10 May 2023

Vertu Motors plc ("Vertu", "Group")
Final results for the year ended 28 February 2023
Strong operational performance with excellent cash generation, major acquisition integrated well, strong current trading

Vertu Motors, the UK automotive retailer with a network of 189 sales and aftersales outlets, announces its final results for the year ended 28 February 2023 ("Year").

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

"The year was critical for the Group as we undertook our largest ever acquisition and generated over £4bn of revenues for the first time. The Helston businesses have now been integrated into our systems platform. The acid test was how our core Group and new dealerships performed in March and April and I am delighted to report that the trading result post year end has been encouraging and gives confidence for the year ahead.

"The reported results reflect a strong profit and excellent cash performance, both ahead of expectations. As a result, we have chosen to propose a significantly increased final dividend, delivering a 26.5% higher dividend for the year as a whole. The business is in a healthy financial and operational position to further develop and gain from the benefits of scale as sector consolidation continues."

FINANCIAL SUMMARY

Years ended 28 February	**2023**	**2022**	**2021**
Revenue	£4,014.5m	£3,615.1m	£2,547.7m
Adjusted[1] profit before tax	£39.3m	£80.7m	£24.6m
Basic Adjusted[1] EPS	9.16p	17.92p	5.27p
Dividends per share	2.15p	1.70p	-
Free Cash Flow	£54.3m	£44.4m	£48.4m
Net (Debt)[2]/ Cash	(£75.3m)	£16.2m	(£4.5m)

HIGHLIGHTS

- Adjusted[1] profit before tax of £39.3m (FY22: £80.7m), on record revenues of £4.0bn. Profit slightly ahead of market expectations.
- Acquisitions successfully integrated onto Group systems and processes and on track to deliver expected synergies and earnings enhancement.
- Group portfolio grown by 31 sales outlets during the Year, including 27 from Helston and 2 from BMW Motorrad acquisitions, contributing to scale benefit opportunities.
- Free Cash Flow of £54.3m in the Year (FY22: £44.4m) reflecting excellent working capital management.

- Net debt[2] of £75.3m as at 28 February 2023, significantly ahead of market expectations (FY22: Net cash: £16.2m).
- Expanded debt facilities agreed in December 2022, including a new £74.8m 20-year mortgage, an upsized revolving credit facility of £93m with a third bank added to syndicate, and an increased used vehicle stocking facility to £70m (from £35m).
- Net tangible assets per share of 65.3p reflecting strong asset base.
- Final Dividend of 1.45p per share recommended, bringing full year dividend to 2.15p per share (FY22: 1.70p) an increase of 26.5%.
- £5.9m returned to shareholders via repurchase of 10.5m shares during the Year.

OUTLOOK

- Trading performance in excess of last year delivered in key months of March and April aided by the contribution from acquisitions.
- Improvement in new vehicle supply evident with continued high Group order bank of high margin new vehicle orders in place.
- Used vehicle demand remains strong and continued used supply constraints underpin residual values. Vertu Insights rollout underway to help optimise used car gross margin.
- Aftersales revenues and profits remain highly resilient aided by retention products such as service plans and ageing of the vehicle parc.
- Cost pressures, reflecting continued high inflation remain evident with strategies in place to mitigate where possible.
- Active portfolio management strategy expected to deliver a further c.£9.5m of assets disposals in next 12 months, £3m above book value.
- Net debt expected to reduce through ongoing strong Free Cash Flow generation.

[1] Adjusted to remove share-based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs.
[2] Excludes lease liabilities, includes used vehicle stocking loans

Webcast details
Vertu management will make a webcast available for analysts and investors this morning on the Group's website https://investors.vertumotors.com/results/

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CHAIRMAN'S STATEMENT

The Group again executed well during the year ended 28 February 2023, delivering an Adjusted[1] profit before tax of £39.3m, slightly ahead of analysts' expectations which had previously been raised on several occasions. There were noteworthy highlights in the Year:

- Successful and meaningful scale growth delivered, with an increase of 31 sales outlets in the financial year and the planned integration progressing well. The Group's strategic objective to grow as a major scaled franchise automotive retail group is born from the belief that scale benefits can be maximised in a larger group, which we are demonstrating. Manufacturer relationships are key to the delivery of these benefits, and I am proud that the Group has such good relationships with its chosen manufacturer partners. This is due to operational delivery and a strong, mutual respect.

- The delivery of operational excellence and digitalisation has seen further development of the Group's in-house analytics systems. A new 'Vertu Insights' used vehicle stock management tool to ensure profit opportunities are maximised is being rolled out. In addition, investment in self-service check-in technology has been made to enhance customer choice, reduce friction in the customer journey and aid the productivity of our colleagues. The Group's scale justifies investment in the in-house development of systems delivering both for customers and enhanced cost efficiency. These scalable platforms have been quickly rolled into the acquired dealerships and further work is now underway to maximise Group-wide efficiency benefits using technology.

- There has been continued application of stringent capital allocation disciplines:

    - Acquisitions targeting returns above cost of capital, have been delivered. The Group has continued to apply a multi-franchising strategy to maximise the profit opportunity in certain physical locations and to align with Manufacturer representation plans. It is clear that consolidation will continue within the automotive retail sector. The Group is in an excellent position to take advantage of this. Our Manufacturer partners are keen for us to grow with them, the board has the ambition to do so, and the Group has the financial firepower to expand with appropriate opportunities.

    - The annual dividend, a vital element of shareholder return has been increased by 26.5% reflecting the continued strong free cash generation. Additionally, the Group has also returned £5.9m to shareholders through the repurchase of over 10.0m shares in the Year. A buyback authority for a further £3m of buybacks is in place.

The Group has continued to progress towards increasing its sustainability and to reduce its environmental impact. £1.2m has been invested in green technologies such as solar panels and LED lighting in the Year, with a remaining £3.2m planned for such installations in FY24. The investment in solar panels has been made in connection with the Group's energy strategy which seeks to self-generate 10% of the Group's energy needs via onsite solar energy.

I am very proud to see how every colleague has contributed to the success of the Group and I would like to thank them for this. The commitment that they have continued to show over the past year has been exemplary.

As we enter the new financial year, the Group's excellent financial position, continued investment in its colleagues and systems and its established track record of execution gives confidence that we will continue to deliver on our strategic objectives and deliver scale benefits in the enlarged Group.

Andy Goss, Chairman

[1] Adjusted to remove share-based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs.

CHIEF EXECUTIVE'S REVIEW

Strategy Summary

The Group's key long-term strategic goal remains: To deliver growing, sustainable cashflows from operational excellence in the franchise automotive retail sector. The strategic objectives of the Group are summarised below:

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

An update on progress in executing these strategies is set out later in this report.

Key Sector Trends

The franchised automotive retail sector continues to evolve in the areas of electrification and agency distribution. Responding appropriately to these trends is top of mind for the Board.

1. **Electrification**

The UK Government has recently re-asserted its plan to ban the sale of new petrol and diesel cars in the UK from 2030 despite the European Union introducing delays to implementation of their ban and flexibility around synthetic fuel ICE vehicles. Despite overall supply constraints in new vehicles throughout 2022, electric and hybrid vehicle registrations in the UK saw growth of over 20% in calendar 2022 compared to 2021, representing a 7% market share increase. Nevertheless, there has been a cooling of demand for electric vehicles (BEV) from consumers in the last 6 months and this is reflected in ordertake, if not in registration data due to continued long lead times. The rising cost of electricity increasing running costs and inadequate UK public charging infrastructure have all had an impact on demand and public perception.

The Group has ensured that all colleagues are appropriately trained on electric vehicles, to respond to customer enquiries and provide repair services. Training in this regard is provided by both the Group's own sales and aftersales training, and colleagues attending Manufacturer training. The Group is investing in accreditation to the national EV accreditation scheme promoting standards in electric vehicle retailing and servicing. Moreover, electric vehicle mystery shops have taken place monthly across the business where mystery shoppers visit dealerships to assess effectiveness in retailing electric vehicles.

Increased electrification of the vehicle parc requires ongoing investment in terms of EV infrastructure such as in aftersales capabilities and charging facilities. The Group invested £0.4m in charging infrastructure in the Year with a further £1.6m planned in the next 12 months.

2. Agency Distribution

A number of Manufacturers in the UK have indicated they will move to an agency sales distribution model over varying timescales. Under this model, in respect of new vehicle sales, the Manufacturer transacts with the customer while the retailer remains the physical touchpoint with the customer and undertakes the sales process and customer contact as an agent. The retailer-turned-agent receives a commission on each new vehicle sale but will own no inventory and will no longer set prices or discounts. There are varying iterations of the agency model proposed and the picture is evolving both legally and in detailed implementation.

The Group has long operated on an agency basis for a significant proportion of fleet and parts sales. The first of the Group's significant manufacturer partners to operate the agency model for new retail sales was Mercedes-Benz passenger cars which moved to a genuine agency model on 1 January 2023. The implementation has been successful from a systems perspective and the Board will monitor how the change impacts volume and profit levels, albeit remaining cognisant that the change to agency is, of course, only one of a number of factors which impacts volume and profit. The Volkswagen Group brands and Volvo are likely to be the next in line for agency implementation.

Update on execution of Group Strategy

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on growth opportunities and deliver scale benefits:

- *Financial capacity*

  The Group's balance sheet strength is underpinned by an extensive freehold and long leasehold property portfolio and a largely unencumbered inventory of used vehicles. This strong asset base, together with a comparatively low level of debt including used vehicle stocking loans, means there remains significant firepower available to facilitate the Group's further growth ambitions. The Group will continue to apply its very disciplined approach to acquisitive growth to ensure that only the right opportunities to drive long term success and shareholder value are executed.

- *Management capacity*

  The Group has a stable and experienced senior management team, with an established track record of execution and performance delivery. The Group has always invested in training programmes to ensure its talent pipeline is developed, and many of the Group's colleagues have benefitted from this training and have been promoted into management roles as a result. A 'Next Generation' two-year talent programme, to develop the next generation of the Group's senior management, has recently been launched to augment the Group's existing training initiatives.

- *Operational Systems Platform*

  The Group's in-house developed systems provide uniform processes and control, as well as live management information and data to allow speedy and appropriate decision making. Acquired businesses are quickly migrated onto this scalable technology and process platform to ensure control is quickly established and performance improvement opportunities highlighted. The scale of the Group allows it to continue to increase investment in the development of systems and operations to further augment the Group's customer offering and enhance profitability through maximising margins and increasing productivity to reduce costs. The Group's 54 colleague strong development team ensures continued improvement and scalability of platforms.

- *Brand Strength*

  The Group operates three major customer facing brands in the UK: Bristol Street Motors, Macklin Motors and Vertu Motors. Bristol Street Motors represents the franchise sectors leading brand in England and Wales in terms of prompted brand awareness (54%: Source: YouGov). In Scotland, the Group operates under the Macklin Motors brand, which has a strong 49% prompted brand awareness. Vertu Motors is the Group's premium focused brand, with a growing prompted awareness of approx. 8%, in England. This is likely to be much boosted by the significant expansion of the brand in the South West in 2023. Each of these brands is supported by TV campaigns, sports sponsorships and partnerships and digital marketing initiatives. Tangible scale benefits arise from this strategy.

Growth

The Group has the brand strength and financial, operational, and management capabilities to continue to add additional franchised outlets to the business. The Board remain ambitious to do so. The Group also continues to evaluate and execute multi-franchising actions in its locations to maximise the long-term profitability of each location.

The Year saw the Group execute on this strategy, increasing its number of sales outlets by a net 31 over the Year, as set out below:

- *Acquisitions*

  On 17 December 2022 the Group completed the acquisition of Helston Garages Group Limited ('Helston') adding 28 predominantly premium franchised sales outlets in the South West. This acquisition radically enhanced the Group's scale and reach into the South West of England. The integration of these acquired dealerships onto the Group's systems and processes is now complete, with the acquired Ferrari business and a standalone accident repair centre operation, being the final businesses to have transitioned in April 2023.

  At the time of the Helston acquisition, the Group announced expected synergies of at least £3.2m to be delivered for FY25. The Board believe that the Group is well on track to deliver this outcome.

On 31 October 2022 the Group acquired the business and assets of two BMW Motorrad outlets in Shipley, near Bradford, and Rotherham from Saltaire Motor Company Limited subsequent to the acquisition, on 1 March 2023, the freehold interest in the Rotherham dealership was purchased for £0.5m. These businesses have been rebranded to trade under the Vertu brand and have been fully integrated into the Group. The Group is now the largest UK partner of BMW Motorrad as it continues to grow its motorcycle operations.

- *Multi-franchising and new outlets*

  On 1 April 2022 the Group opened Macklin Motors Toyota in Darnley, South Glasgow. This dealership represented the first of several dealerships to be opened, following the Group being awarded the Toyota franchise in the West of Scotland territory. The second dealership, located in the Group's former Ford premises in Hamilton, opened on 21 October 2022 following a full refurbishment alongside the Mazda franchise. These two outlets are expected to make a positive profit contribution to the Group in FY24. A third representation point for Toyota in Scotland, which will be in Ayr, will be developed as a new build dealership over the next financial year. It is currently anticipated that the development will cost approximately £4.5m including the purchase of land for the development. The development is currently subject to a planning application.

  On 1 May 2022, the Group opened a further Bristol Street Motor Nation used car outlet in newly acquired leasehold premises at Stockton, Teesside.

  Work was finalised on the introduction of sales outlets for Vauxhall and Citroen alongside the Group's Peugeot operation in Harlow. The outlets opened in November 2022 following the move of the aftersales operation off site to a new larger dedicated aftersales operation.

  The LEVC franchise commenced covering Scotland and the North East of England as part of the Group's Taxi Centre operation.

  Subsequent to the year end, on the 24 April 2023, the Group agreed a sub-lease of a former Cazoo outlet in Tamworth, Staffordshire. The outlet will be operated as a Bristol Street Motor Nation used car outlet and is anticipated to open in July 2023.

- *Active portfolio management and changes*

  The Board continues to actively manage the Group's portfolio of properties and dealerships and assess further growth opportunities, utilising strict investment return metrics to ensure discipline in capital allocation.

  During the course of the year, the Group took pruning actions to ensure business fitness, appropriate capital allocation and creation of value. Since FY18, the Group has received cash proceeds of £6.2m from the sale of surplus properties, £1.2m more than book value.

  Additional surplus properties are held by the Group and are expected to be disposed in the next 12 months. Cash proceeds at £9.5m are anticipated in due course, circa £3m in excess of book value.

The Group's single Jeep sales outlet in Beaconsfield ceased operation and the Ford outlet in Hamilton closed to allow for the redevelopment of the site for the Toyota franchise alongside Mazda. In addition, the Group closed its accident repair centre in Chesterfield in the Year to facilitate further multi-franchising including the addition of the MG franchise expected to open in August 2023.

In January 2023, the Group disposed of a small Peugeot outlet in Honiton, acquired as part of the Helston acquisition the month earlier. This business was sold to the Snows Group, including responsibility for the property lease. This optimises the Group's Peugeot representation in the area, as Peugeot is also represented in nearby Exeter and the franchise will not continue in Honiton.

The pruning process continued post the year end when on 31 March 2023, the Group closed operations at its BMW/MINI outlet in Malton, Yorkshire. The Malton property lease ceases shortly. This action will reduce operating expenses and limit future capital expenditure as the Group seeks to retain sales and service customers in its nearby York BMW and MINI dealerships.

On 30 April 2023, the Group sold the trade and assets of its standalone accident repair operation in Newburn, Newcastle upon Tyne at above net book value. The business did not make a sufficient financial return on invested capital. The sale included the leasing of the long-leasehold property to the buyer. The Group has now agreed to sell the long-leasehold interest for £1.4m to a property investor with completion expected shortly. Cash proceeds are above net book value and are included in the £9.5m referred to above.

Jaguar Land Rover have announced their Re-imagine strategy, which creates a House of Brands: Range Rover, Defender, Discovery and Jaguar. Jaguar will be a luxury electric vehicle brand with reduced points of sale reflecting its repositioning. The Group currently operates six Jaguar outlets, alongside the Land Rover brand. From November 2024, only the Group's outlet in Leeds will continue to represent both Jaguar and Land Rover brands. Intangible assets relating to the terminated Jaguar operations of £1.5m have been written off as a non-underlying, non-cash impairment charge in the Year.

Digitalisation Developments

- *Omni-channel Retail Sales*

We have seen no major increase in the propensity for customers to transact a vehicle purchase purely on-line. This appears to be evidenced by the retrenchment of on-line operators who had hoped to be sector disrupters.

Consumers continue to value a blended retail experience with a desire to complete tasks digitally as well as visiting a dealership to touch, feel and test drive their new vehicle (''omni-channel retailing''). In FY23, we focused on increasing the number of on-line vehicle sales reservations rather than driving pure on-line sales, as reservations convert to a sale at more than twice the rate of a traditional vehicle sales enquiries. The Group took over 14,800 on-line vehicle reservations in FY23, up 100% on the previous year.

We continue to reap the benefits of placing much of our customer facing technology infrastructure into the cloud provided by Amazon Web Services. This has increased up-time and resilience, as well as enabling further synergies between our outlets and digital environments. We now offer consistent, automated vehicle valuations across all our outlets and these are mirrored on both our “Sell My Car” and “Click 2 Drive” on-line customer journeys. This provides transparency and promotes trust. During the Year we developed new dealership sales experience/process software built on the same platform that underpins our eCommerce journeys. The Group also developed a digital customer referral system and process which has now been rolled out.

In FY24 we will roll out a further enhanced vehicle sales process which provides an updated “Click2Drive” platform. This upgrade to our web platforms and dealerships will allow for on-line customers to have an enhanced selection of additional products and risk based personalised finance rates as well as a “Total Cost of Ownership” calculator. These enhancements further align the on-line and in dealership sales processes so removing friction and customer frustration. In addition, this will aid consumers in calculating the “true cost” of changing their vehicle in a market with multiple and often complex drivetrain options, enhancing customer experience particularly given customer concerns over the cost of living at present.

- *Data Model and Customer Data Platform*

During FY23 the Group continued to scale our data capability, augmenting our existing team with an experienced Head of Data and Analytics. This new role, alongside other investments in the data and business intelligence teams, now numbering seven colleagues, will enable the launch of a comprehensive data warehouse in Q1 FY24. Utilising existing infrastructure, this will provide a bedrock of data for the Group and the opportunity to drive further efficiencies across our finance, dealership and marketing functions.

Initial use cases built upon the data warehouse include:

- Feeding consistent and accurate data to our newly developed Customer Data Platform, further increasing the personalisation, targeting and ROI of our marketing spend.
- Powering the “single version of truth” for our enhanced used car analytics platform ‘’Vertu Insights’’ which is scheduled for first release in June. This will build on the success of the Vertu Analytics tool launched in 2019, and further enable us to maximise margin and speed of sale in used vehicles.
- Improving sales conversion by providing real-time Customer Relationship Marketing and vehicle information to colleagues interacting with customers through the recently deployed Cloud Telephony platform.

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

- *Digitalisation in Aftersales*

The Year saw significant investment through the introduction of a third-party digital self-service check-in system for customers to use in the Group's service departments. Customers can check in from home or use the instore kiosks where they can safely deposit their vehicle keys. This provides increased choice and convenience for Customers and helps to reduce the need to further resource our aftersales departments at busy "pinch point" periods at the start and end of the day. Initial customer feedback has been excellent, and the Group has seen increased penetration of add-on sales in service from customers using this facility.

The Group has historically used a third party to provide service customers with deferred payment term of 3 months following a service visit where additional repair work is purchased. We have started the roll out of an in-house developed deferred payment option for service customers, which will substantially reduce the cost to the business of offering this service. Working capital is expected to increase by c. £3m following the rollout, with a reduction in cost evident and no material credit issues anticipated. The offering has a powerful impact on converting work from Visual Health Check activity and drives higher average invoice values. This functionality can be used instore or remotely by customers and is executed by the same SMS signature technology already in use in the sales process. The roll out of this across all Group sales outlets will be complete in the first half of FY24.

- *Digitalisation to improve efficiency and reduce cost*

As the Group integrated the Helston acquired dealerships, some highly efficient finance processes were identified that could improve the Group's existing processes. Inspired by this, a new project has commenced investing substantial development resource to improve the productivity of the Group's financial processing. This will mirror some of the approaches taken in a project in the Group's vehicle administration function three years ago, where substantial efficiencies and cost savings of £2.5m were delivered.

Recruiting, Retaining and Developing Colleagues

It is a priority of the Group to develop and motivate the Group's colleagues to ensure the delivery of operational excellence and outstanding customer experiences. Workforce recruitment and retention remains a challenge for UK business, with the number of UK job vacancies remaining above 1.0 million (source: ONS), throughout 2022. The inevitable consequence of these resource constraints, especially when coupled with cost-of-living pressures, has been wage inflation. The Group has been successful in reducing vacancy levels from the highs of 500+ vacancies in FY22. Current vacancy levels are approximately 300 colleagues in the core Group, a level much closer to historic run rate of 5%.

A survey conducted in February 2023 saw 83% of colleagues ranking the Group as a great place to work and this reflects well both on the Group's culture and the strategies that have been pursued. The Group targets an improvement in the score to 85% and will work through dealership colleague forums, a formalised way in which colleagues of all levels can provide their feedback locally, to drive an improvement in this score.

The Group has long been committed to extensive investment in the development of all colleagues to provide opportunity to those who are talented and driven to succeed. Programmes include a degree apprentice scheme, technician apprentice schemes and development programmes to facilitate progression to management roles in all areas.

Ancillary Businesses

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

Vansdirect had a strong year, underpinning the Group's significant market share gain in the Commercial vehicle market. Financial performance has been robust.

During this Year, the Group augmented its on-line parts sales business, Aceparts, with the purchase of Wiper Blades Limited. This business was acquired for a net cash consideration of £2.4m. Aceparts sells parts to customers via Marketplaces, with over a million listings on eBay and makes on average 3000 despatches per day. Wiperblades.com augmented this business with a direct sales platform with established reach and good rankings.

The Vertu Cosmetic Repair business delivered further growth in the Year. The majority of its business remains servicing the Group dealership network, but some external work is undertaken. Over 65,000 vehicles had bodywork repair and 56,000 wheels were repaired by our fleet of 106 vans and a number of dedicated fixed sites. This business will continue to grow in scale during the current year.

The Group added the LEVC franchise to its taxi sales business, the Taxi Centre. Aided by this additional franchise the business, which has been in operation for over 20 years, delivered over 800 taxis in the Year.

Strategic Summary

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

CURRENT TRADING AND OUTLOOK

- March & April 2023 Trading

The Group delivered a trading profit above prior year levels in March and April 2023 ("the post year end period") despite the impact of significant cost headwinds driven by inflation, with Core Group gross profit generated up by £4m compared to prior year. The overall improvement in profitability was driven by the contribution from the Helston acquisition completed in December 2022.

Like-for-Like revenue growth was delivered in the post year end period, predominantly due to continued strong growth in Motability new vehicle sales volumes.

The UK new vehicle market saw a growth in total registrations in March and April in the fleet and commercial and Motability channels. This improvement, driven from an easing of supply chain challenges, has led the SMMT to upgrade its outlook for 2023 to 1.83m registrations (previously 1.79m). New retail volumes have been stable.

Like-for-like total new vehicle volume growth of 5.1% was delivered on the back of continued year-on-year strength in the Motability channel, with the Group's Motability like-for-like volumes up 64.6% in the post year end period. In a continuation of the trends seen throughout FY23 outlined above, new vehicle margins remained robust. Overall, the Core Group delivered increased gross profit from the sale of new vehicles in the post year end period. New vehicle order banks remain at high levels with nearly 39,000 outstanding orders to be delivered, compared to 35,000 at 28 February 2022.

The UK used vehicle market has remained resilient, whilst continued stability of used vehicle prices is exhibited. Like-for-like volumes of used cars sold by the Group declined 8.4% with gross profits per unit up. Volumes were down year-on-year due to timing of heavily marketed Group used car events in the prior year period which drove volumes. The Group continues to have a tight control of used vehicle inventory.

Like-for-like the Group delivered improved gross profit from all aftersales channels in the post year end period compared to last year. Service revenues in the Core Group grew by 4.6% with margins reduced as expected due to the impact of higher technician salary costs.

As anticipated, the Core Group saw an increase in operating expenses in the post year end period, with energy costs, recent salary actions and the Group's investment in IT infrastructure all contributing to this rise in costs. Overall, Group operating expenses as a percentage of revenue were at slightly higher levels than in FY23.

- Outlook

The Board is very optimistic for the future, with confidence in the Group's ability to deliver on targeted acquisition synergies, a robust order bank, and encouraging trading results in the first two months of FY24. There are signs of improving new vehicle supply whilst constraints in used vehicle supply in the UK are likely to continue helping to underpin vehicle values and margins. Against this backdrop, the Board remains mindful of the impact of inflationary pressures and higher interest rates. Management is focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives through enhanced performance coming from scale. The Board anticipates that full year results for FY24 will be in line with current market expectations.

The Board believes that the Group is strategically very well placed to capitalise on the challenges and opportunities in the UK automotive retail sector and remains confident in the prospects for the Group. Its strong balance sheet, scale, management and technological capability underpin this confidence. The Group's excellent relationships with its chosen Manufacturer partners support further growth opportunities, which are likely to continue to present themselves.

Robert Forrester, CEO

CHIEF FINANCIAL OFFICER'S REVIEW

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

	FY23 £'m	FY22 £'m	Variance %
Revenue	**4,014.5**	**3,615.1**	**11.0%**
Gross profit	**448.4**	**435.4**	3.0%
Operating expenses excluding Government support	(399.6)	(354.3)	
Government support[5]	-	6.6	
Operating expenses reported	(399.6)	(347.7)	(14.9%)
Adjusted Operating profit	**48.8**	**87.7**	(44.4%)
Net Finance Charges	(9.5)	(7.0)	(35.7%)
Adjusted Profit Before Tax	**39.3**	**80.7**	(51.3%)
Non-Underlying items[6]	(6.8)	(1.9)	(257.9%)
Profit Before Tax	**32.5**	**78.8**	(58.8%)
Taxation	(6.9)	(18.8)	63.3%
Profit After Tax	**25.6**	**60.0**	(57.3%)

[5] represents business rates relief

[6] Non-underlying items represent acquisition costs, share-based payments charge, amortisation of intangible assets, impairment charges and exceptional acquisition costs.

The Group generated an adjusted profit before tax of £39.3m (FY22 £80.7m).

Revenue grew to £4.0bn, a growth of £399.4m (11.0%) compared to the prior year. Acquisitions completed after 1 March 2021 contributed additional revenues of £183.2m and have contributed a loss before tax of £0.9m as new start-up operation and the seasonality of losses in acquisitions undertaken post September led to losses as anticipated. Rising vehicle prices were largely responsible for the underlying £233.8m (6.5%) increase in Core Group revenues.

Revenue and Gross Profit by Department

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

	FY23 £'m	FY22 £'m	Variance
Revenue			
New	1,121.9	969.9	152.0
Fleet & Commercial	897.6	772.0	125.6
Used	1,658.2	1,584.4	73.8
Aftersales	336.8	288.8	48.0
Total Group Revenue	**4,014.5**	**3,615.1**	**399.4**
Gross Profit			
New	98.4	80.6	17.8
Fleet & Commercial	42.3	35.5	6.8
Used	125.2	154.4	(29.2)
Aftersales	182.5	164.9	17.6
Total Gross Profit	**448.4**	**435.4**	**13.0**
Gross Margin			
New	8.8%	8.3%	0.5%
Fleet & Commercial	4.7%	4.6%	0.1%
Used	7.5%	9.7%	(2.2%)
Aftersales[7]	44.5%	47.1%	(2.6%)
Total Gross Margin	**11.2%**	**12.0%**	**(0.8%)**

[7] Aftersales margin expressed on internal and external revenues

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

	Total Units Sold FY23	FY22	% Variance	Like-for-Like Units Sold FY23	FY22	% Variance
Used retail vehicles	**82,561**	**88,772**	***(7.0%)***	**78,208**	**86,949**	***(10.1%)***
New retail cars	33,727	33,366	*1.1%*	31,484	32,644	*(3.6%)*
Motability cars	11,029	8,404	*31.2%*	10,507	8,184	*28.4%*
Direct fleet cars	18,259	16,015	*14.0%*	18,024	15,898	*13.4%*
Agency fleet cars	5,236	5,172	*1.2%*	4,349	5,095	*(14.6%)*
Total fleet cars	23,495	21,187	*10.9%*	22,373	20,993	*6.6%*
Commercial vehicles	17,710	17,528	*1.0%*	17,523	17,512	*-%*
Total New vehicles	**85,961**	**80,485**	***6.8%***	**81,887**	**79,333**	***3.2%***
Total vehicles	**168,522**	**169,257**	***(0.4%)***	**160,095**	**166,282**	***(3.7%)***

	UK Market year-on-year change[9]	**Group year-on-year change v UK market**[8]
New Retail Car	(1.9%)	(1.7%)
Motability Car	8.1%	20.3%
Fleet Car	(3.6%)	10.2%
Commercial	(17.2%)	17.2%

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

Used retail vehicles

Three consecutive years of muted new vehicle registrations in the UK has led to a constrained supply of used vehicles. Based on current registration predictions for 2023, the number of sub 5 year old cars on the road in the UK is expected to fall further by 4% in 2023; and be 27% below 2019 levels. Overall, over 2.0 million new car sales have been lost in the last three years with an inevitable flow through into reduced used car supply. These supply trends, suggest that in a stable demand environment, UK used car pricing dynamics are unlikely to change in 2023, even though average prices remain high. Residual values have seen an increase of 19% over 2022, and currently remain some £1,900[10] ahead of 'normal'. An exception to this overall benign picture, however, is electric vehicles. Used EV supply is growing rapidly, albeit from a very low base, and it is anticipated that, one in seven 1–3 year-old cars in the UK parc will be electric by the end of 2023. Consequently, used EV supply is now outstripping demand (which is impacted by the same dynamics discussed in the previous section regarding new vehicles). As a result, used EV prices in the UK have now fallen for seven consecutive months, and by approximately 30%, compared to a 1.4% fall in petrol vehicle averages[11]. These falls are now likely to bottom out and a new, more affordable base price established for used electric vehicles. EV sales in used cars represent c. 4% of Group volumes.

The Group monitors the pricing and supply environment and has continued to develop its used vehicle pricing and analytical tools to optimise gross profit generation and stock turn and control inventory. An enhanced version of this tool, Vertu Insights, is currently being rolled out to assist the Group's dealerships in inventory pricing and management disciplines.

Overall, the number of used retail vehicles in stock at 28 February 2023 compared to 28 February 2022 fell by 2.3% in the Core Group, whilst the overall value of Core used retail inventory was £6.8m lower. The Group has been running stocks tighter with a view to maximising margin, return on investment and to reduce exposure to any consumer downturn impacts. The Group's like-for-like used vehicle volumes were 10.1% lower in the Year reflecting both the prevailing supply and demand dynamics in the market, and the exceptional conditions of last year. Margin per unit did decline year on year from the exceptional levels of last year but the Group is still achieving gross profits per unit significantly better than the pre-pandemic norm.

Core Group gross profit from the sale of used vehicles totalled £120.2m for the Year. Excluding the exceptional result delivered in FY22 of £153.1m, this represents the highest level of Core Group annual used vehicle gross profit delivered. The following like-for-like variances compared to last year arose:

- £32.9m decrease in gross profit generated from used vehicle sales compared to the exceptional level of profit achieved last year.
- 10.1% decrease in the number of used retail units sold, reflecting the reduced supply in the market and rebalancing of volume and margin.
- Gross profit per unit of £1,530, down from the exceptional £1,748 achieved in FY22. This remains above historical norms for the Group.
- Average selling price of £19,987 per unit, a 11.9% increase.
- Gross margin of 7.7% (FY22: 9.8%) reflective of higher sales prices and more normalised gross profit per unit.

The Group measures customer experience on used cars via the JudgeService third party platform. The Net Promoter Scores throughout the Year have been very strong at c.85%, which is sector leading amongst major market players. Great service goes hand-in-hand with profitability and future retention, which is so vital in creating a sustainable business.

[10] Source: Autotrader
[11] Source: CAPHI: April 2023 Car market overview

New retail cars and Motability sales

UK retail car registrations declined 1.9% in the year to 28 February 2023, marking a third consecutive year of muted registrations, linked to well documented production and logistics challenges for global vehicle Manufacturers. Against this backdrop, the Group's like-for-like new retail vehicle volumes declined by 3.6% when compared to the prior year, slightly behind the market. This was driven in part by strong comparatives in FY22 where the Group strongly outperformed the market trends coming out of lockdowns. Overall, the Group marginally increased UK retail market share to 4.1% (FY22: 4.0%) aided by acquisitions. The Group's order bank levels for new retail vehicles remain high but have reduced over the Year as would be expected as production issues slowly unwind. New retail vehicles ordered but remaining undelivered as at 28 February 2023 totalled approximately 12,900 units (28 February 2022: 16,000).

UK Motability registrations benefitted from pent up demand, as already extended contracts came to an end and supply came through from Manufacturers, rising 8.1%, compared to FY22. The Group's Motability volumes significantly outperformed the market, growing 28.4% on a like-for-like basis and representing an increasing UK market share of 5.9% (FY22: 4.8%). The Group is Motability's largest partner in the UK with over 34,500 vehicles on the fleet. These vehicles require an annual service funded by Motability in the Group's service departments.

The continued supply constraints and consequently reduced pressure to achieve volume targets, led to improved gross profit retention, aided by the application of effective pricing disciplines. It was this improved gross margin that drove a year-on-year improvement in core retained gross profit in new vehicle sales. The following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £13.7m increase in gross profit generated, aided by stronger margins.
- Gross profit per unit of £2,182, a rise of 13.2% from £1,928 representing a record for the Group despite the higher mix of lower margin Motability volumes.
- An average selling price of £24,128 per unit, a 9.8% increase.
- Gross margin rising to 8.8% from 8.3%.

In new vehicles, sales customer experience is measured by the Group's Manufacturer partners. Approximately 70% of the Group's Core sales outlets delivered experience levels above national average levels.

Fleet & Commercial vehicle sales

The UK car fleet market saw reduced activity compared to historic levels for much of the Year as Manufacturers prioritised constrained supply to higher margin retail channels. However, in latter months, fleet supply has significantly improved and has been growing faster than retail registrations. Registration volumes in the UK car fleet market declined 3.6% in the Year as a whole. In contrast to a market decline, the Group delivered 22,373 fleet cars on a like-for-like basis, in the Year, representing a growth of 6.6% compared to FY22. As with new cars, fleet and commercial margins strengthened due to the ongoing supply constraints, pricing mix changes and the Group adopting strong pricing disciplines. Overall, the Group has a 3.0% share of the UK fleet car market.

UK van registrations fell 17.2% in the year to 28 February 2023, as production and supply issues also impacted this channel and the prior year had been strong, aided by strong pent-up demand for home delivery and construction coming out of lockdowns. In stark contrast to these national, negative trends, the Group maintained its like-for-like volumes of new commercial vehicles sold. This considerable market outperformance by the Group reflected the strong market position of the Group and the investment in teams to sell into different market channels. Reflecting this, the Group sold 6.1% of UK new light commercial vehicles in the Year (FY22: 5.0%).

When compared the year ended 28 February 2022, the following fleet and commercial trends were seen on a like-for-like basis:

- A £5.0m increase in gross profit.
- Record gross profit per unit of £1,027, a rise of 12.0% from £917.
- Gross margin rising to a record 4.7% from 4.6%.

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating over 40% of total gross profit. The Group pleasingly saw growth in revenues and gross profit generation in all channels of aftersales on a like-for-like basis as set out below.

	Service £'m	Parts £'m	Accident & Smart Repair £'m	Fuel Forecourt £'m	Total £'m
Revenue[7]	159.5	189.2	20.1	13.9	382.7
Revenue[7] change	8.9	17.3	3.8	6.0	36.0
Revenue[7] change (%)	5.9%	10.0%	24.1%	75.7%	10.4%
Gross profit	117.8	42.3	10.7	0.9	171.7
Gross profit change	3.0	3.9	1.8	0.3	9.0
Gross margin[8] FY23 (%)	73.8%	22.4%	53.3%	6.4%	44.9%
Gross margin[8] FY22 (%)	76.2%	22.3%	55.3%	7.5%	46.9%
Margin change (%)	(2.4%)	0.1%	(2.0%)	(1.1%)	(2.0%)

[7] includes internal and external revenues
[8] Aftersales margin expressed on internal and external revenues

- *Service*

The UK has a vehicle parc of approximately 32.0 million cars plus commercial vehicles requiring access to maintenance and repair services and this is now ageing due to lack of recent new vehicle activity.

Vehicle service and repair is a key and resilient profit source for the Group. Through strong execution of retention and aftersales processes and the active targeting of conquest business, the Group has grown like-for-like service revenues by 5.9% over the Year. Each retail invoice raised by the Group's service operations averages £281 (FY22: £259), and over half the invoices raised in FY23 were in respect of over 3 year old vehicles. The average age of a retail vehicle seen by the Group is 4.7 years with the Group's average invoice value for vehicles in the 4-5 year old category at £306, the highest average value of each age category. The Group therefore gains a revenue benefit as the parc ages.

The Group's customer retention strategies focus on ensuring Vehicle sales customers return to the Group for their service, whether they have purchased a new or used vehicle. Service plans, through which customers pay monthly or upfront for their annual service are a vital part of the retention strategy. The Group has over 167,000 live service plans, including manufacturer service plans, which creates significant resilience. Excellence of customer service is vital to retention with over 62% of service departments over national average on the Manufacturer customer experience measurements.

Gross margin percentages on vehicle servicing declined to 73.8% (FY22: 76.2%) in the Core Group reflecting increased remuneration to address technician resource constraints, particularly in early FY23, which increased cost of sales in the service department. This pay action aided the stability levels amongst technicians and reduced the level of vacancies, aiding service department performance. Higher technician numbers drove the increased revenues, up 5.9%, and gross profit generation achieved, with like-for-like gross profit in service up £3m. There remains considerable competition for skilled technicians in the UK.

- *Parts*

The Group's substantial parts operations include traditional wholesale operations, agency distribution and on-line parts retailing. These operations supply parts to the Group's service and accident repair operations as well as to other businesses and retail customers in the UK and across the world. Parts revenues in the Core Group grew £17.3m compared to last year, as price rises, increased vehicle service and repair activity and an increase in sales in wholesale parts operations all contributed to growth.

- *Accident and Smart Repair*

The Group continues to expand its substantial Smart Repair operations through adding additional vans to the core cosmetic business as well as introducing new streams including vans specialising in wheel repairs and glass replacement. In addition, enhanced smart repair fixed facilities are being created, such as in Exeter to serve the substantial dealership operations there. The Group now has a fleet of 106 (2022: 88) vans with plans for further expansion to maximise the opportunity. This fleet largely serves the Group's dealerships, but also does carry out some limited sales to external customers across the UK. There is considerable scope for continued expansion of this business.

During FY22, the Group moved responsibility for all of the Group's accident repair centres out of the dealership divisional operations, into a new standalone division, concentrating solely on the management of accident repair operations. This management dedication has driven the increase in gross profit, with specific KPI improvement targets and focus on a consolidation of work providers, all driving enhanced profit generation.

Collectively, accident and smart repair services saw revenue growth of 24.1% in the core group with £1.8m more gross profit generated. Margins of 53.3% (FY22 55.3%), reflected increased pay levels put in place in the Year.

- *Fuel Forecourt*

The Group's fuel forecourt at Widnes saw increased activity as pricing strategies led to a considerable increase in market share. Revenues rose 75.7% to over £13m. A second forecourt has been acquired in Yeovil as part of the Helston Group, which will be redeveloped in the coming months to enhance the retail offering.

Operating Expenses

A summary of Group operating expenses is set out below:

	FY23	FY22	FY23 Var to FY22	
	£'m	£'m	£'m	%
Salary costs	214.0	199.9	14.1	7.1%
Vehicle and valeting costs	38.6	35.3	3.3	9.3%
Marketing costs	36.2	36.0	0.2	0.6%
Property costs and rates	39.3	40.7	(1.4)	(3.4%)
IT expenditure	11.6	9.1	2.5	27.5%
Energy costs	7.9	4.6	3.3	71.7%
Other	28.7	23.7	5.0	21.1%
Core Group operating expenses before Government support	**376.3**	**349.3**	**27.0**	**7.7%**
Acquisitions	23.2	2.7	20.5	759.3%
Disposals	0.1	2.3	(2.2)	(95.7%)
	399.6	**354.3**	**45.3**	**12.8%**
Government support (CVJRS receipts and rates relief)	-	(6.6)	6.6	-
Group Net Underlying Operating Expenses	**399.6**	**347.7**	**51.9**	**14.9%**

Reported operating expenses of £399.6m, increased by £51.9m compared to the year ended 28 February 2022. This increase includes the impact of Government support of £6.6m (largely business rates relief) in the prior year. Dealerships acquired or sold in the period since 1 March 2020 generated a net £18.3m increase. Underlying Core Group operating expenses therefore grew, by 7.7%, (£27.0m) compared to last year.

The largest operating cost of the Group is salaries, which have increased by £14.1m in the Core Group, compared to last year. The Group reported high vacancy levels throughout the second half of FY22 and adjusted salaries to aid the recruitment and retention of colleagues. This action has delivered a reduction in vacancy levels, which, together with investment in central functions, such as in digital development, Concierge and customer retention accounted for £9.1m of the uplift in salary costs in the Core Group. Pay awards, including the impact of the rise in National Minimum Wage, generated a further £9.3m increase. This increase in salaries also includes the Group's changes to its sales roles. Sales advisors have been introduced to the dealerships sales teams and these new roles have higher basics but lower commissions than traditional sales executives. This change, along with the reduced level of Group profitability generated a £4.3m reduction in commissions and bonus earnings.

The Group has continued to respond to high inflation levels, increased National Minimum Wage awards and tight labour markets by ensuring pay levels are competitive and motivational. A further pay rise largely to colleagues earning less than £35,000 per annum was made on 1 March 2023 following a review. This will aid retention of colleagues.

Vehicle costs increased because of rising vehicle prices, which drove up lease costs and depreciation charges on the higher values. An improving supply position also meant a return to full demonstrator requirements by many Manufacturers, which was not the case during and following the lockdown periods. Rising fuel prices have also had an impact on vehicle running costs.

The Group maintained its core marketing costs at broadly FY22 levels while further enhancing the awareness of the Group's brands. Return on investment is a priority for all marketing spend with a focus on increasing its effectiveness, especially in the digital space, maximising conversion, and a renewed focus on retention rather than just conquest activity. This helped keep spend stable despite inflationary pressures.

IT expenditure rose by £2.5m compared to the prior year. This cost increase represents the further investment in digitalisation, the roll out of self-check-in capability, together with investments in the Group's IT and telephony network, data and cyber security. The increase also includes costs of integration of the Helston businesses onto Group networks and systems. The incremental element of which has been included in the synergy target as a negative synergy.

The Group benefitted from a below market rate fixed contract on electricity up to September 2022. The contract expiry has led to a £3.3m increase in energy cost in the Year, despite the Group delivering a reduction in energy use. The Group reduced gas consumption by 25.7% and electricity consumption by 5.8% on a like-for-like basis compared to FY22. Most of this saving was achieved by the Group's colleagues having a refreshed and disciplined focus on energy consumption. Weekly league tables are distributed, and dealerships given on-site support in the form of energy management reviews.

In FY23 the Board approved an investment into LED Lighting and solar panel installation with costs totalling £4.4m to be incurred across FY23 and FY24 in the core business. LED lighting has replaced older lighting technology across the majority of the Group's workshops and nine roof solar installations were complete and producing onsite electricity by the end of the Year. A further 25 roof solar installations are underway for completion in FY24 in the Core Group. When these projects are complete at least 10% of the Group's total electricity requirements will be generated by this onsite clean solar energy. A review has recently been undertaken of the former Helston businesses to identify opportunities for further beneficial investment in solar panels and LED lighting to impact future energy costs. The Board have approved an additional £1m of capital expenditure in solar panels for these Group locations over the remainder of FY24.

Other costs have also seen an increase of £5.0m. This includes an increase in respect of colleague training, as Manufacturers returned to full training schedules after restrictions curtailed activity. Other costs in the category also increased due to inflationary pressures.

Non-underlying operating expenses

	FY23 £'m	FY22 £'m	FY23 Var to FY22 £'m
Impairment charges	1.5	0.1	1.4
Share based payments charge	2.1	1.4	0.7
Amortisation	0.5	0.4	0.1
Acquisition fees	2.7	-	2.7
	6.8	**1.9**	**4.9**

Impairment charges of £1.5m relate to the write-off of intangible assets attributable to certain of the Group's Jaguar franchise outlets, which will cease operations in FY25.

The Group's Partnership share option (PSO) scheme was introduced in FY21. Under the scheme, colleagues receive nil cost options in the Company, pro-rata to their On Target Earnings. Vesting is determined by the proportion of the colleagues' annual bonus earned, compared to their on-target bonus, up to a maximum of 100%. Vested options are capable of exercise at the end of a three-year holding period. FY23 was the third year that such awards were made to colleagues, with the increase in the share-based payment charge reflective of this third grant and an increase in the scale of the Group. Under the PSO scheme, charges in respect of the grants are spread over the 4-year period from award to the end of the holding period. As such, FY24 should represent the final year of increased charges with the expectation that annual costs will level off after this.

Acquisition fees represent legal and other due diligence professional fees in respect of the substantial Helston acquisition, completed in December 2022.

Net Finance Charges

Net finance charges are analysed below:

	FY23 £'m	FY22 £'m	FY23 Var to FY22 £'m
New vehicle Manufacturer stocking interest	3.4	1.7	1.7
Interest on bank borrowings	3.1	1.7	1.4
Used vehicle stock funding interest	0.8	0.1	0.7
Interest on lease liabilities	3.5	3.6	(0.1)
Interest income	(1.3)	(0.1)	(1.2)
Net Finance Charges	**9.5**	**7.0**	**2.5**

The Group saw an increase in interest charged by Manufacturers on funded new vehicle inventory. This increase was due to increased interest rates being charged as successive base rate rises took effect, the increased average price of new vehicles in the pipeline and an easing of supply of new vehicles in some franchises so extending the pipeline consigned. Total Group new vehicle stock as at 28 February 2023 was £427m (2022: £275m), up 55.3%.

Interest on bank borrowings increased due to the additional facilities drawn for the acquisition of Helston Garages in December 2022.

To minimise the interest rate risk to the Group, derivative contracts have been entered into. The Group has secured an interest rate cap contract over £50m of mortgage borrowing capping the underlying rate to a maximum of 4.50%. In addition, in respect of the RCF, an interest rate swap over £30m of borrowing has been entered into, fixing the underlying SONIA rate charged at 4.42% until March 2025. This replaced an existing Swap agreement over £22m of borrowings, which expired 27 February 2023.

Pension Costs

The Group has a closed defined benefit scheme which remains fully funded and requires no ongoing cash contribution from the Company.

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

On the accounting valuation basis the scheme is in surplus. Different valuation assumptions apply to the accounting and actuarial valuations such as the use of corporate bond yields rather than gilt yields to discount liabilities. The impact of the Scheme's hedge being related to the actuarial position rather than accounting value generated a reduction in the accounting surplus of approximately £4m over the Year. A further reduction in surplus arose relating to movements in the applicable inflation assumptions. Overall, a net actuarial loss of £6.0m was recognised in the Statement of Comprehensive Income for the Year. The accounting surplus on the scheme decreased to £3.2m as at 28 February 2023 (2022: £9.1m).

Tax Payments

The Group's underlying effective rate of tax for the Period was 19.5% (FY22: 19.9%). The overall effective tax rate, decreased to 21.3% (FY22: 23.8%)as a result of FY22 being impacted by the revaluation of deferred tax obligations. The total tax charge for the Year fell to £6.9m from £18.8m. The Group continues to be classified as "low risk" by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Cash Flows

Free cash flow of £54.3m (FY22: £44.4m) was generated in the Year. The Year saw a £23.7m reduction in working capital.

A reduction in the Group's used vehicle inventory, led to an £11.9m cash inflow. Improving new vehicle supply saw a significant increase in the level of both new vehicle consignment inventory and the associated Manufacturer funding. These movements did have a cash impact in so far as they led to a net cash inflow because of the VAT cash flow advantage on such funded vehicles of £21.0m.

Improved new vehicle supply resulted in an £20.8m cash outflow from an increase in the level of fully paid new vehicle inventory held by the Group. The Group continues to have a strong forward order bank and the increase in fleet activity year on year has led to a £12.4m increase in the value of vehicle deposits and advance payments held against outstanding orders, a cash inflow in the Year.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £341.4m (2022: £331.9m) underpinned by a freehold and long leasehold portfolio of £306.6m (2022: £236.4m) and net debt (excluding lease liabilities) of £75.3m as at 28 February 2023. The Group's conservative financing and capital structure resulted in a strong tangible net assets position of £224.1m as at 28 February 2023, representing 65.3p per share.

The Group has a committed acquisition debt facility of £93m. This facility was re-financed during the year with the Group's two existing lending banks plus a third lending bank added at re-financing. This refinanced facility matures in December 2025, with the potential to extend for a further two years to December 2027. £44m of this committed facility was drawn as at 28 February 2023. The Group operated comfortably within all covenants during the Year.

The Group also has long term debt funding in the form of a 20-year mortgages totalling £85.5m provided by BMW Financial Services ('BMW FS').

The Group makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. At 28 February 2023, amounts utilised on such facilities totalled £25.4m. These balances are included as debt in the calculation of Net Debt/Cash. The Group has a £70m facility under these arrangements and held £173m of used vehicle inventory at 28 February 2023 resulting in used vehicle stock being largely unencumbered.

Capital Allocation

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

The Group spent £122.1m on acquisitions during the year, in line with its strategy to drive consolidation where acquisitions meet hurdle rates. The Group continues to monitor post-acquisition returns and remains confident hurdle rates are being achieved.

The Helston acquisition on 17 December 2022 utilised £115.2m of cash and debt. This net consideration paid reflected the net asset position at 31 August 2022 of the acquired businesses. Cash of £6.9m from profits of the business acquired generated after this date to completion accrued to the Group. This offset the headline goodwill number paid of £28.6m. Finalised goodwill and other intangibles relating to this transaction, after other adjustments, totalled £23.4m.

Cash returns to shareholders in the form of dividends are an important part of the Company's capital allocation decision making process and remain a priority for the Board. The Group applies a dividend policy of dividends being covered three to four times by adjusted diluted earnings per share. An interim dividend of 0.70p per share was paid in January 2023. The Board recommends a final dividend in respect of the year ended 28 February 2023 of 1.45p per share to be approved at the Annual General Meeting on 28 June 2023. This dividend will be paid, subject to shareholder approval, on 28 July 2023. The ex-dividend date will be 29 June 2023 and the associated record date 30 June 2023. This final dividend brings the total dividend in respect of FY23 to 2.15p per share (FY22: 1.70p), an increase of 26.5%. Against adjusted, fully diluted EPS of 8.69p this dividend is covered 4.0 times in line with the Group's stated policy.

During the Year, the Group purchased 10,477,450 shares for cancellation, representing 2.9% of opening total issued share capital, for £5.9m. The Board believes that this is an appropriate use of capital and will continue a programme of Buybacks as a relevant element of returns to shareholders, alongside dividend payments. Authority is held for a further £3m buyback programme to be appropriately deployed. A further £2m was spent in the Year on the acquisition of shares into the Group's Employee Benefit Trust ("EBT") to be used for the satisfaction of colleague share incentive programmes. £6.0m was spent on dividends paid representing the final dividend in respect of the year ended 28 February 2022 and interim dividend in respect of the Year.

The Group also deploys capital on its extensive franchised dealership network, with fixed asset additions totalling £23.8m in FY23. This included £12.0m on freehold purchases or projects which increased the Group's brand representation or augmented productive capacity (''Expansion capex''). The balance of £11.8m is considered replacement capital expenditure. For FY24, replacement capital expenditure is anticipated to be approximately £16.0m, which includes large scale redevelopment projects to meet revised Manufacturer standards which do not necessarily increase Group capacity. In addition, £5.0m of investments in FY24 of green technology such as solar, EV charging points and LED lighting will be undertaken. A further £17.0m of expenditure is anticipated in respect of Expansion capex. This high level of activity includes the land purchase and build cost of the Ayr Toyota dealership, the redevelopment and expansion of Exeter BMW/Mini, the expansion of the Group's Toyota dealership in Chesterfield as well as the continued investment in multi-franchising by the Group. The Group has surplus property assets which are expected to be disposed over the next 12 months for anticipated proceeds of c.£9.5m.

Karen Anderson, CFO

CONSOLIDATED INCOME STATEMENT (AUDITED)
For the year ended 28 February 2023

	Note	Underlying items 2023 £'000	Non-underlying items 2023 (Note 2) £'000	Total 2023 £'000	Underlying items 2022 £'000	Non-underlying items 2022 (Note 2) £'000	Total 2022 £'000
Revenue		4,014,544	-	4,014,544	3,615,052	-	3,615,052
Cost of sales		(3,566,134)	-	(3,566,134)	(3,179,632)	-	(3,179,632)
Gross profit		**448,410**	**-**	**448,410**	**435,420**	**-**	**435,420**
Operating expenses		(399,590)	(6,828)	(406,418)	(347,753)	(1,934)	(349,687)
Operating profit / (loss)		**48,820**	**(6,828)**	**41,992**	**87,667**	**(1,934)**	**85,733**
Finance income	3	1,300	-	1,300	163	-	163
Finance costs	3	(10,842)	-	(10,842)	(7,126)	-	(7,126)
Profit / (loss) before tax		**39,278**	**(6,828)**	**32,450**	**80,704**	**(1,934)**	**78,770**
Taxation	4	(7,663)	746	(6,917)	(16,062)	(2,708)	(18,770)
Profit / (loss) for the year attributable to equity holders		**31,615**	**(6,082)**	**25,533**	**64,642**	**(4,642)**	**60,000**
Basic earnings per share (p)	5			**7.40**			**16.64**
Diluted earnings per share (p)	5			**7.02**			**15.96**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
For the year ended 28 February 2023

	2023 £'000	2022 £'000
Profit for the year	**25,533**	**60,000**
Other comprehensive (expenses) / income		
Items that will not be reclassified to profit or loss:		
Actuarial (losses) / gains on retirement benefit obligations	(5,973)	2,801
Deferred tax relating to actuarial losses / (gains) on retirement benefit obligations	1,493	(700)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	172	503
Deferred tax relating to cash flow hedges	(43)	(96)
Other comprehensive (expense) / income for the year, net of tax	**(4,351)**	**2,508**
Total comprehensive income for the year attributable to equity holders	**21,182**	**62,508**

CONSOLIDATED BALANCE SHEET (AUDITED)
As at 28 February 2023

	2023 £'000	2022 £'000
Non-current assets		
Goodwill and other indefinite life assets	127,590	103,470
Other intangible assets	2,286	1,797
Retirement benefit asset	3,188	9,055
Property, plant and equipment	328,405	254,133
Right-of-use assets	73,078	78,278
Derivative financial instruments	507	-
Total non-current assets	**535,054**	**446,733**
Current assets		
Inventories	674,380	475,027
Trade and other receivables	86,317	51,839
Current tax assets	1,654	-
Cash and cash equivalents	78,984	83,793
	841,335	610,659
Property assets held for sale	6,077	-
Total current assets	**847,412**	**610,659**
Total assets	**1,382,466**	**1,057,392**
Current liabilities		
Trade and other payables	(758,594)	(529,086)
Current tax liabilities	-	(3,734)
Derivative financial instruments	-	(13)
Contract liabilities	(13,477)	(11,752)
Borrowings	(29,821)	(12,283)
Lease liabilities	(14,498)	(14,132)
Total current liabilities	**(816,390)**	**(571,000)**
Non-current liabilities		
Borrowings	(124,519)	(55,343)
Lease liabilities	(68,959)	(74,698)
Deferred income tax liabilities	(19,117)	(13,023)
Contract liabilities	(12,104)	(11,447)
Total non-current liabilities	**(224,699)**	**(154,511)**
Total liabilities	**(1,041,089)**	**(725,511)**
Net assets	**341,377**	**331,881**
Capital and reserves attributable to equity holders of the Group		
Ordinary share capital	34,894	35,942
Share premium	124,939	124,939
Other reserve	10,645	10,645
Hedging reserve	133	4
Treasury share reserve	(2,653)	(1,586)
Capital redemption reserve	4,833	3,785
Retained earnings	168,586	158,152
Total equity	**341,377**	**331,881**

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)

For the year ended 28 February 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Operating profit		41,992	85,733
Loss / (profit) on sale of property, plant and equipment		102	(9)
Profit on lease modification		(449)	(269)
Amortisation of other intangible assets		509	407
Depreciation of property, plant and equipment		14,510	14,365
Depreciation of right of use asset		16,225	16,658
Impairment charges		1,500	131
Movement in working capital		23,737	(27,973)
Share based payments charge		1,651	1,061
Cash inflow from operations		**99,777**	**90,104**
Tax received		100	135
Tax paid		(9,118)	(14,479)
Finance income received		1,053	39
Finance costs paid		(10,983)	(6,798)
Net cash inflow from operating activities		**80,829**	**69,001**
Cash flows from investing activities			
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(122,066)	(9,508)
Acquisition of freehold and long leasehold land and buildings		(7,468)	-
Purchases of intangible assets		(186)	(44)
Purchases of other property, plant and equipment		(13,785)	(16,571)
Proceeds from disposal of property, plant and equipment		179	1,605
Net cash outflow from investing activities		**(143,326)**	**(24,518)**
Cash flows from financing activities			
Proceeds from borrowings	7	110,570	5,699
Repayment of borrowings	7	(23,358)	(10,638)
Principal elements of lease repayments		(16,187)	(15,786)
Purchase of treasury shares		(2,000)	-
Sale of treasury shares		744	951
Cash settled share options		(180)	(403)
Repurchase of own shares		(5,898)	(6,014)
Dividends paid to equity holders		(6,003)	(2,327)
Net cash inflow / (outflow) from financing activities		**57,688**	**(28,518)**
Net (decrease) / increase in cash and cash equivalents	7	**(4,809)**	**15,965**
Cash and cash equivalents at beginning of year		83,793	67,828
Cash and cash equivalents at end of year		**78,984**	**83,793**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
For the year ended 28 February 2023

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

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

The treasury share reserve relates to shares acquired by Ocorian Limited, the Trustee of Vertu Motors plc's Employee Benefit Trust ("EBT"). The shares were purchased by the Trustee to be held for the purposes of the EBT and may be used to transfer shares to individuals when options are exercised. This could include the Company's Long Term Incentive Plan ("LTIP"), the Company Share Option Plan ("CSOP") or Partnership Share Options ("PSO"), under which each of the executive directors of the Company, the Company's other PDMRs and certain other senior managers are potential participants and is therefore regarded as having a notional interest in these shares. During the year, a further 3,960,331 shares were purchased for £2,000,000.

During the year, 2,436,251 shares were transferred from the EBT on exercise of vested CSOP, LTIP and PSO awards. 5,665,352 shares remain in the EBT at 28 February 2023.

For the year ended 28 February 2022

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2021	35,917	124,939	10,645	(403)	(2,791)	2,810	103,823	275,940
Profit for the year	-	-	-	-	-	-	60,000	60,000
Actuarial gains on retirement benefit obligations	-	-	-	-	-	-	2,801	2,801
Tax on items taken directly to equity	-	-	-	(96)	-	-	(700)	(796)
Fair value gains	-	-	-	503	-	-	-	503
Total comprehensive income for the year	-	-	-	407	-	-	62,101	62,508
Sale of treasury shares	-	-	-	-	1,025	-	(74)	951
Issuance of treasury shares	-	-	-	-	180	-	(15)	165
Repurchase of own shares	-	-	-	-	-	-	(6,014)	(6,014)
Cancellation of repurchased shares	(975)	-	-	-	-	975	-	-
Dividends paid	-	-	-	-	-	-	(2,327)	(2,327)
Share based payments charge	-	-	-	-	-	-	658	658
As at 28 February 2022	**35,942**	**124,939**	**10,645**	**4**	**(1,586)**	**3,785**	**158,152**	**331,881**

NOTES

For the year ended 28 February 2023

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.

Whilst the financial information included in this announcement has been computed in accordance with UK IFRS, this announcement does not itself contain sufficient information to comply with UK IFRS. The Group audited consolidated financial statements that comply with IFRS 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 for the year ending 29 February 2024 as well as the known financial performance of the Group in the period subsequent to 28 February 2023, projected forward to cover the Review Period ("Base Case"). The Directors have considered these financial projections in conjunction with the Group's available facilities.

The Directors have also considered sensitivity analysis performed in respect of these forecasts to model the impact of various severe but plausible downside scenarios including continued restricted supply of new and used cars or reduced demand from consumers as well as further cost increases. This analysis did not indicate any issues with the Group's ability to operate within its banking facilities during the Review Period.

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

The financial information presented for the years ended 28 February 2023 and 28 February 2022 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 2023 and 2022 financial statements were unqualified. A copy of the statutory accounts for 2022 has been delivered to the Registrar of Companies. Those for 2023 will be delivered following the Company's annual general meeting, which will be convened on 28 June 2023.

Accounting policies

The annual consolidated financial statements of Vertu Motors plc are prepared in accordance with UK IFRS. 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 2022.

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 28 February 2023

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

Year ended 28 February 2022

	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales *	288.8	8.0	164.9	37.9	47.1
Used cars	1,584.4	43.8	154.4	35.5	9.7
New car retail and Motability	969.9	26.8	80.6	18.5	8.3
New fleet and commercial	772.0	21.4	35.5	8.1	4.6
	3,615.1	**100.0**	**435.4**	**100.0**	**12.0**

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

2. Non-underlying items

	2023 £'000	2022 £'000
Acquisition costs	(2,753)	-
Share based payments charge	(2,066)	(1,396)
Amortisation	(509)	(407)
Impairment charges	(1,500)	(131)
Non-underlying loss before tax	**(6,828)**	**(1,934)**

Acquisition costs relating to the acquisition of Helston Garages Group Limited have been included in non-underlying items in the year ended 28 February 2023 due to the one-off nature and material value of the individual acquisition.

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

Details of current and deferred tax arising in respect of non-underlying items is shown in note 4.

3. Finance income and costs

	2023 £'000	2022 £'000
Interest on short-term bank deposits	1,053	39
Net finance income relating to defined benefit pension scheme	247	124
Finance income	**1,300**	**163**
Bank loans and overdrafts	(3,112)	(1,701)
Vehicle stocking interest	(4,242)	(1,844)
Lease liability interest	(3,488)	(3,581)
Finance costs	**(10,842)**	**(7,126)**

4. Taxation

	2023 £'000	2022 £'000
Current tax		
Current tax charge	6,444	16,350
Adjustment in respect of prior years	(1,836)	14
Total current tax	**4,608**	**16,364**
Deferred tax		
Origination and reversal of temporary differences	409	(245)
Adjustment in respect of prior years	1,684	(147)
Rate differences	216	2,798
Total deferred tax	**2,309**	**2,406**
Income tax expense	**6,917**	**18,770**
Profit before taxation	32,450	78,770
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	6,166	14,966
Non-qualifying depreciation	658	638
Non-deductible expenses	658	432
Effect on deferred tax balances due to rate change	216	2,798
IFRS 16	(65)	77
Property adjustment	10	41
Permanent benefits	(574)	(49)
Adjustments in respect of prior years	(152)	(133)
Total tax expense included in the income statement	**6,917**	**18,770**

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

	Underlying items 2023 £'000	Non-underlying items 2023 £'000	Total 2023 £'000	Underlying items 2022 £'000	Non-underlying items 2022 £'000	Total 2022 £'000
Profit / (loss) before tax	39,278	(6,828)	32,450	80,704	(1,934)	78,770
Taxation	(7,663)	746	(6,917)	(16,062)	(2,708)	(18,770)
Profit / (loss) after tax	**31,615**	**(6,082)**	**25,533**	**64,642**	**(4,642)**	**60,000**
Effective tax rate	**19.51%**		**21.32%**	**19.90%**		**23.83%**

The Group's underlying effective rate of tax is 19.51% (2022: 19.90%) which is higher than the standard rate of corporation tax in the UK as a result of the impact of non-qualifying depreciation and non-deductible expenses in the year ended 28 February 2023.

In the June 2021 Finance Act it was enacted that the rate of corporation tax in the UK would rise from 19% to 25% on 1 April 2023. As a result the Group's deferred tax obligations at 28 February 2023 and 28 February 2022 have been measured at 25%.

The overall effective tax rate of 21.32% includes tax on non-underlying items (2022: 23.83%).

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.

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

Details of the shares held in the Group's employee benefit trust are included in the notes to the consolidated statement of changes in equity.

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.

	2023	**2022**
	£'000	**£'000**
Profit attributable to equity shareholders	25,533	60,000
Non-underlying loss after tax (note 4)	6,082	4,642
Underlying earnings attributable to equity shareholders	**31,615**	**64,642**
Weighted average number of shares in issue ('000s)	345,239	360,651
Potentially dilutive shares ('000s)	18,703	15,222
Diluted weighted average number of shares in issue ('000s)	**363,942**	**375,873**
Basic earnings per share	**7.40p**	**16.64p**
Diluted earnings per share	**7.02p**	**15.96p**
Basic underlying earnings per share	**9.16p**	**17.92p**
Diluted underlying earnings per share	**8.69p**	**17.20p**

6. Dividends per share

Dividends of £6,003,000 (1.75p per share) were paid in the year ended 28 February 2023.

A final dividend of 1.45p per share is to be proposed at the Annual General Meeting on 28 June 2023. The ex-dividend date will be 29 June 2023 and the associated record date 30 June 2023. The dividend will be paid, subject to shareholder approval, on 28 July 2023 and these financial statements do not reflect this final dividend payable.

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

	2023 £'000	2022 £'000
Net (decrease)/increase in cash and cash equivalents	(4,809)	15,965
Cash inflow from proceeds of borrowings	(110,570)	(5,699)
Cash outflow from repayment of borrowings	23,358	10,638
Cash movement in net debt	**(92,021)**	**20,904**
Capitalisation of loan arrangement fees	1,037	-
Amortisation of loan arrangement fees	(131)	(206)
Increase in accrued loan interest	(408)	-
Non-cash movement in net debt	**498**	**(206)**
Movement in net debt (excluding lease liabilities)	**(91,523)**	**20,698**
Opening net cash/(debt) (excluding lease liabilities)	**16,167**	**(4,531)**
Closing net (debt)/cash (excluding lease liabilities)	**(75,356)**	**16,167**
Lease liabilities at 1 March	(88,830)	(91,101)
Capitalisation of new leases	(13,307)	(14,132)
Disposal of lease liabilities	2,493	617
Interest element of lease repayments (note 3)	(3,488)	(3,581)
Cash outflow from lease repayments	19,675	19,367
Lease liabilities at 28 February	**(83,457)**	**(88,830)**
Closing net debt (including lease liabilities)	**(158,813)**	**(72,663)**

8. Business combinations

On 1 July 2022, the Group acquired the entire issued share capital of Wiper Blades Limited which operates as an e-commerce specialist. Total consideration of £3,513,000 was settled from the Group's existing cash resources.

On 31 October 2022, the Group acquired the business and assets of two BMW Motorrad outlets in Shipley and Rotherham, Yorkshire. Total consideration of £4,150,000 was settled from the Group's existing cash resources.

On 17 December 2022, the Group acquired the entire issued share capital of Helston Garages Group Limited ("Helston"). Helston is a predominantly premium manufacturer automotive retail group in the South West of England representing 28 franchised outlets.

Total consideration of £181,914,000 was met from a combination of a new £74,757,000 mortgage facility secured against a portfolio of 22 freehold and long leasehold properties including a combination of acquired properties and existing Group properties, renegotiated banking facilities and existing cash resources. £22,000,000 of the renegotiated banking facility was drawn down for the initial acquisition payment, however, was subsequently repaid in February 2023.

9. Post balance sheet events

On 30 April 2023, the Group sold the trade and assets of its standalone accident repair operation in Newburn, Newcastle upon Tyne at above net book value. The sale included the leasing of the long-leasehold property to the buyer.