14 May 2008

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

Preliminary results for the period ended 29th February 2008

Vertu Motors plc, the tenth largest UK motor retailer, announces its unaudited preliminary results for the period from incorporation on 1st November 2006 to 29th February 2008. The results reflect the commencement of trade on 27th March 2007 with the purchase of the Bristol Street Motors Group and subsequent acquisitions.

Financial Highlights

Period from 1st November 2006 to 29th February 2008:

Revenue	£677.2m
Adjusted EBITDA*	£5.1m
Adjusted operating profit*	£3.1m
Adjusted profit before taxation*	£1.8m
Adjusted earnings per share*	1.6p
Operating profit	£1.4m
Profit before taxation	£0.14m
Operating cash inflow	£21.9m

* adjusted for exceptional costs, amortisation of intangible assets and share based payments charge ("exceptionals")

- Operating profit before exceptionals of £3.1m delivered in a period which excludes peak trading month of March 2007
- Strong cash flow generation in the period with operating cash inflow of £21.9m
- Modest gearing of 28.1% as at 29th February 2008
- Net assets per share of 66p
- Strong balance sheet with £51.5m of freehold and long leasehold property

Operational Highlights

- Creation of tenth largest motor retailer in the United Kingdom
- Group formed of 40 franchised and 6 non-franchised operations
- Talented management team integrated and incentivised
- New retail car volumes up 10.6% on a like for like basis against a rise in UK private new car registrations of 0.7% since acquisition
- Used retail car volumes for Bristol Street Motors franchised dealerships up by 23.6% on a like for like basis in a flat market
- New internet sites launched with centralised contact centre to maximise conversion rates

Commenting on the results, Robert Forrester, Chief Executive, said:
"I am pleased to report that since our flotation in December 2006, the Group has made rapid progress towards its strategic goals of acquiring UK motor retail businesses and delivering organic profit improvements from these businesses.

We are now the tenth largest motor retailing group by turnover and have fully integrated all the acquired businesses in terms of systems, processes and management. Performance improvements put in place during the period are gaining traction. This has resulted in a good start to the new financial year, including a March which was ahead of plan."

For further information please contact:

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An analysts' briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB at 9.30am on 14th May 2008.

Chairman's Report

I am delighted to report that since flotation in December 2006, through a series of acquisitions, Vertu Motors plc has become the tenth largest motor retailer in the United Kingdom. The Group now operates 40 franchised and 6 non-franchised operations across England.

The Company set out a strategy on flotation to seek to acquire motor retail businesses with the potential for performance improvements and which may contain freehold property portfolios. It was envisaged that performance improvement opportunities would arise in acquired dealerships from increasing sales in new and used cars and after-sales services through improving efficiency of the business processes and providing exceptional customer service. The Board considered that this process would be aided through the development of high performing motor retail professionals throughout the business as a result of training and selective recruitment. Further profit enhancements are sought through the development and maximisation of channels to market, such as internet and fleet operations.

The strategy remains to grow the business through operational improvements and through selective acquisitions in such a way that we deliver maximum value to our shareholders.

Financial Commentary

Revenue in the period from the commencement of trade on 27th March 2007 to 29th February 2008 was £677.2m.

Operating profit before exceptional costs, amortisation of intangibles and share based payments charge amounted to £3.1m, generating adjusted earnings per share of 1.6p. The trading results exclude the key month of March 2007, due to the timing of the acquisitions.

As indicated at the time of the flotation, the Board is not proposing a dividend at the present time since the Group remains committed to pursuing its growth strategy. It is the aim of the Board in the medium term to commence payment of a dividend.

On 9th May 2008 the Company obtained authority from the shareholders to repurchase up to 10% of the Company's share capital. The Board believes that shareholder value may be generated from using this authority to repurchase shares where it will be accretive to earnings per share.

Current Trading and Outlook

March is the most important month for profitability in the UK motor retail sector. New car retail sales in the month at Vertu rose 23.4% on a like for like basis against a 1.4% decline in UK registrations to private buyers in the month. Manufacturer targets were achieved and bonuses earned in the period without recourse to any significant pre-registration activity. Used car sales were strong with like for like unit growth of 15.1%. After-sales activity also contributed to a trading performance that was ahead of expectations in March. In April the trading performance of the Group was in line with expectations.

The Board continues to identify growth opportunities and is confident that growth will be delivered through operational improvements together with the delivery of further acquisitions executed to deliver maximum value to our shareholders.

The Board is aware of the potential for challenging market conditions in the UK in 2008 and 2009 including: exchange rate movements impacting manufacturer pricing and incentive strategies; potential disruption to the supply and pricing of consumer finance; and future consumer demand levels. However, as a result of the important operational improvements made to date and the first rate team we have assembled, the Board remains confident about the Group's prospects for the current financial year.

P R Williams
Non-Executive Chairman

Chief Executive's Review

Strategy

The strategy of the Group is focused on creating shareholder value through delivering operational and financial improvements in our existing businesses, and supplementing this by the purchase of other UK motor retail operations.

Portfolio Development

A platform deal was concluded on 27th March 2007 with the acquisition of the Bristol Street Motors Group. This acquisition of 35 operations delivered the Group a scaled business with annualised turnover in excess of £570m and a geographic reach across England under the operating brands of Bristol Street Motors for franchised operations and Motor Nation for used car supermarkets. Bristol Street Motors and Bristol Street Motor Nation will be the Group's core trading brands.

In May 2007 the Blakes Group was acquired comprising Vauxhall and Peugeot dealerships in the North Midlands with annualised turnover of £60m. These dealerships have now been re-branded Bristol Street Motors and are fully integrated into the Group.

At the end of June 2007, the Group acquired Grantham Motor Company Limited comprising four Honda car dealerships and a Honda motorcycle franchise in the East of England. The operation is among the strongest performing group of Honda dealerships within the Honda network.

In July 2007 a Ford dealership in Morpeth, Northumberland was acquired and has been re-branded as Bristol Street Motors.

On 1 March 2008, the Group opened a start-up used car outlet in Doncaster trading as Bristol Street Motor Nation. This brought the number of Bristol Street Motor Nations operated by the Group to four.

During the period, the Board reviewed the acquired operations and a number of smaller, marginal operations were exited. These comprised a used van centre in Stoke-on-Trent and a used car operation in Bexleyheath, Kent. In April 2008, in agreement with Hyundai, the Group ceased its Hyundai sales operations at Gloucester. The Gloucester dealership complex continues to represent Ford, Iveco and Renault. The Group continues to represent the Hyundai franchise in Banbury.

Bristol Street Commercials, the Group's Commercial Vehicle Division, holds the Iveco and Fiat Commercial franchises. Iveco have recently announced a network reorganisation which will see a reduction in the number of franchised partners in the UK from 24 to 18. The Group has been chosen to be one of the 18 partners going forward in its existing locations. Commercial vehicles, with its strong after-sales base, represents an opportunity for the Group which will be enhanced by the prospective network changes.

The Group currently operates 40 franchised, 6 non-franchised sales operations and two standalone service operations which are summarised below:

Car Franchises (35)		Commercial Vehicle Franchises (4)		Motorcycle Franchises (1)	
Ford	14	Iveco	3	Honda	1
Peugeot	6	Fiat Commercials	1		
Vauxhall	4				
Citroen	4				
Honda	4				
Renault	2				
Hyundai	1				

Motor Nation Used Car Outlets	4
Other Used Vehicle Outlets	2
Stand alone Service Centres	2

Operating Review

Franchised Businesses
The Group saw improving performances across its car franchise operations in the period despite a competitive trading environment. Strong rises in like for like volumes in new and used vehicles were witnessed.

New retail vehicle volumes for the Bristol Street Motors' dealerships rose, on a like for like basis, 10.6% in the April to February period against a market in terms of private retail registrations that rose by 0.7%. This growth reflected excellent new models offered by our manufacturer partners, strong consumer offers and high levels of bonus incentives available to dealers. Of the Top 10 selling vehicles in 2007 the Group retails 8 of these from its franchised dealerships.

Fleet new vehicle sales to corporates represent 33% of total Group turnover and are a significant element of the Group's operations. Like for like volumes grew 2.4% from April to February in line with the increase in UK fleet registrations.

The growth of used car sales is a major priority for the Group, not only to boost immediate profitability, but also to build a customer database for future sales and after-sales marketing activity. On a like for like basis, Bristol Street Motors dealerships' grew used car volumes by 23.6% in the April to February period with an increasing pace of growth as the period progressed. Margins reduced in line with our strategy but per unit margin levels are acceptable. The significant rise in used car sales in the period reflects the management focus on this area. Dealership performance has benefited from the creation of a central purchasing and distribution function for used cars (Vertu Vehicle Solutions), use of technology to aid sales prospecting activity and the impact of increased internet sales.

It has been a key element of the Group's strategy to develop a strong internet presence and to support this with a dedicated, centralised sales function located in Sunderland. www.bristolstreet.co.uk and www.motornation.co.uk have been successful in generating a significant increase in sales from their relaunch in October and this growth is anticipated to continue.

The after-sales operations of the franchised businesses represented 47.7% of the gross profit generated in the period and are conducted at a higher gross margin percentage than vehicle sales. The operations performed well in the period despite a decline in warranty service work in a number of franchises, reflecting the enhanced quality and reliability of new cars.

A significant number of strategies are being implemented to improve the profitability of our service operations. These include increased investment in dedicated telemarketing functions for service, centralised after-sales marketing campaigns and the centralisation of purchasing across the Group leading to cost reductions. The Group continues to invest in apprenticeship programmes and, where appropriate, in enlarged after-sales facilities. Investments are currently in progress at Boston Honda and Kings Norton Ford to increase workshop capacity.

Within the after-sales arena, parts sales represent 27.8% of after-sales gross profit and 13.3% of total gross profit. In January 2008 the Group was awarded a 3D contract by Ford for parts distribution in the West Midlands as part of that manufacturer's revised strategy for parts distribution in its dealer network. This will result in higher volumes and margin in the Birmingham based parts business going forward.

Within the Peugeot and Citroen franchised operations, trade parts operations have previously been organised on a regional basis and this has led to a reduction in the share of the trade market obtained by the Group. These trade operations have now been decentralised to individual dealerships so that the parts operations can best serve their local markets and rebuild activity levels over the medium term.

Bristol Street Motor Nation Used Car Outlets

The Bristol Street Motor Nation used car operation now operates from four locations. The period saw a significant reorganisation of the business including management changes, a cost reduction programme and the opening of a new start-up outlet in Doncaster in March. The operating strategy of the business has been to reduce stock levels, whilst maintaining sales levels, so as to improve stock turn and financial returns. Like for like volumes of used cars sold in the April to February period rose 2.6% in a flat market. As a consequence of these changes the financial performance of the three established locations has improved year on year to achieve a breakeven position in the period at the operating profit level.

Commercial Vehicles

UK registrations for new heavy trucks rose 3.1% in the April to February period, although the second half of the period showed much stronger growth with a 21.1% rise from September to February. Light commercial vehicles saw a stable rise in UK registrations of 4.0%. Iveco, the manufacturer represented by the Group, saw heavy and light registrations decline in the period by 5.1% and 9.1% respectively as the manufacturer lost market share.

Like for like volumes of new vehicles within Bristol Street Commercials fell 10.8% in the April to February period whilst used vehicle volumes rose 11.1%. New vehicle order levels have improved over the past six months which will lead to a higher sales rate going forward. The sector is currently operating under significant supply constraints for new heavy vehicles. During the April to February period the business achieved a breakeven performance at the operating profit level.

Management and Colleague Development

The Group has implemented a divisional management structure. The operations of the Group are led by the CEO Committee comprising the Chief Executive, Finance Director and four senior executives, each responsible for four separate divisions. Two divisions represent car operations split along franchise lines to ensure a co-ordinated approach with each of our manufacturer partners. The remaining two divisions represent Bristol Street Commercials and the Bristol Street Motor Nation used car outlets. Responsibility for these two divisions are combined with the management of certain central functions.

As part of the post-acquisition integration process, dealership management has been reorganised in a selected number of cases to replace regional management structures with a revised structure of having a General Manager in place in each dealership. These reorganisations are now complete. In addition, Head office functions of the acquired businesses have been rationalised and relocated in the period.

The Group has commenced a significant training programme for all colleagues in the Group in order to ensure critical processes are consistent and efficient. Key programmes include after-sales customer service training, health and safety training and crucially the introduction of a Vertu vehicle sales process branded "Active". The Board believes that this programme will result in an enhanced sales performance in the Group and increased customer satisfaction.

Motor retail is a 'people' business and the quality of management and colleagues is the critical factor in determining success. Training, development, remuneration packages and the culture of the Group are all reviewed with an aim of ensuring the Group is best placed to recruit and retain the highest quality motor retail professionals.

It is the Board's view that the current operational management structure has the appetite and capacity to manage a larger motor retail group.

Robert Forrester
Chief Executive

Finance Director's Review

Profit and Loss
Bristol Street Motors Group was not acquired until 27th March 2007 and consequently the key trading month of March is not included in the result for the period to 29th February 2008.

Revenue totalled £677.2m, which reflects the acquisitions undertaken and the resulting like for like unit sales improvements achieved in new and used vehicle sales. The Group generated EBITDA before exceptionals of £5.1m in the period and an operating profit before amortisation, share based payments charge and exceptional costs of £3.1m. This performance reflects the strong profitability of the underlying businesses purchased during the period.

Following the acquisition activity, substantial reorganisations were undertaken of the purchased businesses and exceptional costs of £1.4m were incurred. These costs include reorganisation costs in relation to the rationalisation of head office functions acquired of £0.4m and dealership management reorganisation costs of £0.6m. In addition, a small number of dealership closures were undertaken and a provision for property commitments in relation to leasehold premises has been created totalling £0.4m.

Net finance costs were £1.2m for the period. Net interest costs in relation to bank loans and overdrafts totalled £1.4m. Whilst the Group continues to hedge a proportion of its interest rate exposure to ensure a degree of certainty over the Group's borrowing costs, the interest charge was impacted by a succession of base rate rises in 2007. In addition, since loan interest charges are based on LIBOR rates, the widening spread between LIBOR and base rate since August 2007 has also had an impact.

Taxation

The Group's tax charge in the period of £0.06m represented an effective tax rate on profit before taxation of 47%. This is higher than the standard rate of tax of 30% due primarily to the impact of certain disallowables, such as the amortisation of intangible assets, being high in comparison to profit levels after exceptional items. Going forward, the Group anticipates the effective tax rate will be closer to 28% of profit before tax.

Financial Position

The Group has a strong balance sheet position with shareholders' funds of £60.2m, representing net assets per share of 66p. The balance sheet is underpinned by a freehold and long leasehold property portfolio (including properties held for resale) of £51.5m.

The capital structure of the Group comprises shareholders' equity funds, bank loans and overdraft facilities. The Group has bank loan facilities of £10.0m repayable in instalments until March 2012 and a £20.0m revolving loan facility until March 2012. In addition, significant overdraft facilities are in place. Loans are subject to an interest rate of 1% above LIBOR and 1% above base rate is applied in relation to overdrafts.

At the balance sheet date, the Group had loans outstanding of £24.3m and cash balances of £9.5m. In addition, loan notes of £2.1m were issued to the vendors of Bristol Street Group Limited on 29th February 2008. The loan notes carry an interest rate of 1% above base rate and are redeemable for cash on 1st September 2008. The resulting net debt at 29th February 2008 of £16.9m represents gearing of 28.1%. During the period the Group raised a net £50.2m of cash from equity placings.

On 9th May 2008 the Group obtained approval from shareholders to repurchase up to 10% of the Company's shares. The Board believes that given the low gearing position, positive cash flows and the finance facilities in place, the Group has sufficient resources to continue investment in growth opportunities and to undertake a share buyback programme should this be judged to be in the interests of shareholders.

Property Disposals

The Group currently has four surplus empty properties which are conditionally contracted for sale or under option. Three of the properties have been subject to initial planning rejections despite being recommended to planning committees by Council officers. As a consequence of this and the ongoing reduction in commercial property values in the market, the Board has reduced the expectations of anticipated proceeds from £12.0m to £11.4m and has revised the expected timings of receipts. The value of property held for resale has been reduced by £0.6m with a corresponding increase in goodwill.

Cash Flows
The Group's net cash inflow from operating activities was £21.9m, after deduction of cash outflows in respect of exceptional reorganisation costs of £0.8m. The Group reduced the investment in working capital by £18.1m in the period of which approximately £15.0m can be attributed to seasonal movement arising from the timing of the purchase of Bristol Street Motors at the peak working capital position in March compared to a seasonal low working capital position as at 29th February 2008. Preparation for the opening of Bristol Street Motor Nation Doncaster on 1st March 2008 absorbed £1.0m of working capital at the balance sheet date. The remaining £4.1m inflow relates to improvements in working capital management. A significant factor in this improvement has been a strong focus on both managing used vehicle stocks and the enhanced speed of recovery of debtors. This focus has been aided by the implementation of new accounting and treasury policies within the dealerships.

Tax payments were made in the period of £2.5m. These payments included £0.8m of cash outflows in relation to taxation of exceptional VAT income recognised by the Bristol Street Motors Group prior to acquisition, and payment of tax assessments relating to pre-acquisition periods of £1.5m

The significant acquisition activity in the period saw acquisitions absorb £77.9m of cash. In addition, capital expenditure arose in the period of £4.7m, primarily relating to the refurbishment of a number of Group properties and the purchase of plant and equipment associated with the opening of relocated dealerships in new locations. During the period the Group relocated its Stoke Ford, Kings Norton Ford and Newcastle-upon-Tyne Vauxhall dealerships and refurbished Worksop Peugeot and Chesterfield Peugeot. As a result, the Group significantly enhanced a number of the retail environments within the Group. Going forward, no dealership relocations are currently planned although a significant refurbishment of Oxford Peugeot is currently in progress.

Pensions
The Group has a defined benefit pension scheme which has been closed for a number of years. Current colleague pension provision is through a defined contribution scheme. The Group has been actively managing its pension liability and as at 29th February 2008 a pension surplus arose under IAS 19 (Employee Benefits) of £3.1m. This asset has been recognised net of a related deferred tax liability of £0.9m in non-current assets.

Karen Anderson
Finance Director

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the period from 1st November 2006 to 29th February 2008*

	Note	Period ended 29th February 2008 £'000
Continuing operations		
Revenue		**677,180**
Cost of sales		(599,531)
Gross profit		**77,649**
Operating expenses		(74,573)
Operating profit before amortisation, share based payments charge and exceptional costs		3,076
Amortisation of intangible assets		(116)
Share based payments charge		(221)
Exceptional costs	4	(1,360)
Operating profit		**1,379**
Finance income		1,808
Finance costs		(3,050)
Net finance costs	3	**(1,242)**
Profit before taxation		**137**
Taxation		(65)
Profit for the period		**72**
Attributable to:		
Equity holders of the Group		**72**
Basic earnings per share (p)	5	**0.09**
Diluted earnings per share (p)	5	**0.09**
Adjusted earnings per share (p)	5	**1.60**

* The Group began trading on 27th March 2007 on the acquisition of Bristol Street Group Limited.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

For the period from 1st November 2006 to 29th February 2008

	Period ended 29th February 2008 £'000
Actuarial gains on retirement benefit obligations	2,948
Cash flow hedges	(452)
Taxation thereon	(699)
Net gains recognised directly in equity	**1,797**
Profit for the period	72
Total recognised income and expense for the period	**1,869**
Attributable to:	
Equity holders of the Group	**1,869**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 29th February 2008

	Note	As at 29th February 2008 £'000
Non-current assets		
Goodwill	9	18,612
Other intangible assets	9	962
Retirement benefit asset		2,244
Property, plant and equipment		47,446
		69,264
Current assets		
Inventories		131,579
Property assets held for sale		11,390
Trade and other receivables		14,102
Cash and cash equivalents		9,459
Total current assets		**166,530**
Total assets		**235,794**
Current liabilities		
Trade and other payables		(139,702)
Current tax liabilities		(2,501)
Borrowings		(2,119)
Total current liabilities		**(144,322)**
Non-current liabilities		
Borrowings		(24,261)
Deferred income tax liabilities		(5,829)
Deferred consideration	9	(128)
Provisions for other liabilities and charges		(1,029)
		(31,247)
Total liabilities		**(175,569)**
Net assets		**60,225**
Capital and reserves attributable to equity holders of the Group		
Ordinary shares	6	9,194
Share premium	6	40,991
Other reserve	6	7,950
Hedging reserve	7	(326)
Retained earnings	7	2,416
Shareholders' equity	7	**60,225**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the period from 1st November 2006 to 29th February 2008

	Note	Period ended 29th February 2008 £'000
Operating profit		1,379
Loss on sale of tangible fixed assets		69
Amortisation of intangible assets		116
Depreciation of property, plant and equipment		2,018
Decrease in inventories		5,792
Decrease in trade and other receivables		33,710
Decrease in payables		(21,870)
Increase in provisions		514
Movement in share based payments charge		221
Cash generated from operations		**21,949**
Tax paid		(2,473)
Net finance costs		(1,281)
Net cash generated from operating activities		**18,195**
Cash flows from investing activities		
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(77,882)
Purchases of intangible fixed assets		(544)
Purchases of property, plant and equipment		(4,654)
Net cash outflow from investing activities		**(83,080)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares		50,153
Proceeds from borrowings	8	24,191
Net cash inflow from financing activities		**74,344**
Net increase in cash and cash equivalents		**9,459**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	8	**9,459**

NOTES
For the period from 1st November 2006 to 29th February 2008

1. Basis of preparation

This unaudited financial report has been prepared in accordance with the accounting policies described below and in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations.

The financial information set out above does not constitute the Group's statutory consolidated financial statements for the period 1st November 2006 to 29th February 2008, within the meaning of section 240 of the Companies Act 1985.

Standards and interpretations not yet effective

The following IFRS and IFRIC interpretations have been issued but have not been early adopted by the Group; the adoption of these standards is not expected to have a material impact on the Group's financial statements:

- IFRS 7 – Financial instruments: Disclosures (accounting periods beginning on or after 1st June 2007)
- IFRS 8 – Operating segments (accounting periods beginning on or after 1st June 2009)
- IFRIC 10 – Interim financial reporting and impairment (accounting periods beginning on or after 1st June 2007)
- IFRIC 11 – Group and treasury share transactions (accounting periods beginning on or after 1st June 2007)
- IFRIC 12 – Service concession arrangements (accounting periods beginning on or after 1st June 2008)
- IFRIC 13 – Customer loyalty programmes (accounting periods beginning on or after 1st July 2008)
- IFRIC 14 – The limit on a defined benefit asset, minimum funding requirement and their interaction (accounting periods beginning on or after 1st January 2008)
- IAS 1 (revised) – Presentation of financial statements (accounting periods beginning on or after 1st January 2009)
- IAS 23 (revised) – Borrowing costs (accounting periods beginning on or after 1st January 2009)
- Amendments to IFRS2 (Share based payments) (accounting periods beginning on or after 1st January 2009)
- IFRS 3 (revised) – Business combinations (accounting periods beginning on or after 1st July 2009)

The financial information has been prepared on a going concern basis.

The financial information has been prepared on the historical cost basis with the exception of the cash flow hedge, which is at fair value. The principal accounting policies adopted are set out below.

2. Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of Vertu Motors plc and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50 per cent of the voting rights. Subsidiaries are consolidated from the date at which control is transferred to the Group using the purchase method of accounting, whereby the recognised identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. They are excluded from the consolidated financial statements from the date that control ceases.

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 income statement. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of 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 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 and is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting. 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.

Other intangible assets

Intangible assets, when acquired separately from a business combination, including computer software, 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 three to four years.

Intangible assets, for example, customer relationships acquired as part of a business combination, are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Such assets are amortised over their expected useful lives.

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 period end. 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 at the following rates:

Freehold and long leasehold buildings	2%
Short leasehold properties	Lease term
Plant and machinery	10%-25%

Inventories

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

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 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.

Property assets held for sale

Property assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Trade payables

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

Provisions

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. If the effect is material, provisions are discounted using a pre-tax discount rate.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is 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 income statement.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an 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 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 asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in that 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.

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 substantially 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:

- 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

- in respect of taxable temporary differences associated with investments in subsidiaries or joint ventures, 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:

- 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

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, 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 income statement, except when it relates to items credited or charged direct to equity in which case the deferred tax is also credited or charged to equity.

Revenue

Revenue for the sale of goods and services is measured at the fair value of consideration receivable, net of rebates 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. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically despatched or when a service has been undertaken.

Pension costs

The Group operates a number of pension schemes, including defined contribution schemes and a defined benefit scheme (which was closed to new entrants and future accrual in May 2003).

The assets of the defined benefit scheme are held separately from the assets of the Group. The cost of providing benefits under this scheme are determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in operating costs in the consolidated income statement. Past service costs are similarly included where benefits have vested otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit pension schemes and the imputed interest on pension plan liabilities comprise the pension element of the net finance cost/income in the income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of recognised income and expense in full for the period in which they arise.

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 fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Leases

Assets held under finance leases in the balance sheet, which confer rights and obligations, similar to those attached to owned assets, are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised assets are depreciated over the shorter of the estimated useful economic life of the asset or the lease term.

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 income statement on a straight-line basis over the period of the lease.

Cash and cash equivalents

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

Derivative financial instruments

The Group uses derivative financial instruments to reduce the exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Such derivative financial instruments are measured at fair value. The gains and losses on re-measurement are taken to the income statement except where the derivative is designated as a cash flow hedge. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the rates prevailing at the balance sheet date.

Segmental reporting

A business segment is a group of assets and operations engaged in providing goods and services that is subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing goods and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Exceptional costs

Exceptional costs comprise items of expenditure that are material in amount and unlikely to recur and therefore they merit separate disclosure in order to provide an understanding of the Group's underlying performance.

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.

3. Net finance costs

	Period ended 29th February 2008 £'000
Bank loans and overdrafts	(1,579)
Vehicle stocking interest	(88)
Other finance costs relating to Group pension scheme	(1,371)
Other finance costs	(12)
Finance costs	**(3,050)**
Interest on short term bank deposits	212
Other finance income relating to Group pension scheme	1,596
Finance income	**1,808**
Net finance costs	**(1,242)**

4. Exceptional costs

	Period ended 29th February 2008 £'000
Reorganisation costs	985
Onerous lease costs	375
	1,360

5. Earnings per share

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

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

	Period ended 29th February 2008 £'000
Profit attributable to equity shareholders	72
Amortisation of intangible assets	116
Share based payments charge	221
Exceptional costs	1,360
Tax effect of adjustments	(468)
Adjusted earnings attributable to equity shareholders	**1,301**
Weighted average number of shares in issue ('000s)	81,170
Potentially dilutive shares ('000s)	123
Diluted weighted average number of shares in issue ('000s)	**81,293**
Basic earnings per share	**0.09p**
Diluted earnings per share	**0.09p**
Adjusted earnings per share	**1.60p**

6. Share capital and premium

	Share capital Number of Shares (thousands)	**Share capital £'000**	**Share premium £'000**	**Other reserve £'000**	**Total £'000**
At incorporation	-	-	-	-	-
Shares issued during the period	91,944	9,194	40,991	7,950	58,135
At 29th February 2008	**91,944**	**9,194**	**40,991**	**7,950**	**58,135**

The total authorised number of ordinary shares is 125,000,000 shares with a par value of 10p per share. All issued shares are fully paid-up.

7. Consolidated statement of changes in shareholders' equity

	Period ended 29th February 2008 £'000
Net actuarial gains on retirement benefit obligations	2,123
Share based payments charge	221
Profit for the period	72
	2,416
Shares issued on incorporation	-
Shares issued during the period net of issue expenses	58,135
Fair value losses – interest rate swaps	(326)
Balance at end of period	**60,225**

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

	Period ended 29th February 2008 £'000
Net increase in cash and cash equivalents	9,459
Cash inflow from increase in borrowings	(24,191)
Non-cash movement in net debt	(2,189)
Movement in net debt	**(16,921)**
Opening net debt	**-**
Closing net debt	**(16,921)**

9. Acquisitions

On 27th March 2007, the Group acquired 100% of the share capital of Bristol Street Group Limited for total consideration of £42.7m, consisting of cash (£33.7m), equity (£8.0m) and deferred consideration (£1.0m). The deferred consideration was subject to finalisation of completion accounts and was settled through a further equity issue at a price of 87.5p per share on 24th December 2007. The fair value of the net assets acquired was £28.5m, with intangible assets arising on customer relationships of £0.3m and residual goodwill of £13.9m.

On 2nd May 2007, the Group acquired 100% of the share capital of Blakes Holdings Limited for a total consideration of £5.0m, comprising cash of £4.9m and deferred consideration in the form of equity shares yet to be issued of £0.1m at a price of 85.5p per share. The fair value of the net assets acquired was £3.6m, with goodwill arising on acquisition of £1.4m.

On 29th June 2007, the Group acquired 100% of the share capital of Grantham Motor Company Limited for total cash consideration of £4.5m. The fair value of the net assets acquired was £1.2m, with intangible assets arising on customer relationships of £0.2m and residual goodwill of £3.1m.

On 2nd July 2007, the Group acquired the trade and assets of a Ford dealership in Morpeth, Northumberland, from S Jennings Limited, for total cash consideration of £2.7m. The fair value of the net assets acquired was £2.5m, with goodwill arising on acquisition of £0.2m.