

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

If you sell or transfer, or have sold or otherwise transferred, all of your Ordinary Shares, please send this document together with the accompanying Proxy Form as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer is or was effected for onward transmission to the purchaser or transferee, save that you should not forward or transmit such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document and the accompanying Proxy Form.

This document is being sent to you solely for the purpose of convening the Annual General Meeting referred to below and to provide information to you as a member of the Company to help you to decide how to cast your vote in respect of the Resolutions. No reliance may be placed on this document for any other purpose.



*(Registered in England and Wales with registered number 05984855)*

## **Notice of 2013 Annual General Meeting**

**and**

## **Proposed adoption of the Vertu Motors plc Long Term Incentive Plan**

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**Your attention is drawn to the letter from the Chairman of the Company which is set out in part 1 of this document, which includes a recommendation that you vote in favour of the Resolutions to be proposed at the Annual General Meeting to be held at the offices of Bond Dickinson LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX at 11.00 a.m. on 25 July 2013.**

Notice of the Annual General Meeting is set out in part 3 of this document. A Proxy Form for use in connection with the Annual General Meeting accompanies this document and should be completed by Shareholders and returned in accordance with the instructions printed thereon as soon as possible and in any event to be received by no later than 11.00 a.m. on 23 July 2013. If you hold Ordinary Shares through CREST you may appoint a proxy by completing and transmitting a CREST proxy instruction to Capita Registrars (CREST participant ID RA 10) so that it is received by no later than 11.00 a.m. on 23 July 2013. Completion and return of a Proxy Form or CREST proxy instruction will not preclude Shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

Copies of this document, the proposed LTIP Rules, the service agreements or letters of appointment of each of the Directors, and any applicable deeds of indemnity relating to the Directors will be available for inspection free of charge during normal business hours on any week day (except Saturdays, Sundays and public holidays) at the offices of Bond Dickinson LLP, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX from the date of this notice until the date of the Annual General Meeting and at the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the AGM. Copies of this document are also available during such period at the Company's website: [www.vertumotors.com/investors](http://www.vertumotors.com/investors)

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## EXPECTED TIMETABLE

Posting of this document and Proxy Form to Shareholders	21 June 2013
Latest time and date for receipt of Proxy Forms for the Annual General Meeting	11.00 a.m. on 23 July 2013
Record Date for the Annual General Meeting	6.00 p.m. on 23 July 2013
Annual General Meeting	11.00 a.m. on 25 July 2013

*Note: Each of the dates and times in the above timetable are subject to change. All times stated are British Summer Time.*

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>Act</b>	the Companies Act 2006, as amended
<b>AGM or Annual General Meeting</b>	the annual general meeting of the Company to be held at the offices of Bond Dickinson LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX at 11.00 a.m. on 25 July 2013, or any adjournment thereof, notice of which is set out in part 3 of this document
<b>AGM Notice</b>	the notice of the AGM set out in part 3 of this document
<b>Board or Directors</b>	the directors of the Company, being the Executive Directors and the Non-executive Directors
<b>Business Day</b>	any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business
<b>certificated or in certificated form</b>	an Ordinary Share which is not in uncertificated form (that is, not in CREST)
<b>Company or Vertu</b>	Vertu Motors plc (registered number 05984855)
<b>CREST</b>	the relevant systems (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form of which Euroclear is the operator as defined by the CREST Regulations
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001, as amended
<b>Executive Directors</b>	Robert Forrester and Michael Sherwin
<b>Existing Scheme</b>	the Vertu Motors plc Share Option Scheme
<b>Existing Share Capital</b>	the 331,654,852 Ordinary Shares currently in issue as at the date of this document
<b>Euroclear</b>	Euroclear UK & Ireland Limited
<b>General Resolutions</b>	each of the Resolutions other than the LTIP Resolution
<b>Good Leaver</b>	any LTIP Participant who leaves the employment of the Group as a result of death, ill health, injury, disability or retirement, together with any other LTIP Participant determined by the Remuneration Committee to be a good leaver for the purposes of the LTIP
<b>Group</b>	the Company and its subsidiary undertakings (as defined in the Act)
<b>LTIP</b>	the proposed Vertu Motors plc Long Term Incentive Plan, details of which are set out in part 2 of this document
<b>LTIP Options</b>	awards of nil-cost options over Ordinary Shares made pursuant to the LTIP
<b>LTIP Participant</b>	any Executive Director or other employee of the Group who is awarded LTIP Options from time to time
<b>LTIP Resolution</b>	the ordinary resolution numbered 11 set out in the AGM Notice and to be proposed at the Annual General Meeting
<b>LTIP Rules</b>	the rules of the LTIP (a summary of the principal terms of which at the date of this document is set out in part 2 of this document), as amended from time to time
<b>Non-executive Directors</b>	Paul Williams, David Forbes, Nigel Stead and William Teasdale
<b>Ordinary Shares</b>	ordinary shares of 10p each in the capital of the Company

<b>Placing</b>	the placing of 131,578,948 Ordinary Shares announced on 21 May 2013
<b>Proxy Form</b>	the form of proxy enclosed with this document for use by Shareholders in connection with the AGM
<b>Remuneration Committee</b>	the remuneration committee of the Board, comprising the Non-executive Directors only, and which is chaired by David Forbes
<b>Resolutions</b>	the resolutions to be proposed at the AGM as set out in the AGM Notice
<b>Shareholders</b>	holders from time to time of Ordinary Shares
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>uncertificated or in uncertificated form</b>	recorded on a register of securities maintained by Euroclear in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

*All references in this document to £ or p are to the lawful currency of the United Kingdom.*

## PART 1 – LETTER FROM THE CHAIRMAN OF THE COMPANY



(Registered in England and Wales with registered number 05984855)

**Registered office:**

Vertu House  
Kingsway North  
Team Valley  
Gateshead  
Tyne and Wear  
NE11 0JH

21 June 2013

Dear Shareholder

**2013 Annual General Meeting  
and  
Proposed approval and adoption of the Vertu Motors plc Long Term Incentive Plan**

### Introduction

I enclose, in part 3 of this document, the formal notice of the Annual General Meeting of the Company which is to be held at the offices of Bond Dickinson LLP, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX at 11.00 a.m. on 25 July 2013.

I hope to see as many of you as possible at the AGM, which is the main opportunity each year for the Board to engage with shareholders, to answer your questions and to listen to your views.

### Summary of the resolutions to be proposed at the Annual General Meeting

At the AGM, the following resolutions will be proposed:

**Resolution 1 – Annual Report and Accounts (ordinary resolution)**

Company law requires the Directors to present to Shareholders the Company's and Group's annual accounts for the year ended 28 February 2013, together with their report and the auditors' report, all of which are contained within the Group's 2013 Annual Report.

**Resolution 2 – Reappointment of the auditors (ordinary resolution)**

The Company is required to appoint auditors at each annual general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. At the AGM shareholders will be asked to confirm the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors.

**Resolution 3 – Authority for the Directors to fix the auditors' remuneration (ordinary resolution)**

This resolution will authorise the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors.

#### **Resolution 4 – Declaration of a final dividend (ordinary resolution)**

Shareholders are being asked to approve and declare a final dividend of 0.45p per Ordinary Share for the year ended 28 February 2013. If approved and declared at the AGM, the final dividend will be paid on 29 July 2013 to all holders of Ordinary Shares on the register of members of the Company at the close of business on 26 June 2013.

#### **Resolutions 5 and 6 – Re-election of Directors (ordinary resolutions)**

The articles of association of the Company require that, at the AGM, one third of all the Directors shall retire by rotation. At the AGM David Forbes and I will retire and will offer ourselves for re-election. Resolutions 5 and 6 propose the re-election of David Forbes and myself, respectively, as directors.

#### **Resolution 7 – Approval of the Directors' Remuneration Report (ordinary resolution)**

The purpose of resolution 7 is to approve the Directors' Remuneration Report for the year ended 28 February 2013. The Directors' Remuneration Report for the year ended 28 February 2013 is contained in the 2013 Annual Report.

#### **Resolution 8 – Authority to allot shares (ordinary resolution)**

This resolution proposes to grant the Directors authority under section 551 of the Act to allot shares or grant such subscription or conversion rights up to a maximum aggregate nominal value of £22,000,000 representing approximately two-thirds of the Existing Share Capital, but subject to the proviso that half of such sum (being shares with an aggregate nominal value of £11,000,000) may only be allotted in connection with a rights issue or similar pre-emptive share issue. Resolution 8 replaces the authority to allot shares passed at the general meeting of the Company held on 7 June 2013 which facilitated the Company's recent Placing.

#### **Resolution 9 – Disapplication of pre-emption rights (special resolution)**

Resolution 9 asks shareholders to grant the Directors authority to allot equity securities or to sell treasury shares for cash in connection with a rights issue or otherwise, on a non pre-emptive basis, up to an aggregate nominal value of £3,310,000, being approximately 10% of the Existing Share Capital. This resolution seeks authorities which are consistent with those sought and approved at previous annual general meetings, adjusted to take account of recent share issues including the Placing. The Directors believe that an authority to issue approximately 10% of the Company's issued share capital for cash without first offering the securities to existing holders is in the best interests of Shareholders as a whole as it will give the Company flexibility to access funds at short notice if required to take advantage of strategic opportunities that create shareholder value.

#### **Resolution 10 – Purchases of own shares by the Company (special resolution)**

Resolution 10 seeks authority for the Company to make market purchases of up to 33,100,000 of its own Ordinary Shares, representing approximately 10% of the Existing Share Capital. The price payable must not be more than 5% above the average market value of an Ordinary Share for the five Business Days before the purchase is made and, in any event, not less than 10p per share, being the nominal value of each Ordinary Share. It is the Directors' intention only to exercise this authority where it would increase the earnings per share of those Ordinary Shares that are not re-purchased. The Company intends either to cancel such shares or to hold them in treasury. This power will only be used if the Directors consider that to do so would be in the best interests of Shareholders generally. Resolution 10 would replace a similar resolution passed at the last annual general meeting of the Company held on 24 July 2012.

#### **Resolution 11 – Approval and adoption of LTIP**

Resolution 11 seeks approval for the adoption of the LTIP, following a review by the Remuneration Committee of the Company's arrangements for incentivising its most senior managers.

The retention and motivation of high quality and successful management is a key part of the Company's strategy towards its senior management team. The Remuneration Committee has come to the view that, as the Group has grown and matured, it would be beneficial to have a separate incentive scheme with targeted performance criteria for the Group's most senior managers, initially comprising the Executive Directors and certain other senior managers. Adoption of the LTIP would enable the Existing Scheme to be used for other managers within the Group, and will facilitate a rebalancing of the remuneration packages of the Executive Directors and other LTIP Participants to include a greater proportion of long term share based incentives and a reduced proportion of short term cash based rewards. To date, Robert Forrester has not participated in the Existing Scheme and Michael Sherwin has been awarded only one tranche of options under the Existing Scheme which are expected to lapse on 31 July 2013.

Under the Existing Scheme, only a part of the value of the share being issued (the excess of the value at the date of exercise over the value at the date of grant) can be used as a potential reward or incentive. This means that, given normal dilution limits, the potential rewards available to management are modest for a company of the size of Vertu. The Remuneration Committee believes that, for its most senior executives, long term incentive plans, which deliver shares at no cost to the participants but are subject to more challenging performance criteria, are a more efficient and effective motivational and retention tool than a traditional share option scheme under which market value options are granted.

A summary of the principal terms of the LTIP, which formed the basis of consultation with a selection of the Company's major institutional shareholders, is set out in part 2 of this document.

## **Proxy Form**

If you are unable to attend the AGM, a Proxy Form is enclosed for you to complete (according to the instructions printed on it) and send to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU to be received by no later than 11.00 a.m. on 23 July 2013. Completion and submission of the Proxy Form will not prevent you from attending and voting at the AGM if you subsequently find that you are able to do so. CREST Members can cast their votes using CREST electronic proxy voting (further details of which are set out in note 7 on pages 15 and 16 of the enclosed AGM Notice).

## **Recommendation**

**Your Directors believe that the General Resolutions are in the best interests of the Company and Shareholders as a whole. Accordingly, they unanimously recommend that you vote in favour of each General Resolution, as they intend to do in respect of their own beneficial holdings in the Company.**

The Executive Directors will be granted awards under the LTIP and have consequently played no part in the consideration of the LTIP by the Remuneration Committee or the Board.

**Your Remuneration Committee believes that the LTIP Resolution is in the best interests of the Company and Shareholders as a whole. Accordingly, each member of the Remuneration Committee recommends that you vote in favour of the LTIP Resolution (resolution number 11) as he intends to do in respect of his own beneficial holding in the Company.**

Yours faithfully

**Paul Williams**

*Non-executive Chairman*

## PART 2 – DETAILS OF THE LTIP

### 1. Overview

If the LTIP is approved by Shareholders, Directors and employees of the Group may be awarded rights to acquire Ordinary Shares under the LTIP subject to the achievement of performance conditions.

The LTIP will be used to motivate the Executive Directors and other senior managers of the Group, whilst the Existing Scheme will continue to be used to grant options to managers other than LTIP Participants. Once an individual becomes a LTIP Participant, he/she will not be entitled to any further options under the Existing Scheme. There will be no impact in respect of any of the options previously granted under the Existing Scheme.

### 2. Participation and grant of Awards

The Executive Directors and certain members of senior management nominated by the Remuneration Committee will be considered for the grant of awards under the LTIP. Awards will take the form of nominal cost options which will become exercisable, or vest, subject to the achievement of performance criteria.

Generally, LTIP Options can only be granted in the six week period following the adoption of the LTIP and, thereafter, in the six week periods following the announcement by the Company of its interim or final results. However, in circumstances which the Remuneration Committee considers exceptional, LTIP Options may be granted outside these six week periods.

### 3. Individual Participation Limit

Generally, the maximum market value of Ordinary Shares over which LTIP Options may be granted to any individual LTIP Participant in any financial year of the Company may not exceed 125% of his/her basic salary for that financial year (or for the preceding financial year, if greater) unless exceptional circumstances arise which the Remuneration Committee believes justify granting LTIP Options outside this limit. The Remuneration Committee would only envisage overriding the 125% limit in exceptional circumstances such as where there was a need to do so attract a new senior executive to the Group.

In respect of all LTIP Participants, the level of the initial awards to be made immediately following adoption of the LTIP will be determined at the time the awards are made and will be subject to the individual participation limits outlined above.

### 4. Performance targets and exercise of LTIP Options

Exercise of LTIP Options will be dependent upon the extent to which specified performance targets have been achieved. In respect of the initial award of LTIP Options following its adoption at the AGM (the **Initial Awards**), vesting of such LTIP Options shall be dependent upon the total shareholder return (**TSR**) achieved by the Company over a three year performance period commencing on 1 March 2013.

Vesting of one half of the Initial Awards will be dependent on absolute growth in the Company's TSR, and the other half dependent on the Company's TSR performance as compared to the TSR achieved by other companies in a comparator group of companies or an appropriate index selected by the Remuneration Committee. All TSR calculations will be based on the average of opening and closing share prices over a 10 Business Day period prior to the commencement and end of the performance period.

The absolute TSR growth target in respect of all Initial Awards will require the Company's TSR over the three year performance period to have grown by more than 25%. For TSR growth, over the 3 year period, between 25% and 100%, the half of each Initial Award which is subject to the absolute TSR growth target will vest on a straight-line basis, from nil vesting at 25% growth to 100% vesting at 100%. No Initial Awards will vest if TSR growth over the 3 year period is 25% or less.



The comparative TSR performance condition will be as follows (applied to one half of the Option):

<b>Ranking of Company TSR</b>	<b>Proportion of award vesting</b>
Below median	0%
Above 90 <sup>th</sup> percentile	100%
Between median and 90 <sup>th</sup> percentile	Straight line vesting 0 – 100%

The Remuneration Committee has considered which comparator group or index should be used for TSR comparison purposes. At present, the number of fully listed or AIM listed motor dealership groups in the United Kingdom is limited. Some of them have a materially different financial position to Vertu or have material interests outside UK motor dealerships such that, in the opinion of the Remuneration Committee, the use of such a comparator group may produce an anomalous result. Therefore, it is the intention of the Remuneration Committee to use the FTSE Small Cap index (excluding investment trusts) as its comparator basket for the Initial Awards.

Subject to achievement of the TSR conditions, LTIP Options will become exercisable unless the Remuneration Committee considers that there are exceptional circumstances such that exercise of such LTIP Options is not justified in whole or in part. To the extent that any specified performance conditions are not satisfied, Initial Awards will lapse.

The Remuneration Committee envisages that similar TSR performance conditions will also apply to future awards under the LTIP. Any change in performance conditions will be explained and justified to shareholders through the Company's report and accounts.

#### **5. Exercise of LTIP Options**

LTIP Options will normally become exercisable three years from the date of grant, subject to the achievement of performance conditions and to continued employment. The last date for the exercise of a LTIP Option will be the day before the tenth anniversary of its grant.

#### **6. Cessation of Employment**

If a LTIP Participant leaves the Group's employment as a Good Leaver, he/she will be allowed to retain any unexercised LTIP Options and to exercise them, subject to the achievement of performance criteria, from the normal exercise date as if he/she had continued in employment. However, the number of Ordinary Shares in respect of which such LTIP Options can be exercised will then be reduced on a pro rata basis to take account of the period of time during which the LTIP Participant was not an employee. Notwithstanding this, such a LTIP Participant may be permitted to exercise any unexercised LTIP Option within 12 months of ceasing employment, but only to the extent that performance criteria have been achieved up to that date and on a pro rata basis taking into account the period of time which has elapsed since the LTIP Option was granted.

If, however, a LTIP Participant leaves for a reason other than one specified above, he/she will normally forfeit his/her unexercised LTIP Options. In exceptional circumstances, the Remuneration Committee may treat such a participant as if he/she were a Good Leaver.

#### **7. Change of control**

If there is a change of control of the Company as a result of a takeover (by offer or scheme of arrangement), a Court-sanctioned compromise or arrangement, or a voluntary winding up, then the number of Ordinary Shares over which non-vested LTIP Options will become exercisable will be calculated on the basis of the extent to which the performance criteria applicable to those LTIP Options have been satisfied as at the date of the change of control (or other event). If the performance criteria have been met, the Remuneration Committee would not propose to reduce the resulting number of Ordinary Shares further to reflect the reduced period between the date the award was made and the date of the change of control, unless it decides that there are exceptional circumstances that require such a reduction.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, LTIP Participants may be required or allowed to exchange LTIP Options so as to operate over shares in the acquiring company.

## 8. Adjustment and clawback

In the event of a material correction or restatement of any accounts of the Company used to assess satisfaction of any performance conditions, the number of LTIP Options granted may be adjusted or cancelled as determined by the Remuneration Committee to reflect such correction or restatement.

In the event of a LTIP Participant's gross misconduct:

- the number of LTIP Options available for vesting may be adjusted or cancelled as determined by the Remuneration Committee; and
- to the extent only that LTIP Options have already been exercised by that LTIP Participant, the Remuneration Committee reserves the right, having considered all the circumstances, to require the relevant LTIP Participant to return any Ordinary Shares received, or the amounts of any proceeds of sale of such Ordinary Shares (net of tax). Given the practical difficulties of reclaiming Ordinary Shares already vested and issued or seeking to reclaim net proceeds post disposal, the Remuneration Committee believes that it would only consider exercising this power in the most extreme of circumstances.

## 9. Dilution limits

The number of new Ordinary Shares that may be issued to satisfy awards made under all of the employee share plans operated by the Company, including any awards made under the LTIP, may not, in any 10 year period, exceed 10% of the number of Ordinary Shares in issue from time to time.

Ordinarily ABI guidelines suggest that, in addition, no more than 5% of the Company's issued Ordinary Shares may be issued or issuable under all discretionary share plans operated by the Company in any 10 year period. Both the LTIP and the Existing Scheme would ordinarily be regarded as discretionary schemes for the purpose of this guideline. The Company currently incentivises management at all levels as part of its culture of management involvement and options issued under the Existing Scheme equate to almost 5% of the Existing Share Capital. The Remuneration Committee believes that it is important to keep the maximum flexibility within the Company's share incentive plans whilst retaining the overriding commercial limit of a maximum dilution of 10% of the Company's issued share capital for all share schemes. No sub-limit for discretionary schemes has been included in the proposed scheme.

For so long as institutional guidelines recommend, Ordinary Shares transferred from treasury to satisfy LTIP Option awards will count as newly issued shares for these purposes. Awards and options which have lapsed or been surrendered will not count towards these dilution limits.

## 10. Taxation

Income tax and national insurance contributions (**NICs**) will be payable on the value of the Ordinary Shares which a LTIP Participant acquires following the end of the measurement period. Under the terms of the LTIP, the LTIP Participant will agree to pay the income tax and employee's NICs which arises. It will be a condition of acquiring Ordinary Shares that appropriate arrangements are in place to ensure that his/her employer is put in funds by the LTIP Participant to meet these income tax and NICs liabilities. The employer will be responsible for payment of any employer's NICs which arise.

#### 11. **Variation of share capital**

In the event of any increase or variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, or otherwise the number of Ordinary Shares over which an award has been made may be adjusted as determined by the Remuneration Committee to be appropriate.

#### 12. **Amendment of LTIP Rules**

The rules of the LTIP may be amended by the Remuneration Committee. The LTIP Rules cannot, however, be amended in any way which materially benefits LTIP Participants without the approval of Shareholders unless the amendments are to benefit the administration of the LTIP or are to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for the LTIP Participants.

#### 13. **Term of the LTIP**

The life of the LTIP will be 10 years and no awards may therefore be made more than 10 years after the date of the adoption of the LTIP.

#### 14. **Pension status**

None of the benefits which may be received under the LTIP will be pensionable.

#### 15. **Administration of the LTIP**

The administration and operation of the LTIP will be facilitated by the trustee (**Trustee**) of a non-UK resident employee benefit trust (**EBT**). It is expected that the Trustee will be an independent professional trustee and that, when exercising its discretions, the Trustee will always have regard to the recommendations of the Remuneration Committee.

The EBT may subscribe for Ordinary Shares or may purchase Ordinary Shares in the market in order to satisfy awards made under the LTIP. In respect of Ordinary Shares acquired by subscription, the subscription price to be paid by the EBT will be the market value of the Ordinary Shares on the day that the awards are made.

The duration of the EBT will be 120 years.

The EBT will not hold more than 5% of the issued ordinary share capital of the Company without Shareholder approval and the Trustee will not exercise any voting rights in respect of Ordinary Shares held in the EBT from time to time except for voting rights in respect of Ordinary Shares which are beneficially owned by any beneficiary of the EBT and in relation to which the EBT has received voting instructions from that beneficiary.

The Company (or other Group companies) will fund the EBT to enable it to acquire Ordinary Shares.

## PART 3 – NOTICE OF ANNUAL GENERAL MEETING



(Registered in England and Wales with registered number 05984855)

Notice is hereby given that an annual general meeting of Vertu Motors plc (the **Company**) will be held at the offices of Bond Dickinson LLP, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX at 11.00 a.m. on 25 July 2013 for the purposes set out below.

In this Notice, references to the **directors** shall be construed as references to the directors of the Company from time to time.

### Ordinary Business

1. To receive the accounts for the financial year ended 28 February 2013, together with the reports of the directors and of the auditors thereon.
2. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the directors of the Company to determine the remuneration of the auditors of the Company.
4. To declare a final dividend for the financial year ended 28 February 2013 of 0.45p per ordinary share of 10p in the capital of the Company, to be paid on 29 July 2013 to members whose names appear on the register of members in respect of such shares at the close of business on 26 June 2013.
5. To re-elect as a director Paul Williams, who retires in accordance with the Company's articles of association and who is eligible for re-election.
6. To re-elect as a director David Forbes, who retires in accordance with the Company's articles of association and who is eligible for re-election.
7. To approve the directors' remuneration report for the financial year ended 28 February 2013.

### Special Business

As special business, to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 8 and 11 as **ordinary resolutions** and as to resolutions 9 and 10 as **special resolutions** of the Company:

8. THAT, subject to and in accordance with article 15.1 of the articles of association of the Company, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company (**Rights**):
  - 8.1 up to an aggregate nominal amount of £11,000,000; and
  - 8.2 up to an additional aggregate nominal amount of £11,000,000 provided that such Rights are offered by way of a rights issue to holders of ordinary shares of 10p each in the capital of the Company (**Ordinary Shares**) on the register of members at such record date(s) as the directors may determine, where the shares or equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective number of Ordinary Shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or

practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter

and provided that:

- (a) save as referred to in paragraphs (b) and (c) below, this authority shall, unless renewed, varied or revoked by the Company, expire on 25 October 2014 or, if earlier, the conclusion of the next annual general meeting of the Company;
- (b) the Company may, before such expiry, make offers or agreements which would or might require shares to be allotted or Rights to be granted, and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and
- (c) this resolution revokes and replaces all unexercised authorities previously granted to the directors in accordance with section 551 of the Act to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

9. THAT, subject to the passing of resolution 8 set out in the notice of this meeting, the directors be given the general power in accordance with section 570 of the Act to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 8 set out in this notice of meeting or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that:

9.1 this power shall be limited to:

9.1.1 the allotment of equity securities in connection with an offer by way of a rights issue:

- (a) to the holders of ordinary shares of 10p each in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and
- (b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

9.1.2 the allotment (otherwise than pursuant to paragraph 9.1.1 above) of equity securities up to an aggregate nominal amount of £3,310,000;

9.2 the power granted by this resolution will expire on 25 October 2014 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and

9.3 this resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

10. THAT the Company be and is generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006 (the **Act**), to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company (**Ordinary**

**Shares**) on such terms and in the manner as the directors of the Company may from time to time determine provided that:

- 10.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 33,100,000 (representing approximately 10% of the Company's issued ordinary share capital as at the date of this notice);
- 10.2 the minimum price which may be paid for such Ordinary Shares shall be 10p per share;
- 10.3 the maximum price which may be paid for an Ordinary Share shall not be more than 5% above the average market value of an Ordinary Share for the five business days immediately preceding the date on which the contract for the purchase is made;
- 10.4 unless previously renewed, varied or revoked, the authority conferred shall expire on 25 October 2014 or, if earlier, at the conclusion of the Company's next annual general meeting provided that:
  - 10.4.1 the Company may make a contract or contracts to purchase Ordinary Shares under this authority prior to its expiry which will or may be executed wholly or partly after the expiry of this authority; and
  - 10.4.2 the Company may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.
11. THAT:
  - 11.1 the rules (**Rules**) of the Vertu Motors plc Long Term Incentive Plan (**LTIP**) in the form set out in the draft rules, a copy of which having been produced to the meeting and initialled by the Chairman for the purposes of identification, and the principal features of which are summarised in part 2 of this document, be and are approved;
  - 11.2 the LTIP be adopted and the directors of the Company be and are authorised to do all acts and things which they may consider necessary or expedient to give effect to the LTIP including, but not limited to, making any amendment to the Rules which the directors think appropriate; and
  - 11.3 the directors of the Company be and are authorised to issue ordinary shares of 10p each in the capital of the Company to the trustee of any trust established by the Company for the benefit of (inter alia) employees of the Company and of its subsidiaries for the purposes of satisfying the exercise of options granted by such trustee or the Company pursuant to the LTIP.

Dated: 21 June 2013

**By Order of the Board**

Registered Office:

**Karen Anderson**  
Company Secretary

Vertu House  
Kingsway North  
Team Valley  
Gateshead  
Tyne and Wear  
NE11 0JH

**Notes:**

**Appointment of proxies**

1. If you are a member of the Company at the time set out in note 9 below, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the annual general meeting and you should have received a proxy form with this notice of meeting. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrars, Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras. Lines

are open 8.30 a.m. to 5.30 p.m. Monday to Friday.) or, if calling from outside the UK, on +44 20 8639 3399. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the annual general meeting to represent you. Details of how to appoint the Chairman of the annual general meeting or another person as your proxy using the proxy form are set out in the notes on that proxy form. If you wish your proxy to speak on your behalf at the annual general meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the enclosed proxy form.
4. Appointment of a proxy does not preclude you from attending the annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person, your proxy appointment will automatically be terminated.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the annual general meeting or any adjournment thereof.

#### **Appointment of proxy using hard copy proxy form**

6. To appoint a proxy using the proxy form, the form must be:
  - completed and signed;
  - sent or delivered to the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
  - received by the Company's Registrars no later than 11.00 a.m. on 23 July 2013 or, if this annual general meeting is adjourned, not less than 48 hours before the time of the adjourned meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

#### **Appointment of proxies through CREST**

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting convened by this notice and any adjournment(s) thereof by utilising the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (**CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RAI0) by the latest time for receipt of proxy appointments specified in note 6 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection,

CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### **Appointment of proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### **Entitlement to attend and vote**

9. Only those members registered on the Company's register of members at 6.00 p.m. on 23 July 2013 or, if the annual general meeting is adjourned, at 6.00 p.m. two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

#### **Corporate representatives**

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### **Documents on display**

11. Copies of this document, the LTIP Rules and the service contracts or letters of appointment and deeds of indemnity of each of the directors will be available for inspection at the offices of Bond Dickinson LLP, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the date of the annual general meeting and at the annual general meeting from at least 15 minutes prior to and until the conclusion of the annual general meeting.

#### **Biographical details**

12. Biographical details of each director of the Company who is being proposed for election or re-election by shareholders, including their membership of board committees, are set out in the annual report and accounts posted to shareholders with this notice.

#### **Communication**

13. Except as provided above, members who have general queries about the annual general meeting should contact the Company Secretary at Vertu Motors plc, Vertu House, Kingsway North, Team Valley, Gateshead, Tyne and Wear, NE11 0JH or on 0191 491 2121 (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the Chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.