7th November 2007

Vertu Motors plc ("Vertu")

Unaudited interim results for the period ended 31st August 2007

Vertu Motors plc, the 10th largest UK motor retailer, announces interim results for the period from incorporation on 1st November 2006 to 31st August 2007. The results reflect the commencement of trade on 27th March with the acquisition of the Bristol Street Motors Group and subsequent acquisitions.

Financial Highlights

Period from 1st November 2006 to 31st August 2007:

Revenue	£290.3m
Adjusted operating profit*	£0.9m
Adjusted profit before tax*	£0.7m
Adjusted earnings per share*	0.94p
Operating loss	(£0.1m)
Operating cash inflow	£21.0m

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

- Operating profit before exceptionals delivered in a period excluding peak trading months of March and September
- Strong cash flow generation in the period with operating cash inflow of £21.0m
- Gearing of 20.5% as at 31st August 2007

Operational Highlights

- 42 franchised and 5 non-franchised operations acquired in the period
- Creation of 10th largest motor retailer in the United Kingdom
- Talented management team integrated and incentivised
- New retail car volumes up 8.4% on a like for like basis against a total new car market up 1.7% since acquisition
- Used retail car volumes for Bristol Street Motors dealerships up by 12.4% on a like for like basis in a flat market
- New internet sites launched with centralised contact centre to maximise conversion rates

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

"I am delighted to report that within less than twelve months of the Company being incorporated we have made good progress towards our stated strategic objectives set out at the time of our flotation in December 2006.

We have concluded four acquisitions in the period, creating the UK's tenth largest motor retailing group by turnover in the process. The integration of the businesses has progressed well and we are seeing performance improvements across the operations.

The new management structure of the Group is now in place and coupled with our strong balance sheet, we believe we are well placed to take advantage of performance improvements in our existing businesses and additional acquisition opportunities in 2008."

An analysts' briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB at 9.30am on 7th November 2007.

For further information please contact:

Robert Forrester, CEO, Vertu Motors plc	0191 206 4617
Andrew Kitchingman, Brewin Dolphin Investment Banking	0845 270 8613
Jonathon Brill/Edward Westropp, Financial Dynamics	020 7831 3113

Chief Executive's Review

I am delighted to report that since flotation last December, through a series of acquisitions, Vertu Motors plc has become one of the largest motor retailers in the United Kingdom. The Group now operates 42 franchised and 5 non-franchised operations across England and is the tenth largest motor retailer in the country.

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

The Board remains committed to following this strategy and considers that substantial progress has been made in developing a strong business model by working on each aspect of the strategy. Our aim is to deliver value to our shareholders as a result.

Acquisitions

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

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

At the end of June 2007, the Group acquired Grantham Motor Company Limited comprising four Honda dealerships and a Honda motorcycle franchise in the East of England. These businesses have annualised turnover of £47m and are among the strongest performing dealerships within the Honda franchise.

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

Management

The future success of the Group will be largely reliant on its ability to hire, train and retain talented motor retail professionals in order to maximise the business opportunities of the operations. Through combining the management expertise existing within the acquired businesses and a number of very important appointments, the Board believes that the management team now includes individuals with significant industry experience in areas vital to delivering operational improvements. In particular, experience in the used car arena, after-sales and the internet – all key drivers of the future profitability growth of the Group – has been augmented.

In order to ensure that the management structure of the Group meets the future needs of the business, a number of significant reorganisations have been completed. The Group is managed on a divisional basis with franchises and business units (such as Motor Nation) reporting to specific operational directors. In a number of cases regional management structures have been replaced with dedicated general managers in dealerships to drive delivery of operational improvements. In addition, head office functions have been rationalised. The Bristol Street Motors' head office at Droitwich has been closed with functions moved either into dealerships or a compact head office in Newcastle.

Internet

A key element of the Group's strategy is to leverage off the Group's brands and national geographic coverage to ensure that market share of vehicle sales from the internet is maximised. The Group has made substantial progress in this regard with the launch in early October of a new website offering for the Bristol Street Motors brand. This has been followed up with the launch of a new Motor Nation website and a plan is in place for further website launches in the coming months. Enquiries are directed to an experienced team located in Sunderland in order to maximise conversion rates. We are pleased to report that this investment is now being rewarded by significant increases in web traffic levels and early resultant sales levels are encouraging.

Operating review

Continuing the trends we reported in our AGM statement in August, the Group has seen strong rises in like for like volumes of both new and used retail vehicles in the period to 31st August.

New retail vehicle volumes for the Bristol Street Motors' dealerships rose on a like for like basis 8.4% in the April to August period against a market in terms of private retail registrations that rose by 0.9%. This growth is reflective of the potential for performance improvement within the particular dealerships but also new model launches and strong manufacturer backed consumer offers.

These volume increases ensured that the relevant volume targets and manufacturer volume bonuses were achieved without the need for any pre-registration of vehicles. These earnings were offset by lower pre-bonus margins on the sale of new vehicles where discounting occurred to stimulate demand.

The growth of used cars sales is a major priority for the Group not only to boost immediate profitability but also to build a customer database for future sales and after-sales marketing activity. On a like for like basis, Bristol Street Motors' dealerships' grew used car volumes by 12.4% between April and August in a flat used car market. As a consequence the Group has improved the used to new car ratio in the period. Margins were, however, lower in the period reflecting a weakening in used car values from April 2007 which did not reverse until August.

The Motor Nation used car supermarket businesses saw lower like for like volume increases of only 2.2% in the period. These businesses have not performed in recent years and, following acquisition, a number of changes were made including significant management changes, reduction in stock levels and the implementation of a cost reduction programme. These changes are now bearing fruit and the businesses are now profitable.

The after-sales operations of the business represented 47% of the gross profit generated by the Group. The operations performed well in the period, although the level of warranty service work is decreasing in a number of franchises. In order to maintain and grow service revenues, our strategy has been to increase the number of telemarketers in our businesses and to centralise after-sales direct mail marketing to maximise the retention of customers.

Financial commentary

The results for the period reflect two distinct periods since incorporation; from 1st November 2006 to 27th March 2007 (the date of the acquisition of Bristol Street Motors), the Group had no trading operations. In this period the Group incurred management expenses of £252,000 and had interest income from monies held on deposit of £241,000.

Following 27th March 2007 the trading results of the acquisitions made have been reported from the date of acquisition and therefore do not include the peak trading months of March and September that contribute a significant proportion of annual profits. In this context the Board are pleased to have delivered an operating profit before exceptional items, amortisation and share based charge for the reported period of £0.9m.

Exceptional items arose in the period. The restructuring of head office functions resulted in reorganisation costs of £0.4m in respect of redundancies and £0.2m relating to provisions for future lease and property related commitments. Dealership management reorganisations resulted in £0.2m of redundancy costs. In August 2007, a Ford van dealership at Fenton, Staffordshire was closed and relocated to the main Ford dealership in Stoke-on-Trent. Provisions of £0.1m have been made in respect of this closure primarily related to ongoing lease commitments.

Cash flow generation was excellent in the period with an operating cash inflow of £21.0m. This reflected a combination of seasonal working capital reductions from the date of the purchase of Bristol Street Motors at the end of March to the end of August and tighter management of working capital. Stock decreases generated £9.9m of cash in the period and reduction in debtors a further £27.4m of cash. This was partly offset by a £17.4m reduction in trade creditors.

The 31st August working capital position represents a low point preceding a plate change month. The net debt of £11.9m at 31st August 2007 and the gearing level of 20.5% reflects the underlying strength of the balance sheet but understates the average level of debt in the period by around £10m as a result of working capital movements.

Currently the Group has surplus properties with estimated sale proceeds and book value of £12 million. These properties are conditionally contracted for sale. The Board envisages that a number of these disposals will be completed in the first half of 2008. These anticipated funds will be used initially to further reduce Group debt but they will also add to our capacity to make acquisitions in the future.

Current Trading and Outlook

The second half of the financial period has started well. September was a crucial month for the Group's trading performance in the period ending 29th February 2008 since it represents the only plate change month in that period.

The new car market in September remained strong in terms of registrations with total registrations up 1.3% year on year and private car volumes up 1.5%. Bristol Street Motors' dealerships saw retail volumes of new vehicles rise on a like for like basis in September by 13.6% and all relevant volume bonus targets were achieved. We anticipate that the demand for new cars will continue to be stimulated by strong consumer offers in the final months of the year.

The strong consumer offers on new cars have impacted certain sectors of the used car market since buyers of late plate vehicles are tempted into new vehicles. The used car market has been more challenging as a result both in terms of volume and margin. Despite this market backdrop, September saw like for like volumes in the Bristol Street Motors' and Motor Nation dealerships rise by 7.8% in the month continuing previous trends.

In light of the operational progress made to date, the Board is confident about the Group's prospects for the current financial period.

Ends

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the period from 1st November 2006 to 31st August 2007*

	Note	Period ended 31st August 2007 £'000
Continuing operations		
Revenue		290,262
Cost of Sales		(255,126)
Gross profit		35,136
Operating Expenses		(34,272)
Operating profit before amortisation, share based payments charge and exceptional costs		864
Amortisation of intangible assets		(24)
Share based payments charge		(72)
Exceptional costs	4	(910)
Operating loss		(142)
Finance income		568
Finance costs		(782)
Net finance costs	3	(214)
Loss before tax		(356)
Taxation		48
Loss for the period		(308)
Attributable to:		
Equity holders of the Group		(308)
Basic loss per share (p)	5	(0.42)
Diluted loss per share (p)	5	(0.42)
Adjusted earnings per share (p)	5	0.94

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)
For the period from 1st November 2006 to 31st August 2007

	Period ended 31st August 2007 £'000
Actuarial gains on retirement benefit obligations	1,597
Taxation thereon	(479)
Net gains recognised directly in equity	**1,118**
Loss for the period	(308)
Total recognised income and expense for the period	**810**
Attributable to:	
Equity holders of the Group	**810**

CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31st August 2007

	Note	As at 31st August 2007 £'000
Non-current assets		
Goodwill	9	16,631
Other intangible assets	9	898
Retirement benefit asset		1,157
Property, plant and equipment		46,022
		64,708
Current assets		
Inventories		109,010
Property assets held for sale		12,044
Trade and other receivables		19,715
Cash and cash equivalents		12,300
Total current assets		153,069
Total assets		217,777
Current liabilities		
Trade and other payables		(120,362)
Current tax liabilities		(6,029)
Total current liabilities		(126,391)
Non-current liabilities		
Borrowings		(24,216)
Deferred income tax liabilities		(7,093)
Deferred consideration	9	(1,250)
Provisions for other liabilities and charges		(675)
		(33,234)
Total liabilities		(159,625)
Net assets		**58,152**
Capital and reserves attributable to equity holders of the Group		
Ordinary shares	6	9,083
Share premium	6	48,126
Hedging reserve	7	61
Retained earnings	7	882
Shareholders' equity	7	**58,152**

CASH FLOW STATEMENT (UNAUDITED)
For the period from 1st November 2006 to 31st August 2007

	Note	Period ended 31st August 2007 £'000
Operating loss		(142)
Loss on sale of tangible fixed assets		37
Amortisation of intangible assets		24
Depreciation of property, plant and equipment		880
Decrease in inventories		9,940
Decrease in trade and other receivables		27,432
Decrease in payables		(17,390)
Increase in provisions		160
Movement in share based payments charge		72
Cash generated from operations		21,013
Tax paid		(2,155)
Net finance income		21
Net cash generated from operating activities		18,879
Cash flows from investing activities		
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(78,071)
Purchases of property, plant and equipment		(2,879)
Proceeds from disposal of property, plant and equipment		596
Net cash outflow from investing activities		(80,354)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares		49,209
Proceeds from borrowings	8	24,566
Net cash inflow from financing activities		73,775
Net increase in cash and cash equivalents		12,300
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	8	12,300

NOTES
For the period from 1st November 2006 to 31st August 2007

1. Basis of preparation

This unaudited interim financial report has been prepared in accordance with the accounting policies described below. The International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that will be applicable as at 29th February 2008, including those that will be applicable on an optional basis, are not yet known with certainty at the time of preparing this report, however, no significant changes are expected between the accounting policies adopted in preparing this report and those that will be adopted in the 2008 audited financial statements.

This interim financial report has been prepared under the historical cost convention, as modified by the accounting for derivative financial instruments at fair value through profit or loss. In addition, this unaudited interim financial report does not comply with IAS 34 'Interim Financial Reporting', which is not currently required to be applied under the AIM Rules.

The financial information set out above does not constitute the Group's statutory financial statements for the period 1st November 2006 to 31st August 2007, within the meaning of section 240 of the Companies Act 1985. The financial information set out above is unaudited.

Standards and interpretations not yet effective

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

- IFRS 7 – Financial instruments: Disclosures (effective from 1st June 2007)
- IFRS 8 – Operating segments (effective from 1st June 2009)
- IFRIC 10 – Interim financial reporting and impairment (effective from 1st June 2007)
- IFRIC 11 – Group and treasury share transactions (effective from 1st June 2007)
- IFRIC 12 – Service concession arrangements (effective from 1st June 2008)

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

The financial information has been prepared on the historical costs basis. The principal accounting policies adopted are set out below.

2. Accounting Policies

Basis of consolidation

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

Business combinations and goodwill

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

Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on either the Group’s primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting. Gains and losses on the disposal of a business component are calculated on a basis which incorporates the carrying amount of goodwill relating to the business sold.

Other intangible assets

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial period end. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment less their estimated residual values, on a straight line basis over their estimated useful lives at the following rates:

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

Inventories

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

Trade receivables

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

Property assets held for sale

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

Trade payables

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

Provisions

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

Impairment of financial assets

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

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

Impairment of non-financial assets

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment losses of continuing operations are recognised in the income statement in that expense category consistent with the function of the impaired asset.

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

Taxation

Current tax

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

On 21st March 2007, the Chancellor of the Exchequer presented the 2007 Budget, which announced a reduction in the rate of UK corporation tax from 30% to 28%, effective 1st April 2008.

Deferred tax

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

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

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

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

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

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

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

Revenue

Revenue for the sale of goods and services is measured at the fair value of consideration receivable, net of rebates and any discounts. It excludes sales related taxes and intra Group transactions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically despatched or when a service has been undertaken.

Pension costs

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

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

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

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

Share based payments

The Group allows employees to acquire shares of the Company through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Cash and cash equivalents

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

Derivative financial instruments

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

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

Segmental reporting

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

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

Share capital

Authorised share capital represents 125,000,000 Ordinary shares of 10 pence each. Ordinary shares are classed as equity.

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

3. Net finance costs

	Period ended 31st August 2007 £'000
Bank loans and overdrafts	(708)
Fair value losses – interest rate swaps	(69)
Other finance costs	(5)
Finance costs	(782)
Fair value gains – interest rate swaps	8
Other finance income relating to Group pension scheme	171
Vehicle stocking interest	9
Interest on short term bank deposits	380
Finance income	568
Net finance costs	(214)

4. Exceptional costs

	Period ended 31st August 2007 £'000
Redundancy costs	606
Onerous lease costs	304
	910

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

5. (Loss) earnings per share

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

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

	Period ended 31st August 2007 £'000
Loss attributable to equity shareholders	(308)
Amortisation of intangible assets	24
Share based payments charge	72
Exceptional costs	910
Adjusted earnings attributable to equity shareholders	698
Weighted average number of shares in issue ('000s)	73,955
Potentially dilutive shares ('000s)	11
Diluted weighted average number of shares in issue ('000s)	73,966
Basic loss per share	(0.42)p
Diluted loss per share	(0.42)p
Adjusted earnings per share	0.94p

6. Share capital and premium

	Share capital Number of Shares (thousands)	Share Capital £'000	Share Premium £'000	Total £'000
At incorporation	-	-	-	-
Shares issued during the period	90,828	9,083	48,126	57,209
At 31st August 2007	90,828	9,083	48,126	57,209

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

7. Consolidated statement of changes in shareholders' equity

	Period ended 31st August 2007 £'000
Shares issued on incorporation	-
Shares issued during the period net of issue expenses	57,209
Fair value gains – interest rate swaps	(8)
Fair value losses – interest rate swaps	69
Net actuarial gains on retirement benefit obligations	1,118
Share based payments charge	72
Loss for the period	(308)
Balance at end of period	58,152

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

	Period ended 31st August 2007 £'000
Net increase in cash and cash equivalents	12,300
Cash inflow from increase in borrowings	(24,566)
Non-cash movement in net debt	350
Movement in net debt	(11,916)
Opening net debt	-
Closing net debt	(11,916)

9. Acquisitions

On 27th March 2007, the Group acquired 100% of the share capital of Bristol Street Group Limited for total consideration of £42.7m, consisting of cash (£33.7m), equity (£8.0m) and deferred consideration (£1.0m). The deferred consideration is subject to finalisation of completion accounts and will be settled through a further equity issue at a price of 87.5p per share. The provisional fair value of the net assets acquired was £30.3m, with intangible assets arising on acquisition of £12.4m.

On 2nd May 2007, the Group acquired 100% of the share capital of Blakes Holdings Limited for a total consideration of £5.1m, comprising cash of £4.9m and deferred consideration in the form of equity shares yet to be issued of £0.2m at a price of 85.5p per share. The provisional fair value of the net assets acquired was £3.5m, with intangible assets arising on acquisition of £1.6m.

On 29th June 2007, the Group acquired 100% of the share capital of Grantham Motor Company Limited for total cash consideration of £4.3m. The fair value of the net assets acquired was £1.3m, with intangible assets arising on acquisition of £3.0m.

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