12 June 2018

**Motorpoint Group Plc**

("Motorpoint" or the "Group")

**Final Results**

Motorpoint Group Plc, the UK's largest independent vehicle retailer, today announces its Final Results for the year ended 31 March 2018.

**Financial Highlights**

- Profit before tax and exceptional items up 32.5% to £20.8m (FY17: £15.7m)
- Profit before tax up 70.9% to £20.0m (FY17: £11.7m)
- Adjusted basic earnings per share up 32.3% to 16.8p (FY17: 12.7p)
- Cash flow from operations up £12.8m to £20.2m (FY17: £7.4m)
- Operating cash conversion of 94.8% (FY17: 57.4%)
- Proposed final dividend of 4.6 pence per share (FY17: 2.9p) which would give a full year dividend of 6.6 pence (FY17: 4.2p) an increase of 57.1%
- Revenue increased 20.6% to £991.2m (FY17: £822.0m)

**Operational Highlights**

- Opened our 12th retail site in Sheffield in April 2017
- Record levels of repeat customers, increasing to 26.2% of total customers, up from 25.0% in FY17
- Awarded Gold Trusted Service rating from Feefo for FY18, the second successive year
- Launched revised company Values following consultation with our team
- Achieved 42nd position in the Sunday Times Best Companies To Work For, our fourth consecutive year in the top 100
- A £10 million share buyback is underway

**Mark Carpenter, Chief Executive commented:**

*"The Group has delivered a strong performance over the year and I am pleased with the progress we continue to make as a business. With our 12th site in Sheffield having opened in the year, we remain focused on the geographic expansion of our compelling, value oriented proposition and winning further market share.*

*At Motorpoint, we are committed to providing an exceptional service to our customers and this can be seen in the record numbers of repeat customers we are welcoming back through our doors. Our people are at the heart of what we do and we are proud of the values which guide and shape our Company, ensuring that we deliver unrivalled Choice, Value and Service.*

*Whilst we are mindful of the wider economic and political climate, thanks to our differentiated business model, we are well positioned to continue to grow and are confident about our prospects for the year ahead."*

Enquiries:


| | |
|---|---|
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**Notes to editors**

Motorpoint is the largest independent vehicle retailer in the United Kingdom. The Group's principal business is the sale of nearly-new vehicles, the majority of which are up to two years old and which have covered less than 15,000 miles. Motorpoint sells vehicles from brands representing over 95% of new vehicle sales in the United Kingdom, with models from Ford, Vauxhall, Volkswagen, Nissan, Hyundai, Audi and BMW being amongst the top sellers. The Group operates from 12 retail sites across the United Kingdom; Derby, Burnley, Glasgow, Newport, Peterborough, Chingford, Birmingham, Widnes, Birtley, Castleford, Oldbury and Sheffield, of which four have opened in the last three years; together with a national contact-centre dealing with online enquiries.

More information is available at www.motorpointplc.com and www.motorpoint.co.uk

**CHIEF EXECUTIVE'S STATEMENT**

**Overview**

I am delighted to report a strong business performance for the year, as we continue to deliver on our core proposition. Our operating model has not changed; we put our team at the heart of everything we do. Through our team we are constantly expanding and improving how we deliver for customers and we are welcoming those customers back again and again.

This year we have refreshed our company values in consultation with our teams, to ensure the language of our values is vivid and alive in our culture. By putting our values at the forefront of our decision making we will ensure we attract, select, retain and reward Motorpoint leaders of the future.

We have also set ourselves a challenge; to be the UK's most admired retailer. We haven't restricted ourselves on how we will measure it, or whether we can ever truly consider it accomplished, but we are sharing this outrageous ambition with all of our teams to build a shared vision of Motorpoint's direction.

During the year, we opened our latest site in Sheffield, taking our total estate to 12, and growing our total team to 799 people as at 31 March 2018. Together with our other substantially immature sites in Castleford, Oldbury and Birtley, we are taking our proposition to new markets and winning significant market share.

Customer satisfaction remains a key priority for the Group and we measure this using Net Promoter Score (NPS). I am pleased that this has again hit 77% for the year, in line with FY17's outstanding achievement.

**Our focus on team**

Our operating model remains unchanged, with our virtuous circle putting our passionate focus on developing our team at the heart of everything that we do. We continue to look to promote internal talent, to run Talent Management and Leadership programmes, and to constantly listen to our team through surveys and forums. We are proud to be leaders in people development and are convinced this will maintain our differentiated style from the rest of the car retail industry, and be a major driver of our continued success.

We have built and continue to foster a high performance, high reward based culture that enables our team to share in the success of the Company. With respect to salaries and wages, the Board has committed to a new minimum pay rate, in line with the current Real Living Wage. This was introduced to all of our teams as part of the 2018 pay award process in April.

A key element of the Group's approach to long-term incentives is our share schemes. Introduced in 2016 following our London Stock Exchange listing, these are a way of attracting, motivating and incentivising our existing and future employees by aligning the interests of our team with our shareholders, and giving our team the opportunity to participate in the success of the Group. In December 2017 we introduced our second Sharesave scheme, into which 286 of our team joined.

Two of our long-serving key staff members were promoted to the new roles of Heads of Operations, each covering a geographical region of six sites. I am also delighted to welcome a new Human Resources Director and a new Marketing Director to the senior team.

**Customers**

Our strategy of delivering unrivalled Choice, Value and Service to all our customers has been our vision since we opened 20 years ago and continues to be our core focus. We measure the quality of our offer through two methods: satisfaction surveys and repeat customer levels.

Customer surveys use a combination of sources to capture the varying preferences of how customers choose to give feedback. In particular we focus on NPS which surveys 100% of customers for whom we have an email address. On the NPS measure we have again achieved a result of 77%, consistent with FY17's outstanding performance. We also use feedback from third party surveys, including Google reviews (4.6/5 stars for the year) and Feefo reviews (Feefo Gold Trusted Service merchant). We are delighted with this level of customer satisfaction, but are always striving for more, and constantly challenge our processes to make the car-buying experience as smooth as possible.

Repeat customer levels have again surged to new highs, and now represent 26.2% of our total volume during the year. This is the most objective and reliable indication of ongoing customer satisfaction, and gives us great confidence in the relevance of our proposition.

**Financial Strength**

The strong year of trade has again reflected pleasingly in an enviable closing balance sheet, in particular with cash generation for the year before dividends and buybacks of £13.3m. In the year, we generated £20.2m in cash from operations, raised our stock levels by £5.6m and invested a total capital expenditure of £1.3m into our sites.

In June 2018, our Board of Directors recommended our second full year dividend, of 4.6 pence per share, which takes the total dividend for the year to 6.6 pence per share. This level of proposed dividend underscores our confidence in delivering strong, profitable sales and cash flow, and generating superior financial returns.

**Retail Offering**

Our retail proposition continues to be 100% on nearly-new cars; our product offering is supported by providing finance packages to our customers through our finance partners as well as offering warranty, insurance and paint protection products.

We continue to operate both on site and via our digital channel and have seen an increase in volumes across both sales channels.

We have continued to grow our stock availability to new highs, reflecting our expanded site footprint and increased customer demand. Stock available on the website averaged in excess of 6,700 units over the year. We continued to work with our long-standing and trusted suppliers, as well as developing new relationships into new supply channels to ensure that we maintain a broad and relevant mix.

During the year we have continued to deliver on our strategy to open at least one new site per year with the opening of our Sheffield site. Our medium term target remains to open at least 20 sites in the UK. The Group continues to evaluate opportunities for its 13th retail site, with a pipeline of new site options under review.

**Dividend**

In June 2018 the Board proposed a final dividend of 4.6 pence per share in respect of FY18. This will be tabled at the forthcoming AGM on 24 July 2018, and subject to approval will be paid to shareholders on the record date of 3 August with a payment date of 14 September 2018.

Together with the interim dividend of 2.0 pence per share that was paid on 16 March 2018, this will deliver a total dividend for the year of 6.6 pence per share, an increase of 57.1% to FY17.

**Current trading and outlook**

We have entered the year with a healthy and competitive stock mix, with each of our three strategic objectives performing well and we expect them to continue to do so this year: (i) our online sales move from strength to strength; (ii) our new sites are performing in line with our plans and are building pleasing impetus; and (iii) our existing estate continues to show market share growth against the latest available market data.

We are excited by the future potential of Motorpoint as our team and customers benefit from the time and energy invested in recent periods. We are never satisfied with the status quo and will always challenge it to further the success of the Company.

Whilst economic and political uncertainty are likely to continue in the near term, our steadfast focus on Choice, Value and Service, means we are confident that our proposition will continue to be relevant and successful.

Our key strengths that differentiate us from the rest of the market reassure us that our business will continue to deliver, both from our existing footprint and new site pipeline.

**MARKET REPORT**

Motorpoint's core proposition is the sale of nearly-new cars, the vast majority of which are up to two years old and have covered fewer than 15,000 miles.

We monitor available market statistics, notably from the SMMT, which give us transaction volumes for 0-3 year old cars but do not include recorded mileage. We therefore use the transaction volumes alone as a proxy for our available market. The UK nearly new car market was broadly flat throughout FY18 and we are well positioned to take market share.

## FINANCIAL REVIEW

### Overview

FY18 has been an encouraging year of strong Earnings growth and compelling cash generation, Adjusted Operating Profit has increased by 30.8% to £22.1m. Our key Gross Profit / Adjusted Overheads metric has risen to 140.7% as the operating costs of the newer site openings are increasingly covered by their maturing sales performances. Operating Cash Conversion of 94.8% has been achieved through tight working capital discipline and modest capital expenditure.

### Revenue and Gross Profit

Revenue for the year increased by 20.6% to £991.2m (FY17: £822.0m) underpinned by growth across each of our strategic areas; online, new sites and existing sites.

Gross margins for FY18 strengthened marginally, to 7.7% (FY17: 7.6%). Combined with the Revenue growth this increased full year gross profit by 22.8% to £76.4m (FY17: £62.2m). The year-on-year increase was most pronounced in the first half, as FY17's first half margin performance fell below normal seasonal trends.

FY19 trading to date has seen comparable margin levels to those achieved in the same period of FY18.

### Adjusted Operating Profit

Adjusted Operating Profit for the year increased by 30.8% to £22.1m (FY17: £16.9m).

Adjusted Operating Profit is reported including the cost of Share Based Compensation scheme charges (see below for detail), as these schemes form part of the recurring remuneration plans of employees.

As noted above, Gross Profit increased by £14.2m.

Pre Exceptional Operating Expenses increased by £9.0m to £54.3m (FY17: £45.3m).

***New sites***

The new Sheffield site, opened in April 2017, incurred a total operating cost increase of £2.8m. The remaining items outlined below exclude the impact of Sheffield.

***Team costs***

Total team costs increased by £3.5m, driven in part by higher commissions following the higher sales volumes, and from building broader and stronger teams. In particular some of the central team functions have been bolstered through additional capacity and capability to support objectives in the forthcoming years.

The cost of Share Based Compensation schemes increased by £0.3m as a result of the schemes launched in FY18.

***Site costs***

Rent and rates increased by £0.7m due to increased business rates, the full year impact of Oldbury site and our new Contact Centre building rent.

***Other costs***

The full year impact of the higher interchange fees, together with the higher revenue base, increased charges for debit and credit card transactions by £0.5m.

Other Operating Expenses increased by £1.0m as a result of increased investment in training and additional IT, legal and professional costs due to an increased focus on corporate and the EU General Data Protection Regulation (GDPR) compliance.

**Operating Profit**

The reconciliation from Adjusted Operating Profit to Operating Profit is shown below; the only reconciling items are the exceptional costs during both years.

| £m | **FY18** | **FY17** |
|---|---|---|
| Operating Profit Before Exceptional Items | 22.1 | 16.9 |
| Exceptional Items | (0.8) | (4.0) |
| Operating Profit | 21.3 | 12.9 |
| Net Finance Cost | (1.3) | (1.2) |
| Profit Before Tax | 20.0 | 11.7 |
| Taxation | (4.0) | (3.0) |
| | | |
| **Profit After Tax** | **16.0** | **8.7** |

The net finance cost of £1.3m is the Group's interest costs, net of interest income. There was no interest income in FY18.

During the year the Group increased the stocking facility with Black Horse Limited by £5m, taking the total Black Horse facility to £70m, and secured a new £20m stocking facility with Lombard North Central PLC. The Lombard facility provides additional funding for stock purchases whilst diversifying our stock funding base.

Total stocking finance facilities available are £90m, of which £69m was drawn at 31 March 2018. £1.1m of interest cost was incurred during the year under these facilities.

The existing £20m bank facility with Santander UK PLC is split between £6m available as an overdraft and £14m available as a revolving credit facility. At 31 March 2018 there were no drawings under the facility. The facility has been utilised at various points during the year with an interest cost in the year of £0.1m. The facility is available for a fixed term of five years from 10 May 2016.

**Share based compensation**

The Share Based Compensation schemes are included in Adjusted Operating Profit. There are three schemes, all of which were launched in FY17; the Share Incentive Plan (SIP); Performance Share Plan (PSP) and Save As You Earn (SAYE) scheme.

The SIP constituted an award of £1,000 for all employees with at least one year of continuous service as at the award announcement date, 24 May 2016. The SIP was made as recognition of our team who were instrumental in building the Motorpoint business to be ready for IPO. These shares vest after a three year period dependent only on remaining in Motorpoint's continued employment.

The PSP is for Executive Directors and certain key Senior Managers. Awards made under the PSP are nil cost options. The extent to which such awards vest depend on the Group's performance over a three year period. It is the intention of the Board that a new award will be made during each future financial period, and awards were made in both FY17 and FY18.

The SAYE Scheme was launched by Motorpoint in December 2016, and a further scheme was issued in December 2017. It is anticipated that a further scheme will be launched in each future year, subject to Board approval.

Further information on Share Based Compensation schemes is included in note 28 to the Consolidated Financial Statements included within the Annual Report and Accounts.

**Exceptional items**

The exceptional item of £0.8m recognised in FY18 relates to a charge for prior years for a VAT assessment on volume rebates from a single supplier. The charge relates to the rebates received over the last four years and has been paid during the year. Volume rebates from this supplier are an area of specific focus from HMRC across the industry. We have submitted, and had a notice of appeal acknowledged, with HMRC noting a reliance on an existing case brought with HMRC. We continue to monitor this case and industry developments with interest.

Volume rebates received from this supplier in FY18 have been accounted for in line with HMRC assessment, despite our on-going claim, with underlying gross margin being adjusted accordingly.

**Taxation**

The tax charge in the period is for the amounts assessable for UK corporation tax in the year net of prior year adjustments and deferred tax credits.

**Financial Position**

The financial position of the Group is strong with net assets having increased during the year by £11.7 m to £26.4m.

Property, plant and equipment in both years consists of freehold land, leasehold improvements, office equipment, and fixtures and fittings. Capital expenditure in the year has matched depreciation expense.

Stock levels have increased by 5.7% to £104.0m (FY17: £98.4m). Stock has increased to support the new Sheffield site and to satisfy a higher sales rate at existing sites. Stock provisions, calculated on a basis consistent with the prior year, have increased to £1.4m (FY17: £0.8m), predominantly due to a higher proportion of part-exchange stock.

Stocking finance facilities drawn at 31 March 2018 total £69.0m (FY17: £64.9m), with unutilised headroom of £21.0m (FY17: £0.1m).

Trade receivables are amounts due in the short term from Motorpoint partner vehicle finance providers; the majority of these are paid on a next working day basis. The significant increase in debtors to £6.5m (FY17: £2.6m) is due to the year end falling over the Easter bank holiday weekend resulting in three days of debtors remaining due as at the 31 March 2018.

Prepayments are predominantly rent and rates for the retail sites, together with deferred costs for extended guarantees.

Accrued income is rebates and commissions from vehicle suppliers and finance houses.

Trade and other payables include amounts owed to suppliers for vehicles and goods and services, amounts drawn under the stocking finance facility, and any amounts owed to employees for commissions and bonuses.

Deferred extended guarantees, both less than and over one year, are balances arising as a result of the extended guarantee products which were sold prior to December 2016. These revenues are recognised over the period to which the guarantee relates, together with any associated direct costs, with such costs being prepaid. From 1 December 2016, Motorpoint ceased sale of the extended guarantee product as principal, replaced by the sale of a new extended warranty product which is fully underwritten by a third party insurer, with Motorpoint now acting as sales agent. As such any product net income is commission and so recognised at the point of sale.

The deferred revenue relating to the historical guarantee product, sold up to 30 November 2016, will be substantially recognised by the end of FY20.

Cash and cash equivalents of £15.6m (FY17: £7.3m) are amounts held on deposit account.

**Cash Flow and Working Capital**

The Group continues to be highly cash generative; cash and cash equivalents for the year increased by £8.3m, leaving us well positioned to continue the proposed share buyback announced in November 2017.

Cash flow from operations is the cash generated from operations prior to exceptional items and adjusting for non-cash transactions such as Share Based Compensation charges. The increase in the year is predominantly driven by the increased profit before tax generated by the Group.

The net working capital outflow in the year is substantially driven by the increase in debtor balances as at the end of the year due to timing of the Easter bank holiday. Increases in stock have been funded by increased utilisation of stocking facilities.

Payments in respect of exceptional items in FY18 of £(0.8)m are the cash outflow to settle the HMRC assessment as outlined in the Exceptional Item section of this report above. FY17 payments in respect of exceptional items were the cash outflow of expenditure in relation to both the Motorpoint IPO and the settlement of a legacy and pre IPO EBT scheme.

Purchases of property, plant and equipment have tracked the depreciation charge for FY18 and there have not been significant one-off areas of spend. The FY17 spend included purchase of the Oldbury site for consideration of £(3.9)m and the purchase of land at Peterborough for £(1.7)m. The Oldbury site was subject to a sale and leaseback agreement which generated £6.8m of cash in the prior year.

**Share Buyback**

We announced our intention to buy back up to £10 million worth of our shares on 29 November 2017. The purpose of this continues to be to reduce the share capital of the Company and return funds to shareholders. This buyback programme began in March 2018 and has been progressing since; all shares purchased have been cancelled.

**Dividend**

In June 2018 the Board proposed a final dividend of 4.6 pence per share in respect of FY18. This will be tabled at the forthcoming AGM on 24 July 2018, with an anticipated payment date of 14 September 2018.

Together with the interim dividend of 2.0 pence per share that was paid on 16 March 2018, this will deliver a total dividend for the year of 6.6 pence per share, an increase of 57.1% to FY17.

**Earnings per Share**

Earnings per Share for the period are shown on the face of the Consolidated Income Statement and supporting information at Note 6 to the Consolidated Financial Statements, it is with pleasure that we report an increase of 32.3% to our Adjusted Basic Earnings per Share.

**CONSOLIDATED INCOME STATEMENT**
**For the year ended 31 March 2018**

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| **Revenue** | | 991.2 | 822.0 |
| Cost of sales | | (914.8) | (759.8) |
| **Gross profit** | | 76.4 | 62.2 |
| | | | |
| Operating expenses | 3 | (55.1) | (49.3) |
| Operating profit | 3 | 21.3 | 12.9 |
| *Operating profit before exceptional items* | | 22.1 | 16.9 |
| *Exceptional items* | 4 | (0.8) | (4.0) |
| | | | |
| **Finance income** | | - | 0.1 |
| **Finance costs** | | (1.3) | (1.3) |
| Finance costs - net | | (1.3) | (1.2) |
| **Profit before taxation** | | 20.0 | 11.7 |
| Taxation | 5 | (4.0) | (3.0) |
| | | | |
| **Profit and total comprehensive income for the year attributable to equity holders of the parent** | | 16.0 | 8.7 |
| | | | |
| **Earnings per share attributable to the** | | | |
| **owners of the parent** | 6 | 16.0p | 8.7p |
| Basic | 6 | 15.9p | 8.7p |
| Diluted | | | |
| **Adjusted Earnings per share** | 6 | 16.8p | 12.7p |
| Basic | 6 | 16.7p | 12.7p |
| Diluted | | | |

The Group's activities all derive from continuing operations.

The Group has no other comprehensive income. Total comprehensive income for the year is equal to the profit for the financial year.

**CONSOLIDATED BALANCE SHEET**
**At 31 March 2018**

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 5.4 | 5.4 |
| Deferred tax asset | | 0.5 | 0.4 |
| **Total non-current assets** | | 5.9 | 5.8 |
| **Current assets** | | | |
| Inventories | | 104.0 | 98.4 |
| Trade and other receivables | | 12.9 | 9.4 |
| Cash and cash equivalents | | 15.6 | 7.3 |
| **Total current assets** | | 132.5 | 115.1 |
| **TOTAL ASSETS** | | 138.4 | 120.9 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | (108.4) | (99.2) |
| Current tax liabilities | | (2.0) | (1.8) |
| **Total current liabilities** | | (110.4) | (101) |
| **Net current assets** | | 22.1 | 14.1 |
| **Non-current liabilities** | | | |
| Trade and other payables | | (1.6) | (5.2) |
| **Total non-current liabilities** | | (1.6) | (5.2) |
| **TOTAL LIABILITIES** | | (112.0) | (106.2) |
| **NET ASSETS** | | 26.4 | 14.7 |
| **EQUITY** | | | |
| Share capital | 8 | 1.0 | 1.0 |
| Capital reorganisation reserve | | (0.8) | (0.8) |
| Retained earnings | | 26.2 | 14.5 |
| **TOTAL EQUITY** | | 26.4 | 14.7 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 March 2018**

| | Note | Share capital £m | Retained earnings £m | Capital reorganisation reserve £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 1 April 2016** | | 0.2 | 25.5 | - | 25.7 |
| Profit and total comprehensive income for the year | | - | 8.7 | - | 8.7 |
| IFRS 2 – share-based compensation | | - | 0.4 | - | 0.4 |
| Issue of share capital | | 0.8 | - | (0.8) | - |
| Dividends paid prior to Group restructure | 9 | - | (18.8) | - | (18.8) |
| Interim Dividend for the year ended 31 March 2017 | 9 | - | (1.3) | - | (1.3) |
| **Balance at 31 March 2017** | | 1.0 | 14.5 | (0.8) | 14.7 |
| Profit and total comprehensive income for the year | | - | 16.0 | - | 16.0 |
| IFRS 2- Share-based compensation | | - | 0.7 | - | 0.7 |
| Buyback and cancellation of shares | | - | (0.1) | - | (0.1) |
| Final dividend for the year ended 31 March 2017 | 9 | - | (2.9) | - | (2.9) |
| Interim dividend for the year ended 31 March 2018 | 9 | - | (2.0) | - | (2.0) |
| **Balance at 31 March 2018** | | 1.0 | 26.2 | (0.8) | 26.4 |

**CONSOLIDATED CASH FLOW STATEMENT**
**For the year ended 31 March 2018**

| | Note | **2018 £m** | 2017 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| *Cash generated from operations before exceptional items* | *10* | *21.0* | *13.6* |
| *Cash flows from exceptional items* | *10* | *(0.8)* | *(6.2)* |
| Cash generated from operations | | 20.2 | 7.4 |
| Interest paid | | (1.3) | (1.3) |
| Income tax paid | | (3.9) | (2.9) |
| **Net cash generated from operating activities** | | 15.0 | 3.2 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (1.3) | (6.9) |
| Proceeds from sale of property, plant and equipment | | - | 5.8 |
| Interest received | | - | 0.1 |
| Cash outflows to related parties | | (0.4) | (0.8) |
| **Net cash used in investing activities** | | (1.7) | (1.8) |
| | | | |
| **Cash flows from financing activities** | | | |
| Pre IPO Dividends | 9 | - | (4.4) |
| Interim dividend for the year ended 31 March 2017 | | - | (1.3) |
| Final dividend for the year ended 31 March 2017 | | (2.9) | - |
| Interim dividend for the year ended 31 March 2018 | | (2.0) | - |
| Payments to acquire own shares | 9 | (0.1) | - |
| **Net cash used in financing activities** | | (5.0) | (5.7) |
| | | | |
| **Net increase/ (decrease) in cash and cash equivalents** | | 8.3 | (4.3) |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 7.3 | 11.6 |
| **Cash and cash equivalents at end of year** | | 15.6 | 7.3 |
| | | | |
| Net cash and cash equivalents comprises: | | | |
| Cash at bank | | 15.6 | 7.3 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting policies

Motorpoint Group Plc ('the Company') is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is a public company limited by shares and is listed on the London Stock Exchange; the address of the registered office is Chartwell Drive, West Meadows Industrial Estate, Derby, England, United Kingdom, DE21 6BZ. The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2018 comprise the Company and all of its subsidiaries, together referred to as the "Group". These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The financial information set out in this document does not constitute the statutory financial statements of the Group for the year end 31 March 2018 but is derived from the Annual Report and Accounts 2018. The auditors have reported on the annual financial statements and issued an unqualified opinion.

### 2. Segmental Reporting

The Group has prepared segmental reporting in accordance with IFRS 8 "Operating Segments", which requires segments to be presented on the same basis as the management reporting. An operating segment is a component of the business where discrete financial information is available and the operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

Operating segments are aggregated into reporting segments to combine those with similar characteristics. The Group's reportable operating segment is considered to be the United Kingdom operations. The Group's chief operating decision maker is considered to be the Board of Directors.

The Group operates through a branch network and separate financial information is prepared for these individual branch operations. These branches are considered separate 'cash-generating units' for impairment purposes. However it is considered that the nature of the operations and products is similar and they all have similar long-term economic characteristics, as they are all based within the UK. According the Group has applied the aggregation criteria of IFRS 8 and thus considers it has one reportable segment. Accordingly no additional segmental information is required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Operating profit - expenses

| **Operating profit include the effect of (crediting) / charging:** | **2018** | 2017 |
|---|---|---|
| | **£m** | £m |
| Changes in inventories of finished goods | (5.6) | (23.5) |
| Finished goods purchases | 913.9 | 776.3 |
| Movement in provision against inventory | 0.6 | 0.1 |
| Employee benefit expense (note 9) | 27.1 | 24.4 |
| Depreciation of property plant and equipment | 1.3 | 1.0 |
| Exceptional Items | 0.8 | 4.0 |
| Operating lease payments - property | 4.7 | 4.1 |
| Other operating expenses | 27.1 | 22.7 |
| | 969.9 | 809.1 |

| | | |
|---|---|---|
| Cost of sales | 914.8 | 759.8 |
| Operating expenses | | |
| - Selling and distribution expenses | 18.2 | 17.3 |
| - Administrative expenses | 36.9 | 32.0 |
| | 969.9 | 809.1 |

### 4. Exceptional items

In the financial periods the Group has incurred exceptional costs that require separate identification as a result of their nature and their impact on the Group's financial position and cash flows. These are:

| | **2018** | 2017 |
|---|---|---|
| | **£m** | £m |
| **Exceptional items: Operating profit** | | |
| IPO listing and professional fees (i) | | 4.0 |
| VAT liability (ii) | 0.8 | - |
| | 0.8 | 4.0 |

*(i) IPO listing and professional fees* - Fees and costs relate to, corporate restructuring, legal and professional costs, broker and accounting services.

*(ii) Vat liability*- The exceptional item of £0.8m recognised in FY18 relates to a charge for prior years for a VAT assessment on volume rebates from a single supplier. The charge relates to the rebates received over the last four years and has been paid during the year. Volume rebates from this supplier are an area of specific focus from HMRC across the industry. We have submitted, and had a notice of appeal acknowledged, with HMRC noting a reliance on an existing case brought with HMRC. We continue to monitor this case and industry developments with interest..

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. Taxation

The tax charge in the income statement represents:

| | 2018 £m | 2017 £m |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax | 4.1 | 3.6 |
| Adjustment in respect of prior years | - | (0.2) |
| **Total current tax** | 4.1 | 3.4 |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | (0.1) | (0.4) |
| **Total deferred tax** | - | (0.4) |
| **Total tax charge in the income statement** | 4.0 | 3.0 |

**Reconciliation of the total tax charge**

The tax charge in the income statement in the year differs from the charge which would result from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled below.

| | 2018 £m | 2017 £m |
|---|---|---|
| Profit before tax | 20.0 | 11.7 |
| Profit before tax at the standard rate of corporation tax of 19% (2017:20%) | 3.8 | 2.3 |
| Tax effect of: | | |
| - Expenses not deductible for tax purposes | 0.2 | 0.9 |
| - Adjustment in respect of prior years | - | (0.2) |
| **Tax charge in the income statement** | 4.0 | 3.0 |

**Factors affecting current and future tax charges**

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. This was substantively enacted on 6 September 2016 and is therefore reflected in these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 at the end of the current year. Adjusted earnings per share are calculated on the same basis but adjusting earnings attributable to equity shareholders for exceptional items.

| | **2018** | 2017 |
|---|---|---|
| Profit Attributable to Ordinary Shareholders (£m) | 16.0 | 8.7 |
| Exceptional Items (£m) | 0.8 | 4.0 |
| Adjusted Profit Attributable to Ordinary Shareholders (£m) | 16.8 | 12.7 |
| Weighted average number of ordinary shares in Issue ('000) | 100,193 | 100,194 |
| Earnings per share (pence) | 15.97 | 8.68 |
| Adjusted Earnings per share (pence) | 16.77 | 12.68 |
| Diluted Number of Shares in Issue ('000) | 100,556 | 100,360 |
| Diluted Earnings per share (pence) | 15.91 | 8.67 |
| Adjusted Diluted Earnings per share (pence) | 16.71 | 12.65 |

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the SAYE scheme. This is shown in the reconciliation below.

The shares for the SIP scheme were purchased ahead of issue and the PSP has performance criteria which have not been met so the options are not yet dilutive.

| | **2018 £m** | 2017 £m |
|---|---|---|
| Weighted average number of ordinary shares in Issue ('000) | 100,193 | 100,194 |
| Adjustment for share options | 363 | 166 |
| Weighted average number of ordinary shares for diluted earnings per share | 100,556 | 100,360 |

### 7. Borrowings

The Group's available borrowings consist of an unsecured £20m facility provided by Santander UK Plc which was undrawn as at the reporting date. The facility is currently provided as £6m available as an overdraft and £14m available as a revolving credit facility.

The finance charged for utilising the facility is dependent on the Group's borrowing ratios as well as the base rate of interest in effect. During the year ended 31 March 2018 interest was charged at 1.4% (FY17: 1.4%) per annum. The interest charged for the year of £0.1m (FY17: £0.1m) has been expensed as a finance cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. Share Capital

| | **2018** | | **2017** | |
|---|---|---|---|---|
| | **Number ‘000** | **Amount £m** | Number ‘000 | Amount £m |
| **Allotted, called-up and fully paid** | | | | |
| Balance at the Beginning of the Period | 100,194 | 1.0 | - | - |
| Issued during the Period | - | - | 100,194 | 1.0 |
| Bought back and cancelled during the period | (40) | - | - | - |
| Balance at the end of the period | 100,154 | 1.0 | 100,194 | 1.0 |

### 9. Dividends

During the year the following dividends were paid.

| | **2018** | 2017 |
|---|---|---|
| | **£m** | £m |
| Pre IPO dividend in specie | - | 14.4 |
| Pre IPO cash dividends | - | 4.4 |
| Interim dividend for the year ended 31 March 2017 | - | 1.3 |
| Final dividend for the year ended 31 March 2017 | 2.9 | - |
| Interim dividend for the year ended 31 March 2018 | 2.0 | - |
| Total dividends | 4.9 | 20.1 |

During the prior year dividends in specie were declared on shares over the Group’s previous parent Motorpoint Limited and were settled via the waiver of amounts due from shareholders.

## 9. Dividends (Continued)

Dividends post the Group restructure and IPO listing were paid and have been declared as set out below.

| | 2018<br>£m | 2017<br>£m |
|---|---|---|
| **Amounts recognised as distributions to ordinary shareholders in the year comprise** | | |
| Interim dividend for the year ended 31 March 2018 of 2.00p per ordinary share | 2.0 | - |
| Final dividend for the year ended 31 March 2018 of 4.60p per ordinary share | 4.6 | - |
| Interim dividend for the year ended 31 March 2017 of 1.33p per ordinary share | - | 1.3 |
| Final dividend for the year ended 31 March 2017 of 2.90p per ordinary share | - | 2.9 |

The proposed final dividend for the year ended 31 March 2018 is subject to approval by shareholders at the Annual General Meeting and hence has not been included as liabilities in the financial statements at 31 March 2018.

The final dividend for FY17 was approved by shareholders at the Annual General Meeting in June 2017 and was therefore not included as liabilities in the financial statements at 31 March 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. Cash-flow from operations

| | **2018** **£m** | 2017 £m |
|---|---|---|
| **Profit for the year, attributable to equity shareholders** | 16.0 | 8.7 |
| Adjustments for: | | |
| Taxation charge | 4.0 | 3.0 |
| Finance income | - | (0.1) |
| Finance costs | 1.3 | 1.3 |
| **Operating profit** | 21.3 | 12.9 |
| Share Based Payment Charge | 0.7 | 0.4 |
| Exceptional items charged to operating profit | 0.8 | 4.0 |
| Depreciation charge | 1.3 | 1.0 |
| *Cash flow from operations before movements in working capital and cash flow on exceptional items* | 24.1 | 18.3 |
| Increase in inventory | (5.6) | (23.5) |
| Increase in trade and other receivables | (3.5) | (2.0) |
| Increase in trade and other payables | 6.0 | 20.8 |
| *Cash flow from operations before exceptional items* | 21.0 | 13.6 |
| Payments in respect of exceptional items | (0.8) | (6.2) |
| **Cash generated from operations** | 20.2 | 7.4 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Related party transactions

During the year ended 31 March 2017 the Group had transactions with companies controlled by D E Shelton, a director of the Company. All balances with the exception of Spring Rental Limited and ADE Limited were settled ahead of the Motorpoint IPO with all balances now having been settled.

| | | 2018 £m | | | |
|---|---|---|---|---|---|
| | **Balance as at 31/3/2017** | **Loans made / (received)** | **Other Transactions** | **Payments made (received)** | **Balance as at 31/3/2018** |
| Spring Rental Limited | (0.4) | – | – | 0.4 | – |
| Shoby Properties Limited | – | – | (2.2) | 2.2 | – |

| | | 2017 £m | | | |
|---|---|---|---|---|---|
| | **Balance as at 31/3/2016** | **Loans made / (received)** | **Other Transactions** | **Payments made (received)** | **Balance as at 31/3/2017** |
| Motorpoint Holdings Limited | 4.4 | – | (4.4) | – | – |
| Shoby Properties Limited – Historic Loan Balance | 9.7 | 0.3 | (10.0) | – | – |
| – Lease of property | – | – | (2.5) | 2.5 | – |
| ADE Limited – Loans | (0.2) | – | – | 0.2 | – |
| – Vehicle purchases | – | – | (4.5) | 4.5 | – |
| JTL Limited – Loans | (0.1) | – | 0.1 | – | – |
| Spring Rental Limited | (0.4) | – | – | – | (0.4) |
| Shoby Investments Limited | (0.3) | – | (0.1) | 0.4 | – |

Remuneration of key management personnel and loans to key management personnel have been detailed at note 10 to the Financial Statements.