3 June 2020

Vertu Motors plc ("Vertu", "Group")
Final results for the year ended 29 February 2020

"Robust FY20, strong balance sheet, close relationships with Manufacturer partners, supportive banks and very motivated colleagues"

Vertu Motors plc, the automotive retailer with a network of 133 sales and aftersales outlets across the UK, announces its final results for the year ended 29 February 2020.

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

"The year to 29 February 2020 was robust for Vertu, but now the COVID-19 crisis and impact are clearly the focus. I have spent the best part of 20 years getting people into motor dealerships and the last two months effectively keeping them out. We entered the lockdown with a strong balance sheet, minimal use of used car stocking loans and excellent relationships with our banks, all of which means we have sufficient liquidity to weather this crisis.

The health, welfare and safety of our colleagues and customers is of vital importance, and I would like to say how proud I am of the entire Vertu team which has responded rapidly and responsibly in this crisis, temporarily closing retail outlets quickly and safely and keeping vital service capability in the vast majority of Group outlets open for the vehicles of key workers and essential organisations. I would like to thank all our colleagues for their hard work and support at this time, and I want to do them and their hard work justice by making this announcement not just about COVID-19.

"Due to the progress made in FY20, our financial strength, omnichannel capabilities, trusted relationships with Manufacturers and strong team and culture, we will emerge from this crisis with an improved market share as the competitive landscape evolves and attractive consolidation opportunities emerge."

OPERATIONAL AND OUTLOOK HIGHLIGHTS

- Adjusted[1] profit before tax of £23.5m in line with expectations, despite absorbing costs and losses of £0.7m in relation to recent acquisitions (2019: £23.7m)
- 12 sales outlets added in year including the addition of 3 new franchise partners to the Group's portfolio
- Strong management, supported by scalable, sector-leading in-house developed systems, provides assurance of tight control of operations and swift execution of strategies
- Deployment of new technologies accelerating progress in both omni-channel retailing and increasing efficiency in transaction processing across the business
- Meticulous planning undertaken for the re-opening of dealerships in a safe and socially distanced way

- Strong balance sheet with low debt levels results in significant liquidity being in place, aided by supportive banks and Manufacturer partners
- Group is very well positioned to take a larger role in the sector through consolidation and growth opportunities and has the ambition to do so

FINANCIAL HIGHLIGHTS

- £82.3m (2.8%) growth in revenues to £3.1bn, with like-for-like revenue growth of 1.2%
- Excellent aftersales performance with like-for-like revenue growth of 4.6% delivering a 5.9% growth in gross profit
- Stable used vehicle volume and margins delivered, despite pricing volatility in first half and absorption of additional preparation charges from aftersales
- Like-for-like fleet and commercial revenue growth of 5.3% delivering £5.6m additional total gross profit
- Strong cost control exhibited with like-for-like operating expense growth of 1.4% (2019: 4%) and total underlying operating expenses representing 10.0% of revenues (2019: 9.9%)
- Growth in Adjusted[1] operating profit to £29.1m (2019: £27.4m)
- Non-cash impairment charge of £14.4m included in non-underlying charges
- Profit before tax of £7.3m (2019: £25.3m)
- Underlying earnings per share increased to 5.12p (2019: 5.10p)
- No final dividend is recommended
- Net tangible assets per share of 46.0p (2019: 44.9p)
- Adjusted[2] net debt of £2.8m at 29 February 2020 (2019: net cash £22.9m)

[1] Excludes non-underlying items
[2] Excludes amounts drawn on used vehicle stocking loans
Given the heightened uncertainty of any forecast at this current time it is inappropriate to provide any guidance with respect to market expectations

Webcast details

Vertu Management has recorded a webcast for analysts and investors. A recording of the webcast will be made available on Vertu's website this morning: investors.vertumotors.com

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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CHAIRMAN'S STATEMENT

This is not the report I envisaged writing when the financial year under review ended on the 29 February 2020 with recent months dominated by the impact of the COVID-19 virus. Despite well publicised industry headwinds, the Group delivered a robust underlying trading result. The outcome is even more pleasing as it has absorbed trading losses and acquisition costs relating to the businesses acquired in January and February 2020. Year-on-year growth in trading performance, excluding the impact of these acquisitions was delivered.

The Group at present faces a fundamental challenge posed by the global COVID-19 pandemic. The effects of reduced mobility and the temporary closure of Group's sales showrooms has had a significant impact on the Group in the post year end period. The lockdown on 24 March commenced during the sector's most significant month for activity and profitability. Immediate actions were taken to protect colleagues and customers in applying the requirements of Government to close all the Group's vehicle sales showrooms and physical sales activity. The bulk of the Group's vehicle service and repair operations remained open, at reduced capacity, in order to keep key workers and other essential vehicles on the road. In mid-May, following the relaxation of the lockdown, service operations were extended to all customers and the Group commenced a vehicle delivery service for vehicle sales from dealerships in line with revised English guidelines. Showroom activity in England recommenced from 1 June.

Considering the ongoing situation, and to preserve cash, the Board does not recommend a final dividend for the year ended 29 February 2020. The Board recognises the importance of dividends in delivering shareholder value and will consider resumption of dividend payments in due course.

The Board has taken sensible steps around Executive remuneration and cash preservation. The strong balance sheet has aided the ability of the business to withstand the current crisis. Banking covenants have been waived and significant liquidity is in place, aided by the support of the Group's banks and Manufacturer Partners.

Prior to the spread of the virus from China, the UK automotive retail sector already faced a series of challenges in FY20. These included new vehicle supply constraints, driven by continued weakness in Sterling and EU Worldwide Harmonised Light Vehicle Test Procedure ("WLTP") regulations, which applied to commercial vehicles for the first time in 2019, political uncertainty around the exit of the UK from the EU impacting consumer confidence and continued cost pressures.

Whilst we believe the pandemic will eventually pass or be controlled, we do not know exactly what the longer-term impacts on the sector and business will be. It is possible that the aftermath will see reversals to sector trends in some areas and an acceleration of others. It is likely that the growth in importance of omni-channel retailing and digital channels will be accelerated and the Group is well-positioned for this change. Financial pressures on already stressed businesses in the sector, could lead to an acceleration of much needed franchise retailer capacity reductions in the UK and this should enhance volumes and returns for those remaining. We expect that those businesses in the sector with scale, strong brands, stable and experienced management and financial resilience will be net beneficiaries from these trends.

The Board, in late 2019, agreed the following strategic imperatives for the Group and considers that they remain critical and highly relevant in the new environment the business finds itself in today:

- 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 long-run returns.
- To be at the forefront of omni-channel retailing and digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy.
- To reduce the cost base of the Group through scale economies and using digitalisation of processes to reduce costs.
- To develop and motivate the Group's colleagues to ensure consistency of operational delivery across the business.
- To develop ancillary businesses to add revenue and returns which complement the core business.

Our aims are to deliver outstanding customer service and to build long-term value through the delivery of sustainable growth in cash flows and earnings per share. It is imperative that this is done alongside the constant application of the Group's Core Values to foster trust with all stakeholders be they colleagues, customers, investors or Manufacturer partners. The Group is very well positioned to do this and the current crisis, in all likelihood, will enhance the speed of change and provides a clear opportunity to continue to deliver on our strategy.

I would like to take this opportunity to thank all the management and colleagues for their professionalism and fortitude to deliver the result for the financial year and to react positively to the impacts of the pandemic.

Andy Goss
Chairman

CHIEF EXECUTIVE'S REVIEW

This report seeks to inform all stakeholders on how the Group has performed in the year to 29 February 2020 and to review the challenges the Group faces, the opportunities available to exploit and explains how the business will be managed going forward. Clearly the Group's current position is dominated by the impact of COVID-19 in the United Kingdom and this is addressed later in the report. The CFO's report includes a detailed analysis of financial and operational performance.

The year saw the Group move forward significantly in terms of its key strategic objectives. Despite sector wide trading headwinds, the Group delivered a robust financial result with Adjusted profit before tax of £23.5m (2019: £23.7m). This result was after absorbing £0.7m of trading losses and acquisition costs from the additional 12 sales outlets added to the Group in the early part of 2020.

Profit before tax reduced from £25.3m to £7.3m, largely reflecting a significant non-cash impairment of £14.4m in relation to intangible and tangible assets. This impairment reflected revised cash flow forecasts in the light of the impact of COVID-19 on anticipated future cash flows. This impairment was predominantly in relation to goodwill relating to the Group's Mercedes-Benz operations and a freehold property operating the Vauxhall franchise.

The Group's Adjusted operating profit rose from £27.4m to £29.1m bearing witness to the strong operational execution of the Group in the year, despite headwinds. Higher manufacturer new vehicle stocking charges in the year contributed to a rise in net finance charges of £1.9m which resulted in the reported decline in adjusted profit before tax. The stocking charge increase arose due to higher consignment stock pipelines in anticipation of Brexit and higher interest rates.

This financial result reflected the inherent strength of the Group with its stable management team, strong culture and increasingly sophisticated in-house digital systems platform. The Group has a clear strategy and is executing it.

Execution of Strategy

Progress made during the year towards the delivery of the Group's strategic imperatives is outlined below, together with an assessment of the changing environment in which the Group operates and how the business has and intends to react.

Growth

Importance of Scale and Brand

Manufacturers rely upon their retail franchise dealer network to deliver their products to end users and to provide essential aftersales care. There is very little sign that this will not continue long into the future, primarily due to the capital investment required to have the necessary physical presence and the complexity of organising businesses across every geography across the globe. The Manufacturers have enough challenges for investment (exacerbated by the current crisis) and so the development of revolutionary new distribution models is considered unlikely. Indeed, the level of assistance by Manufacturers to their retail networks during the pandemic has been significant and gives evidence of their desire to support and maintain their existing distribution model.

This does not mean that there will be no changes in the composition and structure of the UK's franchise dealer network. We expect a continued tendency for the number of UK franchised dealer outlets to decline and this may indeed progress more quickly now. Manufacturers will seek simplification in their networks, choosing to work with fewer, larger retail partners of scale which best deliver on their objectives. The positive relationships the Group has established with Manufacturer partners means it is well placed to take advantage of this ongoing consolidation. In terms of representation, a more fluid representation plan is anticipated to emerge, more suited to local market conditions (rather than a one size fits all approach across varying geographies) which could involve the development of market areas, large dealership hubs, used car only operations, local aftersales only facilities, potentially combined with localised delivery points. These trends are likely to enhance sales per sales outlets for the remaining network representation points.

To deliver long-term value to the Group's owners, the Group's strategy is to continue to grow through acquiring both volume and premium franchised dealerships. The Board believes that the benefits of scale in the sector are increasing over time. Scale benefits include: a national online and off-line co-ordinated marketing strategy, based on strong brands, to maximise the benefits of the Group's unique national footprint, online platforms, scaled highly efficient contact centres, franchise management dedication, purchasing efficiencies and access to competitive consumer finance packages for the Group's customers.

Further consolidation of the sector by large-scale national brands is likely to continue in the years ahead. The Group currently operates a small number of brands in the UK and measures their effectiveness through regular third-party assessments of consumer awareness. Bristol Street Motors is one of the top automotive retail brands in England for volume franchises and has been promoted by significant TV advertising in recent years. Bristolstreet.co.uk is one of the most significant websites in the sector and the brand is over 100 years old. In Scotland, Macklin Motors is the Group's sole brand North of the Border and is ten years old this year. It has also benefitted from recent acquisition growth and a long period of TV exposure.

The Group is increasingly developing customer awareness of its core premium franchise brand, Vertu, and will commence its first TV marketing campaign in relevant regions in the coming months. Vertu is a fresh brand developed since 2006 and the Board believe it is set to become a major player in the UK in the years ahead. A new website, Vertumotors.com, has now launched to leverage the brand on a single platform across franchises such as Honda, Volkswagen, Toyota and Mercedes-Benz.

The final, major Group brand is Farnell, which operates Jaguar Land Rover franchises in the North of England and has been associated with the brands since 1948. Farnell has an excellent reputation and has the ability to be further developed.

Portfolio Development and changes

As part of the strategy for scale, the Group seeks to add additional Manufacturer partners, not currently represented in the portfolio, to facilitate additional growth opportunities and succeeded in this in the financial year. In addition, it is likely that more dealership locations will see increased levels of multi-franchising, where two or more franchises are represented at one location, to provide sales and service functions in a territory, but with a lower operating cost base. The Group has executed multi-franchising actions in several of its locations in the year ended 29 February 2020 and continues to evaluate such opportunities to maximise the profitability of each location. Increased flexibility of formats and Manufacturer requirements are likely to aid this process and again the current situation is likely to accelerate this trend.

Reflective of the above, on 20 December 2019, the Group exited the Volvo franchise in Derby. The premises were retained and after refurbishment, the Group opened the site as the Group's sixth Peugeot dealership on 28 February 2020. Additionally, in January 2020, the Group opened two new franchise outlets for Hyundai in the North East of England bringing the total of Hyundai outlets operated to 10. This growth of Bristol Street Motors arose at Silverlink, North Tyneside in the Group's former Infiniti dealership and, in addition, the franchise was added to the existing Ford and Honda operation in Morpeth, Northumberland - an excellent example of multi-franchising.

On 15 January 2020 the Group acquired the trade and assets of four Volkswagen passenger car dealerships in West Yorkshire from Goodman Retail Limited, a trading subsidiary of Sytner Group Limited. The purchase of these four substantial Volkswagen leasehold dealerships in Leeds, Huddersfield, Harrogate and Skipton represented further expansion of the Group's Vertu brand and complements the Group's existing 13 outlets in Yorkshire comprising the Nissan, Renault, Jaguar, Land Rover, Vauxhall and Honda brands. Cash consideration payable on completion totalled £6.9m, including a payment in respect of goodwill of £1.8m. The financial statements for these businesses for the year ended 31 December 2018 showed revenues of £112m and a profit before taxation of £0.6m.

On 20 January 2020 the Group acquired the trade and assets of three franchises on a multi-franchise dealership in Edinburgh, Scotland from the administrators of Leven Cars Group Limited. The purchase of this Kia, Suzuki and Mitsubishi leasehold dealership represented further expansion of the Group's Macklin Motors brand and complements the Group's existing nine outlets in Scotland comprising the Nissan, Ford, Mazda, Peugeot and Hyundai brands. The acquisition also brought Kia, Suzuki and Mitsubishi as new franchises to the Group. The consideration paid on completion was £0.03m.

Finally, on 28 February 2020, the Group acquired the trade and assets, including a freehold property, of Bradford Kia and Honda, from Vantage Motor Group. Consideration payable on completion was £3.9m, including £3.1m in respect of the freehold property. The addition of the Honda franchise in Bradford adds to the Group's geographic coverage of 12 other Honda car dealerships across the East

Midlands, South Yorkshire and North East of England. Bradford Kia became the second Kia dealership operated by the Group.

The Board adopts a rigorous and disciplined capital allocation process in deciding whether to pursue an acquisition. Investment evaluations for specific opportunities involve detailed three-year investment appraisals and utilise set return on investment hurdle rates to ensure appropriate capital allocation.

Six-monthly, the Board assesses the Group's strategic position with each Manufacturer to confirm the Group's standpoint on future investment in the franchise. This leads to an Add, Hold, Reduce or Avoid conclusion which underpins the Group's strategic franchise portfolio management.

The anticipated acceleration of network changes for franchised retailers outlined above, means that property flexibility, such as freehold ownership and sensible lease lengths and structures, takes on greater importance. Modelling has been undertaken to assess how network changes may impact the Group's dealerships going forward and the impact this may have from a property perspective around the freehold property portfolio and lease commitments. Acquisitions and disposals must also reflect these trends and the Board is mindful of them when considering the current portfolio and how it will evolve. In addition, the Board performs regular reviews of underperforming dealerships within the portfolio, applying its strategy of "fix, re-franchise, sell or close". These disciplines are a very important element of the capital allocation process providing cash for investment in higher return activities. In the wake of the current situation, such reviews take on even greater importance and a further review is planned once the "new normal" position of the economy and sector becomes apparent later in the coming months.

Impact of Industry development trends

Potential future development of the automotive sector has in recent years been linked to the development of the Connected, Autonomous, Shared and Electric (CASE) vehicle. The current global pandemic will almost certainly impact on the 'Shared' element of mobility, with the potential that consumers shy away from public and shared transport, at least in the short-term. It is also increasingly apparent that whilst increased autonomy is certainly assisting drivers, full autonomous capability is still a long way off, with technological, regulatory and legal considerations weighing heavily.

The wake of the pandemic may put pressure on Regulators around the stringent Co2 legislation that has been put in place in the EU. This is the key driving force of the 'Electric' element of CASE. The public have undoubtedly noticed less air pollution in urban areas during the lockdown and this will no doubt lead to continued efforts to reduce NOx emissions due to the health benefits. Current new models of petrol and diesel vehicles have a major part to pay in this effort, alongside alternative fuelled vehicles. With regards to carbon dioxide reduction targets in the EU, the situation may be more complex since tightening emissions regulations have undeniably put Manufacturer business models, cash levels and future returns under significant pressure. The post pandemic return of a strong, automotive manufacturing and retail sector will be vital to rebuild European economies in the months and years ahead.

Over 40% of the Group's gross profit has historically arisen from its aftersales operations, namely the provision of servicing and repairs and the retailing and wholesaling of parts. Electric vehicles require less mechanical service intervention than those with an internal combustion engine, however, latest research suggests that their complexity has the potential to increase or at least maintain service and repair revenues from such vehicles for the next decade at least.

The increasing technological complexity of newer internal combustion, hybrid and electric vehicles has meant the barriers for new entrants into the vehicle servicing arena have, if anything, increased as the costs of specialist diagnostic equipment, tooling, access to software downloads and training rise. Customers are more likely to trust Manufacturer franchise-holders to service a highly complex, potentially electric, connected vehicle with increasing levels of autonomous driving functionality.

The UK saw a significant increase in registration of pure electric vehicles in 2019, however, the 1.6% market share achieved is still tiny. This leaves a very high proportion of registrations of vehicles with an internal combustion engine component and it is expected that these vehicles will dominate the vehicle parc well into the 2030s and even beyond. This provides a major growth opportunity in high margin aftersales for the Group, especially given that developments in the 'Connected' vehicle area are likely to increase service retention of vehicles into franchised networks.

Notwithstanding the above, electric vehicles will undoubtedly form a rising proportion of new and used sales in the years ahead. The Group has trained all colleagues on electric vehicles via e-learning and the Group has 10 of its dealerships audited and approved as "Electric Vehicle Approved" outlets as part of a Government and sector promoted scheme to promote enhanced standards to consumers in this area. 10 is the maximum number of dealerships a Group can currently have approved.

Omni-channel retailing

Digitalisation of Sales

Whilst the pace of consumer change from physical to online has been fast in the general retail sector, the relative complexity of a vehicle purchase has, thus far, led to a much lower adoption of 'purely' online transactions within automotive retail. However, the industry may now see an acceleration in the transition to an enhanced role for online capability for automotive purchases and the Group has been at the forefront of developments to provide customers with innovative ways to purchase and interact in vehicle sales.

Vertu was the first dealer group in the UK to develop the technology for customers to choose a used vehicle, finance its purchase and trade in their existing vehicle entirely online. This was launched in May 2017 and has seen many customers starting their purchasing journey on the platform and in some cases completing the entire process online. The relatively low volumes of entirely online sales to date relate directly to the relative complexity of a vehicle purchase transaction, which potentially includes financing, warranty and other products, as well as a vehicle to trade in. Until now, customers have also preferred to test drive their chosen new vehicle, to ensure that it will meet their needs, before committing to a purchase. This requirement is highly likely to continue when some degree of normality returns to life.

During the lockdown period, the Group continued with its in-house software developments undertaken by its 25 strong development team. Great progress in developing omni-channel retailing functionality was made throughout 2019 and into 2020 and the benefits are increasingly coming to fruition. As customers faced lockdown and potentially demand a contactless sales environment, these developments take on increasing importance. Recent developments include:

- Online retailing functionality has been launched across all Group websites for new and used cars. In May 2020 this functionality was enhanced with a simplified customer journey, resulting in a record level of purely online transactions completed.
- Consumers can now reserve a car for a fee online so effectively taking the car off-market while the deal is finalised with the dealership. Uptake of this functionality has been excellent.

- Online finance calculators now provide the same experience online as in the showroom.
- Contactless document "signing" is now in place with approval obtained from the customer, whether at home or in the showroom, via SMS message.
- Video technology is now embedded into the Group's bespoke showroom system to allow sales executives to hold video calls with one or more customers and to demonstrate vehicles and present deals in the same way that would be done were the customer in the showroom.

It will now be more vital than ever before to have an omni-channel approach offering choice to customers between online and offline channels. The customer experience of the transition from online to offline (and return) must be seamless. The Group has moved a long way down this road in recent months which will lead to competitive benefits in the future.

A "Bricks and clicks" strategy

The Group's network of physical dealerships across the UK remains at the centre of its customer offering and is vital for the delivery of service and repair work to our customers. A "bricks and clicks" model is likely to prevail in this sector. The vast majority of customers buy from their local dealership and the majority will still want to undertake a test drive. Local sales and aftersales support is a key factor in many vehicle buying decisions and the Group retains a high proportion of its vehicle sales customers into service. The continued improvement of such customer retention is a key goal for the Group. Initiatives such as the sale of service plans aid service retention, but the delivery of excellent customer experience is the most important predictor of customer loyalty. Opening aftersales in most locations during the lockdown period reinforced customer loyalty and future retention.

Cost Reduction

Enhanced scale of operations allows the Group to maximise on purchasing benefits, provide process efficiencies with common systems and technology and to gain marketing synergies from promoting a larger network for each of the Group's brands.

The Group's inhouse management information system has been developed to provide management (and colleagues) with real time data in all aspects of the business, from financial information, cost trends, colleague performance, customer experience data to complaints analysis. We believe this gives the Group a scalable, competitive advantage in business performance and indeed regulatory compliance. Such tools provide benchmarking to promote greater consistency in performance across the business.

Enhanced integration of the Group's sales showroom and financial systems has removed the need for paper documents within the sales process and facilitates significant efficiency improvements in processing vehicle sale transactions. This will deliver future reduced costs.

Further examples of innovations to deliver enhanced efficiency, so delivering costs benefits are:

- The Group's online service booking bot 'Leo' has been further developed and integrated into the Group's service diary to remove any re-keying of information by the Group's central contact centre. The Group is now booking in over 5,000 customers per month online for their service, delivering a significant cost reduction.
- Internet sales enquiries from Manufacturers and third parties are now auto-populating the Group's showroom system so reducing double-keying and leakage.

- A new telephony system is now uniform across the Group and not only reduces costs but also allows for efficiency improvements in call handling. This significantly enhanced the ability of contact centre operatives to work easily and effectively from home during the lockdown.

Further projects are being undertaken to utilise robotic processes and machine learning in various areas, including lead prioritisation. Attrition marketing is also being progressively developed to ensure marketing spend ROI is optimised.

Motivated, Professional Colleagues

To execute its strategies, the Group must have the right people in management and colleague positions and have a culture that promotes excellence and is intolerant of mediocrity. In this way, the basics of the business are executed, and customers delighted.

The Group has over 5,800 colleagues and its success is predicated not only on having the right strategy but in the day-to-day delivery of operational excellence to meet customers' needs at over 130 UK outlets. The calibre, skills and motivation of management and colleagues is therefore vital to delivering the objectives of the Group. This comes down to consistently delivering the basics within the business with the application of the right Values.

The Group has a very stable team of senior executives and dealership General Managers. Training is seen as vital within the Group with extensive leadership development paths in place from sales executives and technicians all the way to executive level. These paths are combined with a formal talent strategy in each division to identify, develop and promote high potential colleagues and to provide opportunities so that their skills are retained in the Group. To aid this, the HR Director and CEO undertake formal talent pool reviews with each Division on a six-monthly basis. E-learning and skills-based training is also provided for all colleagues to ensure consistency of culture and processes. The Group regularly invests in bringing to the UK, world class management trainers to train all the Group's 600 managers to raise management standards and create a Group-wide performance culture. Indeed this was again undertaken when a renowned US trainer trained every manager for a day in January.

A key aspect of the Group, which drives performance and consistency, is to have one, consistent Group culture. Delivery of the Group's Mission Statement ("To deliver an outstanding customer motoring experience through honesty and trust") through application of the Group's Values ("Professionalism, Recognition, Integrity, Respect, Opportunity and Commitment") is at the core of how we do business. The latest annual colleague survey, completed by over 80% of the Group's colleagues in August 2019, confirmed that 97% knew the Values of the Group and 90% considered that the Directors actively practice them. An evidence to the Group's commitment to the delivery of outstanding customer service, the Group was delighted to win, in July, the AutoTrader Customer Experience Award and, in November, the Lex Autolease Aftersales Excellence award. This external validation reinforces that the customer focused culture of the Group is increasingly consistent. As at 29 February 2020, 81.6% of Group dealership sales departments and 57.3% of aftersales departments achieved above national average scores in customer satisfaction, as measured by our Manufacturer partners. In addition, the Group's Judge Service Net Promotor Score measured in respect of used vehicle sales was 82.9% based on a three month rolling measure.

Responding to Regulatory Change

FCA

Following the publication of the FCA's findings in connection with a review of motor finance, commission arrangements looked set to change in the second half of 2020. The FCA commenced a consultation process around these changes, but it is not known at this stage what changes will arise from the FCA's findings. In response to the COVID-19 pandemic, the FCA have announced a further delay to the publication of its recommendations arising from this review until later in the Summer.

The Group has always considered regulatory compliance to be a core operational competence. The Group has for many years used one electronic showroom system across the Group to ensure consistency of process in this important area of regulatory compliance, as well as to provide customers with the right information to select the financial products which best suit their needs. The Group has a long-established Compliance Committee which regularly reviews the Group's sales process, key performance metrics and real time customer feedback to ensure that the Group continues to demonstrate appropriate compliance with all the relevant legislation. The Group benefits from the uniformity of its core systems platforms and its sales and administration processes. The Group has an excellent, internally developed in-house management information system providing a holistic view to management of activity including customer outcomes. Acquisitions are brought onto these platforms very quickly.

UK withdrawal from the EU

At this stage, the UK's future trading arrangements with the European Union remain unclear. In the event the UK exits the Customs Union and Single Market without a deal on trade, it is a possibility that World Trade Organisation rules will apply. Tariffs of 10% may be charged on vehicles which are imported into the UK, increasing the cost of such vehicles to consumers. If this occurs it is likely to cause a fall in sales of new imported vehicles, whilst contributing to an underlying strength in used vehicle values.

In the absence of an agreement on the future arrangements as part of a customs union, a change to the timing of new vehicle consignment stock invoicing to retailers is also possible. The Group currently receives invoices, on which it can reclaim input VAT, from several of its Manufacturer partners when a vehicle leaves the assembly line following production, regardless of where this may be located within the EU. The VAT is then reclaimed by the Group whilst the invoice is included in trade creditors until the vehicle is sold or a prolonged period expires utilising Manufacturer funding lines. On leaving the EU and its VAT regime, invoicing to the Group may be delayed until the vehicle arrives in the UK. A delay in the timing of vehicle invoices to the date a vehicle arrives in the UK will reduce the current VAT cash flow advantage currently afforded to the Group as a result of such invoicing arrangements.

Strategic Summary

There are a number of potential threats to the Group's business model set out above, however, there are also significant opportunities. The Group's future success is dependent upon its ability to continue to innovate in order to meet any changes in customers' needs and in response to regulatory change. The Group also needs to continue to ensure capital is allocated to those activities, locations and franchises that are best placed to meet the competitive challenges arising. The Group's success will ultimately rely on leveraging its proven strengths, the quality of execution of business ideas, such as cost saving initiatives, enhancing operational efficiency, marketing campaign delivery and new business opportunities. The Group's stable, experienced management team and the relative financial strength, compared to many others in the wider sector, means it is well positioned to take advantage of the opportunities arising and is ambitious to do so.

We are proud of our Mission Statement "to deliver an outstanding customer motoring experience through honesty and trust" and all our colleagues strive to achieve customer service excellence. The Group's business success is based on the delivery of this premise.

COVID-19 Impact

It is clearly important to inform shareholders of the risks that the COVID-19 pandemic poses to the Group and the actions taken to ensure the safety of colleagues and customers and to protect the business for the future.

The UK has no experience in the last 100 years of a crisis like the one we are currently facing. It is not yet clear how long the virus will last and what consequent effects on consumer behaviour and the sector may arise.

Vehicle Sales - retail

An immediate and dramatic reduction in retail vehicle demand has been witnessed, particularly as individuals were locked down and encouraged to "stay at home". Vehicle showrooms in the UK were not deemed as essential businesses and consequently all of our dealership showrooms closed on 24 March 2020.

It is pleasing to report that despite closing all sales showrooms and contact centres physically, the Group has continued to market and sell a limited number of vehicles. This has been achieved by ensuring seamless operation, at colleagues' homes, of the Group's inbound telephone contact centres (taking on average 2,500 calls a day during the lockdown), and the full operation of digital marketing activity and our internet sales team, also home-working, responding quickly to all sales leads and calls. The Group has operated full online sales functionality on all Group websites and this has been supported by significant TV advertising. Dealership General Managers continued to work at the vast majority of the Group's dealerships during the lockdown and they have personally handled the sales enquiries with customers. Vehicle deliveries have been made to local key workers where the vehicle requirement is urgent and through home deliveries. Where this is the not the case, an order bank has been built up.

Sales enquiries and orders taken during the lockdown have continually increased via the web and telephone, particularly following the recent modest relaxation of the regulations in England. Since the lockdown on 24 March 2020 and up to 23 May 2020, the Group has taken 240 new retail and 1,640 used car retail orders. Used vehicle demand dominated at the start of the lockdown but more balanced new and used demand patterns emerged over the period. The Group has witnessed an increased mix of sales towards cheaper used cars in the period. From 18 May, the Group has been able to undertake deliveries of vehicles to customers from outside of its premises located in England. This enhances the sales proposition and was a major move forward prior to full opening.

On 1 June English showrooms re-opened for sales. Scottish showrooms remain closed but are able to make home deliveries.

Vehicle Sales - fleet

During the lockdown, the Group has maintained fleet sales capacity in all its operating divisions to ensure that its large customer base continued to be served. This is critical since, especially in the area of commercial vehicles, demand in certain essential sectors has been robust. The Group undertook deliveries to end users utilising third party logistic partners.

Similarly, the Group's online commercial vehicle sales operation, Vans Direct, has operated normally but with a reduced sales team. Between 24 March and 23 May the business took 230 orders recommencing deliveries from May.

Overall, the Group fleet car and commercial vehicle operations have taken 1,966 orders from 24 March to 23 May 2020.

Aftersales

Our vehicle repair and parts supply businesses remained open during the lockdown in the vast majority of locations, but at reduced capacity, in order to provide services initially to keep key workers and essential vehicles on the road. The IFS estimated that 22% of the UK workforce were key workers equating to 7 million people. Demand for regular servicing from non-key workers was initially delayed and postponed due to restriction of movement for customers, especially as the validity of MOTs was extended for six months from 1 April 2020. The Group opened a higher proportion of its service operations than the vast majority of its competitors and has therefore seen an increase in customers visiting who are new to the Group. Customer feedback has been overwhelmingly positive that operations have been open for them at an already stressful time.

Throughout the lockdown and particularly from mid- May the Group has increasingly added additional capacity to the service operations in terms of contact centre capability, technician numbers and trade parts resource. Bookings were extended from mid-May to include non-key workers servicing and repair and forward booking levels for June are strong. The small number of dealerships that were initially closed to all operations were reopened in England from the 18 May for aftersales. Overall, the opening of service operations during lockdown generated cash and reduced losses compared to full closure.

The Group also operates an online parts retailer Aceparts, which sells parts and accessories via the Ebay and Amazon marketplaces. This business has been particularly suited to the lockdown environment and consequently sales revenues in April and May increased by 16.7% year on year from £0.6m to £0.7m per month, with enhanced profitability exhibited.

Expenses

The Group sought to minimise its underlying cost base during the period of closure of its showrooms. As locations were closed, a detailed closure checklist was completed in order to ensure both the security of the locations and the minimisation of ongoing costs such as energy, with many supplies to the Group suspended during the closures. Close monitoring of all areas of spend, to highlight where further cost reduction could be made, has been critical and the Group has been aided in this by having a centralised approach to purchasing and strong monitoring systems in areas such as energy. By way of example, a 60% energy saving was delivered in the first month of lockdown compared to the previous month.

The Group's greatest operating expense is its payroll cost. From late March, the Group furloughed 82% of the 5,877 colleagues. The Group has claimed for the grants available for furloughed colleagues under the Government's Job Retention Scheme. These grants totalled £1.8m in March, £8.1m in April and £7.8m in May.

The colleagues of the Group are a significant asset and their knowledge, skill and Values give a competitive advantage. During the April and May lockdown period, the Group paid those not on furlough leave at 100% of the previous six months average earnings and those on furlough leave at 80% of previous average earnings. In addition, no Group colleague received less than national

minimum wage. Colleagues who joined the Group after 28 February 2020, and hence did not qualify for Government support, were also paid by the Group in line with other colleagues. Pay levels in the period were subject to caps for high earners and yet were substantially above Government support levels. The feedback from the colleague base has been overwhelmingly positive in respect of the Group's stance to date.

From June, remuneration support levels will be reduced as more colleagues return to work from furlough leave and we seek to re-establish the link between remuneration and business and individual performance.

In addition, in light of the effect of the pandemic, the Group's Senior Management, who remained at work, volunteered to take a 20% reduction in salary and members of the plc board elected to take a 30% reduction in salary for the period from 1 April to the end of May. In addition, with the agreement of the Remuneration Committee, the Executive Directors agreed to waive their contractual annual bonus entitlement for the financial year ending 28 February 2021, notwithstanding that some elements may have entitled them to payment. As a result of these actions the payroll cost to the Group for April and May combined is £13.4m, net of Government Job Retention Grant support of £15.9m.

It is considered vital to maintain contact with all colleagues in this uncertain period and all colleagues have received regular written and video updates to their own email accounts so they are up to date with Group developments and feel included.

Property costs, including rent, rates, depreciation and cleaning are the next largest cost, after payroll, in terms of their proportion of total Group operating expenses. The Group welcomed the business rates relief from the Government, which has meant that the Group will pay no business rates for 12 months from 1 April 2020 for much of its property estate. The annualised saving is anticipated to be £10.6m, representing 90% of the Group's total business rates costs.

During this crisis period, Manufacturers and other major Group suppliers have provided significant support to the Group in terms of cost reductions and cashflow assistance, cognisant that their customer base was in a unique position. The Board is very grateful for these measures and continues to work closely with partners to ensure that the business is in the best position possible.

Cash flow and liquidity

The Group has a strong balance sheet, used vehicle inventory which is largely unencumbered by used car stocking loans, and supportive banks.

The impact of the pandemic on the Group's cash flows and liquidity position is considered in detail in the Chief Financial Officer's review.

Post lockdown sales outlook

Our primary focus remains the continued health and safety of our valued colleagues and customers. Meticulous planning has been undertaken for the re-opening of dealerships in a safe and socially distanced way, with strict guidelines and the use of personal protection equipment (PPE) where appropriate, once restrictions are lifted. The Group commenced training of all colleagues in these matters prior to re-opening and has ensured that customers are well informed as to the protocols, including the implementation of timed appointments in sales and service and social distancing requirements. Dealership sales showrooms opened in England on June 1 with Scottish sales outlets expected in due course. A phased return of colleagues from furlough is being adopted to balance resource levels and opportunity.

The longer-term consequences of the virus on retail and fleet demand are not known, however, the use of public transport and shared mobility may become less attractive, due to the risks of close contact with others, increasing demand for vehicles for personal mobility using private cars. In contrast, increased flexibility of the workforce in future may reduce the demand for transport as more are able and choose to work from home. The evolution of the UK vehicle parc going forward will be impacted by these factors.

Supply side impacts on new vehicles are also currently difficult to predict. Many Manufacturers temporarily closed production lines during the pandemic. Supply chains have been disrupted and are likely to take time to recover to previous levels. With Manufacturers already stretched in terms of their investment in alternative power trains, the impact of this disruption upon their liquidity, investment levels and ability to stimulate markets may also be significant. Car makers in Europe have commenced the restart of production with the introduction of improved cleaning and protective practices. Experience in China to date points to manufacturing resuming relatively quickly, with most factories now reopened but with reduced output. The scale of the production ramp up in Europe will determine the scale of new car sales in the coming months and the level of supply in the market will also have an impact on used car pricing dynamics.

A reduction in the UK new vehicle market in 2020 is certain, given the significant falls in March through to May. Current SMMT forecasts are for the new car market to fall 27% from 2.31m to 1.69m in 2020 and light commercial vehicles are also expected to see a similar volume reduction of 28% from 0.366m to 0.263m units. This is likely to have a significant impact on the level of sales volumes achievable by the Group during the FY21 financial year.

Looking to the experience in China, new retail vehicle demand has seen a return to a little over half previous levels in their early days of recovery post virus. This continues to improve and there is also optimism in China that the new car market there will return to close to last year levels by the summer. Certainly the rise of PCP financing in the UK sector in new cars in recent years also creates a useful impetus to the new car change cycle, which is more pronounced than previously and could help to underpin new car demand in the months ahead.

One material consideration on future trading would be whether the UK Government seeks to kickstart new car demand through an incentive scheme in partnership with the Manufacturers. The introduction of an incentive programme may favourably change sector outlook in the short term.

It is likely for a number of reasons that the UK market for used vehicles will recover quickly in the short term as movement restrictions are lifted. Pent-up demand, aversion to public transport and the increased staycations in the UK may all come into play here. By way of illustration, a recent Autotrader survey indicated that 56% of UK holders of driving licenses, who did not own a car, were actively considering a purchase. Online activity during the lockdown has been robust as activity from other normal enquiry routes was shifted online and used car pricing has been remarkably stable to date. The robustness of the used car market in terms of volumes and pricing is also likely to be aided by a potential curtailment of new vehicle production referred to above. It is difficult to forecast where used car pricing will go in months following the re-opening of showrooms.

Clearly, the medium-term robustness of both the new and used car markets will be impacted by economic growth trends and changes in employment rates. Higher unemployment levels tend to reduce demand for cars in the UK, as less people need a car to get to work. A recessionary environment could also drive consumers to be more cautious, reduce spending and increase saving ratios. Finance providers may also become more risk averse so the market may see more finance

declines impacting sales. The used car market tends to be more resilient than the new car market in such environments as people trade down to the former from the latter.

Current trading and outlook summary

Vertu has well located dealerships, works with the right Manufacturers, with which it has good relationships, has sector leading omni-channel capabilities, supportive banks, and very motivated colleagues.

We are monitoring data daily and meticulous planning has been undertaken for the re-opening of dealerships in a safe and socially distanced way, with customer and colleague safety paramount and with a phasing of the return to work of colleagues from furlough leave to match demand from customers.

The month of March initially tracked well with good vehicle sales demand for the first two weeks of the month before dipping in the week running up to lockdown. Manufacturers' supported the Group with enhanced or guaranteed bonuses and paid out on reduced volumes. Adjusted profit before tax delivered in the month was £5.9m, well below normal levels.

With lockdown severely impacting operations, April and May saw combined losses incurred of £20m, which were significantly improved on the Group's initial forecasts at the start of the COVID-19 crisis.

Cashflow performance has been the focus of the Group during lockdown and the Board are delighted with the progress made in collecting receivables, delivering stock and controlling costs. Cash levels have been significantly higher than the Group's initial forecasts with cash balances at 22 May of £44.7m, up from £30.0m disclosed on 7 May.

Given the heightened uncertainty of any forecast at this current time, it is inappropriate to provide any guidance with respect to market expectations.

The Board sees the Group as well-positioned to take advantage of the opportunities which will arise. As a well-managed Group with strong culture, brands and systems, the Group has the ambition to grow in scale as the sector consolidates as a result of the acceleration of numerous trends. With its strong liquidity, disciplined approach to capital allocation and its partnership with Manufacturers, the Group looks forward with confidence.

CHIEF FINANCIAL OFFICER'S REVIEW

Financial Overview

	2020	2019	Year on year	
	£'000	£'000	£'000	%
Underlying operating profit				
Continuing operations	29,795	27,391	2,404	8.8%
Acquisitions	(733)	-	(733)	100.0%
	29,062	**27,391**	**1,671**	6.1%
Net finance costs	(5,561)	(3,681)	(1,880)	51.1%
Underlying profit before tax	**23,501**	**23,710**	**(209)**	**(0.9%)**
Impairment charges	(14,378)	-	(14,378)	
Impact of adoption of IFRS 16	(478)	-	(478)	
Share based payments charge	(733)	(904)	171	
Amortisation	(595)	(543)	(52)	
VAT reclaim on dealer deposit contributions	-	3,069	(3,069)	
Profit before tax	**7,317**	**25,332**	**(18,015)**	

The Group delivered an 8.8% growth in underlying operating profit from continuing operations in the year ended 29 February 2020. The dealerships acquired in January and February 2020, together with their associated acquisition costs, contributed an operating loss of £0.7m in the year, which reduced underlying Group operating profit growth to 6.1%. The losses arose due to the timing of acquisitions at a low point in the normal annual cycle of sector profitability.

Higher interest costs on new vehicle consignment inventory were incurred, which meant that the Group's underlying profit before tax declined slightly compared to the prior year. Despite the impact of acquisitions, the Group delivered an adjusted profit before tax of £23.5m which was in line with expectations. Profit before tax, including non-underlying charges of £16.2m, predominantly in respect of impairment of assets, was £7.3m (2019: £25.3m).

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

	FY20 £'000	Mix %	FY19 £'000	Mix %	% Revenue change	Like-for-like Change %
Revenue						
New	862,517	28.1	862,824	28.9	-	(1.5)
Fleet & Commercial	708,528	23.1	644,643	21.6	9.9	5.3
Used	1,235,381	40.3	1,217,596	40.9	1.5	0.2
Aftersales	258,104	8.5	257,137	8.6	0.4	4.6
Total Group Revenue	**3,064,530**	**100.0**	**2,982,200**	**100.0**	**2.8**	**1.2**

	FY20 £'000	Margin[4] %	FY19 £'000	Margin[4] %	Gross profit change £'000	Like-for-like Gross Profit change %
Gross profit						
New	62,666	7.3	63,832	7.4	(1,166)	(3.5)
Fleet & Commercial	25,775	3.6	20,217	3.1	5,558	11.3
Used	102,106	8.3	102,043	8.4	63	(0.4)
Aftersales	143,510	46.9	136,013	43.9	7,497	5.9
Total Gross profit	**334,057**	**10.9**	**322,105**	**10.8**	**11,952**	**2.3**
Operating expenses	(304,995)	10.0	(294,714)	9.9		
Adjusted Operating Profit	**29,062**		**27,391**			
Net finance charges	(5,561)		(3,681)			
Adjusted PBT	**23,501**		**23,710**			
Non-underlying items	(16,184)		1,622			
Profit before tax	**7,317**		**25,332**			
Taxation	(4,330)		(4,796)			
Profit after tax	**2,987**		**20,536**			
Adjusted Earnings per share	**5.12p**		**5.10p**			
Earnings per share	**0.81p**		**5.45p**			
Ordinary dividends per share	**0.60p**		**1.60p**			

[4]Margin in aftersales expressed on internal and external revenue

Total revenues in the year grew by 2.8% (£82.3m) and like-for-like revenues also grew by 1.2%. The Group saw growth in used vehicle selling prices and total volumes of used units sold. Revenues and gross profit in the used channel were stable on a like-for-like basis demonstrating a resilient performance given the volatility exhibited in the wider market in the year. Aftersales exhibited growth in retail revenues and also in internal work, where the hourly rate charged to the new and used sales departments increased. The changes in parts distribution in the Ford franchise to a new agency model, also had a positive impact on Group aftersales margins. Group margins grew considerably in aftersales from 43.9% to 46.9% as a result. Used cars and aftersales represent approximately half Group total revenues and approximately 74% of gross profit and reflect the fact that the business success of the Group is far more resilient than being solely linked to the more volatile new car market. Group gross margins increased to 10.9% from 10.8%. The Core Group, which excludes dealerships acquired and sold and the impact of the Ford Parts Distribution reorganisation, saw gross profits rise by £7m (2.3%).

Vehicle sales

The table below shows the volume of vehicles sold by the Group:

	2020 Core	2020 Acquired[5]	2020 Total	2019 Total	2019 Core	Total % Variance	Like-for-like % Variance	SMMT % Variance
Used retail vehicles	**83,382**	**1,389**	**84,771**	**84,444**	**83,465**	**0.4**	**(0.1)**	
New retail cars	31,995	706	32,701	35,412	35,122	(7.7)	(8.9)	(4.8)
Motability cars	9,647	75	9,722	9,795	9,736	(0.7)	(0.9)	5.7
Direct fleet sales	16,854	1	16,855	15,735	15,727	7.1	7.2	
Agency fleet sales	5,503	201	5,704	3,419	3,419	66.8	61.0	
Total fleet sales	22,357	202	22,559	19,154	19,146	17.8	16.8	0.9
Commercial sales	15,783	2,011	17,794	16,327	16,327	9.0	(3.3)	2.1
Total New vehicles	**79,782**	**2,994**	**82,776**	**80,688**	**80,331**	**2.6**	**(0.7)**	
Total vehicles	**163,164**	**4,383**	**167,547**	**165,132**	**163,796**	**1.5**	**(0.4)**	

[5] Relates to businesses acquired or developed subsequent to 1 March 2019 with businesses migrating into core once they have been in the Group for over 12 months

The volumes of vehicles sold by the Group remained relatively stable in the year with growth in total sales achieved of 1.5% and like-for-like volumes down slightly by 0.4%.

New retail car and Motability sales

UK private new retail vehicle registrations during the year fell by 4.8%. Supply side issues, such as continued Sterling weakness and changing regulations with regards to emissions, continued throughout the financial year. In addition, volatile consumer confidence driven by political and economic uncertainty, together with consumer uncertainty over powertrains, had an impact on demand. The Group saw like-for-like new retail vehicle volumes fall 8.9% reflecting the market decline and Group's franchise mix, with some of the Group's Manufacturer partners seeing significant contractions in market share.

Motability volumes declined 0.9% on a like-for-like basis, compared to a rise in UK registrations through this channel of 5.7%. The Group's Motability volumes are heavily weighted to volume Manufacturers, who reduced supply into this low margin channel as a result of the impact of Sterling on margins and consequently saw lower market share in the UK compared to premium franchises, which have continued to aggressively push volume into this channel.

New vehicle average selling prices continue to rise, driven by both Manufacturer price increases and a growth in the premium mix of the Group's sales. Selling prices averaged £18,521 in the year (2019: £17,286) representing a rise of 7.1%. The Group retained £1,451 of gross profit per new unit sold on a like-for-like basis (2019: £1,396) growing this measure by 4.0%. Gross margin percentages on new vehicle retail sales fell from 7.4% in 2019 to 7.3%. Like-for-like gross profit generated from the sale of new retail and Motability vehicles declined by £2.2m over the year as a consequence of the decline in volumes of cars sold together with higher charges from the service department on preparing vehicles.

Fleet and Commercial vehicle sales

The Group outperformed the market in new fleet cars, growing like-for-like volumes, including agency volumes, by 16.8% against a 0.9% growth in the UK fleet market. Agency volumes in the fleet channel relate to vehicles where the Group receives a handling fee for the registration, preparation and delivery of the vehicle, but where no vehicle sales revenue is recorded. The Group saw considerable success in developing its fleet capacity in both the premium and volume markets, with 22,559 cars delivered in the year. The Group was particularly successful in increasing its share of Mercedes-Benz fleet business and also supply to leasing companies in certain volume franchises.

The UK commercial vehicle market experienced disruption driven by the introduction of new WLTP regulations which came into force for vans on 1 September 2019. Total Group sales volumes of commercial vehicles increased 9.0% in the year, boosted by the additional volume of the Vans Direct business acquired in January 2019. The Group delivered nearly 18,000 commercial vehicles in the year. Commercial vehicle sales remain a core competency of the Group and where the Group has excellent levels of expertise. The Group's like-for-like sales volumes of new commercial vans declined by 3.3% in the year. This was below the market trends, with this loss of market share reflective of the weighting of the Group's commercial vehicle operations to brands which saw greater declines in van registrations compared to the market overall.

The Group successfully grew like-for-like gross profit per unit in the Fleet and Commercial channel to record levels, increasing by 4.7% to £593 (2019: £566). Consequently, like-for-like gross profit generation from the fleet and commercial channel rose £2.2m in the year. Like-for-like fleet and commercial gross margin grew from 3.1% to 3.3%, aided by an increase in agency volume.

Used vehicles

During the year ended 31 December 2019, the total used car market in the UK recorded 7.9 million transactions, just 0.1% below 2018 levels[6]. The used vehicle market in the UK experienced higher than normal seasonal price drops from April to June 2019, driven by strong supply of vehicles (from March trading) entering the wholesale markets in a period of increasingly weak consumer demand. In the second half of the financial year, UK used vehicle supply tightened as the new car market continued to decline, restricting fresh supplies of part exchanges into the wholesale markets. Used wholesale prices increased because of these supply constraints and remained stable for the remainder of the financial year, so underpinning used car margins as the year progressed.

During the year, the Group sold nearly 85,000 used vehicles, increasing total used vehicle revenues by 1.5% (like-for-like 0.2%). This rise was driven by an increase in like-for-like average used car selling prices in the year of 0.3% from £14,142 to £14,188 as well as a 0.4% increase in total used volume (like-for-like, a small decline of 0.1%).

Like-for-like gross profit generated from the sale of used vehicles declined by £0.3m in the year (0.4%). The Group increased the internal labour rate charged by its service operations in the preparation of new and used vehicles for sale. This increase effectively transferred £2.9m of gross profit from the Group's used vehicle department into the aftersales channel and helped to drive the higher aftersales margins. Therefore, discounting this value transfer, significant growth of used gross profit was delivered which, considering the market volatility, was very pleasing.

Decisions around gross profit per unit are influenced by ensuring prices are competitive in the market and that total gross profit is optimised through a balance of margin and volume. Management flex this balance over time taking into account an assessment of market dynamics. Gross profit per unit of £1,214 was delivered, which was in line with the prior year despite the absorption of the additional charges from the service department and used margin percentages were held at 8.6%. This represents an excellent used car performance. Supply constraints from the summer onwards resulted in a rebalancing of the strategy on used cars towards margin rather than volume growth.

[6] Source: SMMT.

Aftersales

The Group's high margin aftersales operations, which include servicing, parts supply and accident repair form a vital element of the Group's business model, since significantly higher returns are generated from these activities than those achieved in vehicle sales. While aftersales represents only 8.5% of Group revenues, it accounts for 43.0% of gross profit. On 1 March 2019, the Group increased the hourly rates charged on internal work undertaken for the sales departments and this has augmented margins and Group profitability. Overall, margins have also been aided by the change to an agency parts sales model in the Ford franchise, with this activity excluded from the Core Group in the reported results.

There remains substantial opportunity to grow the volume of these higher margin aftersales activities due to size of the UK vehicle parc in the UK, which currently comprises 37.1m[7] cars and vans. Self-help strategies to increase customer retention, such as through the sale of service plans and the delivery of excellent customer experiences, aid aftersales performance. The increasing technological complexity of vehicles and innovation in engine and vehicle management systems, has contributed to the maintenance of the mix of warranty-related work undertaken in the Group's service departments, reflecting another strength of the franchise retailer business model. It should be noted that around 50% of the Group's retail service revenues (excluding fleet customers) emanate from customers who have a Group or Manufacturer service plan. We believe this is ahead of the sector generally with the Group having over 102,000 customers paying monthly for servicing over a three year period, boosting retention levels.

As part of the Group's now largely completed programme of capital investment, service departments were extended and restructured to increase the number of ramps available. The Group is now benefitting from this additional capacity and this is helping to drive aftersales profitability growth.

Manufacturers continue to pursue strategies to increase the efficiency of their parts distribution networks. Ford changed their parts distribution model nationwide in the financial year. As a consequence of these changes, Group parts revenues declined by £23.1m and related profitability declined by £0.8m as anticipated. Vauxhall is currently in the middle of reorganising their parts distribution model and this is expected to be complete by the end of 2020. Parts revenues are expected to reduce and profitability to decline by £0.9m as previously announced.

[7] Source: Gov.co.uk.

The table below sets out the Group's like-for-like aftersales revenues and margins, including both internal and external revenues.

	2020	2019	Variance
Revenue	**£'m**	**£'m**	**%**
Service	124.7	116.8	6.8
Parts and other	156.3	151.6	3.1
Like-for-like aftersales	**281.0**	**268.4**	**4.7**
Gross Margin			
Service	77.0%	75.4%	1.6
Parts and other	23.0%	24.1%	-1.1
Like-for-like aftersales	**47.0%**	**46.4%**	0.6

The Group continued to focus on driving growth in its vehicle servicing departments, achieving a 6.8% increase in like-for-like service revenues in the year. Approximately 50% of this growth was as a result of the increase in internal charges to the sales departments. Like-for-like margins of vehicle servicing rose to 77.0% (2019: 75.4%) with the increased hourly rates charged to the sales departments augmenting margins by 0.7%. Technician salary levels are stable and the Group drove higher average invoice values on retail work through pricing actions and more effective vehicle health check processes.

Overall, like-for-like gross profits in aftersales rose £7.3m year on year, with the increase in internal rate charges accounting for £3.9m of this improvement. There has been an excellent underlying improvement in service operation profitability achieved through good execution.

Operating Expenses

In an inherently low margin business, it is vital that a disciplined framework of cost control is in place and this is a core competency for operational management. The Group's cost control framework is built around a highly detailed business planning approach, undertaken annually for all dealerships and cost centres. Once the business plans are established, costs are benchmarked on a monthly basis using excellent analytical tools developed by the Group.

The Group is focused on driving productivity and efficiency into the business to enhance cash profits and offset cost headwinds. A committee chaired by the CEO has been in place for the last five years with a remit to identify and execute productivity gains and these have borne fruit. As previously noted, several significant projects are in place to increase operational efficiencies and to reduce costs in the medium-term.

	2020	% Revenue	2019	% Revenue	Year on year	
	£'000	%	£'000	%	£'000	%
Core Group Operating Expenses						
Employment and salary costs	142,370	4.6%	140,091	4.7%	2,279	1.6%
Marketing costs	31,013	1.0%	28,945	1.0%	2,068	7.1%
Occupancy costs	33,410	1.1%	32,009	1.1%	1,401	4.4%
Other operating expenses	76,069	2.5%	77,944	2.6%	(1,875)	(2.4%)
	282,862	**9.2%**	**278,989**	**9.4%**	**3,873**	**1.4%**
Non-Core Operating Expenses						
FY20 acquisition operating expenses	2,216	0.1%	-	0.0%	2,216	0.0%
FY19 acquisition operating expenses	17,548	0.6%	11,833	0.4%	5,715	48.3%
Closed sites	2,369	0.1%	3,892	0.1%	(1,523)	(39.1%)
Group Underlying Operating Expenses	**304,995**	**10.0%**	**294,714**	**9.9%**	**10,281**	**3.5%**

Total underlying operating expenses in the year totalled £305.0m (2019: £294.7m) and as a percentage of Group revenues, operating expenses were stable at 10.0% (2019: 9.9%). Like-for-like operating expenses increased by £3.9m, an increase of 1.4%, which is significantly reduced compared to the 4% growth seen in 2019. This is a pleasing result given the sector's cost pressures in particular around property and employment costs. This demonstrates the focus which the Group has continued to place upon cost control.

The greatest expense of the Group is employment costs, which in the Core Group increased by £2.3m (1.6%) over the financial year. Following investment in additional dealership capacity, in particular, in aftersales, additional front of house colleagues were taken on to facilitate the growth in customer numbers. This investment in the Group's service operations accounts for £1.5m of the total increase in Core Group salary costs. 15% of colleagues in the Group were paid at the national minimum wage rate in 2019 and the UK increase in national minimum wage rates in April 2019 accounted for £0.6m of the Group's employment cost increase. The proportionately bigger increase in national minimum wage in April 2020 means that 17% of Group colleagues are now likely to be paid at this level.

As part of the Group's strategy to build significant automotive retail brands with high levels of awareness and to overcome weakness in consumer confidence, the Group invested in brand marketing campaigns in the second half of the financial year. This utilised TV, online and cinema campaigns and improved the awareness of the Bristol Street Motors and Macklin Motors brands, aiding the sales operations through the generation of increased enquiries and sales. This brand investment saw overall marketing costs increase by £2.1m compared to prior year.

One of the other significant costs of the Group is occupancy costs in the form of property rent, rates and insurance. The year on year increase of £1.4m represents both an increase in business rates and depreciation (following capital investment in recent years).

Savings in other expenses of £1.9m have been achieved. For example, a significant saving in the cost of telephony and call costs for the Group arose following investment in a telephone system and network infrastructure.

Non-underlying Items

The Group delivered an Adjusted profit before tax of £23.5m. The following items have been treated as non-underlying in arriving at Adjusted profit before tax:

	Year ended 29 February 2020 **£'000**	**Year ended 28 February 2019** **£'000**
Impact of adoption of IFRS 16	(478)	-
Impairment charges	(14,378)	-
VAT receipt – deposit contributions	-	3,069
Share based payments charge	(733)	(904)
Amortisation	(595)	(543)
Total non-underlying items	**(16,184)**	**1,622**

Impact of adoption of IFRS 16

The Group has adopted the requirements of IFRS 16 "Leases" for the first time in FY20. As a result, a balance sheet asset has been recognised together with a corresponding obligation, relating to the Group's use of properties and other assets leased under multi-year agreements. Comparatives have not been restated as is permitted under the transitional arrangements.

Rental payments made under these leases will be accounted for as repayments of the balance sheet liability, which will include an implied interest element, and the asset recognised will be depreciated over the remaining lease term.

The balance sheet position at 1 March 2020 has been adjusted for right-of-use assets of £87.0m, with corresponding lease liabilities of £96.9m. FY20 net profit before tax has decreased by £0.5m as the pre-IFRS 16 rental charge has been replaced by higher depreciation and interest. The depreciation is charged on a straight-line basis; whilst interest is charged on the outstanding lease liabilities and is therefore higher in earlier years and decreases over time.

The impact of transition to IFRS 16 has had no impact on the Group's cash position, but does impact presentation within the cash flow statement. Operating lease rentals are no longer presented within operating cash flow, but as a lease repayment presented within financing cash flows. For the financial year ended 29 February 2020, the effect of the transition to IFRS 16 has been presented as a non-underlying item to aid comparability. Going forward, the impact of IFRS 16 will be included within the Group's underlying result.

Impairment charges

The carrying amounts of the Group's goodwill and other indefinite life assets, property, plant and equipment are required to be tested annually for indications of impairment. For the purposes of impairment testing, assets have been grouped together into the smallest group of assets that generate cash flows from continuing use, independent of cash flows from other groups of assets. 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. 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, the time value of money and the risks specific to the CGUs.
- Growth rates are based on best management estimates by reference to industry forecasts.
- Changes in gross profits and direct costs are based on anticipated scenarios, factoring in an estimate of the impact of COVID-19, together with best estimation of future changes in the market.

In the light of the substantial curtailment of operations in response to the global COVID-19 pandemic, a cautious assessment has been applied on the market outlook and, therefore, the cash flow projections across all of the Group's CGU's. Specific modelling of cash flows for the next two financial years has replaced the previous assumptions. The value in use model reflects the full closure period of dealership sales operations in the year to February 2021, followed by a further period of steady recovery to historic levels of performance for each CGU by year three. The model assumes annual growth rates of between 0% and 3% will then apply to years three to five in the forecasts. A growth

rate of 0% has then been assumed to perpetuity. A risk adjusted pre-tax discount rate reflecting the Group's Weighted Average Cost of Capital ("WACC") of 8% (2019: 8%) has been applied.

The impact of COVID-19 on the Group has been treated as an adjusting post balance sheet event. As a consequence, during the year ended 29 February 2020, impairment charges totalling £14.4m have been incurred to align the carrying value with resultant value in use calculations.

Interest charges

Underlying net finance costs in the period totalled £5.6m (2019: £3.7m) with the substantial increase arising due to higher new car stocking interest charges.

A £1.5m increase in stocking interest payable on new vehicle consignment stock arose, reflecting an increase in interest rates charged and reduced free stocking periods offered, in addition to increased opening inventory levels. Manufacturers increased supply of new vehicles into the UK in advance of the initial date for the UK leaving the EU at the end of March 2019.

	Year ended 29 February 2020	Year ended 28 February 2019	Change
	£'000	£'000	£'000
Bank interest payable	1,181	964	217
Vehicle stocking interest expense			
- Manufacturer new vehicle consignment funding	3,918	2,399	1,519
- used vehicle stocking loans	630	495	135
Pension fund: net interest income	(168)	(177)	9
Underlying net finance charges	**5,561**	**3,681**	**1,880**
IFRS 16 Adoption impact	3,595	-	3,595
Net finance charges	**9,156**	**3,681**	**5,475**

The full year impact of acquisitions completed in the year ended February 2019 led to an increase in the average utilisation of both the Group's bank borrowings and the utilisation of used vehicle stocking loans.

The Group makes limited use of used vehicle stocking facilities, which it classifies as debt. As at 29 February 2020, drawings on these facilities were £25.5m, representing just 21.1% of used retail vehicle stock value (2019: £23.2m, 21.9%). The utilisation of such facilities by the Group is at substantially lower levels than the industry peer group and this has allowed the Group to use increased levels of this funding as one of the levers to secure additional liquidity following the disruption to trade caused by the COVID-19 pandemic.

Pension Costs

The Bristol Street defined benefit pension scheme is closed to future membership and accrual. At the last triennial valuation of the scheme, at 5 April 2018, the scheme was fully funded and therefore no contributions are required from the Group to meet the cost of accrued benefits under the scheme.

This defined benefit scheme holds assets with a value of £59.2m as at 29 February 2020 and showed an accounting surplus of £8.9m, (2019 surplus of £6.4m). The improved surplus was the result of returns on investments being higher than required to meet scheme obligations, partially offset by an increase in the value of scheme liabilities. The increase in liability was driven by a reduction in discount rate following falls in corporate bond yields over the financial year.

Tax Payments

Taxation represents one of the single biggest costs to the Group. In the year, the Group expensed £4.3m in corporation tax, £18.1m in Employers' National Insurance Contributions, £10.6m in business rates and £0.9m in the apprenticeship levy. These four taxes alone total £33.9m (2019: £34.5m).

Through its tax strategy, the Group seeks to pay its fair share of tax in compliance with UK legislation. The Group does not engage in any aggressive tax planning and the Group is classified by HMRC as 'low risk'. Within this context, the underlying effective rate of corporation tax for the year was 19.2% (2019: 18.9%). The current year rate is slightly above the standard UK Corporation Tax rate for the Period and the Board expects that the Group's tax rate should remain close to the headline UK Corporation Tax rate in the future.

Capital Structure

The Group has a strong balance sheet with shareholders' funds of £263.4m (2019: £276.6m), representing net assets per share of 71.7p (2019: 73.8p) as at 29 February 2020. The Group has tangible net assets of £168.8m (2019: £168.4m) and the balance sheet is underpinned by a freehold and long leasehold property portfolio, including assets held for resale, of £212.2m (2019: £209.1m). Debt levels in comparison are low. The Group has a robust tangible net assets per share value of 46.0p (2019: 44.9p). This strong asset backing makes the business resilient and able to withstand both the cyclical nature of the sector and shocks such as the impact of COVID-19.

The Group finances its operations by a mixture of shareholders' equity, bank borrowings and trade credit from suppliers and Manufacturer partners. The position at 29 February and 22 May 2020 of the Group's facilities and utilisation is set out below:

	Facilities at 29 February 2020 £'m	**Drawn at 29 February 2020 £'m**	**Facilities at 22 May 2020 £'m**	**Drawn at 22 May 2020 £'m**
5-year acquisition facility (from February 2019) (further £15m uncommitted "Accordion")	62.0	(43.6)	62.0	(53.7)
1 year working capital facility (from 30 April 2020)	68.0	-	68.0	-
Total committed facilities	130.0	(43.6)	130.0	(53.7)
Cash		**40.8**		**44.7**
Adjusted net debt (before used vehicle stocking loans)		**(2.8)**		**(9.0)**
Used vehicle stocking loans	35.0	(25.5)	45.0	(30.5)
Overdraft	5.0	-	5.0	-
Total facilities	170.0		180.0	
Net debt (excluding IRFS 16 liabilities)		**(28.3)**		**(39.5)**
Used vehicle inventory value		121.3		134.0
Cover on used vehicle facility		*4.8 times*		*4.4 times*

The Group has a five-year acquisition facility with Barclays Bank plc and Royal Bank of Scotland plc which matures on 27 February 2024. This facility provides the Group with £62.0m of committed borrowing capacity with the potential to add a further £15.0 million, which is currently uncommitted. £44.1 million of this facility was drawn as at 29 February 2020, but in response to the potential impact of COVID-19 on the liquidity of the Group a further £10m of this facility was drawn down in March 2020.

Interest is payable on this facility at LIBOR plus a rate between 1.3% and 2.1% depending upon the ratio of net debt to EBITDA. Interest was paid at the rate of LIBOR plus 1.3% throughout the financial year to 29 February 2020, however, in the light of covenant waivers obtained in respect of the impact of COVID-19 on the Group, interest will be payable at the higher rate of LIBOR plus 2.1% from 1 June 2020 on these borrowings.

In order to reduce the Group's exposure to interest rate risk, the Group uses interest rate swaps over £10.0m of drawings fixing the underlying LIBOR rate payable at 0.675%, maturing in July 2020 and in respect of £7.0m of drawings, fixing the underlying LIBOR rate payable at 1.424% maturing in February 2023. In April 2019, the Group entered into an additional interest rate swap, beginning on 31 July 2019, and covering the period to 27 February 2023, over £5,000,000 of the Group's borrowing, swapping LIBOR for a fixed rate of 1.214%. The notional principal amount covered by this latter interest rate swap increases to £15,000,000 on 31 July 2020 concurrent with the end of the Group's existing £10,000,000 interest rate swap.

In addition to conventional bank borrowing, the Group also utilises used car stocking loan finance. These loans with third party banks are subject to interest at 1.5% above LIBOR and are secured on the related vehicles. The utilisation of such facilities at 29 February 2020 represents less than 25% of the value of Group used vehicle inventories. Subsequent to the financial year, the Group extended its used vehicle funding line by £10m to £45m to provide additional liquidity, if required. Adjusted net debt, which excludes the balances drawn on these used car stocking loans, is £2.8m (2019: net cash £22.9m).

The Group operated with positive cash balances for much of the year. Additional facilities are utilised to fund significant peak working capital requirements following registration plate change months and other quarter ends. The Group has £73m of peak overdraft and other money market facilities. On the overdraft, interest is paid on drawn amounts at 1.1% above Base Rate, and on the money market facilities, interest was paid at 1.1% above LIBOR. As with interest rates applicable to the revolving credit facility, interest payable on amounts drawn under these facilities will increase to 1.75% above LIBOR from 1 June 2020. As at 29 February 2020, the Group had cash balances of £40.8m (2019: £66.5m) and, as a consequence, net debt of £28.4m (2019: £0.3m).

Group Liquidity

During the financial year to 29 February 2020, the Group comfortably complied with all of the financial covenants in respect of its borrowing facilities, which include net debt to EBITDA and interest and lease costs to EBITDAR. The Directors have considered detailed financial projections for a period of 12 months from the date of this announcement ('Review Period'). These projections are based on the Group's detailed annual business plan, adjusted to include assumptions around the financial impact of the global COVID-19 pandemic. The key assumptions applied include:

- The period of temporary closure of all the Group's sales operations from 23 March to 31 May in accordance with Government guidelines.
- Muted revenue projections, with an easing towards more normal levels over the Review Period.
- The delivery of operating expense savings and cash savings such as a reduction in capital expenditure.

The financial projections also assume the continued support of the Group's Manufacturer partners through their continued funding of new vehicle consignment inventory. The financial projections assume that normal adoption timings are delayed for a significant proportion of new vehicle inventories until the vehicles are sold. Past experience of the Group supports this assumption. By

their very nature forecasts and projections are inherently uncertain, however, the forecasts so prepared show that the Group will operate within its committed facilities, as set out above, throughout the Review Period.

Due to the impact of the lockdown on the Group's EBITDA, the financial projections show that existing bank covenants may be breached in future periods. Subsequent to the financial year end, the Group obtained a waiver of covenants for the quarters ending 31 May and 31 August in respect of the period impacted by COVID-19. The Board is confident that the Group's banks will agree to review the calculation of covenants after this date, as more certainty over the impact of closure periods due to COVID-19 is obtained, so as to avoid the risk that a future event of default will occur. In addition, the Group secured additional peak level working capital facilities for the months of August and September to provide flexibility and liquidity headroom should this be required. Further detail of the cash flow modelling and assumptions applied is given in the basis of preparation section of note 1 to the annual report and financial statements.

Due to the inherent level of uncertainty over future financial performance and cash flows, as well as the importance of the key assumptions underpinning the Group's projections, sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections. These sensitivities seek to model the impact of severe but plausible downside risks to the achievement of the financial projections. The sensitivities applied were a further decrease in future sales rates and a reduction in the proportion of new vehicle consignment stock assumed to be funded by the Manufacturers. In the absence of mitigating actions available to the Group, when these sensitivities are applied to the forecasts, they indicate additional banking facilities may be required over and above those which are currently secured. Given the strength of the Group's balance sheet and low debt levels, the Board is confident that additional bank funding and covenant amendments would be forthcoming if required. Based on what is known at this time and forecast information available, the Board believes it appropriate to prepare accounts under the going concern basis. The unqualified audit report on the 29 February 2020 financial statements draws attention to the material uncertainty relating to going concern arising from COVID-19.

Capital Allocation

Consideration of capital allocation is central to the Board's decision making. The Board proactively 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.

In the first half of the financial year, the Group continued its Share Buyback Programme, completing the purchase of 7.4m shares in the financial year. Whilst the Board believes that the repurchase of Group shares remains an appropriate use of capital, the Buyback programme will be suspended until greater clarity on the potential impact on the business of COVID-19 is obtained. The Board intends to seek to renew approval to repurchase 10% of the issued share capital at the forthcoming Annual General Meeting to maintain flexibility in this regard.

Dividends

Cash returns to shareholders are an important part of the Company's capital allocation decision making process. During the nine-year period since the Group commenced payment of dividends to its owners in 2011, over £34.8m has been returned to the owners of the Group through dividends. The dividend has been funded from cash generated from operations. In the light of the impact of COVID-19 on the Group, the Board does not propose a final dividend for 2020. The Group recognises

the importance of dividend returns to Shareholders and will continue to review the ongoing situation with a view to the re-commencement of dividend payments as soon as practicable.

Capital Expenditure

The cash impact of capital expenditure and disposals during the year and previous years is set out below:

	Actual		
	FY 2018 £'m	FY 2019 £'m	FY 2020 £'m
Purchase of property	4.3	9.0	1.4
New dealership build	4.3	6.7	3.0
Existing dealership capacity increases	8.2	11.9	4.7
Manufacturer-led refurbishment projects	3.0	1.0	0.8
IT and other ongoing capital expenditure	4.9	4.2	5.3
Movement on capital creditor	(0.6)	0.9	0.4
Cash outflow from capital expenditure	**24.1**	**33.7**	**15.6**
Proceeds from sale and leaseback	(14.1)	-	-
Proceeds from sale of property	(0.2)	(4.0)	(3.0)
Net cashflow from capital investment	**9.8**	**29.7**	**12.6**

As anticipated, the levels of capital expenditure reduced substantially year on year and are anticipated to remain at these more subdued levels. The Group completed a number of key projects in the year ended 29 February 2020 including the completion of the redevelopment of the Reading and Slough Mercedes-Benz dealerships, Chesterfield Land Rover and Guiseley Land Rover. These developments deliver operations with greater capacity for sales and service and will underpin the Group's future profitability and cash generation.

In terms of large-scale projects, the Group will compete its final projects in the coming months being the development of the Nelson Land Rover showroom and redevelopment of Bradford Land Rover to new brand standards and capacities. This brings an end to the large-scale projects that have been undertaken by the Group over the last five years.

Managing Working Capital

The Group has generated cash from operating activities of £23.1m (2019: £51.0m) with cash absorbed by an increase in working capital of £23.6m. This was due to an expansion of the Group's fleet operations, investment in additional working capital post acquisition in the sales outlets acquired in January and February 2020 and higher general used vehicle stock levels.

The Group has significant levels of working capital in the form of inventory, receivables and payables. These are subject to significant, yet predictable, seasonal fluctuations which coincide with plate change months and quarterly Manufacturer new car campaigns. The successful growth of the Group's fleet and commercial vehicle sales operations seen in the year has contributed to the year on year growth in working capital as has the impact of businesses acquired in the financial year, which were acquired with very low levels of working capital and have subsequently been stocked up to normal levels.

New vehicle funded inventory reduced by £7.0m as high levels of new inventory seen at the end of the last financial year partially unwound. A related £8.3m decrease in trade creditors in the year was also seen. The Group has significantly expanded its fleet operations fuelled by tactical registration activity in certain franchises. Fully paid new vehicle stock was consequently high at 29 February 2020, growing by £11.9m to £57.1m compared to 2019 levels.

Trade receivables also grew by £8.4m year on year due to the growth in fleet vehicle sales volumes and the impact of acquired businesses. Used vehicle inventory grew by £9.3m as the Group saw tightened availability of used inventory levels in the market in the second half and chose not to destock at the end of February as aggressively as it had in the prior year in order to ensure March trading was not impacted by stock shortages.

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 29 February 2020

	Note	Underlying items 2020	Non-underlying items 2020 (Note 2)	Total 2020	Underlying items 2019	Non-underlying items 2019 (Note 2)	Total 2019
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue		3,064,530	-	3,064,530	2,982,200	-	2,982,200
Cost of sales		(2,730,473)	-	(2,730,473)	(2,660,095)	-	(2,660,095)
Gross profit		**334,057**	**-**	**334,057**	**322,105**	**-**	**322,105**
Operating expenses		(304,995)	(12,589)	(317,584)	(294,714)	1,622	(293,092)
Operating profit		**29,062**	**(12,589)**	**16,473**	**27,391**	**1,622**	**29,013**
Finance income	3	405	-	405	276	-	276
Finance costs	3	(5,966)	(3,595)	(9,561)	(3,957)	-	(3,957)
Profit/(loss) before tax		**23,501**	**(16,184)**	**7,317**	**23,710**	**1,622**	**25,332**
Taxation	4	(4,523)	193	(4,330)	(4,470)	(326)	(4,796)
Profit/(loss) for the year attributable to equity holders		**18,978**	**(15,991)**	**2,987**	**19,240**	**1,296**	**20,536**
Basic earnings per share (p)	5			**0.81**			**5.45**
Diluted earnings per share (p)	5			**0.80**			**5.37**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 29 February 2020

	2020 £'000	2019 £'000
Profit for the year	**2,987**	**20,536**
Other comprehensive income / (expense)		
Items that will not be reclassified to profit or loss:		
Actuarial gains / (losses) on retirement benefit obligations	2,400	(269)
Deferred tax relating to actuarial (gains) / losses on retirement benefit obligations	(408)	46
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	(468)	67
Deferred tax relating to cash flow hedges	80	(11)
Other comprehensive income / (expense) for the year, net of tax	**1,604**	**(167)**
Total comprehensive income for the year attributable to equity holders	**4,591**	**20,369**

CONSOLIDATED BALANCE SHEET (AUDITED)
As at 29 February 2020

	2020 £'000	**2019 £'000**
Non-current assets		
Goodwill and other indefinite life assets	99,315	112,278
Other intangible assets	2,120	2,599
Retirement benefit asset	8,867	6,430
Property, plant and equipment	229,148	224,818
Right-of-use assets	87,013	-
Derivative financial instruments	-	44
Total non-current assets	**426,463**	**346,169**
Current assets		
Inventories	639,177	618,675
Trade and other receivables	71,720	62,893
Cash and cash equivalents	40,839	66,519
	751,736	748,087
Property assets held for sale	417	1,324
Total current assets	**752,153**	**749,411**
Total assets	**1,178,616**	**1,095,580**
Current liabilities		
Trade and other payables	(716,270)	(717,264)
Deferred consideration	-	(1,500)
Current tax liabilities	(2,935)	(3,731)
Contract liabilities	(10,974)	(9,590)
Borrowings	(25,547)	(23,166)
Lease liabilities	(14,071)	-
Total current liabilities	**(769,797)**	**(755,251)**
Non-current liabilities		
Borrowings	(43,657)	(43,600)
Lease liabilities	(82,823)	-
Derivative financial instruments	(493)	(69)
Deferred consideration	-	(2,600)
Deferred income tax liabilities	(8,179)	(7,594)
Contract liabilities	(10,294)	(9,823)
Total non-current liabilities	**(145,446)**	**(63,686)**
Total liabilities	**(915,243)**	**(818,937)**
Net assets	**263,373**	**276,643**
Capital and reserves attributable to equity holders of the Group		
Ordinary share capital	36,917	37,661
Share premium	124,939	124,939
Other reserve	10,645	10,645
Hedging reserve	(407)	(19)
Treasury share reserve	(803)	(602)
Capital redemption reserve	2,810	2,066
Retained earnings	89,272	101,953
Total equity	**263,373**	**276,643**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)

For the year ended 29 February 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Operating profit		16,473	29,013
Profit on sale of property, plant and equipment		(238)	(520)
Amortisation of other intangible assets		595	543
Depreciation of property, plant and equipment		11,309	10,722
Depreciation of right of use asset		14,065	-
Impairment charges		16,878	-
Change to fair value of contingent consideration		(2,500)	-
Movement in working capital		(23,563)	18,861
Share based payments charge		619	904
Cash inflow from operations		**33,638**	**59,523**
Tax received		362	157
Tax paid		(5,348)	(4,860)
Finance income received		237	99
Finance costs paid		(5,792)	(3,953)
Net cash inflow from operating activities		**23,097**	**50,966**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(12,398)	(31,514)
Acquisition of freehold and long leasehold land and buildings		(1,421)	(9,008)
Purchases of intangible assets		(155)	(150)
Purchases of other property, plant and equipment		(14,180)	(24,681)
Proceeds from disposal of property, plant and equipment		3,255	3,964
Net cash outflow from investing activities		**(24,899)**	**(61,389)**
Cash flows from financing activities			
Proceeds from borrowings	7	2,381	44,455
Principal elements of lease repayments	7	(16,987)	-
(Purchase) / sale of treasury shares		(401)	64
Repurchase of own shares		(2,749)	(3,629)
Dividends paid to equity holders	6	(6,122)	(5,657)
Net cash (outflow) / inflow from financing activities		**(23,878)**	**35,233**
Net (decrease) / increase in cash and cash equivalents		**(25,680)**	**24,810**
Cash and cash equivalents at beginning of year		66,519	41,709
Cash and cash equivalents at end of year		**40,839**	**66,519**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

For the year ended 29 February 2020

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Shareholders' equity £'000
As at 1 March 2019	37,661	124,939	10,645	(19)	(602)	2,066	101,953	276,643
Effect of adoption of accounting policy	-	-	-	-	-	-	(9,208)	(9,208)
Balance at 1 March 2019 adjusted	37,661	124,939	10,645	(19)	(602)	2,066	92,745	267,435
Profit for the year	-	-	-	-	-	-	2,987	2,987
Actuarial gains on retirement benefit obligations	-	-	-	-	-	-	2,400	2,400
Tax on items taken directly to equity	-	-	-	80	-	-	(408)	(328)
Fair value losses	-	-	-	(468)	-	-	-	(468)
Total comprehensive income for the year	-	-	-	(388)	-	-	4,979	4,591
Sale of treasury shares	-	-	-	-	200	-	(200)	-
Purchase of treasury shares	-	-	-	-	(401)	-	-	(401)
Repurchase of own shares	-	-	-	-	-	-	(2,749)	(2,749)
Cancellation of repurchased shares	(744)	-	-	-	-	744	-	-
Dividend paid	-	-	-	-	-	-	(6,122)	(6,122)
Share based payments charge	-	-	-	-	-	-	619	619
As at 29 February 2020	**36,917**	**124,939**	**10,645**	**(407)**	**(803)**	**2,810**	**89,272**	**263,373**

The repurchase of own shares in the year was made pursuant to the share buyback programme announced on 24 July 2019 as well as the previous programme announced in 2018, and under the authority renewed at the AGMs in 2018 and 24 July 2019.

Ordinary shares to the value of £2,749,000 had been repurchased in the year ended 29 February 2020 (2019: £3,455,000), of which £Nil was unpaid at 29 February 2020 (2019: £Nil). Such repurchases of shares all occurred prior to October 2019. 7,431,987 of repurchased shares were cancelled in the year ended 29 February 2020 (2019: 8,918,549) and accordingly, the nominal value of these shares has been transferred to the capital redemption reserve.

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

For the year ended 29 February 2019

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging Reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Shareholders' equity £'000
As at 1 March 2018	38,552	124,934	10,645	(75)	(690)	1,175	89,877	264,418
Profit for the year	-	-	-	-	-	-	20,536	20,536
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(269)	(269)
Tax on items taken directly to equity	-	-	-	(11)	-	-	46	35
Fair value gains	-	-	-	67	-	-	-	67
Total comprehensive income for the year	-	-	-	56	-	-	20,313	20,369
Sale of treasury shares	-	5	-	-	88	-	(29)	64
Repurchase of own shares	-	-	-	-	-	-	(3,455)	(3,455)
Cancellation of repurchased shares	(891)	-	-	-	-	891	-	-
Dividend paid	-	-	-	-	-	-	(5,657)	(5,657)
Share based payments charge	-	-	-	-	-	-	904	904
As at 28 February 2019	**37,661**	**124,939**	**10,645**	**(19)**	**(602)**	**2,066**	**101,953**	**276,643**

NOTES

For the year ended 29 February 2020

1. Basis of preparation

Vertu Motors plc is a Public Limited Company which is listed on the AiM market 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 Group prepares financial information under International Financial Reporting Standards (IFRS) issued by the IASB and as adopted by the European Union (EU) and on the same basis as in 2018, with the exception of the adoption of IFRS 9 and IFRS 15. Further information in relation to the Standards adopted by the Group is available on the Group's website www.vertumotors.com.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS's), this announcement does not itself contain sufficient information to comply with IFRS's. The Group audited consolidated financial statements that comply with IFRS's will be published on the Group's website, www.vertumotors.com.

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, adjusted to include assumptions around the financial impact of the global COVID-19 pandemic. The key assumptions applied include:

- The period of temporary closure of all the Group's sales operations from 23 March in accordance with Government guidelines.
- As restrictions are lifted revenue projections are muted with an easing towards more normal levels over the Review Period.
- The delivery of operating expense savings and cash savings such as a reduction in capital expenditure.

The financial projections also assume the continued support of the Group's Manufacturer partners through their continued funding of new vehicle consignment inventory. The financial projections assume that normal adoption timings are delayed for a significant portion of new vehicle inventories until the vehicles are sold. Past experience of the Group supports this assumption.

By their very nature, forecasts and projections are inherently uncertain, however, the prepared forecasts show that the Group will operate within its committed facilities, as set out below, throughout the Review Period.

The Group has the following committed facilities available:

- A five-year acquisition revolving credit facility ('RCF') with Barclays Bank plc and Royal Bank of Scotland plc which matures on 27 February 2024. This facility provides the Group with £62.0m of committed borrowing capacity and as at 29 February 2020, £44.1 million of this facility was utilised. A further £10m was drawn on this facility in March 2020 in respect of acquisitions completed in early 2020.
- The Group also utilises used car stocking loans. As at 29 February 2020 the Group had used vehicle stocking facilities of £35m and £25.5m was utilised compared to a used vehicle inventory value of £121.3m. On 1 May the used car stocking facility limit was increased by £10m to £45m.
- In addition to the above facilities, a Committed Money Market Loan ('CMML') is utilised to fund the Group's significant peak working capital requirements, which fall in the weeks following calendar quarter ends. The Group has £68m of peak facilities for four months of each financial year and £28m of facilities at other times. In addition, the Group has a £5m overdraft facility. On 1 May 2020 the Group secured an increase to the peak CMML facility of £68m into the additional months of August and September. These working capital facilities are reviewed annually each year with the latest review

completed on 1 May 2020. The established track record of annual renewal of these facilities gives the Directors confidence that they will again be renewed prior to their expiry on 30 April 2021.

Further detail on the Group's borrowing facilities is included in note 26 to the consolidated financial statements.

Due to the impact of the lockdown on the Group's EBITDA, the financial projections show that existing bank covenants are forecast to be breached throughout the Review Period. Banking covenants have been formally waived for the May 2020 and August 2020 measurement periods. Although not formalised at the date of these financial statements, the Directors are confident that the Group's banks will agree to review covenant arrangements for the November 2020 period and beyond so as to avoid the risk that a future event of default will occur.

Due to the inherent level of uncertainty over future financial performance and cash flows, as well as the importance of the key assumptions underpinning the Group's projections, sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections. These sensitivities seek to model the impact of severe but plausible downside risks to the achievement of the financial projections. The sensitivities applied were a further decrease in future sales rates and a reduction in the proportion of new vehicle consignment stock assumed to be funded by the Manufacturers. In the absence of mitigating actions available to the Group, when these downside sensitivities are applied to the financial projections, they indicate additional banking facilities may be required in 2021 over and above those which are currently secured.

By their very nature forecasts and projections are inherently uncertain. Inevitably the Covid-19 crisis has heightened uncertainty such that 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. If the downside scenario were to occur or agreement were not to be reached on waiving covenants or extending facilities beyond April 2021 this would indicate the existence of a material uncertainty which would cast significant doubt over the Group's ability to continue as a going concern. 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 and expect that agreement will be reached on covenant waivers and extension of facilities and that the downside scenarios will not occur. Therefore, the financial statements do not include the adjustments that would result if the Group and Company were unable to continue as going concerns.

The financial information presented for the years ended 29 February 2020 and 28 February 2019 does not constitute the Company's statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from those financial statements. The auditors' reports on the 2020 and 2019 financial statements were unqualified. The 2020 audit report draws attention to the material uncertainty relating to going concern arising from COVID-19. A copy of the statutory accounts for 2019 has been delivered to the Registrar of Companies. Those for 2020 will be delivered following the Company's annual general meeting, which will be convened on 20 August 2020.

Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with IFRS's as adopted by the European Union. The annual report has been prepared 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 through profit or loss.

The accounting policies adopted in this report can be found on our website, www.vertumotors.com, and are consistent with those of the Group's financial statements for the year ended 28 February 2019 with the exception of IFRS 16 'Leases' which has been applied for the first time in the year ended 29 February 2020. Details of this accounting policy and the impact on the Group's financial statements for the year ended 29 February 2020 can be found in note 1 of the consolidated financial statements.

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.

Year ended 29 February 2020

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	258.1	8.4	143.5	43.0	46.9
Used cars	1,235.4	40.3	102.1	30.6	8.3
New car retail and Motability	862.5	28.1	62.7	18.8	7.3
New fleet and commercial	708.5	23.2	25.8	7.6	3.6
	3,064.5	**100.0**	**334.1**	**100.0**	**10.9**

Year ended 28 February 2019

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	257.1	8.6	136.0	42.2	43.9
Used cars	1,217.6	40.9	102.0	31.7	8.4
New car retail and Motability	862.8	28.9	63.9	19.8	7.4
New fleet and commercial	644.7	21.6	20.2	6.3	3.1
	2,982.2	**100.0**	**322.1**	**100.0**	**10.8**

* Margin in aftersales expressed on internal and external turnover. A significant part of the role of the service department is to support the vehicle sales department and therefore this is considered to be an important measure for the purpose of monitoring the departmental performance

2. Non-underlying items

	2020 £'000	2019 £'000
Impairment charges	(16,878)	-
Change to fair value of contingent consideration	2,500	-
Net impairment charges *	(14,378)	-
Share based payments charge	(733)	(904)
Amortisation	(595)	(543)
VAT reclaim on dealer deposit contributions	-	3,069
Impact of change in accounting policy:		
- Depreciation on right of use assets	(14,065)	-
- Operating lease rentals – property	11,588	-
- Operating lease rentals – vehicles	5,594	-
Non-underlying operating (expenses)/income	**(12,589)**	**1,622**
Impact of change in accounting policy:		
- Finance cost	(3,595)	-
Non-underlying (loss)/profit before tax	**(16,184)**	**1,622**
Tax on non-underlying items	193	(326)
	(15,991)	**1,296**

*£2,500,000 of the impairment charges relates to the release of deferred consideration under an earn out arrangement in respect of the acquisition of Vans Direct Limited in the previous financial year.

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

3. Finance income and costs

	2020 £'000	2019 £'000
Interest on short-term bank deposits	237	99
Net finance income relating to defined benefit pension schemes	168	177
Finance income	**405**	**276**
Bank loans and overdrafts	(1,418)	(1,063)
Vehicle stocking interest	(4,548)	(2,894)
Lease liability interest	(3,595)	-
Finance costs	**(9,561)**	**(3,957)**

4. Taxation

	2020 £'000	2019 £'000
Current tax		
Current tax charge	4,495	5,439
Adjustment in respect of prior years	(307)	(483)
Total current tax	**4,188**	**4,956**
Deferred tax		
Origination and reversal of temporary differences	181	(137)
Adjustment in respect of prior years	(21)	(12)
Rate differences	(18)	(11)
Total deferred tax	**142**	**(160)**
Income tax expense	**4,330**	**4,796**

	2020 £'000	2019 £'000
Profit before taxation	7,317	25,332
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2019: 19%)	1,390	4,813
Non-qualifying depreciation	944	527
Non-deductible expenses	68	213
Change to fair value of contingent consideration	(475)	-
Goodwill impairment	2,770	-
Effect on deferred tax balances due to rate change	(18)	(11)
IFRS 16 adjustment	91	-
Property adjustment	10	(146)
Permanent benefits	(122)	(105)
Adjustments in respect of prior years	(328)	(495)
Total tax expense included in the income statement	**4,330**	**4,796**

The Group's underlying effective rate of tax is 19.24% (2019: 18.85%) in line with the standard rate of corporation tax in the UK. The rate of 59.18% includes tax on non-underlying items (2019: 18.93%).

5. Earnings per share

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

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined 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.

	2020 £'000	2019 £'000
Profit attributable to equity shareholders	2,987	20,536
Non-underlying items (note 2)	15,991	(1,296)
Underlying earnings attributable to equity shareholders	**18,978**	**19,240**
Weighted average number of shares in issue ('000s)	370,470	377,024
Potentially dilutive shares ('000s)	4,348	5,512
Diluted weighted average number of shares in issue ('000s)	**374,818**	**382,536**
Basic earnings per share	**0.81p**	**5.45p**
Diluted earnings per share	**0.80p**	**5.37p**
Basic underlying earnings per share	**5.12p**	**5.10p**
Diluted underlying earnings per share	**5.06p**	**5.03p**

6. Dividends per share

Dividends of £6,122,000 were paid in the year to 29 February 2020 (2019: £5,657,000), 1.65p per share (2019: 1.50p). In light of the impact of the Government's response to COVID-19 on the Group, the Board does not propose a final dividend for the year ended 29 February 2020.

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

	2020 £'000	2019 £'000
Net (decrease) / increase in cash and cash equivalents	(25,680)	24,810
Cash inflow from proceeds of borrowings	(2,381)	(44,455)
Cash movement in net cash	**(28,061)**	**(19,645)**
Capitalisation of loan arrangement fees	118	214
Amortisation of loan arrangement fees	(175)	(129)
Non-cash movement in net cash	**(57)**	**85**
Movement in net (debt) / cash	**(28,118)**	**(19,560)**
Opening net (debt) / cash	**(247)**	**19,313**
Closing net debt (excluding lease liabilities)	**(28,365)**	**(247)**
Lease liabilities transitional adjustment	(87,961)	-
Capitalisation of new leases	(22,325)	-
Interest element of new leases	(3,595)	-
Cash outflow from lease repayments	16,987	-
Impact of IFRS 16 transition	**(96,894)**	**-**
Closing net debt	**(125,259)**	**(247)**

8. Acquisitions

On 16 January 2020, the Group acquired the trade and assets of four Volkswagen dealerships in Yorkshire from Goodman Retail Limited. The consideration payable on completion amounted to £6,921,000 and was initially settled from the Group's existing cash resources this was drawn down from the Group's Revolving Credit Facility subsequent to the year end.

On 28 February 2020, the Group acquired the trade and assets of a multi franchise dealership in Bradford consisting of Honda and Kia from Vantage Motor Group Limited. The consideration payable on completion amounted to £3,906,000 and was initially settled from the Group's existing cash resources. Subsequent to the year end this was drawn down from the Group's Revolving Credit Facility.

On 20 January 2020, the Group acquired the trade and assets of Leven Cars Group Limited in respect of its Kia, Suzuki and Mitsubishi Edinburgh franchises from administration. The consideration payable on completion amounted to £25,000 and was settled from the Group's existing cash resources.

On 28 February 2020, the Group acquired the trade and assets of a Peugeot dealership from Robins and Day. There was a receivable due on completion of £1,000. On 1 March 2020, the Group commenced operation of the Peugeot franchise in Derby from newly refurbished existing Group premises.

9. Post balance sheet events

As a result of the Government's response to the global COVID-19 pandemic, all of the Group's sales operations were temporarily closed on 24 March 2020.

Sales operations reopened in England on 1 June 2020 with Scottish sites (13 in the Group) expected to follow in due course.

The impact of the COVID-19 pandemic on the Group has been treated as an adjusting post balance sheet event.

As a result of financial modelling in respect of the Government's response to the global COVID-19 pandemic, the Group's banks agreed to a waiver of financial covenants for the May 2020 and August 2020 measurement periods. The Directors are confident that the Group's banks will agree to review the calculation of covenants

after this date, as more certainty over the impact of closure periods due to COVID-19 is obtained, so as to avoid the risk that a future event of default will occur.

Furthermore, the Group has worked with its banking partners to ensure that sufficient headroom is available to manage working capital requirements throughout the year ending 28 February 2021 following the Group's cautious assessment of future cash flows as a result of the pandemic and consequently, on 6 May 2020 the Group's peak Committed Money Market Loan ("CMML") facility of £68,000,000 usually made available in April, July, October and January was extended such that it will also be made available in August and September. Additionally, on 30 April 2020, the Group extended its used vehicle funding line from £35,000,000 to £45,000,000 to provide additional liquidity if required.