14 October 2009

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

Unaudited interim results for the six months ended 31 August 2009

Vertu Motors plc, the 9th largest UK motor retailer, announces its interim results for the six months ended 31 August 2009.

	Six months ended 31 August 2009 (H1 2010)	**Six months ended 31 August 2008 (H1 2009)**
Revenue	£401.3m	£423.5m
Adjusted EBITDA*	£6.3m	£5.2m
Adjusted operating profit*	£5.1m	£4.1m
Adjusted profit before tax*	£4.2m	£3.0m
Adjusted earnings per share*	2.11p	2.36p
EBITDA	£5.0m	£4.2m
Operating profit	£3.7m	£3.0m
Exceptional charges	£1.3m	£0.9m
Profit before tax	£2.8m	£1.9m
Earnings per share	1.40p	1.49p
Operating cash inflow	£1.4m	£5.9m
Net cash (debt)	£21.0m	(£15.3m)
Net assets per share	44.4p	64.2p

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

Financial Highlights

- Adjusted EBITDA up 21.2% to £6.3m (H1 2009 : £5.2m)
- Profit before tax up 47.4% to £2.8m (H1 2009 : £1.9m)
- Balance sheet underpinned by strong freehold and long leasehold property portfolio (including assets held for resale) of £57.3m (31 August 2008: £51.2m)
- Strong asset backing with net cash position of £21.0m to fund growth

Operational Highlights

- Trading performance in the half year and September has been ahead of Board's expectations
- Successful placing raised £29.9m of net proceeds to invest in market opportunities including:
    - new dealership operations
    - extending the productive capacity of existing operations; and
    - the purchase of existing leasehold sites
- 10 sales outlets in 6 locations added to the Group since 1 March 2009
- Fiat, Chevrolet and Mazda franchises added to the portfolio
- Group delivered 1,686 scrappage scheme sales in the period generating £0.9m of additional net tax revenues in excess of the Government subsidy

- Used retail car volumes up by 3.7% on a like-for-like basis in a declining market and margins increased
- Strengthened Board through appointment of David Forbes as Non-Executive Director

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

"Following the very challenging market conditions of the 2009 financial year, this financial period has been much improved, aided by the introduction of the highly successful scrappage scheme and rising used car values. Our profitability has risen significantly as we continue to expand and drive higher margins from our existing businesses.

Our successful placing in June has provided the funds for the Group to grow and take advantage of lower asset values when purchasing new dealerships, and to enable us to build on our long-term objective of growing a scaled dealership group. The Group has acquired nine new sales outlets in the year to date and we would anticipate further expansion in the coming months to consolidate our position in the market."

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INTRODUCTION

The Group has delivered a trading performance ahead of market expectations in the six months to 31 August 2009, with profit before tax rising 47.4% from £1.9m to £2.8m in the period. Adjusted operating profit rose 24.4% in the period to £5.1m.

The Group saw improved margins from used vehicle sales as values rose and volumes were at higher levels than last year. Previously underperforming businesses continued to produce enhanced results, as streamlined management practices drove higher activity and controlled costs. The Group also benefited from the UK Government's scrappage scheme announced in May 2009 which resulted in 1,686 new vehicle sales for the Group in the period. When taking account of the additional VAT revenues to the Treasury, the Group's scrappage sales to August have provided a net benefit to the UK Taxpayer of £0.9m as well as providing environmental and general economic benefits. The scheme has now been extended further and this should continue to support new car sales despite the anticipated rise in VAT in January.

In a future environment of anticipated lower vehicle sales, the Group's profitability will be underpinned by its after-sales performance. After-sales operations generated 42.1% of total gross profit and strategies are in place to improve after-sales profitability. These strategies centre on enhancing customer retention levels through a focus on delivering an outstanding customer experience at each visit and through the offer of products such as service plans, which fix servicing costs to the consumer for a three year period and spread these costs into affordable monthly payments to aid consumer budgeting.

The Board set out a strategy earlier in the year to expand the business, principally targeting the Group's existing franchises whilst adding a small number of new franchises. Following the placing in June, which raised £29.9m net of expenses, the Group has invested £10.0m in a further 9 outlets operating from 6 locations and has added the Mazda, Fiat and Chevrolet franchises to its portfolio. With its strong net cash position, the Group continues to be very well placed to undertake further earnings accretive expansion.

On 11 August 2009 David Forbes, a Managing Director at Rothschild, was appointed as an independent Non-Executive Director. David has significant expertise in corporate finance, including mergers and acquisitions and corporate strategy. This appointment demonstrates the Board's commitment to high levels of corporate governance.

FINANCIAL REVIEW

Revenue in the period decreased by 5.2% to £401.3m (H1 2009: £423.5m) reflecting the significant decline in the UK new vehicle market and lower used car transaction prices. Acquisitions were undertaken late in the period and contributed £14.1m of revenue. Gross margins have risen from 11.1% to 12.5%, driven largely by used car volumes and margin expansion and enhanced performances from historically underperforming businesses as the Group continues to deliver on its strategy for organic growth.

Adjusted EBITDA in the period rose to £6.3m, compared to £5.2m in the six months ended 31 August 2008. EBITDA and profit before tax were £5.0m (H1 2009: £4.2m) and £2.8m (H1 2009: £1.9m) respectively, exhibiting the Group's strong profit growth. Exceptional charges of £1.3m (H1 2009: £0.9m) were incurred in the period, relating to losses on the disposal of two of the Group's freehold properties. These two disposals generated £4.7m of cash and three surplus freehold properties with a net book value of £5.0m remain to be sold.

Net finance costs were reduced to £0.8m for the period (H1 2009: £1.1m). Bank loans and overdraft interest reduced from £1.0m in the period to 31 August 2008 to £0.5m, as a result of bank base rate cuts, the convergence of bank base rate to LIBOR and reduced levels of borrowing.

In the second half of the last financial year, the Group incurred significant manufacturer stocking charges as a component of net finance costs. The Group's pipeline of new vehicle stocks rose significantly as demand, particularly in the commercial vehicle market, fell. Such charges in this period were £0.3m compared to £0.6m in the second half of the last financial year (Six months ended 31 August 2008: £0.1m). Over the period the Group has successfully reduced its excess of pipeline new vehicle stocks and ongoing manufacturer stocking charges have reduced significantly to pre-recession levels.

The Group has a strong balance sheet with shareholders' funds of £87.1m (31 August 2008: £59.1m), representing net assets per share of 44.4p (31 August 2008: 64.2p), having been diluted by the impact of the placing in June 2009. The balance sheet is underpinned by a freehold and long leasehold property portfolio (including properties held for resale) of £57.3m (31 August 2008: £51.2m) and cash deposits at the balance sheet date of £30.7m (31 August 2008: £10.6m).

As a result of the placing and the sale of two freehold properties referred to above, the Group has a net cash position of £21.0m (31 August 2008: net debt of £15.3m). As at 31 August 2009, the Group had loans drawn down of £9.8m (31 August 2008: £24.0m) and achieved this significant debt reduction without applying any of the proceeds of the placing to bank borrowings. The remaining loan of £9.8m is repayable in March 2012.

The Group has generated an operating cash inflow of £1.4m. Overall working capital increased by £4.9m. The Group's vehicle stocks increased in the period, absorbing cash of £5.3m. This reflected predominantly increased values of used vehicles and stock purchases for the newly acquired dealerships.

OPERATING REVIEW

Group Strategy

The strategy of the Group is focused on creating shareholder value through delivering operational and financial improvements in our existing businesses and augmenting this by acquiring additional UK motor retail operations to add size and scale to the Group.

Portfolio Development

In line with the Group's expansion strategy, 10 sales outlets have been added since 1 March 2009 in 6 locations.

The Group currently operates 50 franchised, 4 non-franchised sales operations and 2 stand alone service operations from 48 English locations. All franchised operations are branded Bristol Street Motors with the exception of those operating the Honda franchise. Non- franchised sales operations are branded Bristol Street Motor Nation. The table below sets out the dealerships currently operated by the Group:

Car Franchises (45)		**Commercial Vehicle Franchises (4)**		**Motorcycle Franchises (1)**	
Ford	16	Iveco	3	Honda	1
Peugeot	6	Fiat Commercials	1		
Vauxhall	6				
Honda	5				
Citroen	4				
Renault	2				
Mazda	2				
Fiat	2				
Hyundai	1				
Chevrolet	1				

Bristol Street Motor Nation used car outlets	4
Stand alone service centres	2

In June 2009, the Group acquired the trade and assets of certain dealerships from the receivers of Brooklyn Motors plc ("Brooklyn") for £6.9m. This transaction augmented the strong market position of the Group in the West Midlands for Ford adding Worcester Ford and Redditch Ford to the existing scaled operations in Birmingham and Gloucestershire and providing the opportunity for substantial operational synergies.

The Brooklyn acquisition also brought the Mazda franchise to the Group for the first time, in Redditch and Cheltenham. In September, the Fiat franchise was added to the Group in excellent additional showrooms in the Worcester and Cheltenham dealerships. These franchise developments are a part of the Board's strategy to gain representation with key, successful franchises.

The Group also developed a new Vauxhall market area in North East London in the period, through re-franchising and redeveloping an existing non-franchised dealership in Waltham Cross and purchasing, for £0.1m, a Vauxhall and Chevrolet outlet in Ilford. This brings the total number of Vauxhall dealerships operated by the Group to 6 and adds the Chevrolet franchise to the Group for the first time.

The Group operates highly successful Honda dealerships in Boston, Grantham, Lincoln and Retford. This business was expanded on 1 August 2009, with the opening of a new dealership in Mansfield, in newly acquired freehold premises. This enlarged geographic footprint for the Group's Honda franchise will allow further management and marketing economies of scale to be realised.

The used car outlet division of the Group is branded Bristol Street Motor Nation and the Group expanded this to 4 dealerships through the opening of Darlington Motor Nation on 1 March 2009. The Board's strategy is to continue to grow this division, through the acquisition of prime, former franchise dealership locations. In addition to selling used cars these operations have started offering retail servicing to generate further revenues.

In addition to new dealership operations, the Group has taken advantage of the decline in commercial property values to purchase freeholds of existing leasehold sites. To date, two freeholds have been purchased for a total consideration of £3.0m and a rental saving of approximately £0.24m will accrue in 2010/2011. Whilst this is a capital intensive strategy, the Board believe it to be an essential component of the Group's development allowing it to increase long term margins, reduce long term lease liabilities and reduce exposure to future rent increases.

Dealership Operations

It has been well documented that the national market for new cars has been challenging since March 2008. This market has received a significant boost over the summer months of 2009, from the UK Government's scrappage scheme introduced in May 2009, which incentivises owners of vehicles over ten years old to replace their cars. Scrappage sales have changed the normal market share patterns amongst the vehicle manufacturers. Historic large market share players such as Ford and Vauxhall have seen lower retail market share, as manufacturers such as Hyundai have gained, based on sales of predominantly lower priced, small vehicles. Whilst the Group sold 1,686 cars on the scrappage programme to the end of August 2009, lack of significant manufacturer representation in the scrappage "winners" led to the Group's new retail vehicle like-for-like volumes falling 12.0% against an overall retail market fall of 11.0%. The Group, however, continued to take market share in terms of its share of sales of its major manufacturer partners.

As a consequence of this outperformance on new retail sales in the marques the Group represents, significant volume bonuses were earned by the Group during the period. Margins in new retail sales were stable at 8.2% (H1 2009 : 8.3%).

Fleet new vehicle sales of cars and commercial vehicles represent 32.7% of total Group turnover and are a significant element of the Group's operations. Commercial vehicle sales have been under significant pressure as economic conditions have deteriorated. Whilst UK new car registrations to the fleet sector declined by 26.8% in the six months ended 31 August 2009, light commercial and heavy commercial vehicle registrations fell by 42.6% and 42.5% respectively. The overall market decline of the fleet and commercial sector was 30.6%. The Group saw a 7.7% fall in fleet and commercial new vehicle volumes in this period and has therefore significantly outperformed the market.

The Group has previously reported a significant excess supply of new commercial vehicles following the market falls. This has now been cleared with the exception of heavy vehicles in our Iveco operation. The stock reductions achieved have to some extent been obtained through discounting and therefore reduced margins. Fleet and commercial gross profits declined in the period from 3.1% to 2.4% as a consequence of this stock clearance and a greater amount of low margin daily rental car supply being undertaken. The Group's Iveco operation, comprising dealerships in Gloucester, Swindon and Bristol, remains exposed to the market downturn highlighted above and delivered a loss in the period.

The Group's enhanced profitability in the period has been secured primarily from a strong performance from its used car operations. The Group's systems, processes and marketing in used cars are highly developed and this has enabled the Group to take advantage of the better market conditions in 2009. Lack of used car supply led to a significant rise in used car prices and margins in the period and prices stabilised over the summer and into September. The market for used cars has been lower in the UK in 2009 (with Experian reporting a 6.6% fall in April to June used car sales compared to the previous year) and some substitution into scrappage new car sales has been evident. Against this market backdrop, the Group is pleased to report a 3.7% like-for-like increase in used vehicle volumes in the period and a 52.2% increase in gross margin percentage from 9.0% to 13.7%. The latter reflected overall lower used car selling prices, but higher gross profits per unit in the period. Margins were aided by rising used car values from January 2009, enhanced stock turn and increased finance and insurance sales due to process improvements.

After-sales activities such as servicing, body repairs and supply of parts remain a major element of the Group's operations. Service volumes declined on a like-for-like basis by 4.6% with warranty sales falling 22.7% as product quality increased and no major recalls arose. This trend was significantly offset by enhanced penetration of the retail service market which rose 3.7% on a like-for-like basis. These changes in the mix of service work resulted in enhanced margins. Parts margins declined in the period as a result of timing differences in the recognition of volume related bonuses. After-sales margins overall in the period remained stable. The share of total gross profit contributed from after-sales fell from 45.5% to 42.1%, due to the much enhanced used car gross profit generation in the period.

A number of strategies are in place to ensure profitability from service and parts is maintained and improved. These include:

- All outbound service prospecting calls are now undertaken from centralised contact centres
- An additional contact centre has been created in Newcastle upon Tyne to sell service plans, giving fixed price service costs with monthly payments
- Increasing use of new technology such as handheld PDAs for technicians to record the work undertaken on all vehicles electronically, to enhance efficiency and increase selling opportunities on work identified
- Increased focus on after-sales processes to increase customer retention through enhancing the customer experience and satisfaction
- Enhanced internet functionality is being developed to sell services and parts

These initiatives are going hand in hand with significant training programmes in the after-sales arena, whilst continuing our ongoing investment in sales and management training. Reflecting this investment in training, the Group became the first major motor retail group to be awarded Specialist Automotive Finance Approved status by the Finance and Leasing Association (FLA) in August 2009. This status required all 370 employees handling the sale of consumer finance to undergo training and pass compliance tests.

CURRENT TRADING AND OUTLOOK

As it is a plate change month, September is the second most important month for new car sales, and is a key month for the Group's trading performance in the second half of the financial year. The Group's new car performance in September was ahead of the Board's expectations as the highly successful scrappage scheme continued to stimulate the market. New car retail volumes in the UK rose 41.3% in the month and like-for-like new retail volumes for the Group rose 16.3%, as manufacturers not significantly represented by the Group took additional market share boosted by scrappage scheme sales.

As stated previously, recent months have seen used car demand under increased pressure as prices rise and scrappage sales have led to some limited substitution. Like-for-like sales declined 7.2% in September, whilst margins and overall used car profitability remained strong. Used car values and margins continue to remain stable, reflecting ongoing supply constraints, but are anticipated to reduce to more normal patterns and levels in the coming months.

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

The ending date of the newly extended scrappage scheme, the impact of January's VAT rise on new car sales and the wider economic outlook present uncertainties. However, the Board believes that, whilst the trading environment will continue to be challenging, the Group has an asset-backed balance sheet and the structure and platform in place to take advantage of opportunities to scale the business as they arise.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2009

	Note	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
Revenue				
Continuing operations		387,215	423,547	760,810
Acquisitions		14,130	-	-
		401,345	**423,547**	**760,810**
Cost of sales				
Continuing operations		(339,097)	(376,702)	(671,680)
Acquisitions		(12,201)	-	-
		(351,298)	**(376,702)**	**(671,680)**
Gross profit				
Continuing operations		48,118	46,845	89,130
Acquisitions		1,929	-	-
		50,047	**46,845**	**89,130**
Operating expenses				
Continuing operations		(43,035)	(42,742)	(83,617)
Acquisitions		(1,945)	-	-
		(44,980)	**(42,742)**	**(83,617)**
Operating profit before amortisation, share based payments charge and exceptional charges		5,067	4,103	5,513
Amortisation of intangible assets		(100)	(85)	(183)
Share based payments (charge) credit		(4)	(80)	221
Exceptional charges	7	(1,305)	(949)	(3,441)
Operating profit				
Continuing operations		3,674	2,989	2,110
Acquisitions		(16)	-	-
		3,658	**2,989**	**2,110**
Finance income		623	783	1,788
Finance costs		(1,441)	(1,867)	(3,830)
Net finance costs	6	**(818)**	**(1,084)**	**(2,042)**
Profit before tax		**2,840**	**1,905**	**68**
Taxation	9	(800)	(536)	789
Profit for the period		**2,040**	**1,369**	**857**
Attributable to:				
Equity holders of the Group		**2,040**	**1,369**	**857**
Basic earnings per share (p)	8	**1.40**	**1.49**	**0.93**
Diluted earnings per share (p)	8	**1.40**	**1.49**	**0.93**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 August 2009

	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
Actuarial losses on retirement benefit obligations	(2,867)	(3,795)	(4,138)
Cash flow hedges	7	148	(981)
Taxation thereon	801	1,021	1,434
Net losses recognised directly in equity	**(2,059)**	**(2,626)**	**(3,685)**
Profit for the period	2,040	1,369	857
Total comprehensive loss for the period	**(19)**	**(1,257)**	**(2,828)**
Attributable to:			
Equity holders of the Group	**(19)**	**(1,257)**	**(2,828)**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2009

	Note	As at 31 August 2009 £'000	As at 31 August 2008 £'000	As at 28 February 2009 £'000
Non-current assets				
Goodwill		18,612	18,612	18,612
Other intangible assets		984	1,063	1,043
Retirement benefit asset	12	-	-	130
Property, plant and equipment		58,710	48,903	49,813
		78,306	**68,578**	**69,598**
Current assets				
Inventories		131,239	145,916	155,698
Property assets held for sale		5,000	11,390	10,250
Trade and other receivables		17,243	14,063	19,791
Cash and cash equivalents		30,709	10,609	12,907
Total current assets		**184,191**	**181,978**	**198,646**
Total assets		**262,497**	**250,556**	**268,244**
Current liabilities				
Trade and other payables		(152,858)	(155,057)	(185,056)
Current tax liabilities		(3,543)	(3,581)	(2,370)
Borrowings		-	(3,619)	(2,000)
Total current liabilities		**(156,401)**	**(162,257)**	**(189,426)**
Non-current liabilities				
Borrowings		(9,697)	(22,299)	(14,336)
Derivative financial instruments		(1,427)	(304)	(1,434)
Deferred income tax liabilities		(3,622)	(5,144)	(4,416)
Retirement benefit liability	12	(2,254)	(119)	-
Provisions for other liabilities and charges		(1,965)	(1,362)	(1,433)
		(18,965)	**(29,228)**	**(21,619)**
Total liabilities		**(175,366)**	**(191,485)**	**(211,045)**
Net assets		**87,131**	**59,071**	**57,199**
Capital and reserves attributable to equity holders of the Group				
Ordinary shares		19,630	9,198	9,198
Share premium		60,506	40,991	40,991
Other reserve		7,969	7,969	7,969
Hedging reserve		(1,027)	(219)	(1,032)
Retained earnings		53	1,132	73
Shareholders' equity		**87,131**	**59,071**	**57,199**

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2009

	Note	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
Operating profit		3,658	2,989	2,110
Loss on sale of tangible fixed assets		17	6	14
Loss on sale of properties		1,305	-	-
Amortisation of intangible assets		100	85	183
Depreciation of property, plant and equipment		1,244	1,141	2,344
(Increase) decrease in inventories		(5,327)	2,949	8,650
Decrease (increase) in trade and other receivables		3,507	(820)	(7,115)
Decrease in property assets held for sale		-	-	1,140
(Decrease) increase in payables		(3,660)	(899)	13,674
Increase in provisions		532	333	404
Movement in share based payments charge		4	80	(221)
Cash generated from operations		**1,380**	**5,864**	**21,183**
Tax received		379	-	173
Tax paid		-	-	(367)
Finance income received		10	56	211
Finance costs paid		(612)	(1,594)	(2,751)
Net cash generated from operating activities		**1,157**	**4,326**	**18,449**
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	11	(7,225)	-	-
Acquisition of freehold land and buildings		(2,752)	-	-
Purchases of intangible fixed assets		(42)	(79)	(156)
Purchases of property, plant and equipment		(1,321)	(2,599)	(4,916)
Proceeds from disposal of property, plant and equipment		876	2	190
Proceeds from disposal of property assets held for sale		3,839	-	-
Net cash outflow from investing activities		**(6,625)**	**(2,676)**	**(4,882)**
Cash flows from financing activities				
Net proceeds from issuance of ordinary shares		29,947	-	-
Repayment of borrowings	10	(6,677)	(500)	(10,119)
Net cash inflow (outflow) from financing activities		**23,270**	**(500)**	**(10,119)**
Net increase in cash and cash equivalents	10	17,802	1,150	3,448
Cash and cash equivalents at beginning of period		12,907	9,459	9,459
Cash and cash equivalents at end of period		**30,709**	**10,609**	**12,907**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2009

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

For the six months ended 31 August 2008

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2008	**9,194**	**40,991**	**7,950**	**(326)**	**2,416**	**60,225**
Profit for the period	-	-	-	-	1,369	1,369
Actuarial losses on retirement benefit obligations	-	-	-	-	(3,795)	(3,795)
Tax on items taken directly to equity	-	-	-	(41)	1,062	1,021
Fair value gains during the period	-	-	-	148	-	148
Share based payments credit	-	-	-	-	80	80
New ordinary shares issued	4	-	19	-	-	23
As at 31 August 2008	**9,198**	**40,991**	**7,969**	**(219)**	**1,132**	**59,071**

For the year ended 28 February 2009

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2008	**9,194**	**40,991**	**7,950**	**(326)**	**2,416**	**60,225**
Profit for the period	-	-	-	-	857	857
Actuarial losses on retirement benefit obligations	-	-	-	-	(4,138)	(4,138)
Tax on items taken directly to equity	-	-	-	275	1,159	1,434
Fair value losses during the period	-	-	-	(981)	-	(981)
Share based payments charge	-	-	-	-	(221)	(221)
New ordinary shares issued	4	-	19	-	-	23
As at 28 February 2009	**9,198**	**40,991**	**7,969**	**(1,032)**	**73**	**57,199**

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

NOTES

For the six months ended 31 August 2009

1. General information

Vertu Motors plc is a Public Limited Company which is listed on the Alternative Investment Market (A*i*M) and is incorporated and domiciled in the United Kingdom. The address of the registered office is Rotterdam House, 116 Quayside, Newcastle upon Tyne, NE1 3DY. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2009 and similarly the period ended 31 August 2008 has neither been audited nor reviewed by the auditors. The financial information for the year ended 28 February 2009 has been based on information in the audited financial statements for that period.

The information for the year ended 28 February 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain an emphasis of matter statement under section 498 of the Companies Act 2006.

2. Accounting policies

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

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

The accounting policies adopted in this interim financial report are consistent with those of the Group's financial statements for the year ended 28 February 2009 and can be found on our website, www.vertumotors.com.

IAS 1 (revised) requires the presentation of a Consolidated Statement of Changes in Equity as a primary statement, separate from the Consolidated Income Statement and Consolidated Statement of Comprehensive Income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in each component of equity for each period presented.

3. Segmental analysis

The Group has adopted IFRS 8 "Operating Segments" from the beginning of the financial year, which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive. As such, there has been no change in the Group's one reportable business segment following this adoption, since the Group is operated and is managed on a dealership by dealership basis. These dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable business segment.

4. Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. As such, the Group continues to adopt the going concern basis in preparing its interim management report.

In determining whether the Group is a going concern, the Directors have reviewed the Group's current financial position and have prepared detailed financial projections. These projections, even after allowing for headroom to accommodate a reasonable downside scenario (including weaker trading and adverse movements in interest rates), indicate that the Group would be able to manage its operations so as remain within its current facilities and in comfortable compliance with its banking covenants.

5. Critical accounting judgements and estimates

The preparation of interim financial reports and annual consolidated financial statements, in conformity with 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 are assessed as being the same as those applied and disclosed in the consolidated financial statements for the year ended 28 February 2009.

6. Net finance costs

	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
Bank loans and overdrafts	(501)	(1,005)	(1,653)
Vehicle stocking interest	(250)	(113)	(597)
Other finance costs relating to Group pension scheme	(683)	(742)	(1,567)
Other finance costs	(7)	(7)	(13)
Finance costs	**(1,441)**	**(1,867)**	**(3,830)**
Other finance income relating to Group pension scheme	561	727	1,577
Interest on short term bank deposits	62	56	211
Finance income	**623**	**783**	**1,788**
Net finance costs	**(818)**	**(1,084)**	**(2,042)**

7. Exceptional charges

	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
Loss on sale of properties	1,305	-	-
Reorganisation costs	-	114	570
Closure costs	-	335	482
Impairment of property assets held for sale	-	-	1,140
Environmental costs	-	-	400
Empty property provisions	-	423	571
Onerous lease costs	-	-	201
Abortive costs	-	77	77
	1,305	**949**	**3,441**

There is no explicit explanation of exceptional cost under IFRS. For the purposes of the interim management report and consolidated financial statements, exceptional charges are items which individually, or if of a similar type, in aggregate, need to be disclosed, by virtue of their nature, size or incidence, in order to allow a proper understanding of performance of the Group.

Exceptional charges of £1.3m (2008: £0.9m) were incurred in the period, relating to losses on the disposal of two of the Group's freehold properties. These two disposals generated £4.7m of cash and three surplus freehold properties with a net book value of £5.0m remain to be sold and are categorised as property assets held for sale.

8. Earnings per share

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

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

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

	Six months ended 31 August 2009 £'000	**Six months ended 31 August 2008 £'000**	**Year ended 28 February 2009 £'000**
Profit attributable to equity shareholders	2,040	1,369	857
Amortisation of intangible assets	100	85	183
Share based payments charge (credit)	4	80	(221)
Exceptional charges	1,305	949	3,441
Tax effects of adjustments	(365)	(312)	(829)
Adjusted earnings attributable to equity shareholders	**3,084**	**2,171**	**3,431**
Weighted average number of shares in issue ('000s)	145,843	91,944	91,981
Potentially dilutive shares ('000s)	-	-	-
Diluted weighted average number of shares in issue ('000s)	**145,843**	**91,944**	**91,981**
Basic earnings per share	**1.40p**	**1.49p**	**0.93p**
Diluted earnings per share	**1.40p**	**1.49p**	**0.93p**
Adjusted earnings per share	**2.11p**	**2.36p**	**3.73p**
Diluted adjusted earnings per share	**2.11p**	**2.36p**	**3.73p**

9. Taxation

The tax charge for the six months ended 31 August 2009 has been provided at the effective rate of 28.2% (Six months ended 31 August 2008: 28.1%).

10. Reconciliation of net cash flow to movement in net cash (debt)

	Six months ended 31 August 2009 £'000	Six months ended 31 August 2008 £'000	Year ended 28 February 2009 £'000
Net increase in cash and cash equivalents	17,802	1,150	3,448
Cash outflow from repayment of borrowings	6,677	500	10,119
Cash movement in net debt	**24,479**	**1,650**	**13,567**
Amortisation of loan arrangement fee	(38)	(38)	(75)
Non cash movement in net debt	**(38)**	**(38)**	**(75)**
Total movement in net debt	**24,441**	**1,612**	**13,492**
Opening net debt	**(3,429)**	**(16,921)**	**(16,921)**
Closing net cash (debt)	**21,012**	**(15,309)**	**(3,429)**

11. Acquisitions

On 1 March 2009, the Group opened a new Bristol Street Motor Nation used car sales outlet in Darlington. This dealership utilises leased premises and therefore no trade or assets were acquired.

On 26 June 2009, the Group acquired the trade and assets of certain dealerships from the receivers of Brooklyn Motors plc for total cash consideration of £7.1m, inclusive of £0.2m of fees. The fair value of the net assets acquired were also £7.1m, therefore no goodwill arose on this transaction.

On 27 July 2009, the Group acquired the trade and assets of Ilford Vauxhall and Chevrolet from Crown Motors (Dagenham) Limited, for cash consideration of £0.1m. No goodwill arose on this transaction.

On 1 August 2009, the Group began trading as a Honda dealership in Mansfield, having acquired the freehold premises for a total cash consideration of £1.2m on 30 June 2009.

12. Retirement benefits

The defined benefit plan assets and liabilities have been updated to reflect their market value as at 31 August 2009. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy.

During the six month period ended 31 August 2009, equity and bond markets rose significantly and returned more than assumed. Overall, this led to a gain on assets of £3,763,000. There have also been changes in the financial assumptions underlying the calculation of the liabilities in the same period. In particular, the yield on AA-rated corporate bonds has decreased considerably and the long-term outlook for inflation increased. This has led to a higher value being placed on liabilities at the 31 August 2009 than assumed at the beginning of the financial year, resulting in loss of £6,630,000. Therefore, in total, there was an actuarial loss in the period of £2,867,000 before deferred taxation, recognised in the Consolidated Statement of Comprehensive Income.