a basis for value in use calculations; • Assessed the mathematical accuracy of the model; • Compared current year performance to historical forecasts to assess accuracy in the budget process; • Assessed the appropriateness of CGUs used for Goodwill and other indefinite life assets; • Key inputs are assessed and challenged, for example discount rates, inflation and forecast revenues and costs; • We discussed with PwC Valuations experts to assess the discount rate; We considered the appropriateness of using a nil growth rate into perpetuity; • We benchmarked growth in years 2-5 against independent industry reports and forecasts; • We performed sensitivity analysis on the forecasts, including downside scenarios to assess the level of headroom; and, • We reviewed the disclosures included in the financial statements and compared to the requirements of IAS36. We are satisfied with management’s conclusion on the carrying value of goodwill and other indefinite life assets.

Our audit approach (continued)

Key audit matter (continued)	*How our audit addressed the key audit matter (continued)*
Carrying value of investments in subsidiaries (parent)	
The Company has significant investments in respect of acquisitions made across various subsidiaries of £348,574,000 (2023: £348,636,000). The recoverable amount of the investments in subsidiaries is impacted by various factors, a number of which are outside of Vertu's control, which could affect whether results are in line with expectations. Where impairment indicators are identified, there is a risk around the recoverability of each investment. Management have prepared an assessment of impairment indicators and where an impairment indicator has been identified, a detailed impairment assessment including sensitivities has been performed to consider the carrying value of the subsidiaries. There is inherent uncertainty and judgement in forecasting future cash flows, and therefore this is a judgmental area of the audit. Refer to the accounting policies section within the Company financial statements for disclosures of the related accounting policies, judgements and estimates and note 7 in the Company financial statements for detailed disclosures in respect of investments.	To address this risk, we have performed the following: • Considered the assessment of impairment indicators prepared by management and compared to our own conclusions; • Assessed the underlying net assets for each subsidiary and compared to the carrying value of each investment; • Assessed the Group's budgeting procedures as a basis for value in use calculations; • Compared current year performance to historical forecasts to assess accuracy in the budget process; • Key inputs are assessed, for example discount rates, inflation and forecast revenues and costs; • We discussed with PwC Valuations experts to assess the discount rate; • We performed sensitivity analysis on the forecasts, including downside scenarios to assess the level of headroom; and • We have assessed the disclosures made by management. We are satisfied with management's conclusion on the carrying value of investments.

How we tailored the audit scope

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate. We scoped the audit based on dealerships which is in line with how management monitor the business. This resulted in 23 dealerships and the Company being identified as full scope audit components, and a further 19 dealerships where audit procedures were performed over certain financial statement line items. We, as the group engagement team, audited all in scope components which are all based in the UK.

This approach provided coverage of 87% of the group's profit before tax through the audit of full scope components.

The Company is subject to a full scope audit of its financial information due to the separate presentation of the Company financial statements. The Company audit was also performed by the Group audit team. The Company is principally a holding company and there are no branches outside the UK. The Company is audited on a stand-alone basis, and hence, testing has been performed on all material financial statement line items.

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

Our audit approach (continued)

The impact of climate risk on our audit

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

Materiality

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

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

	Financial statements - Group	***Financial statements - Company***
Overall materiality	£23,600,000	£4,400,000
How we determined it	0.5% of revenue	1% of total assets
Rationale for benchmark applied	We applied our professional judgement to determine that revenue is an appropriate measure used to assess the performance and growth objectives of the Group, as well as the scale of the Group's operations.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £3,000,000 and £18,000,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £17,700,000 for the group financial statements and £3,300,000 for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £1,180,000 (group audit) and £220,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

Conclusions relating to going concern

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

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting;
- Challenging management on the key assumptions included in the base case model, along with challenging the severe but plausible scenarios modelled by management;
- Reviewing the sensitivities performed by management and understood the impact this has on the level of headroom on banking facilities;
- Comparing historical performance to historical forecasts to assess accuracy in the budget process, as well as assessing the year to date performance against budget for the 2025 financial year;
- Obtaining and reviewing the Group's financing arrangements, including assessing the compliance with banking covenants and the classification of debt between current and non-current; and
- Reviewing and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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

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

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

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

Reporting on other information

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

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

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

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

Reporting on other information (continued)

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 29 February 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with FCA requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as AIM Rules, Companies Act 2006 and UK corporate tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profit, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing Board minutes;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;

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

Responsibilities for the financial statements and the audit (continued)

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

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the assessment of carrying value of goodwill and other indefinite life assets and the assessment of carrying value of investments in the company (see key audit matters above);
- Reviewing monthly margin in each in scope dealership to identify significant outliers;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

<u>Other required reporting</u>

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
15 May 2024

Consolidated Income Statement

For the year ended 29 February 2024

	Note	Underlying items 2024 £'000	Non-underlying items 2024 (Note 8) £'000	Total 2024 £'000	Underlying items 2023 £'000	Non-underlying items 2023 (Note 8) £'000	Total 2023 £'000
Revenue	5	4,719,587	-	4,719,587	4,014,544	-	4,014,544
Cost of sales		(4,203,507)	-	(4,203,507)	(3,566,134)	-	(3,566,134)
Gross profit	5	**516,080**	**-**	**516,080**	**448,410**	**-**	**448,410**
Operating expenses	6	(456,845)	(3,194)	(460,039)	(399,590)	(6,828)	(406,418)
Operating profit / (loss)		**59,235**	**(3,194)**	**56,041**	**48,820**	**(6,828)**	**41,992**
Finance income	11	1,254	-	1,254	1,300	-	1,300
Finance costs	11	(22,728)	-	(22,728)	(10,842)	-	(10,842)
Profit / (loss) before tax		**37,761**	**(3,194)**	**34,567**	**39,278**	**(6,828)**	**32,450**
Taxation	12	(9,430)	576	(8,854)	(7,663)	746	(6,917)
Profit / (loss) for the year attributable to equity holders		**28,331**	**(2,618)**	**25,713**	**31,615**	**(6,082)**	**25,533**
Basic earnings per share (p)	13			**7.60**			**7.40**
Diluted earnings per share (p)	13			**7.11**			**7.02**

Consolidated Statement of Comprehensive Income

For the year ended 29 February 2024

	Note	2024 £'000	2023 £'000
Profit for the year		**25,713**	**25,533**
Other comprehensive expenses			
Items that will not be reclassified to profit or loss:			
Actuarial losses on retirement benefit obligations	30	(737)	(5,973)
Deferred tax relating to actuarial losses on retirement benefit obligations	30	184	1,493
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	32	116	172
Deferred tax relating to cash flow hedges	32	(29)	(43)
Other comprehensive expense for the year, net of tax		**(466)**	**(4,351)**
Total comprehensive income for the year attributable to equity holders		**25,247**	**21,182**

Consolidated Balance Sheet

As at 29 February 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Goodwill and other indefinite life assets	15	129,092	128,080
Other intangible assets	16	1,971	2,286
Retirement benefit asset	30	2,477	3,188
Property, plant and equipment	18	335,295	328,405
Right-of-use assets	19	72,886	73,078
Derivative financial instruments	27	203	507
Total non-current assets		**541,924**	**535,544**
Current assets			
Inventories	21	761,996	674,380
Trade and other receivables	23	93,702	85,827
Current tax assets		203	1,654
Cash and cash equivalents	24	70,599	78,984
		926,500	840,845
Property assets held for sale	22	7,881	6,077
Total current assets		**934,381**	**846,922**
Total assets		**1,476,305**	**1,382,466**
Current liabilities			
Trade and other payables	25	(869,931)	(758,594)
Contract liabilities	29	(13,400)	(13,477)
Borrowings	26	(4,395)	(29,821)
Lease liabilities	19	(17,710)	(14,498)
Total current liabilities		**(905,436)**	**(816,390)**
Non-current liabilities			
Borrowings	26	(120,183)	(124,519)
Lease liabilities	19	(65,214)	(68,959)
Deferred income tax liabilities	28	(22,024)	(19,117)
Contract liabilities	29	(10,075)	(12,104)
Total non-current liabilities		**(217,496)**	**(224,699)**
Total liabilities		**(1,122,932)**	**(1,041,089)**
Net assets		**353,373**	**341,377**
Capital and reserves attributable to equity holders of the Group			
Ordinary share capital	31	33,760	34,894
Share premium	31	124,939	124,939
Other reserve	31	10,645	10,645
Hedging reserve	32	220	133
Treasury share reserve	31	(2,056)	(2,653)
Capital redemption reserve	31	5,967	4,833
Retained earnings		179,898	168,586
Total equity		**353,373**	**341,377**

These consolidated financial statements on pages 90 to 140 have been approved for issue by the Board of Directors on 15 May 2024 and signed on its behalf by:

Robert Forrester
Chief Executive

Karen Anderson
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 29 February 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Operating profit		56,041	41,992
(Profit)/loss on sale of property, plant and equipment	6	(516)	102
Profit on lease modification	19	(411)	(449)
Amortisation of other intangible assets	16	568	509
Depreciation of property, plant and equipment	18	17,449	14,510
Depreciation of right-of-use asset	19	18,254	16,225
Impairment charges	15	128	1,500
Movement in working capital	34	16,708	23,737
Share based payments charge		1,965	1,651
Cash inflow from operations		**110,186**	**99,777**
Tax received		552	100
Tax paid		(5,296)	(9,118)
Finance income received		1,099	1,053
Finance costs paid		(22,576)	(10,983)
Net cash inflow from operating activities		**83,965**	**80,829**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	17	(5,966)	(122,066)
Acquisition of freehold and long leasehold land and buildings		(3,003)	(7,468)
Purchases of intangible assets		(253)	(186)
Purchases of other property, plant and equipment		(23,686)	(13,785)
Proceeds from disposal of businesses		204	-
Proceeds from disposal of property, plant and equipment		3,589	179
Net cash outflow from investing activities		**(29,115)**	**(143,326)**
Cash flows from financing activities			
Proceeds from borrowings	33	-	110,570
Repayment of borrowings	33	(29,836)	(23,358)
Principal elements of lease repayments	19	(18,183)	(16,187)
Purchase of treasury shares		-	(2,000)
Sale of treasury shares		115	744
Cash settled share options		(109)	(180)
Repurchase of own shares		(7,463)	(5,898)
Dividends paid to equity holders		(7,759)	(6,003)
Net cash (outflow)/inflow from financing activities		**(63,235)**	**57,688**
Net decrease in cash and cash equivalents	33	**(8,385)**	**(4,809)**
Cash and cash equivalents at beginning of year		78,984	83,793
Cash and cash equivalents at end of year	24	**70,599**	**78,984**

Consolidated Statement of Changes in Equity

For the year ended 29 February 2024

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2023	34,894	124,939	10,645	133	(2,653)	4,833	168,586	341,377
Profit for the year	-	-	-	-	-	-	25,713	25,713
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(737)	(737)
Tax on items taken directly to equity	-	-	-	(29)	-	-	184	155
Fair value gains	-	-	-	116	-	-	-	116
Total comprehensive income for the year	-	-	-	87	-	-	25,160	25,247
Sale of treasury shares	-	-	-	-	597	-	(482)	115
Repurchase of own shares	-	-	-	-	-	-	(7,463)	(7,463)
Cancellation of repurchased shares	(1,134)	-	-	-	-	1,134	-	-
Dividends paid	-	-	-	-	-	-	(7,759)	(7,759)
Share based payments charge	-	-	-	-	-	-	1,856	1,856
As at 29 February 2024	**33,760**	**124,939**	**10,645**	**220**	**(2,056)**	**5,967**	**179,898**	**353,373**

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

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

During the year, 1,273,903 shares were transferred from the EBT on exercise of vested CSOP and PSO awards. 4,391,449 shares remain in the EBT at 29 February 2024.

All issued shares are fully paid

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Consolidated Statement of Changes in Equity (continued)

For the year ended 28 February 2023

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

Notes to the Consolidated Financial Statements

1. Accounting policies

Basis of preparation

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

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

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

In order to prepare the financial statements on the going concern basis, the Directors have considered detailed financial projections for a period of 12 months from the date of signing the financial statements ('Review Period'). These projections are based on the Group's detailed annual business plan for the year ending 28 February 2025 as well as the known financial performance of the Group in the period subsequent to 29 February 2024, projected forward to cover the Review Period ("Base Case"). The Directors have considered these financial projections in conjunction with the Group's available facilities, which are outlined in detail in note 26.

The Directors have also considered sensitivity analysis performed in respect of these forecasts to model the impact of various severe but plausible downside scenarios including reduced volume of new and used car sales, reduced demand from aftersales customers, further increases in the Group's operating cost base and application of an arbitrary amount in respect of potential liabilities arising as a result of ongoing investigations into Discretionary Commission Arrangements by the Financial Conduct Authority (note 36). This analysis did not indicate any issues with the Group's ability to operate within its banking facilities during the Review Period.

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

The consolidated financial statements include the results of all subsidiaries owned by Vertu Motors plc listed on pages 149 to 151 of the annual report. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 29 February 2024 by virtue of s479A of Companies Act 2006. Certain other subsidiaries, which are also listed below, have taken the exemption from preparing individual accounts for the year ended 29 February 2024 by virtue of s394A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption or exemption from the preparation of individual accounts (as appropriate), the parent company Vertu Motors plc has given a statutory guarantee of all the outstanding liabilities as at 29 February 2024 of the subsidiaries listed below, further details of which are provided in note 36.

1. Accounting policies (continued)

Basis of preparation (continued)

The subsidiaries which have taken an exemption from an audit for the year ended 29 February 2024 by virtue of s479A Companies Act 2006 are:

Albert Farnell Limited
All Car Parts Limited
Bristol Street First Investments Limited
Bristol Street Fourth Investments Limited
Grantham Motor Company Limited
Helston Garages Limited
Helston Garages Group (Management) Limited
Macklin Property Limited
Rowes Garage Limited
South Hereford Garages Trade Parts LLP
Tyne Tees Finance Limited
Vans Direct Limited
Vertu Accident Repair Limited
Vertu Motors (Chingford) Limited
Vertu Motors (Continental) Limited
Vertu Motors (Property) Limited
Vertu Motors (Property 2) Limited
Vertu Motors (VMC) Limited
Vertu Motors Third Limited
Wiper Blades Limited

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 29 February 2024 by virtue of s394A of Companies Act 2006 are:

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

The preparation of financial statements in conformity with UK IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or presentation of items of profit or loss are set out in note 4.

The Directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

1. Accounting policies (continued)

Basis of preparation (continued)

Standards and interpretations adopted by the Group in the year ended 29 February 2024

The Group has applied the following standards and amendments for the first time for their annual reporting period commending 1 March 2023:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

Certain new accounting standards and interpretations have been published that are not mandatory for 29 February 2024 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Measurement period adjustment

The Group assesses the fair value of assets acquired and finalises purchase price allocation within the measurement period following acquisition and in accordance with IFRS 3.

The finalisation of the purchase price allocation may result in a change in the fair value of assets acquired.

Within the measurement period of the acquisition of Helston Garages Group Limited acquired in the year ended 28 February 2023, the purchase price allocation was finalised which resulted in a £490,000 reduction in the fair value of trade and other receivables acquired. There was a corresponding increase of £490,000 in the fair value of goodwill arising on this acquisition.

In accordance with IFRS 3, measurement period adjustments are reflected in the financial statements as if the final purchase price allocation had been completed at the acquisition date. Consequently, the balance sheet for the year ended 28 February 2023 has been amended in these financial statements from that previously reported, to reflect this adjustment.

Leases

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

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

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

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

1. Accounting policies (continued)

Leases (continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

Extension and termination options

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

1. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of Vertu Motors plc and its subsidiary undertakings. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date at which control is transferred to the Group and they are excluded from the consolidated financial statements from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including intangible assets not previously recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the consideration over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Where the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the consideration, the excess or "negative goodwill" is recognised immediately in the Consolidated Income Statement. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of annual impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

Each cash generating unit ("CGU") or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Gains and losses on the disposal of a business component are calculated on a basis which incorporates the carrying amount of goodwill relating to the business sold. Acquisition related costs are expensed to the Consolidated Income Statement as incurred.

Other intangible assets

Intangible assets, when acquired separately from a business combination, comprise computer software and are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is between four and six years.

Intangible assets, for example, franchise relationships, brands and customer relationships acquired as part of a business combination, are capitalised separately from goodwill if the asset is separable and where the asset arises from contractual or other legal rights. Such assets are stated at fair value less accumulated amortisation. Amortisation is provided on a straight-line basis over their expected useful lives. Intangible assets with an indefinite useful life, such as franchise relationships, are tested annually for impairment. Franchise relationships are considered to have an indefinite useful life as, whilst franchise contracts do have expiration dates, they are anticipated to be renewed at each expiration in line with past experience. Non-renewal would constitute a trigger for impairment. Other intangible assets arising as part of a business combination are typically allocated a useful life of between 10 and 20 years.

1. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Freehold land is not depreciated. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual values, on a straight-line basis over their estimated useful lives, as follows:

Freehold buildings	2%
Long leasehold buildings	Shorter of lease term and 50 years
Short leasehold buildings	Lease term (under 25 years)
Franchise standards property improvements	20%
Vehicles and machinery	10% - 20%
Furniture, fittings and equipment	20% - 50%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenses' in the consolidated income statement, except where amounts are material and are disclosed separately in 'non-underlying items'.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for parts is determined using the first-in, first-out (FIFO) method. Costs incurred in bringing each product to its present location and condition are included and cost is based on price including delivery costs less specific trade discounts. Net realisable value is based on estimated selling price less further costs to be incurred on disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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

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

'Invoiced' arrangements

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

1. Accounting policies (continued)

Inventories (continued)

'Consignment' arrangements

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

'Interest bearing' arrangements

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

Other vehicle inventory is recognised upon title passing to the Group, typically on physical receipt.

As part of its normal trading activities the Group has contracted to repurchase, at predetermined values and dates, certain vehicles it has previously supplied. The Group recognises its residual interest in these vehicles through the inclusion of such vehicles within inventory, at the lower of the repurchase price or estimated recoverable value, with a liability equal to the repurchase price within trade payables.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Income Statement within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade payables

Trade payables are recognised at fair value initially and subsequently measured at amortised cost using the effective interest method.

1. Accounting policies (continued)

Impairment of financial and non-financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets are impaired.

If there is objective evidence that an impairment loss on loans and receivables at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates. The amount of the loss is recognised in the Consolidated Income Statement.

At each reporting date, the Group assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where fair value cannot be determined then the recoverable amount will be determined by reference to value in use. Value in use is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows of separately identifiable Cash Generating Units ("CGU"s) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Consolidated Income Statement in the expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of any amount recoverable. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

Derivative financial instruments

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

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

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

1. Accounting policies (continued)

Derivative financial instruments (continued)

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

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

Taxation

Current tax

Current income tax assets and liabilities are measured at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

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

b. in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

b. in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items credited or charged direct to equity in which case the deferred tax is also credited or charged to equity.

1. Accounting policies (continued)

Revenue

Revenue for the sale of goods and services is measured at the fair value of consideration receivable, net of value added tax and any discounts. It excludes sales related taxes and intra group transactions. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of motor vehicles, parts and aftersales services

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

Principal vs Agent sales

Judgement is applied to all sales arrangements with the Group's Manufacturer partners to determine whether the Group is acting as Agent on behalf of the Manufacturer, or Principal.

Judgement is required in applying consideration of who has responsibility for fulfilling the promise of the sale, who holds the associated inventory risk and who has price discretion over the product.

Where the Group determines that it is acting as the Principal in a sales arrangement, the sales value is recognised within revenue and the cost recognised within cost of sales in the period in which the vehicle or part is delivered.

Where the Group determines that it is acting as an Agent on behalf of the Manufacturer, the Group recognises the associated handling fee income within revenue in the period in which the vehicle or part is delivered.

Sale of warranty products

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

Finance commissions

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

Manufacturer rebates

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

1. Accounting policies (continued)

Revenue (continued)

Disaggregation of revenue:

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

	2024 £'000	2023 £'000
Aftersales	413,487	336,886
Used cars	1,816,230	1,658,202
New car retail & Motability	1,452,508	1,121,896
New fleet & commercial	1,037,362	897,560
Total	**4,719,587**	**4,014,544**

Timing of revenue recognition:

Recognised at a point in time	4,704,744	4,001,280
Recognised over time	14,843	13,264
Total	**4,719,587**	**4,014,544**

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

Contract liabilities

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

Pension costs

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

Typically, defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit scheme are held separately from the assets of the Group. The asset or liability recognised in the balance sheet in respect of the defined benefit pension scheme is the fair value of plan assets less the present value of the defined benefit obligations at the balance sheet date. Defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Differences between the actual and expected return on assets, changes in retirement benefit obligations due to experience and changes in actuarial assumptions are included in the Statement of Comprehensive Income in full for the year in which they arise.

A Group personal pension arrangement under which the Group pays fixed contributions into an individual's funds, is also in place. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior years. Contributions into this scheme are charged to the Consolidated Income Statement in the year in which they are payable.

1. Accounting policies (continued)

Share based payments

The Group allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The Group operates a number of equity-settled, share-based compensation plans. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Consolidated Income Statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Where an exercise is settled by an issue of shares from the Group's Employee Benefit Trust, this is credited to the treasury share reserve.

Non-underlying items

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segment.

Share capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Final dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

2. Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt market prices and interest rates. The Group's treasury management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group used derivative financial instruments to reduce exposure to interest rate movements on drawn debt. The outstanding derivative instruments held by the Group at the balance sheet date are set out in note 27.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity.

The Board adopts an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

Market Risk – Cash Flow Interest Rate Risk

The Group's interest rate risk arises from long-term borrowings, which are issued at variable rates that expose the Group to cash flow interest rate risk. The Group's borrowings are denominated in sterling.

The interest rate exposure of the Group is managed within the constraints of the Group's business plan and the financial covenants under its facilities. The Group has performed calculations to analyse its interest rate exposure taking into account refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent major interest-bearing positions.

Credit Risk

Credit risk arises from cash and deposits with banks as well as credit exposures to customers. Individual customer risk limits are set based on external credit reference agency ratings and the utilisation of these credit limits is regularly monitored. Further disclosure on credit exposure is given in note 23.

Liquidity Risk

Ultimate responsibility for liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, including the potential impact of plausible downside scenarios and contingent liabilities that may fall due should they materialise, and matching the maturity profiles of financial assets and liabilities.

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

2. Financial risk management (continued)

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All borrowings are denominated in sterling.

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	Between five and ten years £'000	Over ten years £'000	Total £'000
Bank borrowings	2,662	2,662	46,006	-	-	51,330
Mortgage	9,522	9,338	27,103	38,990	48,834	133,787
Lease liabilities	21,313	16,433	29,949	20,441	7,995	96,131
Contract liabilities	13,400	6,565	3,494	16	-	23,475
Trade and other payables (excluding social security and other taxes)	858,695	-	-	-	-	858,695
At 29 February 2024	**905,592**	**34,998**	**106,552**	**59,447**	**56,829**	**1,163,418**

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	Between five and ten years £'000	Over ten years £'000	Total £'000
Bank borrowings	2,566	2,559	45,927	-	-	51,052
Mortgage	9,612	9,325	26,973	39,480	54,731	140,121
Other borrowings	25,460	-	-	-	-	25,460
Lease liabilities	19,420	16,827	33,524	24,066	8,485	102,322
Contract liabilities	13,477	8,169	3,912	23	-	25,581
Trade and other payables (excluding social security and other taxes)	744,945	-	-	-	-	744,945
At 28 February 2023	**815,480**	**36,880**	**110,336**	**63,569**	**63,216**	**1,089,481**

Other borrowings represent amounts repayable under used car stocking facilities.

3. Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group must ensure that sufficient capital resources are available for working capital requirements, principal and interest payment obligations payable under the Group's borrowing facilities and leases and for meeting any contingent liabilities that may fall due should they materialise.

Consistent with others in this industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net debt (excluding lease liabilities) divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the Consolidated Balance Sheet) less cash and cash equivalents. Total capital is calculated as total equity as shown on the consolidated balance sheet.

The Group had net debt of £136,903,000 (including £82,924,000 lease liabilities) at 29 February 2024 as disclosed in note 33 to the consolidated financial statements (2023: net debt of £158,813,000 including £83,457,000 lease liabilities).

3. Capital risk management (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are considered to approximate their fair values. The fair value of long-term borrowings approximates to the carrying value reported in the balance sheet, as the majority are variable rate borrowings.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Critical accounting estimates

Valuation of goodwill

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

Valuation of other intangible assets

When a business combination takes place, the Group is required to assess whether there are any additional intangible assets arising separately from goodwill. Management use estimates, such as royalty rates, weighted average cost of capital, growth rates and customer retention rates to determine whether an intangible asset can be separately identified, what fair value should be ascribed to the asset and its attributable useful life. Other intangible assets are set out in Notes 15 and 16.

Impairment of goodwill and other indefinite life assets

The Group tests annually, or whenever events or changes in circumstances occur, to determine whether goodwill or other indefinite life assets have suffered any impairment, in accordance with the accounting policy stated above and in note 15. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Details of the key assumptions used for the impairment testing for the year ended 29 February 2024, as well as the results of sensitivity analysis performed, are provided in note 15.

Estimated useful life of intangibles, property, plant and equipment and impairment testing

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end. The Group also tests for impairment when a trigger event occurs, or annually, as appropriate. The depreciation and amortisation rates applied are set out in Note 1.

Pension benefits

During the year ended 29 February 2024, the Group operated one defined benefit pension scheme, the “Bristol Street Pension Scheme”. The obligations under this defined benefit scheme are recognised in the Consolidated Balance Sheet and represent the present value of the obligations calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, annual rates of return and mortality rates. These assumptions vary from time to time according to prevailing economic conditions. Details of the assumptions used for the scheme in the year ended 29 February 2024 are provided in note 30.

4. Critical accounting estimates and judgements (continued)

Critical accounting judgements

Revenue recognition

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

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

Principal vs Agent sales

Judgement is applied to all sales arrangements with the Group's Manufacturer partners to determine whether the Group is acting as Agent on behalf of the Manufacturer, or Principal.

Judgement is required in applying consideration of who has responsibility for fulfilling the promise of the sale, who holds the associated inventory risk and who has price discretion over the product.

Valuation of inventory

Judgement is applied in the assessment of used vehicle inventory carrying values at 29 February 2024. Assessment of market conditions, latest industry guidance and the length of time vehicles have been held in inventory are all considered in the application of this judgement.

5. Segmental information

The Group adopts IFRS 8 "Operating Segments", which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive Officer. The CODM receives information about the Group overall and therefore there is one operating segment.

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

5. Segmental information (continued)

Year ended 29 February 2024	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin[1] %
Aftersales	413.5	8.7	218.4	42.3	43.5
Used cars	1,816.2	38.5	122.5	23.7	6.7
New car retail and Motability	1,452.5	30.8	119.6	23.2	8.2
New fleet and commercial	1,037.4	22.0	55.6	10.8	5.4
	4,719.6	**100.0**	**516.1**	**100.0**	**10.9**

Year ended 28 February 2023	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin[1] %
Aftersales	336.8	8.4	182.5	40.7	44.5
Used cars	1,658.2	41.3	125.2	27.9	7.5
New car retail and Motability	1,121.9	27.9	98.4	22.0	8.8
New fleet and commercial	897.6	22.4	42.3	9.4	4.7
	4,014.5	**100.0**	**448.4**	**100.0**	**11.2**

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

6. Operating expenses

	2024 £'000	2023 £'000
Wages and salaries excluding share based payments charge (note 9)	253,864	226,441
Depreciation on property, plant and equipment (note 18)	17,449	14,510
Depreciation on right-of-use assets (note 19)	18,254	16,225
(Profit)/loss on disposal of property, plant and equipment	(516)	102
Profit on lease modification (note 19)	(411)	(449)
Auditors' remuneration (note 7)	385	375
Rental income	(565)	(686)
Share based payments charge (note 31)	2,466	2,066
Amortisation (note 16)	568	509
Impairment charges (note 15)	128	1,500
Non-underlying redundancy costs (note 8)	872	-
Lease surrender premium (note 8)	(840)	-
Non-underlying acquisition costs (note 8)	-	2,753
Other expenses	168,385	143,072
	460,039	**406,418**

7. Auditors' remuneration

	2024 £'000	2023 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	385	375
	385	**375**

8. Non-underlying items

	2024 £'000	2023 £'000
Redundancy costs	(872)	-
Lease surrender premium	840	-
Share based payments charge (note 31)	(2,466)	(2,066)
Amortisation (note 16)	(568)	(509)
Impairment charges (note 15)	(128)	(1,500)
Acquisition costs	-	(2,753)
Non-underlying loss before tax	**(3,194)**	**(6,828)**

Redundancy costs included in non-underlying items relate to a reduction in the number of employed drivers following a strategic review of aftersales collection and delivery service during the year.

The lease surrender premium included in non-underlying items relates to a premium received following the purchase of the Group's freehold interest in its Derby multi-site operation, in respect of the remaining lease obligation from the intermediate landlord.

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

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

9. Employee benefit expense

	2024 £'000	2023 £'000
Wages and salaries	267,746	234,182
Social security costs	27,711	25,752
Pension costs – defined contribution plans	7,374	6,489
	302,831	**266,423**
Share based payments charge (note 31)	2,466	2,066
	305,297	**268,489**

Employee benefit expense included in:

	2024 £'000	2023 £'000
Operating expenses	253,864	226,441
Cost of sales	48,967	39,982
Share based payments charge (note 31)	2,466	2,066
	305,297	**268,489**

9. Employee benefit expense (continued)

Directors' remuneration

The remuneration of the Directors who served during the period from 1 March 2023 to 29 February 2024 is as follows:

	Salary or fees		Taxable Benefits[1]		Pension		Bonus		Long Term Incentive Plan		Single total figure	
	£'000		£'000		£'000		£'000		£'000		£'000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**[3]	2023[2]	**2024**	2023
Executive Directors												
R T Forrester	**415**	415	**4**	3	**68**	68	**76**	355	**317**	247	**880**	1,088
K Anderson	**263**	263	**3**	3	**43**	43	**36**	174	**178**	139	**523**	622
D P Crane	**263**	263	**4**	3	**43**	43	**36**	174	**178**	139	**524**	622
Non-Executive Directors												
A P Goss	**130**	130	**1**	1	**-**	-	**-**	-	**-**	-	**131**	131
K Lever	**62**	62	**1**	1	**-**	-	**-**	-	**-**	-	**63**	63
P Best	**52**	52	**1**	1	**-**	-	**-**	-	**-**	-	**53**	53
J Mewett	**34**	-	**-**	-	**-**	-	**-**	-	**-**	-	**34**	-
D Gillard	**8**	-	**-**	-	**-**	-	**-**	-	**-**	-	**8**	-

[1] Taxable benefits include vehicle insurance, together with medical and life assurance premiums.
[2] Represents PSO nil cost awards granted in March 2021 which vested in March 2022. The value has been calculated by reference to the closing share price of the Company on 1 March 2022. These vested awards are subject to a 3 year holding period.
[3] Represents PSO nil cost awards granted in March 2022 which vested in March 2023. The value has been calculated by reference to the closing share price of the Company on 1 March 2023. These vested awards are subject to a 3 year holding period.

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

	2024 Number	2023 Number
Sales and distribution	2,302	2,195
Service, parts and accident repair centres	3,577	3,083
Administration	1,562	1,441
	7,441	**6,719**

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

	2024 Number	2023 Number
Sales and distribution	2,359	2,355
Service, parts and accident repair centres	3,692	3,423
Administration	1,559	1,545
	7,610	**7,323**

11. Finance income and costs

	2024 £'000	2023 £'000
Interest on short-term bank deposits	1,099	1,053
Net finance income relating to defined benefit pension scheme (note 30)	155	247
Finance income	**1,254**	**1,300**
Bank loans and overdrafts	(9,924)	(3,112)
Vehicle stocking interest	(9,347)	(4,242)
Lease liability interest (note 19)	(3,457)	(3,488)
Finance costs	**(22,728)**	**(10,842)**

12. Taxation

	2024 £'000	2023 £'000
Current tax		
Current tax charge	6,437	6,444
Adjustment in respect of prior years	(440)	(1,836)
Total current tax	**5,997**	**4,608**
Deferred tax		
Origination and reversal of temporary differences	2,393	409
Adjustment in respect of prior years	411	1,684
Rate differences	53	216
Total deferred tax (note 28)	**2,857**	**2,309**
Income tax expense	**8,854**	**6,917**

	2024 £'000	2023 £'000
Profit before taxation	34,567	32,450
Profit before taxation multiplied by the rate of corporation tax in the UK of 24.5% (2023: 19%)	8,469	6,166
Non-qualifying depreciation	768	658
Non-deductible expenses	471	658
Effect on deferred tax balances due to rate change	53	216
IFRS 16	(88)	(65)
Property adjustment	(201)	10
Permanent benefits	(589)	(574)
Adjustments in respect of prior years	(29)	(152)
Total tax expense included in the income statement	**8,854**	**6,917**

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

	Underlying items 2024 £'000	Non-underlying items 2024 £'000	Total 2024 £'000	Underlying items 2023 £'000	Non-underlying items 2023 £'000	Total 2023 £'000
Profit/(loss) before tax	37,761	(3,194)	34,567	39,278	(6,828)	32,450
Taxation	(9,430)	576	(8,854)	(7,663)	746	(6,917)
Profit/(loss) after tax	**28,331**	**(2,618)**	**25,713**	**31,615**	**(6,082)**	**25,533**
Effective tax rate	**24.97%**		**25.61%**	**19.51%**		**21.32%**

The Group's underlying effective rate of tax is 24.97% (2023: 19.51%) which is in line with the standard rate of corporation tax in the UK.

The rate of corporation tax in the UK rose from 19% to 25% on 1 April 2023.

The overall effective tax rate of 25.61% includes tax on non-underlying items (2023: 21.32%).

13. Earnings per share

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

For the purposes of calculating the weighted average shares in issue, shares held by the Group's employee benefit trust are excluded as rights to dividends on such shares have been waived. Details of the shares held in the Group's employee benefit trust are provided on page 79.

13. Earnings per share (continued)

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

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

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

	2024 £'000	2023 £'000
Profit attributable to equity shareholders	25,713	25,533
Non-underlying loss after tax (note 12)	2,618	6,082
Underlying earnings attributable to equity shareholders	**28,331**	**31,615**
Weighted average number of shares in issue ('000s)	338,355	345,239
Potentially dilutive shares ('000s)	23,376	18,703
Diluted weighted average number of shares in issue ('000s)	**361,731**	**363,942**
Basic earnings per share	**7.60p**	**7.40p**
Diluted earnings per share	**7.11p**	**7.02p**
Basic underlying earnings per share	**8.37p**	**9.16p**
Diluted underlying earnings per share	**7.83p**	**8.69p**

14. Dividends per share

Dividends of £7,759,000 were paid in the year ended 29 February 2024 (2023: £6,003,000), 2.30p per share (2023: 1.75p).

A final dividend of 1.50p per share is to be proposed at the Annual General Meeting on 25 June 2024. The ex-dividend date will be 27 June 2024 and the associated record date 28 June 2024. The dividend will be paid, subject to shareholder approval, on 26 July 2024 and these financial statements do not reflect this final dividend payable.

15. Goodwill and other indefinite life assets

2024	**Goodwill** **£'000**	**Franchise relationships** **£'000**	**Total** **£'000**
Cost			
At 1 March 2023	102,128	43,903	146,031
Acquisitions (note 17)	1,140	-	1,140
At 29 February 2024	**103,268**	**43,903**	**147,171**
Accumulated impairment charges			
At 1 March 2023	17,951	-	17,951
Impairment charges	128	-	128
At 29 February 2024	**18,079**	**-**	**18,079**
Net Book Value			
At 29 February 2024	**85,189**	**43,903**	**129,092**
At 28 February 2023	**84,177**	**43,903**	**128,080**

15. Goodwill and other indefinite life assets (continued)

2023	Goodwill £'000	Franchise relationships £'000	Total £'000
Cost			
At 1 March 2022	91,026	28,895	119,921
Acquisitions [1]	11,102	15,008	26,110
At 28 February 2023	**102,128**	**43,903**	**146,031**
Accumulated impairment charges			
At 1 March 2022	16,451	-	16,451
Impairment charges	1,500	-	1,500
At 28 February 2023	**17,951**	**-**	**17,951**
Net Book Value			
At 28 February 2023	**84,177**	**43,903**	**128,080**
At 28 February 2022	**74,575**	**28,895**	**103,470**

[1] Includes £490,000 measurement period adjustment described in note 1.

Impairment

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

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

In the years ended 29 February 2024 and 28 February 2023, acquired goodwill and other indefinite life assets were tested for impairment.

For the purposes of impairment testing of goodwill and other indefinite life assets, the Directors recognise the Group's Cash Generating Units ("CGU"s) to be connected groupings of dealerships acquired together.

A summary of the net book value of goodwill purchased is presented below:

	2024 £'000	2023 £'000
Bristol Street Group Limited	13,860	13,860
Albert Farnell Limited	12,529	12,529
Helston Garages Group Limited [1]	8,912	8,912
SHG Holdings Limited	7,842	7,842
Hillendale Group Limited	4,409	4,409
Sigma Holdings Limited and Hughes Group Holdings Limited	5,874	5,874
Gordon Lamb Group Limited	5,754	5,754
Vans Direct Limited	4,475	4,475
Bolton Land Rover	4,415	4,415
Farmer & Carlisle Holdings Limited	2,769	2,769
Wiper Blades Limited	1,607	1,607
Leeds, Huddersfield, Harrogate and Skipton Volkswagen	1,114	1,114
Rowes Garage Limited	1,140	-
Other acquisitions	10,489	10,617
	85,189	**84,177**

[1] Includes £490,000 measurement period adjustment described in note 1.

There are a number of business acquisitions from previous financial years included within the "other acquisitions" total shown above. The value of goodwill on such acquisitions were individually immaterial and in aggregate are not significant relative to the total value of goodwill in the Group.

15. Goodwill and other indefinite life assets (continued)

A summary of franchise relationships acquired is presented below:

	2024 £'000	2023 £'000
Helston Garages Group Limited	15,008	15,008
Sigma Holdings Limited and Hughes Group Holdings Limited	9,989	9,989
Albert Farnell Limited	7,373	7,373
Gordon Lamb Group Limited	3,207	3,207
Bolton Land Rover	2,595	2,595
Hillendale Group Limited	1,749	1,749
SHG Holdings Limited	1,497	1,497
Farmer & Carlisle Holdings Limited	1,313	1,313
Leeds, Huddersfield, Harrogate and Skipton Volkswagen	677	677
Sunderland, Durham, Teesside, Malton and York BMW MINI	495	495
	43,903	**43,903**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections to perpetuity.
The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to gross profits and direct costs during the year:

- Management estimates discount rates using pre-tax rates that reflect current market assessments and the time value of money and the risks specific to the CGUs.
- Growth rates are based upon industry forecasts and the past performance of the CGU.
- Changes in gross profits and direct costs are based on past practices and expectations of future changes in the market.

Annual growth rates typically between 0% and 7% are assumed for years three to five depending on the CGU, after which a growth rate of 0% is assumed to perpetuity. Cash flows into perpetuity have been used to reflect the long-term and open-ended nature of the Group's business model. A risk adjusted pre-tax discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 9% (2023: 9%) is applied.

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

- If restricted vehicle sales or reduced demand for service work as a consequence of a reduced vehicle parc significantly reduces the Group's earnings in the year ending 28 February 2025, with a return to normalised trading in the year ending 28 February 2026, it is not expected to create an additional impairment charge.
- If the growth rate in years three to five is reduced to -5%, an additional impairment charge in respect of goodwill and other indefinite life assets of £2.5m would arise.
- If the pre-tax WACC was increased to 12%, an additional impairment charge in respect of goodwill and other indefinite life assets of £3.1m would arise.

16. Other intangible assets

2024	Software costs £'000	Brand £'000	Customer relationships £'000	Total £'000
Cost				
At 1 March 2023	1,201	1,607	1,985	4,793
Additions	253	-	-	253
At 29 February 2024	**1,454**	**1,607**	**1,985**	**5,046**
Accumulated amortisation				
At 1 March 2023	891	413	1,203	2,507
Charge for the year	161	267	140	568
At 29 February 2024	**1,052**	**680**	**1,343**	**3,075**
Net book value at 29 February 2024	**402**	**927**	**642**	**1,971**
Net book value at 28 February 2023	**310**	**1,194**	**782**	**2,286**

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

17. Business combinations

a) Acquisition of Rowes Garage Limited

On 31 October 2023, the Group acquired the entire issued share capital of Rowes Garage Limited which operates three Honda outlets in Plymouth, Plymstock and Truro as well as a used car outlet in Plymouth. Total consideration of £10,385,000 was settled from the Group's existing cash resources.

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

	Fair Value £'000
Property, plant and equipment (note 18)	3,658
Right of use assets	917
Inventories	4,199
Trade and other receivables	281
Cash and cash equivalents	4,419
Trade and other payables	(2,661)
Lease liabilities	(917)
Corporation tax	(196)
Deferred tax (note 28)	(205)
Net assets acquired	**9,495**
Goodwill (note 15)	1,140
Total consideration	**10,635**
Deferred consideration	(250)
Cash consideration	**10,385**

Acquisition related costs (included in underlying operating expenses in the consolidated income statement for the year ended 29 February 2024) totalled £197,000 in respect of this acquisition.

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

If the acquisition of Rowes Garage Limited had occurred on 1 March 2023, Group revenues would have been £19,496,000 higher and Group profit before tax would have been £681,000 higher.

b) Summary of acquisitions' cash consideration

	Cash consideration £'000	Cash acquired £'000	Total £'000
Rowes Garage Limited	10,385	(4,419)	5,966
Cash consideration for acquisitions	**10,385**	**(4,419)**	**5,966**

18. Property, plant and equipment

2024	Freehold and long leasehold land and buildings[1] £'000	Short leasehold land and buildings[1] £'000	Vehicles and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 March 2023	350,302	5,069	20,347	24,255	399,973
Acquisitions (note 17)	3,600	-	57	1	3,658
Transfer to assets held for resale (note 22)	(3,929)	-	-	-	(3,929)
Additions	14,311	645	5,024	5,818	25,798
Reclassifications	58	-	(149)	91	-
Disposals	(4,544)	(34)	(637)	(3,140)	(8,355)
At 29 February 2024	**359,798**	**5,680**	**24,642**	**27,025**	**417,145**
Accumulated depreciation and impairment					
At 1 March 2023	43,696	2,587	11,086	14,199	71,568
Depreciation charge	7,969	690	3,820	4,970	17,449
Transfer to assets held for resale (note 22)	(335)	-	-	-	(335)
Reclassifications	(10)	-	40	(30)	-
Disposals	(3,285)	(33)	(471)	(3,043)	(6,832)
At 29 February 2024	**48,035**	**3,244**	**14,475**	**16,096**	**81,850**
Net Book Value					
At 29 February 2024	**311,763**	**2,436**	**10,167**	**10,929**	**335,295**
At 28 February 2023	**306,606**	**2,482**	**9,261**	**10,056**	**328,405**

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

Depreciation expense of £17,449,000 has been charged in operating expenses (note 6).

In addition to the floating security provided for the Group's bank borrowings, specific fixed charges over freehold land and buildings with a cost of £10,900,000 (2023: £10,900,000) have been granted to manufacturer partners as security against consignment stocking lines. A further specific fixed charge is held over certain freehold and long leasehold properties in respect of outstanding mortgage funding of £81,236,000 (2023: £85,514,000).

18. Property, plant and equipment (continued)

2023	Freehold and long leasehold land and buildings[1] £'000	Short leasehold land and buildings[1] £'000	Vehicles and machinery £'000	Furniture, fittings and equipment £'000	Total £'000
Cost					
At 1 March 2022	277,754	5,937	15,569	24,530	323,790
Acquisitions	68,230	43	2,004	1,104	71,381
Transfer to assets held for resale	(6,421)	-	-	-	(6,421)
Additions	14,659	591	3,826	4,683	23,759
Reclassifications	(3)	3	(9)	9	-
Disposals	(3,917)	(1,505)	(1,043)	(6,071)	(12,536)
At 28 February 2023	**350,302**	**5,069**	**20,347**	**24,255**	**399,973**
Accumulated depreciation and impairment					
At 1 March 2022	41,352	3,317	9,027	15,961	69,657
Depreciation charge	6,519	775	2,998	4,218	14,510
Transfer to assets held for resale	(344)	-	-	-	(344)
Reclassifications	-	-	4	(4)	-
Disposals	(3,831)	(1,505)	(943)	(5,976)	(12,255)
At 28 February 2023	**43,696**	**2,587**	**11,086**	**14,199**	**71,568**
Net Book Value					
At 28 February 2023	**306,606**	**2,482**	**9,261**	**10,056**	**328,405**
At 28 February 2022	**236,402**	**2,620**	**6,542**	**8,569**	**254,133**

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

19. Leases

Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2024	2023
Right-of-use assets	**£'000**	**£'000**
Property	62,757	66,767
Vehicles	10,129	6,311
	72,886	**73,078**
Lease liabilities		
Current	(17,710)	(14,498)
Non-current	(65,214)	(68,959)
	(82,924)	**(83,457)**

Additions to the right-of-use assets and lease liabilities during the year ended 29 February 2024 were £20,586,000 (2023: £13,307,000).

During the year ended 29 February 2024, right-of-use assets with a net book value of £2,525,000 (2023: £2,044,000) were disposed of as a result of assignment, settlement or modification of various leases. The corresponding lease liability disposed of was £2,936,000 (2023: £2,493,000) generating a £411,000 profit recognised in the Consolidated Income Statement (2023: £449,000).

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2024 £'000	2023 £'000
Included in operating expenses		
Depreciation charge in respect of right-of-use assets:		
Property	11,371	10,970
Vehicles	6,883	5,255
	18,254	16,225
Profit on lease modification	(411)	(449)
Included in finance costs		
Interest expense	3,457	3,488

The total cash outflow in respect of lease payments in the year ended 29 February 2024 was £21,640,000, of which £3,457,000 related to interest on lease liabilities (2023: £19,675,000 including £3,488,000 interest on lease liabilities).

20. Subsidiary undertakings

A list of subsidiary undertakings (ordinary shares 100% owned and incorporated within the United Kingdom), as at 29 February 2024 and 28 February 2023 is given in note 7 of the Vertu Motors plc company only financial statements (pages 149 to 151).

21. Inventories

	2024 £'000	2023 £'000
New vehicle stock	515,794	427,126
Used vehicle stock	162,958	172,920
Demonstrator and courtesy vehicles	60,611	52,286
Parts and sundry stocks	22,633	22,048
	761,996	**674,380**

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

	2024 £'000	2023 £'000
Interest bearing consignment stock	51,165	30,778
Stock invoiced not yet paid held by Manufacturers to the order of the Group	361,444	322,559
Other new vehicle stock	103,185	73,789
	515,794	**427,126**

A corresponding liability is held in trade payables in respect of stock invoiced not yet paid held by Manufacturers to the order of the Group and interest bearing consignment stock. The cost of inventories recognised as expense and included within 'cost of sales' amounted to £4,299,740,000 (2023: £3,651,240,000).

22. Property assets held for resale

	2024 £'000	2023 £'000
At beginning of year	6,077	-
Transfers in from freehold property	3,594	6,077
Property sold during the year	(1,790)	-
At end of year	**7,881**	**6,077**

During the year ended 29 February 2024, the Group sold the following properties which were held for resale at 28 February 2023:

- A Long-leasehold property in Newburn, Newcastle upon Tyne which the Group previously operated as an accident repair operation until the trade and assets of the business were sold during the year.
- An empty property in Taunton acquired with the acquisition of Helston Garages Group Limited.

All properties recovered their carrying value on disposal.

During the year ended 29 February 2024, the Group transferred the following properties from tangible fixed assets to property assets held for resale:

- An empty property in Stroud which was previously a used vehicle and Ford authorised repairer operation which closed during the year.
- A former PDI centre in Wendover which closed during the year.
- A former Volvo dealership and petrol filling station in Yeovil following the relocation of the business to a new facility.

All properties remaining in assets held for resale at 29 February 2024 are currently expected to be disposed of in the next 12 months recovering cash proceeds in excess of their book value.

23. Trade and other receivables

	2024 £'000	2023 [1] £'000
Trade receivables	78,102	70,785
Less provision for impairment of trade receivables	(2,171)	(3,680)
Trade receivables (net)	**75,931**	**67,105**
Other receivables	2,663	941
Prepayments and accrued income	15,108	17,781
	93,702	**85,827**

[1] Includes £490,000 measurement period adjustment described in note 1.

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

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

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

	Current £'000	31-60 days £'000	61-90 days £'000	>90 days £'000	Trade Receivables £'000	Loss Allowance £'000	Trade Receivables (net) £'000
2024	73,535	3,532	459	576	**78,102**	(2,171)	**75,931**
2023	60,045	7,811	953	1,976	**70,785**	(3,680)	**67,105**

As at 29 February 2024, trade receivables of £3,915,000 (2023: £3,134,000) were past due but not impaired. The ageing of these receivables are all within 3 months overdue.

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

	2024 £'000	2023 £'000
At beginning of year	3,680	2,062
Net remeasurement of loss allowance	(874)	3,073
Receivables written off during the year as uncollectible	(635)	(1,455)
At end of year	**2,171**	**3,680**

The net remeasurement of the loss allowance has been included in 'other expenses' within 'operating expenses' in the income statement (note 6). Amounts charged to the loss allowance account are generally written off when there is no expectation of recovering additional cash.

The Group considers there to be no material difference between the fair value of trade and other receivables and their carrying amount in the balance sheet.

The other asset classes within trade and other receivables do not contain impaired assets.

Credit Risk Management

It is the Group's policy to invest cash and assets safely and profitably. Credit risk associated with the Group's sales is limited to certain revenue streams as the majority of vehicle sales are either cash sales to retail customers (whereby the vehicle would not be delivered to the customer, and therefore recognised in revenue, without cleared funds) or a sale on finance invoiced to the Group's retail finance partners (whereby the vehicle would not be delivered unless the Group was in receipt of a confirmation of payout with cleared funds typically received within three days of such confirmation). Business to business sales may be offered credit terms, subject to credit application and review of limits against published credit rating information. Credit terms average 7-14 days for vehicle sales and 30-45 days for aftersales. To control credit risk, counterparty credit limits are set by reference to published credit ratings. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

24. Cash and cash equivalents

	2024 £'000	2023 £'000
Cash in bank and in hand	70,599	78,984

25. Trade and other payables

	2024 £'000	2023 £'000
Current		
Trade payables	743,748	630,451
Social security and other taxes	11,236	13,649
Accruals	88,947	88,494
Other payables	26,000	26,000
	869,931	**758,594**

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

Trade and other payables, excluding social security and other taxes and deferred income, are designated as financial liabilities carried at amortised cost. Their fair value is considered to be equal to their carrying value.

Accruals includes £14,076,000 (2023: £13,150,000) in respect of outstanding service plans.

26. Borrowings

	2024 £'000	2023 £'000
Current		
Other borrowings	-	25,460
Mortgage	4,395	4,361
	4,395	29,821
Non-current		
Mortgage	76,841	81,153
Bank borrowings	43,342	43,366
	120,183	124,519
	124,578	**154,340**

Borrowings are repayable as follows:

	2024 £'000	2023 £'000
6 months or less	2,154	27,602
6-12 months	2,241	2,219
1-5 years	57,189	57,213
Over 5 years	62,994	67,306
	124,578	**154,340**

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

a) Bank borrowings

The Group has a committed Revolving Credit Facility (''RCF'') available of £93,000,000. Interest is charged on this facility at a rate of between 1.8% and 2.6% above the Sterling Overnight Index Average ("SONIA") depending on the value of the Group's net debt to EBITDA ratio. £44,000,000 of the RCF was drawn at 1 March 2023 and remained drawn at 29 February 2024.

The facility was entered into in December 2022 for an initial three year period with an option to extend to December 2026, and a further option to extend to December 2027. The first of these extensions was completed during the year ended 29 February 2024 such that the facility is currently in place until December 2026.

26. Borrowings (continued)

a) Bank borrowings (continued)

During the year ended 29 February 2024, the Group had an interest rate swap arrangement in place, effective from 8 March 2023, covering £30,000,000 of the drawn balance swapping the variable element of the interest charge for a fixed rate of 4.42%.

A rate of 1.45% above base rate has been applied in relation to overdrafts during the year ended 29 February 2024. The interest rate that applied to the Group's Committed Money Market Loan ("CMML") facility was between 1.35% and 2.00% above SONIA depending on the Group's net debt to EBITDA ratio.

The overdraft and CMML facilities were renewed on 2 April 2024 until 31 May 2025 with the same limits as were in place at 29 February 2024.

The Group had the following undrawn borrowing and overdraft facilities at 29 February:

	2024 £'000	2023 £'000
Floating rate		
- Overdraft (uncommitted) expiring in one year	5,000	5,000
- CMML (committed) facility expiring in one year	48,000	48,000
- RCF facility expiring in greater than one year [1]	49,000	49,000
- Other borrowings	50,000	44,540
	152,000	**146,540**

b) Mortgage funding

The Group had two mortgage facilities in place at 29 February 2024, both provided by BMW Financial Services. The first drawn down in December 2020 is secured against the freehold and long leasehold properties in Sunderland, Durham and Teesside operating the BMW and MINI franchises. This mortgage is repayable in equal monthly instalments over the 20 year term and interest is charged on this facility at a fixed rate of 2.9% per annum until December 2025.

A second mortgage was drawn in December 2022 when the Group entered into a new 20 year mortgage facility for £74,757,000 to partially fund the acquisition of Helston Garages Group Limited. This mortgage is secured against a portfolio of 22 freehold and long leasehold properties owned by the Group. This mortgage is repayable in equal instalments over the 20 year term and interest is charged on this facility at a rate of 2.8% above BMW Base Rate. The Group also has an interest rate cap arrangement in respect of £50,000,000 of this facility to limit the variable element of the applicable interest rate to a maximum of 4.5% until 28 February 2025.

c) Other borrowings

Other borrowings represent amounts repayable under used vehicle stocking facilities. These loans are subject to interest at 1.5% above base rate and are secured against the related vehicles. At 1 March 2023 the limit on this facility was £70,000,000. During the year ended 29 February 2024, as a result of the level of usage of the facility during the period, the limit was reduced to £50,000,000. Drawings on this facility at 29 February 2024 were £Nil (2023: £25,460,000).

d) Financial assets

The Group's financial assets on which floating interest is receivable comprise cash deposits and cash in hand of £70,599,000 (2023: £78,984,000). The cash deposits comprise deposits placed on money market at call, seven day and cash deposited with counterparty banks at commercially negotiated interest rates. The IFRS 9 classification for trade and other receivables and cash and cash equivalents is amortised cost. Their fair value is deemed to be equal to their carrying value.

27. Derivative financial instruments

Interest rate swap and cap contracts

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

	2024 £'000	2023 £'000
£50m Interest rate cap – cash flow hedges	282	507
£30m Interest rate swap – cash flow hedges	203	-
Total derivates designated as hedging instruments	**485**	**507**
Non-current derivative financial instruments	203	507
Current derivative financial instruments	282	-
	485	**507**

Current derivative financial instruments were included within other receivables (note 23) at 29 February 2024 to reflect the interest rate caps expiration date of 28 February 2025.

	2024 £'000	2023 £'000
Borrowings subject to hedging instruments:		
Mortgage	50,000	50,000
Bank borrowings	30,000	-
Total derivative financial liabilities	**80,000**	**50,000**

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

During the year ended 29 February 2024, the Group had an interest rate cap contract in respect of £50,000,000 of the Group's outstanding mortgage funding, capping the applicable underlying floating rate at 4.5% until 28 February 2025. The floating rate in respect of this borrowing is BMW Base Rate.

In addition, the Group had an interest rate swap in respect of £30,000,000 of borrowing under the RCF. This swap fixes the underlying rate at 4.42% per annum. The swap is effective from 8 March 2023 to 8 March 2025.

The notional principal amounts of outstanding floating to fixed interest rate swap and interest rate cap contracts designated as hedging instruments in cash flow interest rate hedges of variable rate debt at 29 February 2024 totalled £80,000,000 (2023: £50,000,000). The fair value of these instruments at 29 February 2024 was an asset of £485,000 (2023: £507,000).

Gains and losses recognised in the cash flow hedging reserve in equity on interest rate swap contracts as at 29 February 2024 will be released to the consolidated statement of comprehensive income as the related interest expense is recognised.

The movement on the hedging reserve within shareholders' equity is shown within note 32.

In accordance with IFRS 13 "Financial Instruments: Disclosure", fair values are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the interest rate swaps have been determined using a level 3 valuation technique with non-observable inputs obtained from the counterparty (2023: level 3).

28. Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	2024 £'000	2023 £'000
Deferred tax asset to be recovered after more than 12 months	(3,048)	(4,090)
Deferred tax liabilities to be recovered after more than 12 months	25,072	23,207
Deferred tax liabilities (net)	**22,024**	**19,117**

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

2024	**Deferred tax liabilities £'000**	**Deferred tax assets £'000**	**Net £'000**
At 1 March 2023	23,207	(4,090)	19,117
Charged to income statement (note 12)	1,844	1,013	2,857
(Charged)/credited directly to equity	(184)	29	(155)
Acquisitions (note 17)	205	-	205
At 29 February 2024	**25,072**	**(3,048)**	**22,024**

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

2024	**Accelerated tax depreciation £'000**	**Share based payments £'000**	**Pensions £'000**	**Other timing differences £'000**	**Total £'000**
At 1 March 2023	11,629	(1,652)	797	8,343	19,117
Charged / (credited) to income statement (note 12)	1,826	(327)	6	1,352	2,857
Acquisitions (note 17)	205	-	-	-	205
(Charged)/credited directly to equity	-	-	(184)	29	(155)
At 29 February 2024	**13,660**	**(1,979)**	**619**	**9,724**	**22,024**

Deferred tax balances as at 29 February 2024 have been measured at a rate of 25%.

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

29. Contract liabilities

	Warranty policies £'000	Free servicing £'000	Total £'000
At 1 March 2023	22,366	3,215	25,581
Created in the year	12,812	834	13,646
Recognised as income during the year	(14,843)	(909)	(15,752)
At 29 February 2024	**20,335**	**3,140**	**23,475**
Current	10,535	2,865	13,400
Non-current	9,800	275	10,075
	20,335	**3,140**	**23,475**

Warranty policies

The Group sells used vehicle warranty policies which are in-house products that can be taken out over 12, 24 or 36 months with income received on inception of the policy. The policy covers replacement of mechanical and electrical parts which have suffered a mechanical breakdown, the cost of labour to fit failed parts and breakdown assistance for the period of the warranty.

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

Free servicing

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

30. Retirement benefit asset

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

The Group has applied IAS 19 (Revised) to the scheme and the following disclosures relate to this standard. The Group recognises any actuarial gains and losses in each year in the Statement of Comprehensive Income.

Regular employer contributions to the scheme (including contributions paid in respect of scheme expenses) for the year commencing 1 March 2024 are estimated to be £Nil.

The IAS 19 (Revised) figures and disclosures have been based on the triennial valuation as at 5 April 2021. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

30. Retirement benefit asset (continued)

The fair value of the assets of the scheme are:

	Market Value 29 February 2024 £'000	Market Value 28 February 2023 £'000
Liability Driven Investment Funds	25,589	26,137
Diversified Growth Gunds	3,202	3,964
Secured Finance	5,887	5,464
Other	342	390
	35,020	**35,955**

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

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

The expected return on the assets as at 28 February 2023 was 4.95%. This is equal to the discount rate used in the calculation of the net interest income for the year ended 29 February 2024.

The overall net surplus between the assets of the Bristol Street Group defined benefit scheme and the actuarial liabilities of the scheme which have been recognised on the balance sheet is as follows:

	2024 £'000	2023 £'000
Fair value of scheme assets	35,020	35,955
Present value of funded obligations	(32,543)	(32,767)
Asset on the balance sheet	**2,477**	**3,188**

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

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

	2024 £'000	2023 £'000
Opening fair value of scheme assets	35,955	55,457
Interest income	1,734	1,497
Actuarial losses	(781)	(18,952)
Benefits paid	(1,759)	(1,906)
Expenses recognised in the income statement	(129)	(141)
Closing fair value of scheme assets	**35,020**	**35,955**

30. Retirement benefit asset (continued)

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

	2024 £'000	2023 £'000
Opening fair value of scheme liabilities	32,767	46,402
Interest cost	1,579	1,250
Actuarial gains	(44)	(12,979)
Benefits paid	(1,759)	(1,906)
Closing fair value of scheme liabilities	**32,543**	**32,767**

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

	2024 £'000	2023 £'000
Expenses	129	141
Net interest income (note 11)	(155)	(247)
Total income included in income statement	**(26)**	**(106)**

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

	2024 £'000	2023 £'000
Expected return on scheme assets	1,734	1,497
Actuarial losses	(781)	(18,952)
	953	**(17,455)**

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

	2024	2023
Discount rate	5.00%	4.95%
Limited Price Indexation ("LPI") pension increases	3.10%	3.00%
Inflation rate	2.55%	2.45%

Assumptions regarding future mortality experience are set based on mortality tables which allow for future mortality changes.

The average life expectancy in years of a pensioner retiring at age 65 at the balance sheet date is as follows:

	2024	2023
Male	22	22
Female	24	24

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows:

	2024	2023
Male	23	23
Female	25	26

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

	2024 £'000	2023 £'000
Actuarial losses	(737)	(5,973)
Related deferred tax credit (note 28)	184	1,493
Total, included within retained earnings	**(553)**	**(4,480)**
Cumulative actuarial losses	**(4,513)**	**(3,960)**

30. Retirement benefit asset (continued)

Sensitivity analysis

The table below gives an indication of the impact on the IAS 19 valuation as a result of changes to the principal assumptions:

Change in assumption:	Approximate impact on current surplus: £'000
0.25% increase in discount rate	870
0.25% decrease in discount rate	(910)
0.25% increase in price inflation (and associated assumptions)	(578)
0.25% decrease in price inflation (and associated assumptions)	595
1 year increase in life expectancy at age 65	(1,031)
1 year decrease in life expectancy at age 65	1,024

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

2024	Ordinary shares of 10p each Number of shares ('000)	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2023	343,280	34,894	124,939	10,645	(2,653)	4,833	172,658
Issuance and sale of treasury shares	1,274	-	-	-	597	-	597
Repurchase of own shares	(11,343)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(1,134)	-	-	-	1,134	-
At 29 February 2024	**333,211**	**33,760**	**124,939**	**10,645**	**(2,056)**	**5,967**	**173,255**

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

2023	Ordinary shares of 10p each Number of shares ('000)	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2022	355,281	35,942	124,939	10,645	(1,586)	3,785	173,725
Purchase of treasury shares	(3,960)	-	-	-	(2,000)	-	(2,000)
Issuance and sale of treasury shares	2,436	-	-	-	933	-	933
Repurchase of own shares	(10,477)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(1,048)	-	-	-	1,048	-
At 28 February 2023	**343,280**	**34,894**	**124,939**	**10,645**	**(2,653)**	**4,833**	**172,658**

Share Option Schemes

Under the Group's equity-settled share option schemes, share options are granted to Executive Directors and to selected employees. The exercise price of the granted options under the Company Share Option Plan ("CSOP") scheme is equal to the market price of the shares on the date of the grant and is £Nil in the case of options issued under the Long Term Incentive Plan ("LTIP") and Partnership Share Option ("PSO") schemes. The options are exercisable from the end of the vesting period and any holding period which is set out in the scheme. Options are subject to performance criteria and are conditional on the employee completing a fixed period of service (vesting period and any holding period).

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

Share Option Schemes (continued)

Details of the performance criteria, vesting periods and holding periods for options yet to vest are set out below. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As disclosed in note 8, a share based payments charge of £2,466,000 (2023: £2,066,000) has been recognised during the year, in relation to the schemes as described below.

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

Award Date	Type	Granted / Outstanding at 29 February 2024 No of shares	Granted / Outstanding at 28 February 2023 No of shares	Exercise price	Date from which exercisable	Expiry date
5 Sep 2016 [1]	LTIP	40,337	40,337	0.00p	5 Sep 2019	5 Sep 2026
2 Jul 2018 [1]	CSOP	2,400,000	2,400,000	49.60p	2 Jul 2021	2 Jul 2028
8 Nov 2018 [1]	CSOP	2,745,033	3,062,533	38.25p	8 Nov 2021	8 Nov 2028
1 Mar 2020 [1]	PSO	3,781,336	4,454,437	0.00p	1 Mar 2024	1 Mar 2030
1 Mar 2021 [1]	PSO	5,343,896	6,250,352	0.00p	1 Mar 2025	1 Mar 2031
24 Jun 2021 [1]	PSO	942,411	942,411	0.00p	1 Mar 2025	1 Mar 2031
1 Mar 2022 [1]	PSO	5,216,144	6,015,573	0.00p	1 Mar 2026	1 Mar 2032
1 Mar 2023 [2]	PSO	6,218,095	-	0.00p	1 Mar 2027	1 Mar 2033
		26,687,252	**23,165,643**			

[1] Vested.
[2] Partially vested subsequent to 29 February 2024.

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

	2024 No of share options	2023 No of share options
At beginning of year	23,165,643	22,012,247
Granted	7,145,996	6,453,290
Forfeited	(1,942,234)	(1,709,436)
Exercised	(1,441,787)	(3,138,287)
Lapsed	(240,366)	(452,171)
At end of year	**26,687,252**	**23,165,643**

The weighted average share price during the year was 67.4p (2023: 52.8p). The weighted average fair value of PSO options granted during the year, determined using the Black-Scholes model was 58.5p per option.

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

	CSOP No of share options	CSOP Weighted average exercise price	LTIP [3] No of share options	PSO [3] No of share options	Total No of share options
At 1 March 2022	8,677,500	41.31p	93,920	13,240,827	22,012,247
Granted	-	-	-	6,453,290	6,453,290
Forfeited	(554,966)	45.44p	-	(1,154,470)	(1,709,436)
Exercised	(2,650,001)	36.71p	(53,583)	(434,703)	(3,138,287)
Lapsed	(10,000)	39.25p	-	(442,171)	(452,171)
At 28 February 2023	5,462,533	43.24p	40,337	17,662,773	23,165,643
Granted	-	-	-	7,145,996	7,145,996
Forfeited	(17,500)	38.25p	-	(1,924,734)	(1,942,234)
Exercised	(300,000)	38.25p	-	(1,141,787)	(1,441,787)
Lapsed	-	-	-	(240,366)	(240,366)
At 29 February 2024	**5,145,033**	**43.54p**	**40,337**	**21,501,882**	**26,687,252**

[3] The weighted average exercise price of LTIP and PSO nil cost awards is 0.00p.

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

Share Option Schemes (continued)

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

Vesting period	4 years
Expected volatility	6%
Option life	10 years
Expected life	7 years
Annual risk-free interest rate	3.7%
Dividend yield	3.5%

Expected volatility is based on statistical analysis of daily share prices since the admission of Vertu Motors plc to AiM. This is then adjusted for events not considered to be reflective of the volatility of the share price going forward.

The performance conditions attaching to any share options issued to Executive Directors, Senior Management or colleagues of the Company are considered and set by the Remuneration Committee. The following share incentive schemes are operated by the Company:

a) Share Incentive Plan ("SIP")

The SIP was introduced in accordance with appropriate legislation and it allows colleagues to invest in partnership shares out of gross salary. A participant may withdraw from the SIP at any time but if he or she does so before the partnership shares have been held in trust for five years (except in certain specified circumstances such as redundancy or disability) he or she will incur an income tax liability. The Company currently does not supplement or match the partnership shares acquired by colleagues.

b) Company Share Option Plan ("CSOP") Approved and Unapproved Share Option Schemes

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

c) Long Term Incentive Plan ("LTIP")

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

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

Share Option Schemes (continued)

d) Partnership Share Options ("PSO")

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

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

On 1 March 2023, 7,025,400 PSO awards were made to the Executive Directors and certain senior managers. 807,305 of these awards were forfeited as a result of leavers during the year, the remaining awards will vest in proportion to achievement of on-target bonus earnings by the relevant colleagues in the year ended 28 February 2024, determined after the balance sheet date.

The number of vested PSO awards which remained outstanding at 29 February 2024 are shown in the table on page 134.

On 1 March 2024, 6,248,220 PSO awards have been made in respect of the financial year commencing on that date.

32. Hedging reserve

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

	2024 £'000	2023 £'000
At beginning of year	133	4
Fair value gains on derivative financial instruments during the year	116	172
Deferred taxation on fair value gains during year (note 28)	(29)	(43)
At end of year	**220**	**133**

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

	2024 £'000	2023 £'000
Net decrease in cash and cash equivalents	(8,385)	(4,809)
Cash inflow from proceeds of borrowings	-	(110,570)
Cash outflow from repayment of borrowings	29,836	23,358
Cash movement in net debt	**21,451**	**(92,021)**
Capitalisation of loan arrangement fees	186	1,037
Amortisation of loan arrangement fees	(184)	(131)
Increase in accrued loan interest	(76)	(408)
Non-cash movement in net debt	**(74)**	**498**
Movement in net debt (excluding lease liabilities)	**21,377**	**(91,523)**
Opening net (debt)/cash (excluding lease liabilities)	**(75,356)**	**16,167**
Closing net debt (excluding lease liabilities)	**(53,979)**	**(75,356)**
Lease liabilities at 1 March	(83,457)	(88,830)
Capitalisation of new leases (Note 19)	(20,586)	(13,307)
Disposal of lease liabilities (Note 19)	2,936	2,493
Interest element of lease repayments (Note 11)	(3,457)	(3,488)
Cash outflow from lease repayments (Note 19)	21,640	19,675
Lease liabilities at 29 February (Note 19)	**(82,924)**	**(83,457)**
Closing net debt (including lease liabilities)	**(136,903)**	**(158,813)**

34. Cash flow from movement in working capital

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

2024	**Inventories (Note 21) £'000**	**Current trade and other receivables (Note 23) £'000**	**Trade and other payables £'000**	**Total working capital movement £'000**
Trade and other payables (Note 25)			(869,931)	
Contract liabilities (Note 29)			(23,475)	
At 29 February 2024	761,996	93,702	(893,406)	
At 28 February 2023	674,380	85,827	(784,175)	
Balance sheet movement	**(87,616)**	**(7,875)**	**109,231**	
Acquisitions (Note 17)	4,199	281	(2,661)	
Deferred consideration (Note 17)	-	-	(250)	
Disposals	(104)	(27)	9	
Movement excluding business combinations	**(83,521)**	**(7,621)**	**106,329**	**15,187**
Pension related balances				129
Increase in capital creditor				1,049
Increase in interest accrual				61
Derivative financial instruments (Note 27)				282
Movement as shown in Consolidated Cash Flow Statement				**16,708**

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

2023	Inventories £'000	Current trade and other receivables[1] £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(758,594)	
Contract liabilities			(25,581)	
At 28 February 2023	674,380	85,827	(784,175)	
At 28 February 2022	475,027	51,839	(552,285)	
Balance sheet movement	**(199,353)**	**(33,988)**	**231,890**	
Acquisitions[1]	62,730	19,055	(54,098)	
Previous year acquisitions	-	-	333	
Movement excluding business combinations	**(136,623)**	**(14,933)**	**178,125**	**26,569**
Pension related balances				141
Increase in capital creditor				(2,268)
Increase in interest accrual				(705)
Movement as shown in Consolidated Cash Flow Statement				**23,737**

[1] Includes £490,000 measurement period adjustment described in note 1.

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

	Borrowings £'000	Lease liabilities £'000	Treasury share reserve £'000	Retained earnings £'000	Total £'000
As at 1 March 2023	154,340	83,457	(2,653)	168,586	403,730
Cash flows from financing activities:					
Issue of treasury shares	-	-	597	(482)	115
Repurchase of own shares	-	-	-	(7,463)	(7,463)
Repayment of borrowings	(29,836)	-	-	-	(29,836)
Lease repayments	-	(18,183)	-	-	(18,183)
Dividends paid	-	-	-	(7,759)	(7,759)
Cash settled share options	-	-	-	(109)	(109)
Net cash outflow from financing activities	(29,836)	(18,183)	597	(15,813)	(63,235)
Other changes:					
Liability related: capitalisation and amortisation of loan fees and expenses	(2)	-	-	-	(2)
Liability related: capitalisation of lease liabilities	-	20,586	-	-	20,586
Liability related: disposal of lease liabilities	-	(2,936)	-	-	(2,936)
Liability related: increase in accrued loan interest	76	-	-	-	76
Equity related: other movements	-	-	-	27,125	27,125
As at 29 February 2024	**124,578**	**82,924**	**(2,056)**	**179,898**	**385,344**

36. Contingencies

Contingent liabilities

The Financial Conduct Authority (FCA) is currently investigating Discretionary Commission Arrangements ("DCAs") within automotive finance. Under such arrangements, automotive dealers received variable commissions from lenders in respect of brokering finance for customers. The Group received such commission from lenders until January 2021 when the Group ceased sales involving DCA. Preliminary findings from the FCA review suggest that motor finance providers, and motor finance credit brokers (including motor dealers), who have engaged in motor finance agreements involving DCAs could be impacted and an update on this investigation is expected to be made by September 2024.

36. Contingencies (continued)

Contingent liabilities (continued)

As this investigation is still ongoing, the Group does not have sufficient certainty over the nature, timing or value of any potential financial impact to be able to estimate the liability, if any, that may arise for the Group. As a result, no liability has been recognised at 29 February 2024 in respect of this investigation.

Under sections 394A and 479A of the Companies Act 2006, the parent company Vertu Motors plc has guaranteed all outstanding liabilities to which the subsidiaries listed on page 97 were subject to at 29 February 2024 until they are satisfied in full. These liabilities total £1,252,872,000 (2023: £1,146,788,000), including intercompany loans of £359,432,000 (2023: £349,460,000). Such guarantees are enforceable against Vertu Motors plc by any person to whom any such liability is due.

37. Capital commitments

Capital commitments in respect of property, plant and equipment amounting to £5,244,000 were outstanding as at 29 February 2024 (2023: £1,712,000).

38. Related party transactions

Key management personnel are defined as the Directors of the Company. The remuneration of the Directors who served during the year ended 29 February 2024 is set out in note 9.

During the year to 29 February 2024, Robert Forrester, David Crane, Karen Anderson, Andrew Goss, Pauline Best and Ken Lever bought and sold vehicles from and to the Group. The value of these transactions for the year ended 29 February 2024 and the year ended 28 February 2023 is presented below. No profit or loss was made in respect of these transactions in the year ended 29 February 2024 or the year ended 28 February 2023. All of these transactions were pursuant to an employee vehicle ownership plan available to Executive Directors and certain Senior Managers. No outstanding balances were due to or from the Group in respect of these transactions at 29 February 2024 (2023: £Nil).

2024	**Bought from the Group**		**Sold to the Group**	
	Number of vehicles	**Purchase price £'000**	**Number of vehicles**	**Sale price £'000**
Robert Forrester	3	309	5	471
David Crane	4	265	4	326
Karen Anderson	3	232	3	251
Andrew Goss	1	60	1	64
Pauline Best	1	69	1	67
Ken Lever	1	74	1	72

2023	**Bought from the Group**		**Sold to the Group**	
	Number of vehicles	**Purchase price £'000**	**Number of vehicles**	**Sale price £'000**
Robert Forrester	3	285	3	299
David Crane	3	297	3	274
Karen Anderson	4	357	4	318
Andrew Goss	2	115	2	114
Pauline Best	2	126	2	123
Ken Lever	2	133	2	125

39. Post balance sheet events

On 13 March 2024, the Group disposed of a surplus property in Taunton. The disposal generated cash proceeds of £800,000, in line with the asset's carrying value.

Company Balance Sheet
As at 29 February 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Intangible assets	5	395	302
Tangible assets	6	3,423	3,151
Investments	7	348,574	348,636
		352,392	**352,089**
Current assets			
Debtors	8	96,867	119,402
Total current assets		**96,867**	**119,402**
Creditors: amounts falling due within one year	10	**(112,420)**	**(120,437)**
Net current liabilities		**(15,553)**	**(1,035)**
Total assets less current liabilities		**336,839**	**351,054**
Creditors: amounts falling due after more than one year	11	**(53,417)**	**(55,470)**
Net assets		**283,422**	**295,584**
Capital and reserves			
Called up share capital	13	33,760	34,894
Share premium account	13	124,939	124,939
Other reserve	13	10,645	10,645
Hedging reserve	14	220	133
Treasury share reserve	13	(2,056)	(2,653)
Capital redemption reserve	13	5,967	4,833
Profit and loss account:			
At start of year		122,793	114,603
Profit for the year		1,003	18,809
Other changes in retained earnings		(13,849)	(10,619)
	15	109,947	122,793
Total shareholders' funds		**283,422**	**295,584**

These financial statements, on pages 141 to 156, have been approved for issue by the Board of Directors on 15 May 2024 and signed by:

Robert Forrester
Chief Executive

Karen Anderson
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 29 February 2024

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total Equity £'000
As at 1 March 2023	34,894	124,939	10,645	133	(2,653)	4,833	122,793	295,584
Profit for the year	-	-	-	-	-	-	1,003	1,003
Tax on items taken directly to equity	-	-	-	(29)	-	-	-	(29)
Fair value gains	-	-	-	116	-	-	-	116
Total comprehensive income for the year	-	-	-	87	-	-	1,003	1,090
Sale of treasury shares	-	-	-	-	597	-	(482)	115
Repurchase of own shares	-	-	-	-	-	-	(7,464)	(7,464)
Cancellation of repurchased shares	(1,134)	-	-	-	-	1,134	-	-
Dividends paid	-	-	-	-	-	-	(7,759)	(7,759)
Share based payments charge	-	-	-	-	-	-	1,856	1,856
As at 29 February 2024	**33,760**	**124,939**	**10,645**	**220**	**(2,056)**	**5,967**	**109,947**	**283,422**

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

Company Statement of Changes in Equity (continued)

For the year ended 28 February 2023

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

Notes to the Company Financial Statements

1. Accounting Policies

Statement of compliance

The separate financial statements of Vertu Motors plc ("the Company"), the parent undertaking, have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Exemptions for qualifying entities under FRS 102

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

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

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

Basis of preparation

Vertu Motors plc is a Public Limited Company which is listed on the Alternative Investment Market (AiM) and is incorporated and domiciled in England. The registered office address of the Company is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne & Wear, NE11 0XA.

The financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of derivative financial instruments to fair value. Note 1 of the consolidated financial statements provides further details on the Directors' conclusions regarding the going concern basis of preparation.

The principal accounting policies, which have been consistently applied throughout the year, are set out below.

No profit and loss account is presented by the Company, as permitted under section 408 of the Companies Act 2006. The profit of the Company for the year ended 29 February 2024 was £1,003,000 (2023: £18,809,000).

The consolidated financial statements include the results of all subsidiaries owned by Vertu Motors plc listed on pages 149 to 151 of these financial statements. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 29 February 2024 by virtue of s479A of Companies Act 2006. Certain other subsidiaries, which are also listed below, have taken the exemption from preparing individual accounts for the year ended 29 February 2024 by virtue of s394A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption or exemption from the preparation of individual accounts (as appropriate), the Company has given a statutory guarantee of all the outstanding liabilities as at 29 February 2024 of the subsidiaries listed below, further detail of which is provided in note 36 to the consolidated financial statements on page 139.

Notes to the Company Financial Statements (continued)

1. Accounting Policies (continued)

Basis of preparation (continued)

The subsidiaries which have taken an exemption from an audit for the year ended 29 February 2024 by virtue of s479A Companies Act 2006 are:

Albert Farnell Limited
All Car Parts Limited
Bristol Street First Investments Limited
Bristol Street Fourth Investments Limited
Grantham Motor Company Limited
Helston Garages Limited
Helston Garages Group (Management) Limited
Macklin Property Limited
Rowes Garage Limited
South Hereford Garages Trade Parts LLP
Tyne Tees Finance Limited
Vans Direct Limited
Vertu Accident Repair Limited
Vertu Motors (Chingford) Limited
Vertu Motors (Continental) Limited
Vertu Motors (Property) Limited
Vertu Motors (Property 2) Limited
Vertu Motors (VMC) Limited
Vertu Motors Third Limited
Wiper Blades Limited

The subsidiaries which have taken an exemption from the preparation of individual accounts in respect of the year ended 29 February 2024 by virtue of s394A of Companies Act 2006 are:

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

The auditors' remuneration for audit and other services was £25,000 (2023: £25,000).

Intangible assets

Intangible assets comprise computer software and are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is between four and six years.

Notes to the Company Financial Statements (continued)

1. Accounting Policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less their estimated residual values, on a straight-line basis over their estimated useful lives as follows:

Computer equipment	16.6% - 50%
Office equipment	25%

Investments

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income

Deferred income is in relation to vehicle warranty product income. The Group sells used vehicle warranty policies which are in house products that can be taken out over 12, 24 or 36 months with income received on inception of the policy. The policy covers replacement of mechanical and electrical parts which have suffered a mechanical breakdown, the cost of labour to fit failed parts and breakdown assistance for the period of the warranty.

When the income is received it is recognised initially as deferred income and is released to the income statement of the relevant subsidiary company on a straight-line basis over the life of each warranty policy.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In practice this means that revenue is recognised when a service has been undertaken.

1. Accounting Policies (continued)

Share based payments

The Company allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The Company operates a number of equity-settled, share-based compensation plans. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2. Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Impairment of fixed asset investments

The Company tests annually, or whenever events or changes in circumstances occur, to determine whether the fixed asset investments held have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Details of the key assumptions used for the impairment testing for the year ended 29 February 2024, as well as the results of sensitivity analysis performed, are provided in note 7.

Share based payments

Share options issued to certain employees are measured at fair value at the grant date using a fair value model, and are expensed on a straight-line basis over the vesting period based on an estimate of the number of options which will vest. The key assumptions of this model are disclosed in note 31 of the Vertu Motors plc consolidated financial statements.

3. Employee benefit expense

	2024	**2023**
	£'000	**£'000**
Wages and salaries	19,317	19,250
Social security costs	6,780	6,719
Pension costs – defined contribution plans	2,959	2,639
	29,056	**28,608**
Share based payments charge (note 17)	2,466	2,066
	31,522	**30,674**

Details of the emoluments of the Directors who served during the years ended 29 February 2024 and 28 February 2023, which are included in the table above, are provided in note 9 of the Vertu Motors plc consolidated financial statements.

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

	2024 Number	2023 Number
Sales	148	149
Service	28	24
Administration	649	581
	825	**754**

5. Intangible assets

	Computer Software £'000
Cost	
At 1 March 2023	1,362
Additions	254
At 29 February 2024	**1,616**
Accumulated Amortisation	
At 1 March 2023	1,060
Amortisation charge	161
At 29 February 2024	**1,221**
Net Book Value	
At 29 February 2024	**395**
At 28 February 2023	**302**

6. Tangible assets

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 March 2023	8,141	287	8,428
Additions	2,590	85	2,675
Disposals	(129)	(5)	(134)
At 29 February 2024	**10,602**	**367**	**10,969**
Accumulated Depreciation			
At 1 March 2023	5,174	103	5,277
Depreciation charge	2,296	67	2,363
Disposals	(91)	(3)	(94)
At 29 February 2024	**7,379**	**167**	**7,546**
Net Book Value			
At 29 February 2024	**3,223**	**200**	**3,423**
At 28 February 2023	**2,967**	**184**	**3,151**

7. Investments

	£'000
Cost	
At 1 March 2023	361,907
Additions	22
At 29 February 2024	**361,929**
Accumulated impairment charges	
At 1 March 2023	13,271
Impairment Charge	84
At 29 February 2024	**13,355**
Net Book Value	
At 29 February 2024	**348,574**
At 28 February 2023	**348,636**

Vertu Motors plc, the Company, as at 29 February 2024 and 28 February 2023, invested in 100% of the ordinary share capital of the following subsidiary undertakings, incorporated in the United Kingdom:

Company	**Principal activity**
The registered office address of the following companies is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne & Wear, NE11 0XA:	
Bristol Street First Investments Limited	Motor retailer
Bristol Street Fourth Investments Limited	Motor retailer
Vertu Motors (VMC) Limited	Motor retailer
Grantham Motor Company Limited	Motor retailer
Vertu Motors (Chingford) Limited	Motor retailer
Albert Farnell Limited	Motor retailer
Tyne Tees Finance Limited [1]	Motor retailer
Vertu Motors (Continental) Limited [1]	Motor retailer
Helston Garages Limited [1]	Motor retailer
Vertu Accident Repair Limited	Maintenance and repair of motor vehicles
South Hereford Garages Trade Parts LLP [1]	Parts retailer
Vans Direct Limited [1]	Online van retailer
Vertu Motors Third Limited	Online advertising
All Car Parts Limited [1]	Online parts retailer
Helston Garages Group (Management) Limited [1]	Payroll administration company
Macklin Property Limited	Property company
Vertu Motors (Property) Limited	Property company
Vertu Motors (Property 2) Limited [1]	Property company
BSH Pension Trustee Limited [1]	Pension scheme trustee
Vertu Motors (Durham) Limited [1]	Holding company (dormant subsidiaries)
Bristol Street Fifth Investments Limited [1]	Holding company (dormant subsidiaries)
Blake Holdings Limited [1]	Holding company (dormant subsidiaries)
Widnes Car Centre (1994) Limited [1]	Holding company (dormant subsidiaries)
Brookside (1998) Limited [1]	Holding company (dormant subsidiaries)
Hillendale Group Limited	Holding company (dormant subsidiaries)
Gordon Lamb Group Limited	Holding company (dormant subsidiaries)
Gordon Lamb Holdings Limited [1]	Holding company (dormant subsidiaries)
Hughes Group Holdings Limited	Holding company (dormant subsidiaries)
Bristol Street Group Limited [1]	Holding company
Vertu Motors Property 2 Holdings Limited	Holding company
Sigma Holdings Limited	Holding company
Vertu Ventures Limited	Holding company
Aceparts Limited	Holding company
SHG Holdings Limited	Holding company
Helston Garages Group Limited	Holding company
South Hereford Garages Limited [1]	Dormant company
Hughes of Beaconsfield Limited [1]	Dormant company
Vertu Motors (Knaresborough) Limited	Dormant company
International Concessionaires Limited [1]	Dormant company
Vertu Motors (AMC) Limited	Dormant company

7. Investments (continued)

Company	Principal activity
Bristol Street Limited [1]	Dormant company
Bristol Street (No. 1) Limited [1]	Dormant company
Bristol Street (No. 2) Limited [1]	Dormant company
National Allparts Limited [1]	Dormant company
Merifield Properties Limited [1]	Dormant company
Peter Blake Limited [1]	Dormant company
Peter Blake (Chatsworth) Limited [1]	Dormant company
Typocar Limited	Dormant company
Widnes Car Centre Limited [1]	Dormant company
Dobies (Carlisle) Limited [1]	Dormant company
Newbolds Garages (Mansfield) Limited [1]	Dormant company
Hillendale LR Limited [1]	Dormant company
Blacks Autos Limited [1]	Dormant company
Gordon Lamb Limited [1]	Dormant company
Vertu Motors (Finance) Limited	Dormant company
Vertu Motors (Pity Me) Limited [1]	Dormant company
Bristol Street Commercials (Italia) Limited	Dormant company
Vertu Fleet Limited	Dormant company
Motor Nation Cars Limited	Dormant company
Bristol Street Fleet Services Limited [1]	Dormant company
VanMan Limited [1]	Dormant company
Best4Vans Limited [1]	Dormant company
Carsandvansdirect Limited [1]	Dormant company
Power Bulbs Online Limited [1]	Dormant company
Power Bulbs Ltd [1]	Dormant company
Farmer & Carlisle Holdings Limited [1]	Dormant company
Farmer & Carlisle Limited [1]	Dormant company
Farmer & Carlisle Leicester Limited [1]	Dormant company
F.C. Business Operations Limited [1]	Dormant company
Jactamial Properties Limited [1]	Dormant company
Westcountry Ventures Limited [1]	Dormant company
Group SMB Limited [1]	Dormant company
Westcountry Enterprises Limited [1]	Dormant company
Wiper Blades Limited [1]	Dormant company
Nottingham TPS LLP [1]	Dormant LLP

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

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

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

Easy Vehicle Finance Limited	Dormant company

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

The Taxi Centre Limited	Dormant company

[1] Held indirectly by the Company.

7. Investments (continued)

The following subsidiary which the Company was invested in as at 28 February 2023 was dissolved during the year ended 29 February 2024, with no impact on the carrying value of the Company's investments:

Company	Principal activity
Vertu Motors Car Limited	Dormant subsidiary

The following subsidiary undertaking (ordinary shares 100% owned and incorporated within the United Kingdom) was acquired by a subsidiary of the Company, and is therefore held indirectly by the Company, during the year ended 29 February 2024:

Company	Principal activity
Rowes Garage Limited [2, 3]	Motor retailer

[2] Held indirectly by the Company

[3] On 31 October 2023, this company was acquired by Grantham Motor Company Limited, a subsidiary of the Group. On the same date, the trade and assets of this company were transferred to other subsidiary undertakings of the Company.

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

The Directors believe that the carrying value of the investments is supported by their underlying net assets, or their value in use based on discounted future cash flows.

The Company tests annually, or whenever events or changes in circumstances occur, to determine whether the fixed asset investments held have suffered any impairment. The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to gross profits and direct costs during the year in respect of the Company's trading subsidiaries:

- Management estimates discount rates using pre-tax rates that reflect current market assessments and the time value of money and the risks specific to the CGUs.
- Growth rates are based upon industry forecasts and the past performance of the CGU.
- Changes in gross profits and direct costs are based on past practices and expectations of future changes in the market.

Annual growth rates typically between 0% and 7% are assumed for years three to five depending on the CGU, after which a growth rate of 0% is assumed to perpetuity. Cash flows into perpetuity have been used to reflect the long-term and open-ended nature of the Group's business model. A risk adjusted pre-tax discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 9% (2023: 9%) is applied.

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

If restricted vehicle sales or reduced demand for service work as a consequence of a reduced vehicle parc significantly reduces the Group's earnings in the year ending 29 February 2024, with a return to normalised trading in the year ending 28 February 2025, an additional impairment charge of £6.5m would arise in respect of the Company's investments.

If the growth rate in years three to five is reduced to -5%, an additional impairment charge of £40.5m would arise in respect of the Company's investments.

If the pre-tax WACC was increased to 12%, an additional impairment charge of £38.8m would arise in respect of the Company's investments.

8. Debtors

	2024 £'000	2023 £'000
Trade debtors	1,421	2,165
Amounts owed by Group undertakings	68,720	87,717
Deferred tax asset (note 9)	2,681	3,780
Corporation tax	405	1,937
Value Added Tax	11,639	14,296
Prepayments and accrued income	12,001	9,507
	96,867	**119,402**

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

9. Deferred tax asset

	2024 £'000	2023 £'000
At beginning of year	3,780	3,535
(Charged)/credited to the profit and loss account	(1,070)	288
Charged directly to equity	(29)	(43)
At end of year	**2,681**	**3,780**

The amounts recognised for deferred tax assets, calculated under the liability method at 25% (2023: 25%) are set out below:

	2024 £'000	2023 £'000
Depreciation in excess of capital allowances	(204)	248
Other short-term timing differences	2,885	3,532
Total	**2,681**	**3,780**

During the year ending 28 February 2025, the reversal of deferred tax assets is expected to decrease the corporation tax charge for the year by £518,000. This is primarily due to timing differences in relation to depreciation in excess of capital allowances.

10. Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Bank overdraft	12,861	19,193
Trade creditors	10,422	9,529
Other creditors	26,000	26,000
Other taxation and social security	8,813	7,807
Accruals	40,924	44,431
Deferred income	13,400	13,477
	112,420	**120,437**

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

Accruals includes £14,076,000 (2023: £13,150,000) in respect of outstanding service plans.

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

	2024 £'000	2023 £'000
Bank borrowings	43,342	43,366
Deferred income (note 12)	10,075	12,104
	53,417	**55,470**

Borrowings are repayable as follows:	2024 £'000	2023 £'000
1-2 years	-	-
2-5 years	43,342	43,366
	43,342	**43,366**

The bank borrowings are secured on the assets of the Company and the subsidiaries. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Within one year £'000	Within two to five years £'000	Total £'000
Bank borrowings	-	43,342	43,342
Trade and other creditors	112,420	10,075	122,495
At 29 February 2024	**112,420**	**53,417**	**165,837**

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

12. Deferred income

Deferred income due in greater than one year comprises:

	2024 £'000	2023 £'000
Warranty policies	9,800	11,209
Free servicing	275	895
	10,075	**12,104**

Warranty policies

The Group sells used vehicle warranty policies which are in-house products that can be taken out over 21, 24 or 36 months with income received on inception of the policy and released on a straight-line basis in the relevant subsidiary company over the life of the policies. There is an additional £10,535,000 included in 'Deferred income' in creditors: amounts falling due within one year, in respect of such warranties recognising the amount to be released over the next 12 months (2023: £11,157,000).

12. Deferred income (continued)

Free servicing

The Group recognises deferred income in respect of a “free servicing” arrangement whereby the first or subsequent service of a vehicle post sale is provided free of charge to a customer, as part of the initial consideration for the vehicle sale. An element of the initial consideration which is estimated to relate to the service is recognised as deferred income and is released to the income statement of the relevant subsidiary company when the service has been undertaken. There is an additional £2,865,000 included in ‘Deferred income’ in creditors: amounts falling due within one year, in respect of such service work to be completed in the next 12 months (2023: £2,320,000).

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

2024	Ordinary shares of 10p each Number of shares ('000)	Called up Share capital £'000	Share premium account £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2023	343,280	34,894	124,939	10,645	(2,653)	4,833	172,658
Sale of treasury shares	1,274	-	-	-	597	-	597
Repurchase of own shares	(11,343)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(1,134)	-	-	-	1,134	-
At 29 February 2024	**333,211**	**33,760**	**124,939**	**10,645**	**(2,056)**	**5,967**	**173,255**

All issued shares are fully paid-up.

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

2023	Ordinary shares of 10p each Number of shares ('000)	Called up Share capital £'000	Share premium account £'000	Other reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Total £'000
At 1 March 2022	355,281	35,942	124,939	10,645	(1,586)	3,785	173,725
Purchase of treasury shares	(3,960)	-	-	-	(2,000)	-	(2,000)
Sale of treasury shares	2,436	-	-	-	933	-	933
Repurchase of own shares	(10,477)	-	-	-	-	-	-
Cancellation of repurchased shares	-	(1,048)	-	-	-	1,048	-
At 28 February 2023	**343,280**	**34,894**	**124,939**	**10,645**	**(2,653)**	**4,833**	**172,658**

14. Hedging reserve

	2024 £'000	2023 £'000
Cash flow hedges:		
At beginning of year	133	4
Fair value gains on derivative financial instruments during the year	116	172
Deferred taxation on fair value gains during year	(29)	(43)
At end of year	**220**	**133**

15. Profit and loss account

	2024 £'000	2023 £'000
As at beginning of year	122,793	114,603
Profit for the financial year	1,003	18,809
Dividend paid	(7,759)	(6,003)
Share based payments charge	1,856	1,471
Repurchase of own shares	(7,464)	(5,898)
Treasury shares issued	(482)	(189)
As at end of year	**109,947**	**122,793**

16. Dividends per share

Dividends of £7,759,000 were paid in the year ended 29 February 2024 (2023: £6,003,000), 2.30p per share (2023: 1.75p).

A final dividend of 1.50p per share is to be proposed at the Annual General Meeting on 25 June 2024. The ex-dividend date will be 27 June 2024 and the associated record date 28 June 2024. The dividend will be paid, subject to shareholder approval, on 26 July 2024 and these financial statements do not reflect this final dividend payable.

17. Share based payments

For details of share based payment awards and fair values, see note 31 to the consolidated financial statements. The Company financial statements include a share based payments charge for the year of £2,466,000 (2023: £2,066,000).

18. Contingencies

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

19. Directors' remuneration

The remuneration of the Directors who served during the year from 1 March 2023 to 29 February 2024 is set out in note 9 of the consolidated financial statements on page 114.

20. Commitments

The Company leases vehicles under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases is set out below:

Commitments under non-cancellable operating leases payable:	2024 £'000	2023 £'000
No later than 1 year	668	614
Later than 1 year and no later than 5 years	482	523
Later than 5 years	-	-
	1,150	**1,137**

Notes to the Company Financial Statements (continued)

21. Related party transactions

The Company has related party relationships with its subsidiaries and with key management personnel.

Transactions with the Directors of the Company are disclosed in note 38 of the consolidated financial statements.

Alternative Performance Measures

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

Definitions

Like-for-like	Dealerships that have comparable trading periods in two consecutive financial years.
FY24	The twelve month period ended 29 February 2024.
FY23	The twelve month period ended 28 February 2023.
Adjusted	Adjusted for share based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs, as these are unconnected with the ordinary business of the Group.
Aftersales gross margin	Aftersales gross margin compares the gross profit earned from aftersales activities to the total aftersales revenues, including internal revenue relating to service and vehicle preparation work performed on the Group's own vehicles. This is to properly reflect the real activity of the Group's aftersales department.

Alternative Performance Measures

Adjusted operating profit

	2024 £'000	**2023 £'000**
Operating profit	56,041	41,992
Non-underlying items (note 8):		
Redundancy costs	872	-
Lease surrender premium	(840)	-
Share based payment charge (note 31)	2,466	2,066
Amortisation (note 16)	568	509
Impairment charges (note 15)	128	1,500
Acquisition costs	-	2,753
Adjusted operating profit	**59,235**	**48,820**

Free cash flow

	2024 £'000	**2023 £'000**
Net cash inflow from operating activities	83,965	80,829
Purchase of other property, plant and equipment	(23,686)	(13,785)
Enhancement capital expenditure included in above	11,610	3,459
Purchase of intangible assets	(253)	(185)
Proceeds from disposal of property, plant and equipment	3,589	179
Principal elements of lease repayments (note 19)	(18,183)	(16,187)
Free cash flow	**57,042**	**54,310**

Alternative Performance Measures (continued)

Adjusted profit before tax (PBT)

	2024 £'000	2023 £'000
Profit before tax	34,567	32,450
Non-underlying items (note 8):		
Redundancy costs	872	-
Lease surrender premium	(840)	-
Share based payment charge (note 31)	2,466	2,066
Amortisation (note 16)	568	509
Impairment charges (note 15)	128	1,500
Acquisition costs	-	2,753
Adjusted PBT	**37,761**	**39,278**

Tangible net assets per share

	2024 £'000	2023 £'000
Net assets	353,373	341,377
Less:		
Goodwill and other indefinite life assets (note 15)	(129,092)	(127,590)
Other intangible assets (note 16)	(1,971)	(2,286)
Add:		
Deferred tax on above adjustments	12,668	12,621
Tangible net assets	**234,978**	**224,122**
Tangible net assets per share	**70.5p**	**65.3p**

At 29 February 2024, there were 337,602,150 shares in issue (2023: 348,945,522) of which, 4,391,449 were held by the Group's employee benefit trust (2023: 5,665,352). Rights to dividends on shares held in the Group's employee benefit trust have been waived and therefore such shares are not included in the tangible net asset per share calculation.

Like-for-like reconciliations:

Revenues by department

2024	FY24 Group revenue £'m	FY24 Acquisition revenue £'m	FY24 Disposals revenue £'m	FY24 Like-for-like revenue £'m
New car retail and Motability	**1,452.5**	(183.1)	(11.7)	1,257.7
New fleet and commercial	**1,037.4**	(53.4)	(4.4)	979.6
Used cars	**1,816.2**	(264.8)	(13.6)	1,537.8
Aftersales	**413.5**	(70.2)	(2.5)	340.8
Total revenue	**4,719.6**	**(571.5)**	**(32.2)**	**4,115.9**

2023	FY23 Group revenue £'m	FY23 Acquisition revenue £'m	FY23 Disposals revenue £'m	FY23 Like-for-like revenue £'m
New car retail and Motability	**1,121.9**	(32.3)	(18.0)	1,071.6
New fleet and commercial	**897.6**	(10.7)	(17.6)	869.3
Used cars	**1,658.2**	(63.1)	(36.5)	1,558.6
Aftersales	**336.8**	(15.3)	(6.6)	314.9
Total revenue	**4,014.5**	**(121.4)**	**(78.7)**	**3,814.4**

Alternative Performance Measures (continued)

Like-for-like reconciliations (continued):

Gross profit (“GP”) by department

2024	**FY24 Group GP £’m**	**FY24 Acquisition GP £’m**	**FY24 Disposals GP £’m**	**FY24 Like-for-like GP £’m**
New car retail and Motability	**119.6**	(17.5)	(1.0)	101.1
New fleet and commercial	**55.6**	(4.2)	(0.6)	50.8
Used cars	**122.5**	(11.9)	(0.5)	110.1
Aftersales	**218.4**	(31.6)	(1.3)	185.5
Total GP	**516.1**	**(65.2)**	**(3.4)**	**447.5**

2023	**FY23 Group GP £’m**	**FY23 Acquisition GP £’m**	**FY23 Disposals GP £’m**	**FY23 Like-for-like GP £’m**
New car retail and Motability	**98.4**	(2.6)	(1.7)	94.1
New fleet and commercial	**42.3**	(0.7)	(0.8)	40.8
Used cars	**125.2**	(3.5)	(1.9)	119.8
Aftersales	**182.5**	(6.5)	(3.7)	172.3
Total GP	**448.4**	**(13.3)**	**(8.1)**	**427.0**

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