12 October 2016

Vertu Motors plc ("Vertu", "Group")
Unaudited interim results for the six months ended 31 August 2016
Growth strategy delivers record half year revenues and profits
Full year results anticipated to be in line with market expectations

Vertu Motors plc, the automotive retailer with a network of 129 sales and aftersales outlets across the UK, announces its interim results for the six months ended 31 August 2016.

Financial Highlights

- Revenues increased by 17.7% to £1,454.6m (2015 H1 : £1,236.1m)
- Record profit before tax up 14.0% to £18.7m (2015 H1 : £16.4m)
- Adjusted[1] profit before tax up 14.7% to £19.5m (2015 H1: £17.0m)
- Period end net cash of £12.9m (2015 H1 : £32.1m)
- Cash generated from operations of £26.4m (2015 H1 : £37.6m)
- Earnings per share of 3.87p (2015 H1 : 3.82p)
- Raised £35m in March 2016 to finance further acquisitions, with the majority of funds deployed
- Interim dividend up 11.1% to 0.50p per share (2015 H1 : 0.45p per share) to be paid in January 2017

Operational Highlights

- Record Group trading performance driven by improvement in recently acquired businesses, a strong used car performance and growth in higher margin service area
- Growth strategy progressed with greater premium mix, including additions of Mercedes-Benz and Toyota franchises to Group
- Group gross profit margins increased from 10.6% to 11.1%
- Like-for-like service revenues up 6.6%: long-term growth trend continues
- Group service gross profit margins strengthened from 76.9% to 77.9%
- Like-for-like used vehicle volumes increased 8.5%: the 10th consecutive half year period of growth
- Like-for-like used car margins strengthened from 10.0% to 10.7%
- Total car and van volumes sold up 10.7%
- Softening of new private retail market: Group like-for-like new car retail volumes down 4.2%
- Strong performance in new commercial van sales with strengthening fleet and commercial margins

Outlook Highlights

- Robust September trading performance ahead of last year on a like-for-like basis
- Like-for-like new car retail volumes in line with SMMT data: broadly flat year on year
- Recent acquisitions contributing to profit growth

[1] adjusted for amortisation of intangible assets and share based payments charge

6 months ended 31 August 2016
Growth Rates

	Total	Like-for-Like	SMMT UK Registrations
Group Revenues	17.7%	4.7%	
Service Revenues	26.6%	6.6%	
Volumes :			
Used retail vehicles	17.5%	8.5%	
New retail vehicles	8.3%	(4.2%)	(0.8%)
Motability vehicles	1.3%	(3.0%)	(0.9%)
Fleet new cars	(4.5%)	(10.6%)	6.1%
Commercial new vehicles	13.4%	11.6%	3.9%

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

"In the first six months of trading, our proven growth strategy has delivered a record set of results with increased revenues, gross margins and profits. We have continued to successfully grow the business, through both organic growth and the acquisition and integration of premium franchises, as we seek to build a balanced portfolio. Consistent delivery of an outstanding customer experience continues to be a strong driver of the growth of dealership performances across the Group. This is demonstrated by the growing number of customers retained into the Group's aftersales businesses.

"The outlook for the remainder of the year remains positive, underpinned by low interest rates and record high levels of employment in the UK economy. The Group's trading performance in the key September plate change month was strong. The Board anticipates that the Group's full year results will be in line with market expectations."

For further information please contact:

Vertu Motors plc
Robert Forrester, CEO Tel: 0191 491 2111
Michael Sherwin, CFO Tel: 0191 491 2112

Liberum
Peter Tracey Tel: 020 3100 2000
Richard Crawley
Jamie Richards

Zeus Capital Limited
Adam Pollock Tel: 020 7533 7727

Camarco
Billy Clegg Tel: 020 3757 4980
Georgia Mann

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

INTRODUCTION

During the six months ended 31 August 2016 ("the Period") the Group has continued to grow revenues, gross margins and profits. Used vehicle sales and vehicle servicing channels have seen excellent growth and this has underpinned the delivery of record revenues and profits for the Group. Used vehicles and aftersales together represent 71.8% of Group gross profit (2015 H1: 70.8%).

The new car market stands at, or near to, record levels. After four years of sustained growth, the UK private new retail market softened during the Period recording slight declines in registrations from April 2016 onwards. There was a reduction of 0.8%[2] for the Period.

The Group has performed strongly by pursuing the three elements of its strategy to deliver earnings growth:

- acquiring further businesses, both currently profitable and turnaround opportunities representing both existing manufacturer partners and those which are new to the Group including Mercedes-Benz and Toyota;
- improving the profit contribution from the significant number of businesses acquired or opened in recent years; and
- continued review of the Group's portfolio in terms of franchise representation and appropriate allocation of capital to identify future opportunities to make changes to maximise return on investment.

The Group undertook a £35m (gross) equity placing in March 2016 to finance further acquisitions and the majority of these funds were deployed during the Period. The Group has a very strong balance sheet with net cash.

The Group has maintained strict disciplines over working capital, resulting in a strong conversion of profits into cash. £26.4m of cash generated from operations compared to operating profits of £19.9m, leading to £12.9m of net cash in the Group's balance sheet as at 31 August 2016. In addition to new acquisitions, the Group has continued to invest heavily in new dealership development projects, expansion of the capacity of existing dealerships and other dealership refurbishment projects to reflect latest manufacturer standards. The Group spent £7.3m on these projects during the Period and will continue to invest at a similar rate over the next 18 months. Once this period is over the Board expects a substantial reduction in ongoing capital expenditure and a consequent increase in free cashflow.

An interim dividend of 0.50 pence per share, representing an increase of 11.1%, (2015 : 0.45p) will be paid on 20 January 2017. The ex-dividend date will be 22 December 2016 and the associated record date 23 December 2016.

[2] source-SMMT

FINANCIAL REVIEW

Revenues in the Period grew by 17.7% (£218.5m) to £1,454.6m (2015 H1 : £1,236.1m). Acquisitions in the Period accounted for £67.3m of growth and those businesses acquired in the previous year contributed further revenue growth of £101.0m. Core Group revenues grew by 4.6% (£55.2m), reflecting growth in every major vehicle sales and aftersales channel. Closed or sold businesses accounted for a decline in revenue of £5.0m. Overall gross margins increased to 11.1% (2015 H1 : 10.6%) driven by stronger margins in vehicle servicing and used vehicle sales. Operating profit grew by 17.8% to £19.9m, with adjusted operating margins stable at 1.4% (2015 H1 : 1.4%).

The Group's finance charges have increased by £0.7m to £1.2m (2015 H1 : £0.5m) due to higher vehicle stocking interest. This reflected higher pipeline stocks during the Period as new vehicle sales slowed, coupled with the increase in the number of premium franchise operations in the Group which operate structurally with higher vehicle stocking costs.

Following the further reduction in the UK Corporation Tax rate to 20%, the Group's effective tax rate for the Period was 20% (2015 H1 : 20.5%).

Earnings per share was 3.87p (2015 H1: 3.82p) taking account of the higher number of shares in issue following the equity raise effective on 31 March 2016.

During the Period, the Group has maintained its focus on the tight control of working capital which has resulted in a working capital inflow of £2.1m during the Period, driven mainly by the growth in the sales of service plans and in-house warranty products.

The Group, in common with all sector participants, is in the process of a major programme of capital investment; developing new dealerships, increasing capacity in existing dealerships and responding to Manufacturer Partner led refurbishments of the existing dealership portfolio. In particular, substantial sums are being invested in increasing capacity and enhancing the retail environment of the Jaguar Land Rover dealerships with the implementation of the "Arch" concept.

The spend on this programme during the Period, along with the anticipated spend in future periods, is set out below:

	Actual		**Estimate**		
Capital Expenditure Trends	**FY 2016 £m**	**H1 FY2017 £m**	**FY 2017 £m**	**FY 2018 £m**	**FY 2019 £m**
New dealership development projects					
- Purchase of property	6.3	0.7	2.1	-	-
- New dealership build	1.8	4.5	10.6	7.1	4.5
Existing dealership capacity increases	4.5	1.6	7.6	16.7	5.1
Manufacturer-led refurbishment projects	3.2	1.2	3.9	3.2	1.9
IT and other recruitment	4.9	2.2	3.8	4.0	4.0
	20.7	**10.2**	**28.0**	**31.0**	**15.5**

The Board is confident that the significant decline in future capital spend anticipated in FY2019 will drive enhanced free cash flow from the business from that point in time.

The Group operates two defined benefit pension schemes, both of which are closed to new entrants and to future accrual. The reduction in bond yields in the UK over the second quarter of the Period has caused an increase in the assessment of the scheme liabilities and a consequent reduction in the net pension scheme surplus for the two schemes combined to £1.4m (February 2016 : £6.1m). There is no current expectation that these fluctuations will impact upon the Group's cash contributions to the schemes, which currently amount to £0.4m per annum.

CURRENT TRADING AND OUTLOOK

On 23 June 2016, the UK voted to exit the EU. The result of the referendum has not materially impacted consumer confidence and the Group has not experienced any significant change in consumer behaviour. We remain in a low interest rate environment with record high levels of employment, both of which are providing a robust foundation for our market.

The market for aftersales, the Group's highest margin activity, remains strong as the vehicle parc has continued to grow following several years of strong new vehicle markets. This, in conjunction with the Group's successful customer retention strategies, provides the Board with confidence regarding the continuation of a strong aftersales performance.

The used vehicle market remains buoyant, underpinned by stable residual values. The Group continues to perform strongly in used vehicles, and the focus on the continuous development of the Group's used vehicle marketing provides the Board with confidence regarding the sustainability of performance in this channel.

The latest SMMT forecast for 2016 UK new vehicle registrations stands at 2.64 million (2015 : 2.63 million) and the Board sees no reason to disagree with the underlying market stability implied by this forecast. The market is starting to see vehicle price increases reflecting the manufacturers' reaction to declining Sterling exchange rates against all major currencies. Lower margin channels for manufacturers and retailers alike, such as Fleet car supply and Motability, are likely to see more impact than higher margin retail channels. There are diverging economic forecasts with regards to Sterling's currency outlook and this leads to uncertainty over future manufacturer volume strategies and pricing. The Board shares the outlook on the new car market given by the SMMT which anticipates a fall in 2017 registrations of around 6%. This would equate to a historically robust new car market of around 2.5 million units.

September is a key month for the Group's profitability in the second half of the financial year, being a registration plate change month. Profit in the month was ahead of prior year levels on a like-for-like basis and recent acquisitions further bolstered the Group result. The Group's service and used car performance continued to demonstrate strong underlying growth trends in September. Like-for-like new car private volumes for the Group were down 1.7% year on year, in line with the SMMT registration data.

The Board continues to examine further acquisition and development opportunities.

The Board anticipates that the Group's full year results will be in line with market expectations.

OPERATING REVIEW

Colleague and Customer Satisfaction

The Mission Statement of the Group is to deliver an outstanding customer motoring experience through honesty and trust.

The Board believe that in a retail environment, it is vital to have a thriving and engaged workforce to deliver this objective, together with the consequent financial success that goes alongside it. Repeat vehicle sales and successive aftersales visits are a major driver of financial success in operating automotive retail dealerships and these derive from loyal customers. It is the Group's colleagues on the ground who deliver this.

In order to assess the engagement levels of colleagues, in July 2016 the Group undertook its fifth annual colleague satisfaction survey across the Group. 75% of colleagues in the Core Group completed the voluntary survey and the results reflect the strong Group culture that has been developed around the Mission Statement, the Group Vision and Values. 97% of colleagues knew the Group Vision and Values and over 90% believed management acted in accordance with those Values. This strong values-based approach underpins the delivery of outstanding customer experience with 91% of colleagues feeling they could recommend the Group to their friends and 87% were confident the Group serves customers better than its rivals. These are strong scores, despite the Group's fast growth rate since incorporation in 2006, and point to the Group's successful execution of its buy and build strategy.

The Group's customer experience indicators continue to show that the Group delivers above industry average experience. Used car customer experience is measured by JudgeService and in the Period, 95% of customers responded that they would recommend their friends and family to the Group.

Based on the measures of customer experience applied by the Group's manufacturer partners, 65% of sales outlets and 56% of service outlets performed in the Period above national average levels. This area continues to be a major focus of Group strategies, including investment in dealership environments, colleague training and development and ensuring on-line channels are designed to maximise customer experience.

Growth Strategy and Portfolio Development

The Group has continued to grow and strengthen the business, with the addition of nine sales outlets during the Period. The Group now operates 129 sales outlets at 107 locations across the United Kingdom.

The Group has continued to acquire new outlets and to develop both existing and new property assets to enhance and expand the capacity of the ongoing business. The growth has been primarily in Premium franchises as the Group seeks to build a balanced portfolio on the foundation of a scaled volume franchise portfolio.

On 1 March 2016, the Group purchased Greenoaks (Maidenhead) Limited which operates three Mercedes-Benz dealerships, for £21.7m (alongside the settlement of £9m of shareholder loans). These dealerships in Ascot, Reading and Slough have historically underperformed. The Board is pleased with the progress made to date to integrate and improve the performance of the businesses and they have traded in line with the performance targets the Board put in place at the time of the acquisition. For the year ended 31 December 2015 the business achieved revenues of £88m and adjusted[3] profit before tax of £1.2m

In the Period the Group has completed three further transactions totalling £22.6m which were anticipated when the Group undertook the £35m Placing (gross) in March 2016. These transactions represent a swift deployment of a substantial portion of the capital raised.

On 3 May 2016, the Group acquired the business and assets of Leeds Jaguar from Inchcape for a consideration of £0.6m, including £0.5m of goodwill. For the year ended 31 December 2015, this business was at breakeven. The Jaguar franchise is currently witnessing a significant turnaround in profitability on the back of new products such as the excellent Jaguar F-PACE. This business, together with the existing Leeds Land Rover business, will shortly be relocated to a state-of-the-art freehold dealership in the centre of Leeds. This property has undergone major redevelopment to house these two businesses and to meet the latest manufacturer standards.

On 1 June 2016, the Group acquired the entire issued share capital of Gordon Lamb Group Limited, a group which operated five sales outlets in Derbyshire. This freehold rich acquisition introduced the Toyota franchise to the Group and added a sixth Land Rover dealership, together with two Skoda and a single Nissan sales outlet to the portfolio. Estimated consideration amounted to £18.8m, including a £8.3m payment for goodwill. For the year ended 31 December 2015, Gordon Lamb Limited had consolidated revenue of £85.8m[4] and adjusted[3] profit before tax of £2.7m. The integration of these businesses has gone well. Derby Skoda is currently in a short-term leasehold property outside of the city and it is planned to relocate this outlet to an existing Group location in the centre of Derby in the first quarter of 2017. This will significantly enhance the trading potential of the business and reduce ongoing operating costs.

On 23 June 2016, the Group acquired the freehold and long leasehold interests from Honda in two Honda dealerships operated by the Group in Nottingham and Derby. Consideration amounted to £3.2m.

In August 2016 the Group opened the Morpeth Honda outlet alongside an existing Ford outlet. This is the Group's 13th Honda outlet consolidating the Group's position as Honda's largest partner in Europe, and completing full coverage of the North East market area from Tweed to the Tees.

A further landmark freehold development is nearing completion, the building of a new Nissan dealership in the centre of Glasgow. The Group was awarded the whole of Glasgow as a market area for Nissan from 1 April 2015 and the completion of this dealership will see the relocation of the business from a north Glasgow temporary site. The Group will then have excellent dealership representation both north and south of the Clyde.

The Group's largest franchise partner is Ford with 22 outlets. Investment continues to be made in the "Ford Store" concept which sell the full range of Ford product. The Group is now reaping the rewards of the investment made in its Birmingham Ford Store and Orpington Ford Store operations. The Group's Gloucester Ford dealership is currently undergoing redevelopment into a Ford Store and work will shortly commence on a significant Ford Store development at Bolton. Further investment has been made in expanding the aftersales capacity of the Ford division with new offsite aftersales facilities now in place at West Bromwich, Shirley and Orpington so the Group can maximise the growing higher margin aftersales opportunity.

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[3] adjusted for non-recurring and non-corporate items.

[4] adjusted to restate revenue to the same basis as that adopted in the Group's financial reporting.

The Group operates six Volkswagen dealerships and the final investment in new franchise standards is close to completion with the redevelopment of Nottingham North. Furthermore, Hereford Audi has been undergoing substantial redevelopment and the business has been operating from a temporary location throughout the Period. The new facility will commence operations by Christmas and is expected to augment operational.

The Group continues to review the portfolio of businesses operated to ensure that long term returns are maximised and capital allocation disciplines maintained. On 1 October 2016, the Group disposed of its Fiat Group dealership in Newcastle which comprised three sales outlets (Fiat, Jeep and Alfa Romeo). The disposal to Richard Hardie Limited, is part of their creation of a Fiat Group market area in the North East. Additionally, Fiat sales will cease at the Group's sales outlets in Cheltenham and Derby at the end of December 2016. This will leave the Group with a single Fiat and Alfa Romeo sales outlet in Worcester and no Jeep representation.

OPERATIONAL PERFORMANCE

Revenue and Margins

Six Months ended 31 August 2016	**Revenue £'m**	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
Aftersales[5]	113.4	7.8	63.4	39.4	45.7
Used Consolidated	525.6	36.1	52.3	32.4	9.9
New	483.9	33.3	35.0	21.7	7.2
Fleet & Commercial	331.7	22.8	10.4	6.5	3.1
Total Department	**1,454.6**	**100.0**	**161.1**	**100.0**	**11.1**

Six Months ended 31 August 2015	**Revenue £'m**	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
Aftersales[5]	93.8	7.6	50.7	38.8	44.4
Used Consolidated	426.5	34.5	42.0	32.1	9.8
New	413.1	33.4	30.3	23.1	7.3
Fleet & Commercial	302.7	24.5	7.9	6.0	2.6
Total Department	**1,236.1**	**100.0**	**130.9**	**100.0**	**10.6**

Aftersales

The Group's higher margin aftersales operations, which account for an increasing proportion of the Group's revenues (7.8% of revenues (2015 H1 : 7.6%)) earned 39.4% of the Group's gross profit in the Period (2015 H1 : 38.8%).

Total aftersales gross profit grew by 25.0% in the Period, an increase of 6.8% on a like-for-like basis. A growing UK vehicle parc and the Group's retention initiatives and capabilities, particularly the sale of service plans to both new and used car customers, have continued to contribute to these favourable profitability trends. The Group now has 97,427 customers paying monthly for their service and MOT through the Group's own service plan products (2015 H1 : 80,902). In the vital area of vehicle servicing, total service revenues grew by 26.6% and like-for-like service revenues grew by 6.6%. Like-for-like service margins also increased from 77.1% to 78.3% as the Group achieved higher

[5] margin aftersales expressed on internal and external turnover

levels of workshop efficiency as volumes increased. This continued progress demonstrates the success of the Group's constant focus on customer retention, loyalty and experience thus improving the performance of this key engine of the Group's profit delivery.

Vehicle Sales

Vehicle unit sales analysis

	2016 Core	2016 Acquired[6]	2016 Total	2015 Total[7]	Total % Variance	Like-for-Like % Variance
Used Retail	**38,096**	**3,876**	**41,972**	**35,708**	**17.5%**	**8.5%**
New Retail	19,922	2,903	22,825	21,079	8.3%	(4.2%)
New Motability	5,786	303	6,089	6,010	1.3%	(3.0%)
Total New Retail & Motability	**25,708**	**3,206**	**28,914**	**27,089**	**6.7%**	**(4.0%)**
Fleet Car	9,145	645	9,790	10,249	(4.5%)	(10.6%)
Commercial	8,819	212	9,031	7,961	13.4%	11.6%
Fleet and Commercial	**17,964**	**857**	**18,821**	**18,210**	**3.4%**	**(0.9%)**
Total Fleet & New Retail	**43,672**	**4,063**	**47,735**	**45,299**	**5.4%**	**(2.7%)**
Total Units Sold	**81,768**	**7,939**	**89,707**	**81,007**	**10.7%**	**2.2%**

Used Vehicles

The Group has continued to grow volumes, market share and profitability in its key used vehicle operations, delivering total volume growth of 17.5% and like-for-like volume growth of 8.5% in the Period. This is the Group's 10th consecutive half year of like-for-like volume growth in used vehicles, demonstrating the consistency of performance in this vital channel, which is considered a core strength of the Group. The used vehicle volume growth was driven in part by the Group's increasing focus on innovative and effective marketing, particularly via the promotion of the Group's Bristolstreet.co.uk and Macklinmotors.co.uk websites, through increasing marketing spend directly on-line and through TV advertising campaigns. Continued innovation in marketing is a particular focus following the appointment of Liz Cope as Chief Marketing Officer in the Period.

In addition to substantial volume growth, the Group delivered further used vehicle margin improvements. Like-for-like gross profit per unit grew by 6.3%, helping drive an increase of 15.1% in like-for-like used vehicle gross profits. Used vehicles are delivering an increasing proportion of Group revenues and gross profits. Like-for-like gross margins strengthened from 10.0% to 10.7% in the Period. This improvement reflected strong pricing disciplines, a structured sales process underpinned by training and underlying balance of supply and demand in the wider used vehicle wholesale markets. Total used vehicle gross margins were up from 9.8% to 9.9% with the lower rate of growth reflecting the lower inherent gross profit margin percentages in Premium franchises. These businesses are an increasingly important component of the Group's portfolio following the last few years of acquisition growth.

New Cars

Total new car revenues grew by 17.1% and new car gross profit grew by 15.8%. This growth was driven by the acquisitions in the Period and last year with like-for-like revenues stable. Strong disciplines ensured that gross margins were stable in the Period. UK private new vehicle registrations during the Period fell by 0.8% and the Group's like-for-like new vehicle volumes

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[6] Relates to businesses acquired or developed subsequent to 1 March 2015 with businesses migrating into core once they have been in the Group for over 12 months

[7] 2015 volumes include businesses acquired in the year ended 28 February 2015

declined by 4.2%. Increasingly over the Period it became evident that, as a result of the softening in the new car market, the market was becoming characterised by higher levels of self-registration by retailers with these vehicles registered as "retail" as measured by the SMMT. Retailers are financially motivated to self-register new vehicles in order to either achieve volume targets set by Manufacturers or to take advantage of bulk purchasing deals on offer. These cars are then sold into the retail market as used cars. In such a Period, UK private registrations tend to grow faster than the Group's new retail sales volumes.

Fleet & Commercial

The Group grew like-for-like gross profit from its combined fleet and commercial operations by 13.2% in the Period. Like-for-like gross profit per unit rose from £423 to £491. Consequently, overall profitability in the Fleet and Commercial channel rose £1m in the Period, which is clearly an excellent result.

Overall UK registrations in the Fleet car channel rose 6.1% whilst Group like-for-like registrations fell 10.6%. This market share decline reflected fewer deliveries in the low margin supply of vehicles to daily rental companies. This trend reflected the increasing management of used vehicle residual values by the Group's manufacturer partners through reducing overall supply volumes in this low margin channel including seeking to extend daily rental replacement cycles. These measures aid the balancing of used car supply and demand in the UK market. Overall these trends augmented Group margins in the Fleet car channel.

The Group's total commercial vehicle (light van) sales volumes have grown by 13.4% and by 11.6% on a like-for-like basis. This strength reflects the Group's strong market position in new van supply and the excellent economic conditions in the UK in the Period for business. During the Period, the UK light commercial vehicle registrations grew by 3.9% hence the Group's market share has once again risen. The Group has now seen seven half year periods of like-for-like volume growth in the new van channel.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2016

	Note	Six months ended 31 August 2016 £'000	Six months ended 31 August 2015 £'000	Year ended 29 February 2016 £'000
Revenue				
Continuing operations		1,387,349	1,236,083	2,423,279
Acquisitions		67,268	-	-
		1,454,617	**1,236,083**	**2,423,279**
Cost of sales				
Continuing operations		(1,234,812)	(1,105,195)	(2,160,000)
Acquisitions		(58,713)	-	-
		(1,293,525)	**(1,105,195)**	**(2,160,000)**
Gross profit				
Continuing operations		152,537	130,888	263,279
Acquisitions		8,555	-	-
		161,092	**130,888**	**263,279**
Operating expenses				
Continuing operations		(132,067)	(113,391)	(234,631)
Acquisitions		(8,347)	-	-
		(140,414)	**(113,391)**	**(234,631)**
Operating profit before amortisation and share based payments charge				
Continuing operations		20,470	17,497	28,648
Acquisitions		208	-	-
		20,678	**17,497**	**28,648**
Amortisation of intangible assets		(304)	(273)	(558)
Share based payments charge		(483)	(367)	(911)
Operating profit		**19,891**	**16,857**	**27,179**
Finance income	4	141	74	173
Finance costs	4	(1,304)	(545)	(1,390)
Profit before tax, amortisation and share based payments charge		19,515	17,026	27,431
Amortisation of intangible assets		(304)	(273)	(558)
Share based payments charge		(483)	(367)	(911)
Profit before tax		**18,728**	**16,386**	**25,962**
Taxation	5	(3,741)	(3,356)	(5,282)
Profit for the period attributable to equity holders		**14,987**	**13,030**	**20,680**
Basic earnings per share (p)	6	**3.87**	**3.82**	**6.06**
Diluted earnings per share (p)	6	**3.80**	**3.74**	**5.92**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 August 2016

	Note	Six months ended 31 August 2016 £'000	Six months ended 31 August 2015 £'000	Year ended 29 February 2016 £'000
Profit for the period		**14,987**	**13,030**	**20,680**
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss:				
Actuarial (loss)/gain on retirement benefit obligations	9	(4,990)	642	680
Deferred tax relating to actuarial (loss)/gain on retirement benefit obligations		849	(128)	(137)
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges		-	19	23
Deferred tax relating to cash flow hedges		-	(4)	(6)
Other comprehensive (expense)/income for the period, net of tax		**(4,141)**	**529**	**560**
Total comprehensive income for the period attributable to equity holders		**10,846**	**13,559**	**21,240**

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2016

	Note	31 August 2016 £'000	31 August 2015 £'000	29 February 2016 £'000
Non-current assets				
Goodwill and other indefinite life assets	8, 11	94,680	59,392	69,209
Other intangible assets		1,699	1,797	1,672
Retirement benefit asset	9	1,375	3,771	6,097
Property, plant and equipment		187,855	138,037	150,361
		285,609	**202,997**	**227,339**
Current assets				
Inventories		512,076	395,519	530,406
Trade and other receivables		49,223	51,005	63,416
Property assets held for sale		-	1,144	537
Cash and cash equivalents		32,120	39,012	43,915
Total current assets		**593,419**	**486,680**	**638,274**
Total assets		**879,028**	**689,677**	**865,613**
Current liabilities				
Trade and other payables		(598,264)	(473,178)	(630,912)
Deferred consideration		(3,651)	(1,809)	(241)
Current tax liabilities		(5,022)	(7,194)	(3,647)
Derivative financial instruments		-	(5)	-
Borrowings		(19,048)	(6,759)	(6,756)
Total current liabilities		**(625,985)**	**(488,945)**	**(641,556)**
Non-current liabilities				
Borrowings		(166)	(166)	(14,011)
Deferred consideration		(1,680)	(291)	(1,659)
Deferred income tax liabilities		(5,636)	(3,446)	(4,450)
Deferred income		(7,122)	(5,610)	(6,078)
		(14,604)	**(9,513)**	**(26,198)**
Total liabilities		**(640,589)**	**(498,458)**	**(667,754)**
Net assets		**238,439**	**191,219**	**197,859**
Capital and reserves attributable to equity holders of the Group				
Ordinary shares		39,727	34,109	34,127
Share premium		124,932	96,848	96,901
Other reserve		10,645	10,645	10,645
Hedging reserve		-	(2)	-
Treasury share reserve		(1,000)	-	-
Retained earnings		64,135	49,619	56,186
Shareholders' equity		**238,439**	**191,219**	**197,859**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2016

	Note	Six months ended 31 August 2016 £'000	Six months ended 31 August 2015 £'000	Year ended 29 February 2016 £'000
Operating profit		19,891	16,857	27,179
Profit on sale of property, plant and equipment		(394)	(29)	(26)
Amortisation of intangible assets		304	273	558
Depreciation of property, plant and equipment		4,079	3,166	6,803
Movement in working capital	10	2,082	16,994	30,515
Share based payments charge		483	357	781
Cash generated from operations		**26,445**	**37,618**	**65,810**
Tax received		226	3	4
Tax paid		(2,826)	(2,680)	(7,704)
Finance income received		29	29	36
Finance costs paid		(1,292)	(678)	(1,451)
Net cash generated from operating activities		**22,582**	**34,292**	**56,695**
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		(46,208)	(8,837)	(24,565)
Acquisition of freehold land and buildings		(4,106)	(150)	(6,475)
Proceeds from disposal of business (net of cash, overdrafts and borrowings)		-	782	2,137
Purchases of intangible assets		(299)	(164)	(325)
Purchases of property, plant and equipment		(11,346)	(7,308)	(13,977)
Proceeds from disposal of property, plant and equipment		950	-	1,120
Net cash outflow from investing activities		**(61,009)**	**(15,677)**	**(42,085)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		33,631	56	127
Proceeds from borrowings	7	13,846	4,474	18,288
Repayment of borrowings	7	(16,468)	(1,000)	(4,441)
Purchase of treasury shares		(1,000)	-	-
Dividends paid to equity shareholders		(3,377)	(2,387)	(3,923)
Net cash inflow/(outflow) from financing activities		**26,632**	**1,143**	**10,051**
Net (decrease)/increase in cash and cash equivalents	7	**(11,795)**	**19,758**	**24,661**
Cash and cash equivalents at beginning of period		43,915	19,254	19,254
Cash and cash equivalents at end of period		**32,120**	**39,012**	**43,915**

CONDENSED CONSOLIDATED CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2016

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Treasury share reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2016	**34,127**	**96,901**	**10,645**	-	**56,186**	**197,859**
Profit for the period	-	-	-	-	14,987	14,987
Actuarial loss on retirement benefit obligations	-	-	-	-	(4,990)	(4,990)
Tax on items taken directly to equity	-	-	-	-	849	849
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**10,846**	**10,846**
New ordinary shares issued	5,600	29,400	-	-	-	35,000
Costs on issuance of shares	-	(1,369)	-	-	-	(1,369)
Purchase of treasury shares	-	-	-	(1,000)	-	(1,000)
Dividend paid	-	-	-	-	(3,377)	(3,377)
Share based payments charge	-	-	-	-	480	480
As at 31 August 2016	**39,727**	**124,932**	**10,645**	**(1,000)**	**64,135**	**238,439**

The purchase of treasury shares in the period relates to the acquisition of 2,635,687 shares by Estera Trust (Jersey) Limited, the Trustee of Vertu Motors plc's Employee Benefit Trust. The shares were purchased by the Trustee to be held for the purposes of the Employee Benefit Trust, and may be used to transfer shares to individuals when options are exercised. This could include the Company's Long Term Incentive Plan, under which each of the executive directors of the Company and the Company's other PDMRs is a potential participant, and is therefore regarded as having a notional interest in these shares.

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

For the six months ended 31 August 2015

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2015	**34,091**	**96,810**	**10,645**	**(17)**	**38,105**	**179,634**
Profit for the period	-	-	-	-	13,030	13,030
Actuarial losses on retirement benefit obligations	-	-	-	-	642	642
Tax on items taken directly to equity	-	-	-	(4)	(128)	(132)
Fair value gains	-	-	-	19	-	19
Total comprehensive income for the period	**-**	**-**	**-**	**15**	**13,544**	**13,559**
New ordinary shares issued	18	38	-	-	-	56
Dividend paid	-	-	-	-	(2,387)	(2,387)
Share based payments charge	-	-	-	-	357	357
As at 31 August 2015	**34,109**	**96,848**	**10,645**	**(2)**	**49,619**	**191,219**

For the year ended 29 February 2016

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 March 2015	**34,091**	**96,810**	**10,645**	**(17)**	**38,105**	**179,634**
Profit for the period	-	-	-	-	20,680	20,680
Actuarial gains on retirement benefit obligations	-	-	-	-	680	680
Tax on items taken directly to equity	-	-	-	(6)	(137)	(143)
Fair value gains	-	-	-	23	-	23
Total comprehensive income for the year	**-**	**-**	**-**	**17**	**21,223**	**21,240**
New ordinary shares issued	36	91	**-**	**-**	**-**	127
Dividend paid	-	-	-	-	(3,923)	(3,923)
Share based payments charge	-	-	-	-	781	781
As at 29 February 2016	**34,127**	**96,901**	**10,645**	**-**	**56,186**	**197,859**

NOTES

For the six months ended 31 August 2016

1. Basis of Preparation

Vertu Motors plc is a Public Limited Company which is quoted on the AiM Market and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2016 and similarly the period ended 31 August 2015 has neither been audited nor reviewed by the auditors. The financial information for the year ended 29 February 2016 has been based on information in the audited financial statements for that period.

The information for the year ended 29 February 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain an emphasis of matter statement under section 498 of the Companies Act 2006.

2. Accounting policies

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

The accounting policies adopted in this interim financial report are consistent with those of the Group's financial statements for the year ended 29 February 2016 and can be found on the Group's website, www.vertumotors.com.

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

3. Segmental information

The Group complies with 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. As such, the Group has only one reportable business segment, since the Group is operated and is managed on a dealership by dealership basis. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and aftersales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams.

These dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable business segment.

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross profit. Therefore, to increase transparency, the Group has decided to include additional voluntary disclosure analysing revenue and gross profit within the reportable segment.

Six Months ended 31 August 2016	**Revenue £'m**	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
Aftersales[5]	113.4	7.8	63.4	39.4	45.7
Used Consolidated	525.6	36.1	52.3	32.4	9.9
New	483.9	33.3	35.0	21.7	7.2
Fleet & Commercial	331.7	22.8	10.4	6.5	3.1
Total Department	**1,454.6**	**100.0**	**161.1**	**100.0**	**11.1**

Six Months ended 31 August 2015	**Revenue £'m**	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
Aftersales[5]	93.8	7.6	50.7	38.8	44.4
Used Consolidated	426.5	34.5	42.0	32.1	9.8
New	413.1	33.4	30.3	23.1	7.3
Fleet & Commercial	302.7	24.5	7.9	6.0	2.6
Total Department	**1,236.1**	**100.0**	**130.9**	**100.0**	**10.6**

Year ended 29 February 2016	**Revenue £'m**	**Revenue Mix %**	**Gross Margin £'m**	**Gross Margin Mix %**	**Gross Margin %**
Aftersales[5]	189.0	7.8	102.9	39.1	44.8
Used Consolidated	850.2	35.1	83.5	31.7	9.8
New	796.5	32.9	59.3	22.5	7.4
Fleet & Commercial	587.6	24.2	17.6	6.7	3.0
Total Department	**2,423.3**	**100.0**	**263.3**	**100.0**	**10.9**

[5] margin in aftersales expressed on internal and external turnover

4. Finance income and costs

	Six months ended 31 August 2016 £'000	**Six months ended 31 August 2015 £'000**	**Year ended 29 February 2016 £'000**
Interest on short term bank deposits	29	23	36
Net finance income relating to Group pension scheme	112	51	137
Finance income	**141**	**74**	**173**
Bank loans and overdrafts	(393)	(290)	(619)
Other finance costs	(28)	(44)	(199)
Vehicle stocking interest	(883)	(211)	(572)
Finance costs	**(1,304)**	**(545)**	**(1,390)**

5. Taxation

The tax charge for the six months ended 31 August 2016 has been provided at the effective rate of 20% (Six months ended 31 August 2015: 20.5%).

6. Earnings per share

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

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

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

	Six months ended 31 August 2016 £'000	Six months ended 31 August 2015 £'000	Year ended 28 February 2016 £'000
Profit attributable to equity shareholders	14,987	13,030	20,680
Amortisation of intangible assets	304	273	558
Share based payments charge	483	367	911
Tax effect of adjustments	(61)	(55)	(112)
Adjusted earnings attributable to equity shareholders	**15,713**	**13,615**	**22,037**
Weighted average number of shares in issue ('000s)	387,047	340,968	341,080
Potentially dilutive shares ('000s)	7,783	7,107	8,388
Diluted weighted average number of shares in issue ('000s)	**394,830**	**348,075**	**349,468**
Basic earnings per share	**3.87p**	**3.82p**	**6.06p**
Diluted earnings per share	**3.80p**	**3.74p**	**5.92p**
Adjusted earnings per share	**4.06p**	**3.99p**	**6.46p**
Diluted adjusted earnings per share	**3.98p**	**3.91p**	**6.31p**

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

	31 August 2016 £'000	31 August 2015 £'000	29 February 2016 £'000
Net (decrease) / increase in cash and cash equivalents	(11,795)	19,758	24,661
Cash inflow from increase in borrowings	(13,846)	(4,474)	(18,288)
Cash outflow from repayment of borrowings	16,468	1,000	4,441
Cash movement in net cash	**(9,173)**	**16,284**	**10,814**
Borrowing acquired	(1,085)	-	(3,409)
Capitalisation of loan arrangement fees	107	201	201
Amortisation of loan arrangement fee	(91)	(68)	(128)
Non cash movement in net cash	**(1,069)**	**133**	**(3,336)**
Movement in net cash	**(10,242)**	**16,417**	**7,478**
Opening net cash	**23,148**	**15,670**	**15,670**
Closing net cash	**12,906**	**32,087**	**23,148**

8. Acquisitions

On 1 March 2016, the Group acquired the entire issued share capital of Sigma Holdings Limited and its subsidiary Greenoaks (Maidenhead) Limited (together "Greenoaks") which operates three Mercedes-Benz outlets in Reading, Ascot and Slough. Total consideration amounted to £21,743,000 including initial consideration of approximately £8,243,000 settled from the Group's existing cash resources and a £10,000,000 bank facility repayable in November 2016, with a further £3,500,000 deferred over 12 months. In addition, vendor shareholders loans of £9,000,000 were settled in cash on completion. The excess of consideration over the provisional fair value of the net assets acquired was £15,740,000 of which £3,771,000 has been allocated to franchise relationships. The financial statements for Greenoaks for the year ended 31 December 2015 showed revenues of £87,998,000 and adjusted[3] profit before taxation of £1,200,000.

On 2 May 2016, the Group acquired the business and certain assets of Leeds Jaguar from a subsidiary of Inchcape Plc. The estimated consideration for this leasehold acquisition was £592,000 and was settled in cash from the Group's existing resources. The excess of consideration over the provisional fair value of the net assets acquired was £500,000.

On 1 June 2016, the Group acquired the entire issued share capital of Gordon Lamb Group Limited and its subsidiaries, including Gordon Lamb Limited (together "Gordon Lamb") which operates the Toyota, Land Rover, Skoda, and Nissan outlets in Chesterfield and the Skoda outlet in Derby. The estimated consideration amounted to £18,819,000 including retention payable of £500,000. The remaining balance was settled in cash from the Group's existing resources. The excess of consideration over the provisional fair value of net assets acquired was £8,959,000 of which £3,207,000 has been allocated to franchise relationships. The financial statements of Gordon Lamb for the year ended 31 December 2015 showed revenues of £85,800,000[4] and adjusted[3] profit before taxation of £2,700,000.

[3] adjusted for non-recurring and non-corporate items.
[4] adjusted to restate revenue to the same basis as that adopted in the Group's financial reporting.

9. Retirement benefits

The retirement benefit asset at 31 August 2016 reflects both the Bristol Street Pension Scheme and the SHG Pension Scheme, which was acquired as part of the acquisition of SHG Holdings Limited in the year ended 29 February 2016.

	31 August 2016 £'000	31 August 2015 £'000	29 February 2016 £'000
Bristol Street Pension Scheme surplus	2,673	3,771	4,424
SHG Pension Scheme (deficit)/surplus	(1,298)	-	1,673
Net retirement benefit asset	**1,375**	**3,771**	**6,097**

The trustees of the Bristol Street Pension Scheme and the SHG Pension Scheme have agreed to merge the two schemes, and the merger is expected to be completed by the end of the financial year ending 28 February 2017. As a result of this, the schemes surplus and deficit shown above have been presented on the balance sheet based on the net position at 31 August 2016.

During the six month period ended 31 August 2016, there was a gain on assets of £7,642,000 in the Bristol Street Pension Scheme and £468,000 in the SHG Pension Scheme. There have also been changes in the financial assumptions underlying the calculation of the liabilities in the same period. In particular, the discount rate has decreased in line with a fall in corporate bond yields over the six month period. The effect of these changes in financial assumptions was an increase in liabilities of £9,629,000 in the Bristol Street Pension Scheme and £3,471,000 in the SHG Pension Scheme. In total, there was an actuarial loss of £4,990,000 recognised in the Consolidated Statement of Comprehensive Income in the period, £1,987,000 in respect of the Bristol Street Pension Scheme and £3,003,000 in respect of the SHG Pension Scheme, before deferred taxation.

10. Cash flow from movement in working capital

The following adjustments have been made to reconcile from the movement in working capital balance sheet headings to the amount presented in the cash flow from the movement in working capital. This is in order to more appropriately reflect the cash impact of the underlying transactions.

For the six months ended 31 August 2016

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(598,264)	
Deferred consideration			(5,331)	
Deferred income			(7,122)	
At 31 August 2016	512,076	49,223	(610,717)	
At 29 February 2016	530,406	63,416	(638,890)	
Balance sheet movement	**18,330**	**14,193**	**(28,173)**	
Acquisitions	17,342	4,678	(22,403)	
Disposals	-	-	(3,500)	
Movement excluding business combinations	**35,672**	**18,871**	**(54,076)**	**467**
Pension related balances				(156)
Decrease in capital creditor				1,800
Increase in interest accrual				(29)
Movement in working capital				**2,082**

For the six months ended 31 August 2015

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(473,178)	
Deferred consideration			(2,100)	
Deferred income			(5,610)	
At 31 August 2015	395,519	51,005	(480,888)	
At 28 February 2015	394,287	53,500	(466,865)	
Balance sheet movement	**(1,232)**	**2,495**	**14,023**	
Acquisitions	1,080	99	(1,223)	
Disposals	(116)	(23)	88	
Movement excluding business combinations	**(268)**	**2,571**	**12,888**	**15,191**
Pension related balances				(75)
Decrease in capital creditor				828
Increase in fixed asset disposal debtor				1,057
Increase in interest accrual				(7)
Movement in working capital				**16,994**

For the year ended 29 February 2016

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(630,912)	
Deferred consideration			(1,900)	
Deferred income			(6,078)	
At 29 February 2016	530,406	63,416	(638,890)	
At 28 February 2015	394,287	53,500	(466,865)	
Balance sheet movement	**(136,119)**	**(9,916)**	**172,025**	
Acquisitions	16,030	2,739	(11,433)	
Disposals	(164)	(15)	88	
Deferred consideration for acquisition	-	-	(1,500)	
Movement excluding business combinations	**(120,253)**	**(7,192)**	**159,180**	**31,735**
Pension related balances				(756)
Increase in capital creditor				(447)
Increase in interest accrual				(17)
Movement in working capital				**30,515**

11. Goodwill and other indefinite life assets

	31 August 2016 £'000	31 August 2015 £'000	29 February 2016 £'000
Goodwill	74,488	47,675	55,995
Other indefinite life assets – Franchise relationships	20,192	11,717	13,214
At end of period	**94,680**	**59,392**	**69,209**

12. Risks and uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors include: failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses, failure to meet competitive challenges to our business model or sector, inability to maintain current high quality relationships with manufacturer partners, economic conditions impacting trading, market driven fluctuations in used vehicle values, litigation and regulatory risk, failure to comply with health and safety policy, failure to attract, develop and retain talent, failure of Group information and telecommunication systems, malicious cyber-attack, availability of credit and vehicle financing, use of estimates, currency risk and the potential impact of the UK having voted to leave the EU. The Board believes that the main risks associated with the decision to leave the EU are significant changes in consumer behaviour and the impact of exchange rates on manufacturer volume strategies and vehicle pricing. All other principal risks are consistent with those detailed in the Annual Report for the year ended 29 February 2016.

The Board continually review the risk factors which could impact on the Group achieving its expected results and confirm that the above principal factors will remain relevant for the final six months of the financial year ending 28 February 2017.

13. Post balance sheet events

On 1 October 2016, the Group disposed of the Fiat Group dealership in Newcastle which comprised three sales outlets (Fiat, Jeep and Alfa Romeo). The disposal to Richard Hardie Limited is part of their creation of a Fiat Group market area in the North East. In addition, Fiat sales will cease at the Group's sales outlets in Cheltenham and Derby at the end of December 2016. This will leave the Group with a single Fiat and Alfa Romeo sales outlet in Worcester and no Jeep representation.