16 June 2021

Motorpoint Group PLC
("Motorpoint" or the "Group")

Final Results and New Strategic Objectives

New strategic objectives of achieving £1bn in online revenue and more than £2bn in total revenue in the medium term

Accelerated investment in E-commerce driving strong online revenue growth

Robust full year financial performance given COVID-19 disruption, with branches closed for over six months, and strong reopening performance in April 2021

Motorpoint Group PLC, the UK's leading independent omnichannel vehicle retailer, today announces its final results for the year ended 31 March 2021 ("FY21"), and presents its new strategic objectives.

New strategic objectives

The Group has exciting plans to significantly increase its rate of growth, with the aim of at least doubling FY20 revenue to over £2bn in the medium term, with an improved margin and strong cash generation as we leverage the operating cost base.

This will be achieved through:

- Growing our E-commerce revenue to over £1bn by substantially increasing investment in marketing, technology and data
- Opening 12 new sales and collection branches to service revenue growth, increasing investment in the customer proposition, and expanding our supply channels
- Leveraging our E-commerce Auction4Cars.com platform to accommodate new supply channels and to launch our marketplace offering
- Increasing operational efficiency through further automation and technology investment as customers migrate to E-commerce channels

Our Auction4Cars.com business has a huge opportunity to disrupt the established vehicle auction market using the well respected and trusted Motorpoint brand to acquire stock, as well as from other vendors to supply the wholesale market, generating additional revenue and profit. Our plan scales this business significantly. We are launching developments to our existing online auction site (which sold over 35,000 cars in FY20) which will significantly increase volumes.

FY21 Financial highlights

- Revenue of £721.4m down 29.1% (FY20: £1,018.0m), as a consequence of the COVID-19 pandemic and Government imposed lockdowns
- Gross profit of £62.5m (FY20: £78.9m), and profit before taxation of £9.7m (FY20: £18.8m)
- Improved gross margin of 8.7%, up 90bps (FY20: 7.8%) due to efficient vehicle sourcing, improved operational controls and strong demand following the first UK lockdown
- EBITDA(1) of £18.3m (FY20: £27.3m)
- Operating cash conversion(2) of 98.4% (FY20: 148.9%)
- Basic earnings per share of 8.4p(3) (FY20: 16.4p)
- Relief claimed from Government via CJRS in FY21 of £3.9m (FY20: £0.3m) and rates support of £1.8m (FY20: £Nil)

FY21 Operational highlights

- 69% of units were sold online, over 47,000 units (FY20: 54%, over 52,000 units)
- Approximately 68,000 vehicles sold in the year, including circa 25,000 via the Group's Auction4Cars.com purely E-commerce platform
- E-commerce investment in technology and marketing infrastructure accelerated, with results that have exceeded the Board's expectations
- Q4 (Jan-Mar 2021) online retail sales grew 89% against prior year, with Home Delivery representing 57% of this
- 9,300 cars delivered through free Home Delivery which was fully launched in May 2020
- Launch of fully digital end-to-end customer journey
- Significantly increased opportunities for new sales-only branches to complete hub and spoke network, due in part to OEM rationalisation of franchised network
- Investment in upgrading technology and marketing infrastructure substantially increased during period, further enhancing E-commerce opportunity
- H2 Net Promoter Score ('NPS') of 83, an all-time high, and repeat customers 33.1% (FY20: 30.5%)
- Employee engagement at record levels; placed 18th in The Sunday Times Best Large Company to Work for, and placed 1st in the Automotive sector
- Opened 14th branch at Stockton on Tees in December 2020
- Scotland Preparation Centre acquired, adding >20,000 units to retail capacity; retail preparation capacity now in excess of 120,000 units per annum

Current trading and outlook

- Since branches reopened, trading has been strong and significantly ahead of the same period in FY20 (which represents a more meaningful comparative than FY21) reinforcing our belief that our customer-centric omnichannel proposition remains the most appropriate business model for the used car market
- Margins for both retail and wholesale sales have been strong, well ahead of seasonal levels due to increased use of data in pricing decisions and strong demand
- Semi-conductor shortage impacting new car production expected to benefit sales of nearly new cars in the short term, although this could result in a future headwind
- Strong balance sheet at year end maintained, with cash levels trending positively
- All employees have returned from furlough

Mark Carpenter, CEO of Motorpoint, said:

"I am delighted with our performance in the year given the external challenges faced as we have transformed our capability by continuing to invest in our E-commerce execution. We now have a fully scaled Home Delivery service, an integrated, end-to-end digital customer journey, additional capacity to grow through our increased preparation and branch presence, and an ambitious growth strategy to more than double revenue and profit in the medium term through increased investment in technology, marketing, data and talent.

At the heart of Motorpoint is our team and culture and I am proud that this was recognised with our record employee engagement score and our record NPS of 83 during exceptional circumstances in the year. I would like to thank all our employees for their contribution; their passion, agility and determination to win is inspiring.

Motorpoint is already well advanced on its journey to become the dominant E-commerce led omnichannel used car retailer in the UK with an unrivalled consumer offering in the nearly new market, coupled with a digital-led auction channel with huge potential. We will continue investing in the business to achieve our medium term goal of at least doubling revenue and growing E-commerce revenue to over £1bn.

I believe Motorpoint is the best in class in the nearly new car market with leading national brand awareness metrics, an unrivalled heritage, enhanced digital presence and expertise that will ensure we continue to strengthen our competitive position. We now have an opportunity to grow rapidly as we continue our transformation into an E-commerce led business with huge potential."

Enquiries:

Motorpoint Group PLC via FTI Consulting
Mark Carpenter, Chief Executive Officer
Chris Morgan, Chief Financial Officer

FTI Consulting (Financial PR) 020 3727 1000
Alex Beagley
James Styles
Sam Macpherson

Explanatory notes
(1) Calculated as profit before tax of £9.7m adding back finance expense of £2.9m and depreciation of £5.7m (FY20: Profit before tax of £18.8m adding back finance expense of £3.5m and depreciation of £5.0m).
(2) Calculated as cash generated from operations of £12.4m divided by operating profit of £12.6m (FY20: Cash generated from operations of £33.2m divided by operating profit of £22.3m).
(3) See note 6 for calculation.

Notes to editors

Motorpoint is the UK's leading independent omnichannel vehicle retailer, selling through its E-commerce platforms of Motorpoint.co.uk and Auction4Cars.com and 14 retail branches. The Group's principal business is the sale of nearly-new vehicles, which are up to three years old and have covered less than 30,000 miles. Motorpoint sells vehicles from brands representing over 95 per cent 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 14 retail branches across the United Kingdom: Birmingham, Birtley, Burnley, Castleford, Chingford, Derby, Glasgow, Newport, Oldbury, Peterborough, Sheffield, Stockton on Tees, Swansea and Widnes, of which six have opened in the last five years; together with E-commerce channels for retail and trade, supported by a customer contact centre.

Chairman's statement

Introduction

At the onset of the first UK lockdown, with uncertainty around the duration and depth of the crisis, the Board took a number of short-term actions to protect the business and sought to share the burden of those across stakeholder groups. 2021 Executive Director annual bonus schemes were cancelled, and the Executive Directors and the Senior Leadership Team took voluntary pay cuts. Our CEO Mark Carpenter received the pay equivalent to the National Minimum Wage for two months and the salary and fees of the other directors were halved. Dividends were suspended and share buy backs cancelled. These were difficult decisions, but we acted quickly to protect the business and it placed the Group in an exceptionally strong position when the market reopened.

As the UK's leading independent omnichannel vehicle retailer, our approach has always been to provide the customer with a first class, integrated customer experience. Our customers can shop online from a desktop or mobile device, by telephone, and/or at one of our retail branches, and the experience is seamless. The increase in our online business accelerated the need to upskill, train and bring on board additional team members. We prioritised investment in E-commerce, launching contactless collections, a free Home Delivery service, a 14-day money back guarantee and, most recently, a fully digital part-exchange and finance offering. This enables customers to complete their purchase process entirely online. These initiatives build from a strong and long history of online sales and previous investment in automation and data utilisation.

The Group is utilising the footprint of existing retail locations to act as spokes for distribution and collection nationwide, enabling same day in-branch collection and next-day home delivery. Motorpoint serves all car buyers, whatever their location, and whether they wish to buy online, in-person at our branches or through a combination of both channels. Motorpoint customers are delighted with the unrivalled Choice, Value, Service and Quality they receive: underlined in our recent NPS of 83 in H2, up from 81 in FY20.

Performance

Group revenues for the year were 29.1% lower compared to the previous year, as a consequence of the COVID-19 pandemic and Government imposed lockdowns. Our showrooms were shut for around six months of the year. In these circumstances, the Group delivered a robust performance, underlining the strength of Motorpoint's omnichannel model and in particular, the momentum and potential of its online channel. Approximately 68,000 vehicles were sold during the year, including circa 25,000 wholesale units purely online through the Group's Auction4Cars.com platform. Of the retail sales, 52% were sold online (over 22,000 units), retaining our position as one of the leading retailers of nearly new cars in the UK, both online and offline.

In the first three months of 2021, when all retail branches were closed, online sales grew 89% against the equivalent period last year, with Home Delivery contributing 57% of this. In March alone, 3,300 units were sold online. The results from our accelerated investment to date have exceeded the Board's expectations and E-commerce will continue to be our priority moving forward.

The Group successfully opened its 14th branch, at Stockton on Tees, in December 2020, and completed the sale and leaseback of its Swansea branch in early 2021.

Closing Position

The Group's balance sheet remains robust with no structural debt, and net cash (comprising cash and cash equivalents less borrowings) at the year end was £6.0m. The cash positive position demonstrates the strength of the business, the impact of the investment decisions and activities, not having forward purchasing commitments, and a well-controlled and adaptable cost base. The significant amount of cash that the business is able to generate allows flexibility to invest in our E-commerce strategy and new branches.

Dividend

Given that FY21 represented a period of disruption and uncertainty, the Board has decided it is not appropriate to declare a final dividend. While the Group's capital allocation framework under our new strategic objectives will prioritise investment in faster growth, the very high cash generative qualities of the business mean that shareholders should still expect ongoing cash returns, and as such, this will be kept under regular review.

Board Composition

Part of my role as Chairman is to ensure that your Board has the necessary skills, knowledge and experience to make informed judgements that are in the best interests of all stakeholders.

I would like to pay tribute to Gordon Hurst, who stepped down in May 2020. We welcomed Keith Mansfield to the Board in May 2020 as Chair of the Audit Committee and Non-Executive director of the Company. Keith also serves on the Nomination and Remuneration committees. A chartered accountant by profession, Keith has chaired a number of audit committees for organisations with a public as well as commercial mandate.

James Gilmour stepped down as Chief Financial Officer on 20 August 2020, having been with the Group since 2016. We welcome his replacement, Chris Morgan, who joined us as the new Chief Financial Officer in January 2021. Chris brings a strong set of financial, operational and strategic skills to the Board.

We are looking to further broaden the skill base of the Board to help ensure we capture the opportunity afforded by evolving customer buying habits.

The Year Ahead

All of the Group's retail branches reopened on 12 April 2021 in England and Wales, and on 26 April 2021 in Scotland, supported by a host of operational improvements delivered over the last year. The Board anticipated pent-up consumer demand upon reopening, and this has proven to be the case.

The Board also expects continued growing momentum for its E-commerce, Home Delivery and Reserve and Collect services as consumer buying habits evolve. The accelerated expansion of our E-commerce offering, coupled with new sales and fulfilment branches, provides the Board with a high level of confidence in the Group's potential to gain significant further market share.

Further excitement comes from the investment into Auction4Cars and the significant opportunity this will bring.

We have today unveiled our new strategic objectives, and the Board is very excited about the changes and opportunities that this brings. The new plans are discussed in more detail in the Chief Executive's statement.

Finally, I would like to thank my fellow Board members and everyone at Motorpoint for their hard work and commitment, and for the way they responded to the COVID-19 pandemic, ensuring that the business was further strengthened during these difficult times.

Mark Morris
Chairman
16 June 2021

Chief Executive's statement

Overview

Motorpoint has delivered a resilient trading performance for the year, against a backdrop of forced branch closures and the challenging economic uncertainty caused by the COVID-19 pandemic. We took positive actions to accelerate planned initiatives, notably investment in digital, to support our growth strategy.

The Group has prioritised investment in E-commerce, launching contactless collections, a free Home Delivery service, a 14-day money back guarantee and, most recently, a fully digital part-exchange and finance offering, enabling customers to complete their purchase process entirely online. The results from our accelerated investment to date have exceeded expectations and E-commerce will continue to be our priority moving forward.

Our focus on growing our E-commerce and Home Delivery channels continued throughout FY21 with further milestones achieved. We also continued our branch expansion programme, opening a new branch (our 14th) at Stockton on Tees in December 2020. The pandemic situation has meant that branch research activity to identify further new locations was reduced during the lockdowns. Lockdown easing in the new financial year has meant that this activity has accelerated, and we are confident of opening more branches this year, with several at an advanced stage. These will further support our digital investment, by offering Reserve and Collection centres and Home Delivery on a nationwide basis.

Our operating model begins with our people

The past year has been unprecedented, and our people have been exemplary in their commitment to the business, with team engagement scores reaching their highest ever level in the second half of the year.

Our operating model of how our key stakeholders interact is well understood by our people and is covered in detail with every new starter when they attend our induction programs, which were held virtually this year. The Motorpoint Virtuous Circle combined with our Motorpoint Values continue to provide a robust framework for explaining how we get things done and what factors to consider when decisions are required. Our people have an opportunity to ask open questions and understand key decisions in their interaction with our Senior Leadership Team, who host Team Forums at each branch, or virtually, usually every month. Many of the improvement areas in the business are found in these sessions and the team often has a creative solution to issues we are facing whether they be people, customer or operational challenges.

The learning and development of our people is vital to the future success of our business. Our new Learning and Development platform launched last year to the entire Company allows individual learning journeys to be created, logged and reviewed. I am also delighted at the progress we have made by growing our Technology and Marketing teams this past year.

We believe that the happiness of our people is directly correlated to our customer satisfaction and engagement can be enhanced by giving something back to the team. Our ‘One Big Dream’ initiative has been a huge success with our people using two paid hours per month for their fulfilment. We continue to have fantastic examples of our people using this time to follow their dreams, whether it be to attend a class or watch a school production. I am proud of the breadth of team engagement enterprises that Motorpoint actively supports.

Since 2017 we have ensured a minimum pay rate that is in line with the Real Living Wage and we launched our fifth SAYE scheme offering the opportunity to become a Motorpoint shareholder to our entire team. I am delighted to see that the rewards of this scheme are embraced by our team, with this year's offering again seeing strong take-up across the business.

Our annual participation in the Sunday Times Top 100 Best Companies to Work For provides an opportunity for our people to provide valuable feedback on their engagement levels and where we can improve these further. This year was no exception, and great insight was provided by our people and I am extremely pleased that we again achieved Top 100 status. This is the seventh consecutive year that we have been placed in the Top 100 and is testament to the hard work of our management team in listening and acting on our people's feedback.

We have a responsibility to improve diversity and inclusion in our industry. We appointed a Head of Recruitment and Inclusion in December 2020 and will advance our plans in the months ahead. I have also joined the Automotive 30% Club, a voluntary network of MDs and CEOs from UK based automotive manufacturing, retailing and supplier companies with the purpose of achieving a better gender balance within the automotive industry.

Customers

Our highly engaged team continued to deliver our leading proposition of Choice, Value, Service and Quality to our loyal customers during the year. We have an unerring focus on customer satisfaction and that leads to 33% of customers repeat purchasing from us. We take it personally when a customer is not happy, as we have failed if this happens.

This level of loyalty is recognition of our strategy of delivering unrivalled Choice, Value, Service and Quality:

Choice – our unique independent model allows us to source and sell from the broadest range of suppliers. In the year we have stocked over 300 models, and we are able to rapidly follow emerging customer preferences, such as through our increasing proportion of hybrid and electric sales.

Value – we are an omnichannel car retailer, predicated on working to a high volume and keeping our cost base modest. This allows us to share value with our customers, reinforcing our volume model. We support our cars with competitive finance and ancillary offerings, where we also champion low prices, such as where we have reduced our customer finance rates in December 2020. Our Value proposition has become increasingly appealing during these uncertain times.

Service – service is what will ultimately set us apart in the market. We measure ourselves primarily using Net Promoter Score ('NPS') – on this measure we have improved again, with a score of 83 in H2 (H2 is considered to be a more representative period, since customer activity was significantly impacted during the first lockdown at the start of FY21). 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. Motorpoint serves all car buyers, whatever their location, and whether they wish to buy online, in-person at our branches, or through a combination of both channels. Motorpoint has become one of a select number of businesses to be included in the brand-new Platinum category in recognition for achieving successive years of Feefo Gold Trusted Service status.

Quality – a new pillar to our strategic vision to ensure that our omnichannel model delivers the same experience as our pure branch model. Our ambition is to be the most trusted automotive retailer, and this means quality across everything we do, with complete focus on our customers' needs.

Financial position

Group revenues of £721.4m for the year were 29.1% lower compared to the previous year (FY20: £1,018.0m), as a consequence of the COVID-19 pandemic and Government imposed lockdowns. Profit before tax reduced to £9.7m (FY20: £18.8m) and we were able to break even in the second half of the year despite all retail branches being closed for over four of the six months. Overall marketing spend was in line with the previous year, reflecting a reduction during lockdowns, but an acceleration in spend prior to the reopening of branches in April 2021.

Gross margin increased to 8.7% (FY20: 7.8%). This increase reflects robust vehicle margins, strong buying and pricing controls, as well as efficiency improvements to the preparation processes.

Trade revenue fell in line with retail sales, since Auction4Cars.com sells wholesale vehicles which have been part exchanged by retail customers. Roughly 25,000 vehicles were sold via this purely online platform. Gross margin strengthened to 6.6% (FY20: 5.2%), again the result of the market and internal pricing controls.

Operating expenses fell by 11.8% to £49.9m (FY20: £56.6m), despite the opening of Stockton on Tees and the full year effect of Swansea, which opened in January 2020. The business also benefitted from CJRS income totalling £3.9m (FY20: £0.3m) and rates relief of £1.8m (FY20: £Nil) in FY21. Overheads remained under tight control throughout FY21, with all discretionary spend challenged. Branch level costs were reduced wherever possible, particularly during periods where there were no onsite customers.

Due to the branch closures, specific cost reduction and cash management steps were taken, including a voluntary pay reduction. I received salary equivalent to the National Minimum Wage for two months, and the salary of the former CFO was halved during this period. All 2021 annual bonus schemes were suspended, and the entire Senior Leadership Team took voluntary pay cuts.

The Group's balance sheet remains robust with no structural debt, and net cash at the year end increased to £6.0m (FY20: £0.8m). This ensured headroom within both the bank financing and stocking facilities.

Capital expenditure of £3.6m (FY20: £12.3m) related to the new Stockton on Tees branch, and investment in IT to accelerate our digital investment. Also, a number of branches were refurbished in the year. The sale and leaseback of our Swansea branch was completed in early 2021, realising cash proceeds of £6.1m.

New strategic objectives: To achieve £1bn in online revenue and more than £2bn in total revenue in the medium term

Motorpoint is an agile business with strong brand awareness, low fixed costs and a compelling operating model that has always offered its customers the best value proposition in the UK used car market. We have always sold cars online, first through a call centre handling online enquiries and now through a fully integrated, end-to-end digital customer journey. This digital-led experience will continue to evolve in accordance with what our customers demand. Fundamentally, we see this as providing a large choice of high quality vehicles at outstanding value, and with best in class levels of customer service whether purchasing online, through our retail branches, or using a combination of these channels.

The customer journey is becoming ever more fluid. An accelerated expansion of our E-commerce offering, coupled with 12 new sales and collection branches, provides the Board with increased confidence that we can grow both market share and revenue rapidly in the coming years.

The Group has exciting plans to significantly increase its rate of growth, with the aim of at least doubling FY20 revenue in the medium term, with an improved margin and strong cash generation as we leverage the operating cost base.

This will be achieved through:

- Growing our E-commerce revenue to over £1bn by substantially increasing investment in marketing, technology and data
- Opening 12 new sales and collection branches, increasing investment in the customer proposition, and expanding our supply channels
- Leveraging our E-commerce Auction4Cars.com platform to accommodate new supply channels and to launch our marketplace offering
- Increasing operational efficiency through further automation and technology investment as customers migrate to E-commerce channels

We will use data and technology to enable targeted customer segmentation, expand our branch network to increase capacity and establish customer collection and home delivery hubs, and enhance organisational design to support this digital transformation with further investment in our people.

Our Auction4Cars.com business has a huge opportunity to disrupt the established vehicle auction market, using the well respected and trusted Motorpoint brand to acquire stock to supply the wholesale market, generating additional revenue and profit. There are exciting opportunities to scale the business further and investment in this E-commerce channel will enable its marketplace potential to be unleashed.

Current Trading and Outlook

In line with the Government's COVID-19 roadmap, the Group's retail branches fully opened in April 2021. The Board has been very encouraged by the initial levels of consumer demand since reopening, with a number of branches achieving record sales weeks. Supply has more recently been constrained, but we expect this to ease. Margins have remained strong. Digital sales continued to perform well, and the Board expects growing momentum for its E-commerce, Home Delivery and Reserve and Collect services as consumer buying habits evolve.

Thanks to our focus on innovation, along with our low-cost, agile operating model and strong brand offering, Motorpoint is well positioned to take advantage of the continued shift of consumers to purchase online, whilst also continuing to access the currently larger in-branch market.

Our truly omnichannel offering means that we can provide a seamless, fully integrated experience to our customers, whether they wish to buy online, in-person or through a combination of both.

Mark Carpenter
Chief Executive Officer
16 June 2021

Financial review

COVID-19

During the pandemic the Group demonstrated its agility to respond quickly to changing trading conditions. Branches were closed from the middle of March 2020 through to June, with further closures in November and December, and then from January 2021 for the remainder of our financial year.

Actions taken during the year to preserve cash and reduce costs included suspending capital projects, reducing discretionary spending and furloughing a large proportion of colleagues, with the senior leadership team and Board members also taking voluntary pay reductions to help maintain our lowest paid colleagues at 100% of their salaries. In addition, a further temporary 12 month £15.0m overdraft facility was agreed with our lender, Santander UK PLC, in May 2020 to help support short term cash impacts, should it have been required during the pandemic. This additional facility was not used. Amounts relating to the CJRS scheme totalling £3.9m (FY20: £0.3m) and rates support of £1.8m (FY20: £Nil) were received in the year.

Despite the challenges of COVID-19, the Group experienced strong sales when branches were open to customers, especially during the second quarter of the financial year, and enjoyed an excellent start to FY22 as we entered the next phase of our growth plans. In addition, the Board was encouraged by E-commerce sales during FY21, and the outlook for this revenue stream.

Group financial performance headlines

Revenue for the year to 31 March 2021 reduced by 29.1% to £721.4m (FY20: £1,018.0m) as a consequence of the COVID-19 pandemic and Government imposed lockdowns.

Gross profit was £62.5m (FY20: £78.9m), a decrease of 20.8%. Gross margin increased to 8.7% (FY20: 7.8%). This increase reflected robust vehicle margins, strong buying and pricing controls, as well as efficiency improvements to the preparation processes.

EBITDA decreased by 33.0% to £18.3m (FY20: £27.3m). Profit before tax fell to £9.7m (FY20: £18.8m), with the increased reduction against revenue reflecting the proportion of fixed costs within overheads. The Group broke even in the second half of the year, despite all retail branches being closed for over four of the six months of that period, and an increase in marketing spend in March 2021 in preparation for the April 2021 reopening.

The Group's balance sheet remains robust with no structural debt, and net cash at the year end increased to £6.0m (FY20: £0.8m).

Trading performance

The Group has two key revenue streams, being (i) vehicles sold to retail customers via the Group's branches, call centre and digital channels, and (ii) vehicles sold to wholesale customers via the Group's Auction4Cars.com website.

	Retail customers		Wholesale customers		Total	
	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Revenue	**593.8**	839.0	**127.6**	179.0	**721.4**	1,018.0
Gross profit	**54.1**	69.6	**8.4**	9.3	**62.5**	78.9

Despite the impact of COVID-19, the Group delivered a robust volume performance in the year, underlining the strength of Motorpoint's omnichannel model, and in particular, the momentum and potential of its online channels. Roughly 68,000 vehicles were sold in total.

We accelerated our investment in our digital offering through the rollout of our free national Home Delivery service and a streamlined, contactless Reserve and Collect option for the large number of customers who still want to view their car before completing their purchase.

Retail

Revenue from retail customers was down 29.2% to £593.8m (FY20: £839.0m), with approximately 43,000 vehicles sold. Of these 52% were sold online, retaining our position as the number one retailer of nearly new cars in the UK, both online and offline. Between launch in May 2020 and the end of the period, circa 9,300 vehicles were delivered to customers' homes (FY20: Nil).

Gross margin improved to 9.1% in the year (FY20: 8.3%) reflecting a number of positive trends. While vehicle margin benefited from increased demand pushing prices up during open periods, internal changes in buying and pricing strategies have resulted in continued positive movements in this area. Finance and extras per vehicle sold were broadly consistent with the previous year, despite the increased mix of online trading.

The Group also continues to focus on internal processes within the vehicle handling and preparation side of the business. Improved speed of preparation, combined with strong cost control, has resulted in a further strengthening of gross margin in the year.

The Group opened a new branch in December 2020 at Stockton on Tees, taking the total of trading locations to 14. Due to the lockdown from January 2021, sales from this new branch were minimal in the year. However, sales at Swansea, which opened in January 2020, were encouraging during the times when that branch was open. Both branches have performed well once the lockdown measures were lifted in April 2021.

Wholesale

Wholesale revenue fell in line with retail sales, since Auction4Cars.com sells wholesale vehicles which have been part-exchanged by retail customers. Roughly 25,000 vehicles were sold via this purely online platform. Gross margin strengthened to 6.6% (FY20: 5.2%), again the result of the market and internal pricing controls.

Operating expenses

Operating expenses fell by 11.8% to £49.9m (FY20: £56.6m), including the impact of CJRS receipts of £3.9m (FY20: £0.3m) and rates support of £1.8m (FY20: £Nil). Overheads remained under tight control throughout FY21, with all discretionary spend challenged. Branch level costs were reduced wherever possible, particularly during periods when there were no onsite customers. Marketing expenses were level with the previous year, with reduced activity during periods of closure, but increased activity as we moved towards the April 2021 reopening. Marketing costs also included a greater proportion of digital spend than previously, which is expected to continue.

Exceptional items

There have been no exceptional items in the year (FY20: £Nil).

Interest

The Group's net financial expense decreased to £2.9m (FY20: £3.5m) with borrowings under the Group's bank facility being fully repaid during the year.

During FY21 the Group increased its stocking facility with Black Horse Limited by £5.0m, taking the total to £80.0m, in addition to the existing £26.0m stocking facility with Lombard North Central PLC.

At 31 March 2021 the Group had £106.0m (FY20: £101.0m) of stocking finance facilities available of which £89.2m (FY20: £86.1m) was drawn.

The Black Horse Limited facility is repayable on the earlier of the sale of the respective vehicle or a latest date of between 90 and 150 days from date of drawdown of the facility amount. The repayment term was extended by 30 days for vehicles on the scheme as at 18 March 2021. Since renegotiation the facility bears interest at the rate of 1.0% over Finance House Base Rate.

The Lombard North Central PLC was negotiated in March 2019 and all borrowings are secured against the vehicle which the stocking finance facility is drawn down against. The finance is repayable on the earlier of the respective vehicle sale, or a latest date of between 90 and 120 days from date of drawdown of the facility amount. The repayment term was extended by 60 days for vehicles on the scheme as at 4 February 2021. The facility bears interest at the rate of 1.35% over Finance House Base Rate.

The Group also has a £20.0m facility with Santander UK PLC, split between £6.0m available as an overdraft and £14.0m available as a revolving credit facility. At 31 March 2020, £10.0m was drawn on this facility, to ensure operational liquidity over the year end period of COVID-19 disruption. This was fully repaid in the year.

Total interest charges on these above facilities were £1.3m (FY20: £1.9m).

Interest on lease liabilities of £1.6m (FY20: £1.6m) was incurred during the year.

Taxation

The Group seeks to manage its taxation obligations in the UK in compliance with applicable tax laws and regulations, ensuring that available tax incentives and allowances are utilised, and recognised where it makes commercial sense to do so giving regard to the costs of making the associated claims.

The tax charge in the period is for the amount assessable for UK corporation tax in the year net of prior year adjustments and deferred tax credits. The effective rate of tax in the year of 22.0% (FY20: 19.0%) is higher than the charge which would result from the standard rate of corporation tax in the UK of 19.0%. This reflects timing differences relating to fixed assets.

Shares

At 31 March 2021, 90,189,885 ordinary shares were outstanding, of which 34,841 were held in the Employee Benefits Trust.

Earnings per share

Basic and diluted earnings per share were both 8.4 pence (FY20: both 16.4 pence), a fall of 48.8%.

Dividends

No interim dividend was paid in the year (FY20: £2.3m) and the Board has not recommended a final dividend (2020: £Nil). There has also been no share buybacks during the year.

Capital expenditure and disposals

Cash capital expenditure was £3.6m (FY20: £12.3m), primarily relating to the opening of Stockton on Tees. Only one new location was opened during the year, as lockdown had restricted the identification of new branches.

The Group is also investing in projects to strengthen its digital offering and online presence; this strategy will continue into FY22.

Disposal proceeds in the year of £6.1m (FY20: £Nil) relate to the Swansea branch (opened January 2020), for which the Group entered a Sale and Leaseback agreement to free up funds for other growth activities. This approach aligns the financing of Swansea with the majority of the property estate.

Balance sheet

The Group continues to have a strong balance sheet, with net current assets increasing by £12.0m to £15.6m. In addition to cost scrutiny, working capital was proactively managed during the year.

Net assets at 31 March 2021 were £27.6m (FY20: £20.2m), equivalent to 30.6 pence per share.

Non-current assets were £60.9m (FY20: £61.8m) made up of £16.1m of property, plant and equipment, £43.6m right-of-use assets and £1.2m of deferred tax assets (FY20: £18.9m, £41.6m and £1.3m respectively). The Group currently owns three properties being the preparation centre in Peterborough, the Stockton on Tees branch, and some additional land in Glasgow. All other properties are on leases of various lengths.

The Group closed the year with £128.4m of inventory, up 14.8% compared to FY20. This planned increase was partly due to the addition of the Stockton on Tees branch, but primarily due to preparing for the pent up demand of the April 2021 branch reopening.

As a result of increased buying activity the Group has a significant VAT receivable balance at the year end of £3.7m, which compares to a £1.4m payable in FY20. Prepayments and accrued income have also risen from £0.4m in FY20 to £1.4m, primarily due to the timing of a rebate receivable in the current period.

Trade and other payables, inclusive of the stock financing facilities, have also increased to £125.7m (FY20: £111.8m) as a direct result of increased buying activities in the lead up to the year end.

The increase in total lease liabilities to £49.3m (FY20: £45.4m) reflects the new branch activity.

Cash flow and net debt

Cash generated operations was £12.4m (FY20: £33.2m) representing an operating cash conversion of 98.4%, down from 148.9% in the previous year. This movement is primarily driven by the same factors described above relating to COVID-19, and balance sheet trends, as preparation for branches reopening in April 2021 has driven increased inventory purchasing.

Capital spend was reduced and shareholder distributions were paused in the year resulting in cash outflows from investing and financing activities being lower than the previous year.

The Group's position net of cash and cash equivalents, and debt, has improved from £0.8m to £6.0m demonstrating the Group's flexibility and strength in a stressed environment.

Closing monthly net cash balances remained positive throughout the year.

Capital structure and treasury

The Group's long term funding is provided primarily through shareholders' funds and IFRS 16 related property debt, with bank debt available should it be required.

The Group's loan facility with Santander UK PLC, split between £6.0m available as an overdraft and £14.0m available as a revolving credit facility, is used primarily as a mechanism for funding short term working capital needs. A further temporary 12 month £15.0m overdraft facility was agreed with Santander UK PLC in May 2020 to help support short term cash impacts, should it have been required during the pandemic. This additional facility was not used. The existing £20.0m facility expires in May 2024.

Capital allocation policy

The Board intends to continue to invest in the business in order to grow revenue, profit and return on capital employed. This is expected to include expenditure for E-commerce investment and new locations to support the Group's strategy.

The Board's objective is to maximise long term shareholder returns through a disciplined deployment of cash generated, and it has adopted the following capital allocation policy in support of this:

- Organic growth: the Board will continue to invest in IT systems and new locations to better enable us to serve customers, whether they wish to purchase online or at a branch;

- Regular returns to shareholders: the Board intends to pay a regular dividend to shareholders, with a policy of growing dividends through the business cycle;

- Acquisitions: the Board would consider value enhancing acquisition opportunities in markets consistent with its existing operations;

- Treatment of excess capital: whilst the Board is committed to maintaining an efficient balance sheet, their expectation is that there will be a resumption of returning excess cash to shareholders, in the form of share buybacks or special dividends.

Chris Morgan
Chief Financial Officer
16 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Revenue		721.4	1,018.0
Cost of sales	3	(658.9)	(939.1)
Gross profit		62.5	78.9
Operating expenses	4	(49.9)	(56.6)
Operating profit		12.6	22.3
Finance expense		(2.9)	(3.5)
Profit before income tax		9.7	18.8
Income tax expense	5	(2.1)	(3.6)
Profit and total comprehensive income for the year attributable to equity holders of the parent		7.6	15.2
Earnings per share attributable to equity holders of the parent			
Basic	6	8.4p	16.4p
Diluted	6	8.4p	16.4p

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 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Property, plant and equipment		16.1	18.9
Right-of-use assets		43.6	41.6
Deferred tax asset		1.2	1.3
Total non-current assets		60.9	61.8
Current assets			
Inventories		128.4	111.8
Trade and other receivables		7.7	4.4
Current tax receivable		1.7	0.9
Cash and cash equivalents		6.0	10.8
Total current assets		143.8	127.9
TOTAL ASSETS		204.7	189.7
LIABILITIES			
Current liabilities			
Borrowings	7	-	(10.0)
Trade and other payables, excluding contract liabilities		(125.7)	(111.6)
Contract liabilities		-	(0.2)
Lease liabilities		(2.4)	(2.3)
Provisions		(0.1)	(0.2)
Total current liabilities		(128.2)	(124.3)
NET CURRENT ASSETS		15.6	3.6
Non-current liabilities			
Lease liabilities		(46.9)	(43.1)
Provisions		(2.0)	(2.1)
Total non-current liabilities		(48.9)	(45.2)
TOTAL LIABILITIES		(177.1)	(169.5)
NET ASSETS		27.6	20.2
EQUITY			
Share capital	8	0.9	0.9
Capital redemption reserve		0.1	0.1
Capital reorganisation reserve		(0.8)	(0.8)
EBT reserve		(0.1)	-
Retained earnings		27.5	20.0
TOTAL EQUITY		27.6	20.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021

	Note	**Called up share capital £m**	**Capital redemption reserve £m**	**Capital reorganisation reserve £m**	**EBT reserve £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 April 2019		1.0	-	(0.8)	-	25.8	26.0
Profit and total comprehensive income for the year		-	-	-	-	15.2	15.2
Transactions with owners in their capacity as owners:							
Share-based payments		-	-	-	-	(0.9)	(0.9)
Buy back and cancellation of shares		(0.1)	0.1	-	-	(13.1)	(13.1)
Final dividend for the year ended 31 March 2019	9	-	-	-	-	(4.7)	(4.7)
Interim dividend for the year ended 31 March 2020	9	-	-	-	-	(2.3)	(2.3)
		(0.1)	0.1	-	-	(21.0)	(21.0)
Balance at 31 March 2020		0.9	0.1	(0.8)	-	20.0	20.2
Profit and total comprehensive income for the year		-	-	-	-	7.6	7.6
Transactions with owners in their capacity as owners:							
Share-based payments		-	-	-	-	0.2	0.2
EBT share purchases and commitments		-	-	-	(0.4)	-	(0.4)
Share-based compensation options satisfied through the EBT		-	-	-	0.3	(0.3)	-
		-	-	-	(0.1)	(0.1)	(0.2)
Balance at 31 March 2021		0.9	0.1	(0.8)	(0.1)	27.5	27.6

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated from operations	10	12.4	33.2
Interest paid on lease liabilities		(1.6)	(1.6)
Interest paid on borrowings and financing facilities		(1.3)	(1.9)
Income tax paid		(2.8)	(6.4)
Net cash generated from operating activities		6.7	23.3
Cash flows from investing activities			
Purchases of property, plant and equipment		(3.6)	(12.3)
Proceeds from disposal of property, plant and equipment and right-of-use assets		6.1	-
Net cash generated from / (used in) investing activities		2.5	(12.3)
Cash flows from financing activities			
Dividends paid	9	-	(7.0)
Payments to acquire own shares		-	(13.1)
Payments to satisfy employee share plan obligations		(0.4)	(0.9)
Repayment of leases		(3.6)	(3.0)
Proceeds from borrowings		-	29.0
Repayment of borrowings		(10.0)	(19.0)
Net cash used in financing activities		(14.0)	(14.0)
Net decrease in cash and cash equivalents		(4.8)	(3.0)
Cash and cash equivalents at the beginning of the year		10.8	13.8
Cash and cash equivalents at end of year		6.0	10.8
Net cash and cash equivalents comprises: Cash at bank		6.0	10.8

1. General information

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 Group as at and for the year ended 31 March 2021 comprise the Company, all of its subsidiaries and the Motorpoint Group Plc Employee Benefit Trust (the 'EBT'), 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.

Going concern

The financial statements are prepared on a going concern basis. The Group regularly reviews market and financial forecasts and has reviewed its trading prospects in its key markets. As a result of Coronavirus the Group operations were closed for six weeks from late March 2020. The Group's branches were subject to further periods of closure as a result of Government imposed lockdowns. All of these closures directly impacted short term performance and liquidity. The Group took immediate actions to limit the impact of this closure and secured additional finance facilities, including an additional uncommitted £15.0m overdraft facility, to support operational cash flows if required. This was not used and has now expired and not been renewed. During the later periods of closure the Group was able to maintain reduced levels of sales through home delivery and contactless collections.

The Board has reviewed the latest forecasts of the Group, including the impact of multiple reopening scenarios, and considered the obligations of the financing arrangements.

For the purpose of considering going concern the Group focuses on a period of at least 12 months from the point of signing the accounts.

The Board has taken a reverse stress test approach in considering the going concern status of the Group, reducing volumes to the point at which the Group is either no longer compliant with banking covenants or depletes liquid resources required to continue trading, whichever is earlier. Plausible mitigating actions were built into the model including: reducing spend on specific variable cost lines including marketing and branch trading expenses, team costs most notably sales commissions, pausing new stock commitments, taking advantage of existing and confirmed Governmental support, and extending the period for which expansionary capital spend and share buybacks/ dividends are suspended. With the exception of the Government support initiatives which have only been assumed to be available under current legislation, all of these actions could conceivably be performed throughout the going concern period.

The reverse stress test model demonstrated that a prolonged period of volume reduction in excess of 31% against FY20, despite the positive impact expected of opening Swansea and Stockton on Tees, was required before a covenant breach, which is considered implausible. FY22 volumes have started strongly and are expected to exceed FY21 given no further prolonged government enforced periods of lockdown.

The Group approaches FY22 cautiously but with renewed optimism, and therefore while some of the previous cash saving initiatives could be maintained in the short term, the Group has started to invest in its pre-Covid growth plans.

The Directors have made use of the post year end trading performance to provide additional insight into the continuing viability of the business. While only a short period has passed since the year end, this evidence adds further comfort to the continuing strength of the Group in an active market. Given the continued historical liquidity of the Group and sufficiency of reserves and cash in the stressed scenarios modelled, the Board has concluded that the Group has adequate resources to continue in operational existence over the going concern period and into the foreseeable future thereafter. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

New accounting standards, interpretations and amendments adopted by the Group

The Group has not early-adopted standards, interpretations or amendments that have been issued but are not mandatory for 31 March 2021 reporting periods.

The following amended standards and interpretations effective for the current financial year, have been applied and have not had a significant impact on the Group's consolidated financial statements in the current or future reporting periods and on foreseeable future transactions.

- Definition of a Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting;
- Definition of Material – amendments to IAS 1 and IAS 8; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

Basis of preparation

The financial information set out in this document does not constitute the statutory financial statements of the Group for the year end 31 March 2021 within the meaning of Section 434 of the Companies Act 2006 but is derived from the Annual Report and Accounts 2021. This financial information is prepared in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The auditors have reported on the annual financial statements included within the Annual Report and Accounts 2021 and issued an unqualified opinion and the auditor's report did not contain a statement under section 498 of the Companies Act 2006.

The financial statements for the year ended 31 March 2020 have been delivered to the Registrar of Companies and the auditor's report was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Motorpoint Group Plc Employee Benefit Trust made up to 31 March each year.

The EBT is consolidated on the basis that the Company has control, thus the assets and liabilities of the EBT are included in the Balance Sheet and shares held by the EBT in the Company are presented as a deduction from equity.

The EBT has been solely set up for the purpose of issuing shares to Group employees to satisfy awards under the various share-based schemes and has no ability to access or use assets, or settle liabilities, of the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions and balances between Group companies are eliminated on consolidation.

2. Segment 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. Accordingly the Group has applied the aggregation criteria of IFRS 8 and thus considers it has one reportable segment. As a consequence no additional segmental information is required.

3. Revenue recognition

Revenue represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers. Revenue is measured at the fair value of the consideration receivable, when it can be reliably measured, and the specified recognition criteria for the sales type has been met. The transaction price is determined based on periodically reviewed prices and are separately identified on the customer's invoice. There are no estimates of variable consideration.

The transaction price for motor vehicles and motor related services is at fair value as if each of those products are sold individually.

(i) Sales of motor vehicles
Revenue from sale of motor vehicles is recognised when the control has passed; that is, when the vehicle has been collected by, or delivered to, the customer. Payment of the transaction price is due immediately when the customer purchases the vehicle. Sales of accessories, such as mats, are recognised in the same way.

(ii) Sales of motor related services and commissions
Motor related services sales include commissions on finance introductions, extended guarantees and vehicle asset protection as well as the sale of paint protection products. Sales of paint protection products are recognised when the control has passed; that is, the protection has been applied and the product is supplied to the customer.

Vehicle extended guarantees where the Group is contractually responsible for future claims are accounted for by deferring the guarantee income received along with direct selling costs and then releasing the income on a straight-line basis over the remaining life of the guarantee. Costs in relation to servicing the extended guarantee income are expensed to the statement of comprehensive income as incurred. The Group has not sold any of these policies in the current or prior period but continues to release income in relation to legacy sales.

Vehicle extended guarantees and asset protection ('GAP insurance') where the Group is not contractually responsible for future claims, are accounted for by recognising the commissions attributable to Motorpoint at the point of sale to the customer.

Where the Group receives finance commission income, primarily arising when the customer uses third-party finance to purchase the vehicle, the Group recognises such income on an 'as earned' basis.

The assessment is based on whether the Group controls the specific goods and services before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods or services.

	2021 £m	2020 £m
Revenue from sale of motor vehicles	687.5	965.5
Revenue from motor related services and commissions	29.0	45.8
Revenue recognised that was included in deferred income at the beginning of the year – Sale of motor vehicles	1.7	3.3
Revenue recognised that was included in deferred income at the beginning of the year – Motor related services and commissions	3.0	2.0
Revenue recognised that was included in the contract liability balance at the beginning of the year – Extended guarantee income	0.2	1.4
Total Revenue	**721.4**	**1,018.0**

4. Operating profit

Analysed as:

Operating profit include the effect of charging / (crediting):

	2021 £m	2020 £m
Inventory recognised as expense	654.9	928.0
Movement in provision against inventory	0.2	(0.2)
Employee benefit expense	25.6	28.5
Depreciation of property, plant and equipment and right-of-use assets	5.7	5.0
Expense on short term and low value leases	0.2	0.2
Loss on disposal of property, plant and equipment and right-of-use assets	0.1	0.1

Total expenses comprise:	2021 £m	2020 £m
Cost of sales	658.9	939.1
Operating expenses:		
Selling and distribution expenses	13.9	16.4
Administrative expenses	36.0	40.2
Total expenses	**708.8**	**995.7**

Receipts associated with the Job Retention Scheme of £3.9m (FY20: £0.3m) have been recognised in employee benefit expenses. All receipts from the Job Retention Scheme have been paid in full to staff on furlough.

5. Taxation

The tax charge in the consolidated statement of comprehensive income represents:

	2021 £m	2020 £m
Current tax:		
UK corporation tax	2.0	3.5
Adjustments in respect of prior years	-	(0.1)
Total current tax	2.0	3.4
Deferred tax:		
Origination and reversal of temporary differences	0.1	0.4
Impact of UK corporation tax rate changes	-	(0.2)
Total deferred tax	0.1	0.2
Total tax charge in the statement of comprehensive income	2.1	3.6

Reconciliation of the total tax charge

The tax charge in the statement of comprehensive income in the year differs from (FY20: is consistent with) the charge which would result from the standard rate of corporation tax in the UK of 19% (FY20: 19%):

	2021 **£m**	2020 £m
Profit before tax	9.7	18.8
Profit before tax at the standard rate of corporation tax of 19% (2020:19%)	1.8	3.6
Tax effect of:		
- Fixed asset differences	0.3	0.2
- Expenses not deductible for tax purposes	-	0.1
- Adjustments to tax charge in respect of prior years	-	(0.1)
- Adjustment to opening deferred tax	-	(0.2)
Tax charge in the statement of comprehensive income	**2.1**	**3.6**

A tax receivable balance of £1.7m (2020: £0.9m) is included within current assets as a result of the payments on account to HMRC exceeding the tax charge for the year.

Factors affecting current and future tax charges

In the Spring UK Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 and so deferred tax balances have been measured at 19%. The UK Budget 2021 announcement on 3 March 2021 included measures to support economic recovery as a result of the Coronavirus pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

This will leave a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £0.4m.

6. Earnings per Share

Basic and diluted earnings per share ('EPS') are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of Ordinary Shares during the year.

	2021	**2020**
Profit Attributable to Ordinary Shareholders (£m)	7.6	15.2
Weighted average number of Ordinary Shares in Issue ('000)	90,190	92,521
Basic EPS (pence)	8.4	16.4
Diluted weighted average number of Shares in Issue ('000)	90,265	92,577
Diluted EPS (pence)	8.4	16.4

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the FY19, FY20, FY21 SAYE schemes and the vested but not yet exercised options under the FY17 and FY18 PSP schemes. This is shown in the reconciliation below.

The shares for the PSP schemes for 2019 and 2020 and RSA for 2021 have performance criteria which have not been met so the options are not yet dilutive. There is a maximum of 1,214,031 additional options which have not been included in the dilutive calculation in relation to these schemes.

	2021	2020
Weighted average number of Ordinary Shares in Issue ('000)	90,190	92,521
Adjustment for share options ('000)	75	56
Weighted average number of Ordinary Shares for diluted earnings per share ('000)	**90,265**	**92,577**

7. Borrowings

The Group's available borrowings consist of an unsecured loan facility provided by Santander UK PLC, split between £6.0m available as an overdraft and £14m available as a revolving credit facility. A further temporary 12 month £15.0m overdraft facility was agreed with Santander UK PLC in May 2020 to help support short term cash impacts, should it have been required during the pandemic. This additional facility was not used. The existing £20.0m facility expires in May 2024. As at the reporting date £Nil (FY20: £10.0m) was drawn down.

The finance charge 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 2021 interest was charged at 1.4% (FY20: 1.4%) per annum. The interest charged for the year of £0.2m (FY20: £0.2m) has been expensed as a finance cost.

8. Share Capital

	2021		2020	
	Number '000	**Amount £m**	Number '000	Amount £m
Allotted, called-up and fully paid Ordinary Shares of 1p each				
Balance at the beginning of the year	90,190	0.9	96,166	1.0
Bought back and held as treasury shares during the year[1]	-	-	(5)	-
Released from treasury to satisfy employee share plan obligations[1]	-	-	5	-
Bought back and cancelled during the year[1]	-	-	(5,976)	(0.1)
Balance at the end of the period	**90,190**	**0.9**	**90,190**	**0.9**

[1] Share buyback
During FY20 the Company purchased 5,981,000 Ordinary Shares on-market for £13.1m in order to reduce the share capital of the Company and return funds to shareholders who sell their shares. There has been no share buyback during FY21.

Since the commencement of the current share buyback programme in 2019 as at 31 March 2021, 615,000 shares have been bought back and cancelled representing 0.7% of the issued Ordinary Shares, at a cost of £1.8m.

There are currently no shares held in treasury for use to satisfy employee share plan obligations.

The Group does not have a limited amount of authorised capital.

9. Dividends

During the year no dividends were paid:

	2021 £m	**2020 £m**
Final dividend for the year ended 31 March 2019	-	4.7
Interim dividend for the year ended 31 March 2020	-	2.3
Total dividends	**-**	**7.0**

The Board has not proposed a final dividend (FY20: £Nil) for the year ended 31 March 2021.

10. Cash generated from operations

	2021 £m	2020 £m
Profit for the year, attributable to equity shareholders	7.6	15.2
Adjustments for:		
Taxation charge	2.1	3.6
Finance costs	2.9	3.5
Operating profit	**12.6**	**22.3**
Share-based payment	0.2	(0.1)
Loss on disposal of property, plant and equipment and right-of-use assets	0.1	0.1
Depreciation charge	5.7	5.0
Cash flow from operations before movements in working capital	**18.6**	**27.3**
(Increase) /Decrease in inventory	(16.6)	4.4
(Increase) /Decrease in trade and other receivables	(3.3)	8.6
Increase / (Decrease) in trade and other payables	13.7	(7.1)
Cash generated from operations	**12.4**	**33.2**