

Motorpoint Group PLC FY18 Interim Results

29 November 2017

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

Interim Results

Motorpoint, the largest independent vehicle retailer in the UK, today announces its unaudited interim results for the six months ended 30 September 2017 (FY18 H1).

Financial highlights

- Revenue increased 18% to £483.2m (FY17 H1: £408.9m)
- Profit before taxation and exceptional items up 64% to £10.5m (FY17 H1: £6.4m)
- Profit before taxation up 304% to £9.7m (FY17 H1: £2.4m)
- Underlying earnings per share increased 62.3% to 8.6p (FY17 H1: 5.3p)
- Cash flow from operations before exceptional items increased to £20.5m (FY17 H1: £12.5m)
- Cash flow from operations increased to £20.5m (FY17 H1: £6.3m)
- Interim dividend declared of 2.0p (FY17 H1: 1.33p)
- Share buy back programme for up to £10m of shares announced

Operational highlights

- Opened 12th retail site in Sheffield in April 2017
- Increase in repeat customers of 20.5%
- Net Promoter Score performance of 77% (FY17 H1: 75%)
- Group's stocking facilities extended by £5m to £70m in September 2017 to support growth of the business

Mark Carpenter, Chief Executive Officer of Motorpoint Group PLC commented:

"The Group has delivered a strong first half of the financial year with significant increases across all KPIs. The new sites that have opened in the last two years continue to deliver an improving performance as they gain awareness in their local markets and increase our share in the nearly new market.

"The second half has started well and the Group's resilient business model and focus on delivering choice, value and service leaves it ideally positioned to continue its market share growth of nearly new car sales. Whilst market conditions are always subject to external changes, the supply of stock coming into the business remains good and management are comfortable with the Group's trading performance so far in H2. The Board is therefore confident of delivering full year results in line with market expectations.

"The Group has separately announced today that it proposes to begin a share buy back programme. This has been possible due to the Group's robust balance sheet position and cash generative business model."

A meeting for analysts will be held at 9:00am today at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD.

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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

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 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 12 retail sites across the United Kingdom; Derby, Burnley, Glasgow, Newport, Peterborough, Chingford, Birmingham, Widnes, Birtley, Castleford, Oldbury and Sheffield of which five 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.

Cautionary Statement

This announcement contains unaudited information and forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward looking statements. Motorpoint undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

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INTRODUCTION

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, Audi and BMW amongst the top sellers. The Group operates from 12 retail sites across the country, of which five have opened in the last three years, together with a national contact-centre dealing with online enquiries.

In addition to sales of nearly-new vehicles, the Group also operates Auction4Cars.com, a business to business online auction platform for vehicles acquired through the Group's part-exchange offering which do not qualify for retail sale as they are outside of the Group's target vehicle age or mileage.

The Group also offers ancillary products to customers, including customer finance packages, extended warranties, insurance products and vehicle protection treatments.

Our vision today remains the same as when we first opened our doors 19 years ago, to be the car buyers' champion, by offering unrivalled choice, value and service.

FINANCIAL REVIEW

Motorpoint Group PLC was incorporated during April 2016, and in May 2016 the Company obtained control of the entire share capital of Motorpoint Limited via a share for share exchange. To ensure that the most appropriate view of the Group's results is presented, the comparative information disclosed in these Interim Results reflects the continuation of the pre-existing Group headed by Motorpoint Limited and has been prepared applying the principle of predecessor accounting.

Set out below are the Key Performance Indicators for the Group:

Group KPI	6 months to 30 September 2017	6 months to 30 September 2016	Change
Revenue	£483.2m	£408.9m	+18.2%
Gross Margin	£38.2m	£28.8m	+32.6%
Operating profit before exceptional items	£11.0m	£7.0m	+57.1%
Operating profit	£10.2m	£3.0m	+240.0%
Gross Margin to adjusted operating expenses ⁽¹⁾ ratio	140%	132%	+6.0%
Adjusted Profit Before Tax ⁽²⁾	£10.5m	£6.4m	+64.1%
Profit Before Tax	£9.7m	£2.4m	+304.2%
Cash flow from operations	£20.5m	£6.3m	+225.4%
Cash flow from operations before exceptional items	£20.5m	£12.5m	+64.0%
Cash flow from operations before exceptional items conversion ⁽³⁾	186%	179%	+3.9%
Underlying Earnings per Share (p) ⁽⁴⁾	8.6	5.3	+62.3%
Number of sites	12	11	+9.1%

(1) Calculated as Gross Margin / (Operating expenses minus Exceptional items)

(2) Profit before tax after adding back exceptional items.

(3) Calculated as Cash flow from operations before exceptional items / operating Profit before exceptional items

(4) Calculated by dividing the earnings excluding exceptional items attributable to equity shareholders by the number of ordinary shares in issue at the reporting date.

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During the six months ended 30 September 2017 the Group achieved a strong trading performance, with revenue growth of 18.2% to £483.2m and adjusted profit before tax of £10.5m, a 64.1% improvement from the comparative period.

Revenue growth has predominantly been delivered through a combination of growing our customer base and an ongoing increase in the level of repeat customers. The Group has delivered more normalised margin levels in the first half compared to the same period last year, and we are encouraged by the breadth and quality of stock on hand going into the second half of the year.

Two sites, Castleford and Oldbury, reached their first anniversary in the period and are both delivering an encouraging performance. Our 12th site opened in Sheffield in April and is generating good sales momentum in its first year of trading.

The exceptional item of £0.8m relates to a charge for prior years, for an anticipated VAT assessment on volume rebates from a single supplier. The creation of this provision follows correspondence received from HMRC post period end, and relates to the rebates received over the last four years. Volume rebates from this supplier are an area of specific focus for HMRC across the industry.

The Group generated strong cash flow from operations before exceptional items of £20.5m. This does reflect a seasonal reduction in stock levels held at the end of the September period as well as an increase of £5m in the stocking facilities which are available to the business but the underlying improvement in cash position evidences the strength of the cash generative model that Motorpoint follows.

The increase to the stocking facilities which has been obtained will enable the business to take advantage of the stock buying opportunities anticipated for H2. As at 30 September 2017 the Group's cash position was £21.4m which, including the Group's banking facilities, provided headroom of £41.4m.

The Group's banking facilities include a £20m facility provided by Santander UK PLC which was undrawn as at the reporting date. As at 30 September 2017, the Group was supported by fully utilised stocking facilities provided by Black Horse Limited of £70m. This facility was extended by £5m in September 2017 as described above.

OPERATIONAL REVIEW

Motorpoint's operations are delivered through its estate of retail sites and its Motorpoint.co.uk and Auction4Cars.com websites, supported by a dedicated contact centre. The Company's strategy is threefold; (i) to grow in their local markets (ii) to increase nationwide sales through the contact centre, and (iii) to open new sites to continue the expansion to new markets around the UK.

In the first half, the Group opened its latest retail site, in Sheffield, South Yorkshire. This most recent opening grows the estate to a total of 12 sites, of which a third have been launched since November 2015. The latest three openings have bolstered the Group's presence in Motorpoint's key brand heartlands, in the Midlands and North. The ongoing expansion is part of our plan to open at least 20 large retail sites across the UK in the medium term.

The new site openings have delivered pleasing momentum as they build towards maturity and are expected to perform in line with the Group's pro-forma new site model. The Company's growth strategy remains to open at least one new retail site per year, but will remain flexible and opportunistic should additional prospects arise.

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Auction4cars.com, which is the dedicated disposal channel for customer part-exchanges that do not fall into Motorpoint's strict retail criteria, has continued to grow as retail volume has increased. During October we opened the 8th Auction 4 Cars collection location at the Sheffield site, this location has already built a substantial trade customer base.

DIVIDEND

The Group is declaring an interim dividend of 2.0p per share in respect of FY18 (FY17: 1.33p). The interim dividend for FY18 will be paid on 16 March 2018 for those shares recorded on 2 February 2018.

RECENT MARKET TRENDS

The latest SMMT data for October reported a continued decline in new car registration numbers for calendar year 2017. YTD new car registrations are now (4.6) % behind last year's record performance, though used car transaction volume remains broadly flat year on year. The new car registration figures are split (6.4)% for private and (3.0)% for fleet.

The SMMT is continuing to project a full year drop in new car registration numbers, continuing into 2018. This fall does not have a direct correlation on the volumes of used car sales or used car availability but we note the SMMT projection that used car sales may begin to follow these new car trends which means we must ensure we continue to take market share.

Motorpoint has seen good availability of stock during FY18 H1 which has continued into the early months of H2. The stock profile has included the on-going availability of prestige models which has continued broadly in line with the prior year.

There has been a noticeable shift in new car registrations away from diesel models in favour of petrol and alternative-fuels. Our business model allows us to be completely fuel agnostic, buying and selling the most compelling product, such that our diesel sales participation has grown marginally.

During the half we have seen relatively stable customer penetration on finance products, including both PCP and HP. We expect this to continue through the balance of the year.

OUR TEAM

The Motorpoint business model is underpinned by our Virtuous Circle, a stakeholder engagement culture that starts with our employees.

We champion employee engagement and believe that by ensuring our values are part of our everyday activity across the business, we will be successful in motivating and empowering our employees. This in turn will result in continual improvement in the customer experience that we deliver. Following consultation across the business we relaunched our core values in October 2017 with the aim of encapsulating our culture within four values. These values are; being proud, supportive, honest and happy.

This culture runs throughout the business and is evidenced by Motorpoint being named as one of The Sunday Times Top 100 Mid-Sized Companies to Work For over the last three consecutive years.

To further improve team engagement we continue to offer a number of share schemes including an annual Performance Share Plan for senior staff, a Share Incentive Plan and an annual Sharesave scheme.

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OUR CUSTOMERS

The second part of the Virtuous Circle focuses on the customer and our vision to be the car buyers' champion, by offering unrivalled choice, value and service.

Our key measures of service are NPS (Net Promoter Score) and our Feefo and Google ratings, and to ensure our level of customer service is appropriate all commissions and bonus schemes throughout the business are tied to customer satisfaction.

Metric	6 months to 30 September 2017	12 months to 31 March 2017	6 months to 30 September 2016
NPS	77%	77%	75%
Feefo	4.6/5	4.6/5	4.6/5
Google	4.6/5	Not recorded	Not recorded

Our focus on customer service continues to be reflected in an improved NPS and we delivered stable Feefo results in the six months to 30 September 2017. We are continuing to focus on Google reviews and believe our developing reputation on Google has helped drive our revenue growth.

We believe our focus on the customer experience is evidenced by the level of repeat and referral business we generate, measured as a customer making a second purchase within a four year window. For the six months ended 30 September 2017 these increased by 20.5%.

OUTLOOK

As the UK's largest independent vehicle retailer, management believe that Motorpoint's resilient business model leaves it ideally positioned to continue its market share growth of nearly new car sales. Whilst we note the decrease in new car registrations we believe that the associated decrease in consumer appetite will make the value proposition we offer even more relevant.

The second half has started well notwithstanding that consumer confidence continues to be reported as fragile. Market conditions are always subject to external changes but the supply of stock coming into the business remains good and management are comfortable with the Group's trading performance in H2 so far. The Board is therefore confident of delivering a full year result in line with market expectations.

New sites opened in the last 2 years provide a sizeable opportunity as they gain awareness in their local markets which provides a platform for revenue and profit growth.

Our strategy remains on track and we believe our differentiated proposition, strong employee and customer focus and industry leading scale will allow us to deliver despite the more challenging economic conditions.

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RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE FY18 INTERIM RESULTS

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

A list of current Directors and their biographies is maintained on the Motorpoint Group PLC website www.motorpointplc.com

By order of the Board

Mark Carpenter
Chief Executive Officer
28 November 2017

James Gilmour
Chief Financial Officer
28 November 2017

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Condensed Consolidated Income Statement For the six months ended 30 September 2017

	Note	Unaudited Six Months ended 30 September 2017 £m	Unaudited Six Months ended 30 September 2016 £m	Audited Year ended 31 March 2017 £m
Revenue	5	483.2	408.9	822.0
Cost of sales		(445.0)	(380.1)	(759.8)
Gross profit		38.2	28.8	62.2
Operating expenses		(28.0)	(25.8)	(49.3)
Operating profit		10.2	3.0	12.9
<i>Operating profit before exceptional items</i>		11.0	7.0	16.9
<i>Exceptional items</i>	6	(0.8)	(4.0)	(4.0)
Finance income	7	-	0.1	0.1
Finance costs	8	(0.5)	(0.7)	(1.3)
<i>Net finance costs</i>		(0.5)	(0.6)	(1.2)
Profit before taxation		9.7	2.4	11.7
Taxation	9	(1.9)	(1.1)	(3.0)
Profit and total comprehensive income for the period/year attributable to equity holders of the parent		7.8	1.3	8.7
Earnings per share				
Basic	11	7.78p	1.30p	8.68p
Diluted	11	7.77p	1.30p	8.67p
Adjusted earnings per share				
Basic	11	8.58p	5.29p	12.68p
Diluted	11	8.57p	5.29p	12.65p

The Company's activities all derive from continuing operations.

The Company has no other comprehensive income. Total comprehensive income for the period/year is equal to the profit for the financial period/year and is all attributable to the shareholders of the Company.

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Condensed Consolidated Balance Sheet

As at 30 September 2017

	Note	30 September 2017 (unaudited) £m	30 September 2016 (unaudited) £m	31 March 2017 (audited) £m
ASSETS				
Non-current assets				
Property, plant and equipment	12	5.5	7.2	5.4
Deferred tax asset		0.4	-	0.4
Total non-current assets		5.9	7.2	5.8
Current assets				
Inventories		90.4	66.1	98.4
Trade and other receivables	13	8.9	7.0	9.4
Cash and cash equivalents		21.4	6.5	7.3
Total current assets		120.7	79.6	115.1
TOTAL ASSETS		126.6	86.8	120.9
LIABILITIES				
Current liabilities				
Trade and other payables	14	(101.5)	(71.6)	(99.2)
Current tax liabilities		(1.8)	(0.6)	(1.8)
Total current liabilities		(103.3)	(72.2)	(101.0)
NET CURRENT ASSETS		17.4	7.4	14.1
Non-current liabilities				
Trade and other payables	15	(3.4)	(6.3)	(5.2)
Total non-current liabilities		(3.4)	(6.3)	(5.2)
TOTAL LIABILITIES		(106.7)	(78.5)	(106.2)
NET ASSETS		19.9	8.3	14.7
EQUITY				
Share capital		1.0	1.0	1.0
Capital reorganisation reserve		(0.8)	(0.8)	(0.8)
Retained earnings		19.7	8.1	14.5
TOTAL EQUITY		19.9	8.3	14.7

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Condensed Consolidated Statement of Changes in Equity For the six months ended 30 September 2017

Six Months Ended

30 September

2017 (Unaudited)

	Note	Share capital £m	Retained earnings £m	Reorganisation Reserve £m	Capital Total equity £m
At 1 April 2017		1.0	14.5	(0.8)	14.7
Profit and total comprehensive income for the period		-	7.8	-	7.8
IFRS 2 Share Based Payment		-	0.3	-	0.3
FY17 Final Dividend	10	-	(2.9)	-	(2.9)
At 30 September 2017		1.0	19.7	(0.8)	19.9

Six Months Ended

30 September

2016 (Unaudited)

	Note	Share capital £m	Retained earnings £m	Reorganisation Reserve £m	Capital Total equity £m
At 1 April 2016		0.2	25.5	-	25.7
Profit and total comprehensive income for the period		-	1.3	-	1.3
IFRS 2 Share Based Payment		-	0.1	-	0.1
Issue of Share Capital		0.8	-	(0.8)	-
Dividends paid prior to Group restructure	10	-	(18.8)	-	(18.8)
At 30 September 2016		1.0	8.1	(0.8)	8.3

Year Ended 31

March 2017

(Audited)

	Note	Share capital £m	Retained earnings £m	Reorganisation Reserve £m	Capital Total equity £m
At 1 April 2016		0.2	25.5	-	25.7
Profit and total comprehensive income for the period		-	8.7	-	8.7
IFRS 2 Share Based Payment		-	0.4	-	0.4
Issue of Share Capital		0.8	-	(0.8)	-
Dividends paid prior to Group restructure		-	(18.8)	-	(18.8)
Interim Dividend	10	-	(1.3)	-	(1.3)
At 31 March 2017		1.0	14.5	(0.8)	14.7

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Condensed Consolidated Cash Flow Statement For the six months ended 30 September 2017

	Note	Unaudited Six Months ended 30 September 2017 £m	Unaudited Six Months ended 30 September 2016 £m	Audited Year ended 31 March 2017 £m
Cash flows from operating activities				
Cash generated from operations before exceptional items	16	20.5	12.5	13.6
Cash flows from exceptional items	16	-	(6.2)	(6.2)
Cash generated from operations		20.5	6.3	7.4
Interest paid		(0.5)	(0.6)	(1.3)
Income tax paid		(1.9)	(1.1)	(2.9)
Net cash generated from operating activities		18.1	4.6	3.2
Cash flows from investing activities				
Purchases of property, plant and equipment		(0.7)	(4.6)	(6.9)
Proceeds from sale of property, plant and equipment		-	-	5.8
Interest received		-	0.1	0.1
Transactions with related parties		(0.4)	(0.8)	(0.8)
Net cash (used in) / from investing activities		(1.1)	(5.3)	(1.8)
Cash flows from financing activities				
Pre IPO Dividends		-	(4.4)	(4.4)
Post IPO Dividends		(2.9)	-	(1.3)
Net cash used in financing activities		(2.9)	(4.4)	(5.7)
Net (decrease)/ increase in cash and cash equivalents		14.1	(5.1)	(4.3)
Cash and cash equivalents at the beginning of the period		7.3	11.6	11.6
Cash and cash equivalents at end of period		21.4	6.5	7.3
Net cash and cash equivalents comprises:				
Cash at bank		21.4	6.5	7.3

The notes form an integral part of these Condensed Consolidated Interim Financial Statements.

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NOTES TO THE SET OF FINANCIAL INFORMATION

1. Basis of Preparation

Motorpoint Group PLC ('the Company') is incorporated and domiciled in the UK. The address of the registered office is Chartwell Drive, West Meadows Industrial Estate, Derby, DE21 6BZ. The Condensed Consolidated Interim Financial Statements of the Company as at and for the six months ended 30 September 2017 comprise the Company and its subsidiaries, together referred to as the "Group".

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements. The Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2017 are unaudited but have been reviewed by the auditors.

2. Statement of Compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union. The financial information included does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act') and do not include all the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Annual Report and Financial Statements of Motorpoint Group PLC for the year ended 31 March 2017 which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These condensed consolidated interim financial statements were approved by the Board of Directors on 28 November 2017.

3. Significant Accounting Policies

The same accounting policies, presentation and methods of computation which were followed in the preparation of the Annual Report and Financial Statements for Motorpoint Group PLC for the period ended 31 March 2017 have been applied to these Condensed Consolidated Interim Financial Statements where applicable. The accounting policies and details of new standards adopted in the year ended 31 March 2017 are listed in the Motorpoint Group PLC Annual Report and Financial Statements on pages 60-64. Furthermore, at the date of authorisation of the half yearly financial report, there are a number of standards and interpretations also listed on page 60 of the Motorpoint Group PLC Annual Report and Financial Statements which were in issue but not yet effective, as such these have not been applied in these statements.

4. Comparative Figures

The comparative figures for the financial year ended 31 March 2017 are extracted from the Motorpoint Group PLC Annual Report and Financial Statements for that financial year. The accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Act.

The comparative figures for the six month period ended 30 September 2017 are as reported in the prior year and were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

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NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

5. Segment Reporting and Revenue

The Company's reportable operating segment is considered to be the United Kingdom operations. The Company's chief operating decision maker is considered to be the Board of Directors.

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 have been met.

(a) Sales of motor vehicles

Revenue from sales of motor vehicles is recognised when the vehicle has been collected by the customer and the risks and rewards of ownership have passed.

(b) Sales of motor related services and Commissions

Motor related services sales include extended guarantees, paint protection and vehicle asset protection. Sales of related services excluding vehicle asset protection and vehicle extended guarantees are recognised when 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 income statement as incurred.

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 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.

	Six Months ended 30 September 2017	Six Months ended 30 September 2016	Year ended 31 March 2017
	£m	£m	£m
Revenue from sale of motor vehicles	459.9	393.0	789.0
Revenue from motor related services and commissions	23.3	15.9	33.0
Total Revenue	483.2	408.9	822.0

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NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

6. Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature and/or amount.

	Six Months ended 30 September 2017 £m	Six Months ended 30 September 2016 £m	Year ended 31 March 2017 £m
IPO listing and professional fees	-	4.0	4.0
Potential VAT Liability	0.8	-	-
	0.8	4.0	4.0

The exceptional items in the six months ended 30 September 2017 of £0.8m relates to a charge for prior years, for an anticipated VAT assessment on volume rebates from a single supplier. The creation of this provision follows correspondence received from HMRC post period end, and relates to the rebates received over the last four years. Volume rebates from this supplier are an area of specific focus for HMRC across the industry.

7. Finance Income

	Six Months ended 30 September 2017 £m	Six Months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Other interest receivable on amounts owed by related parties	-	0.1	0.1
Total finance income	-	0.1	0.1

8. Finance Cost

	Six Months ended 30 September 2017 £m	Six Months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Interest on bank borrowings	-	-	0.1
Interest on stocking finance facilities	0.5	0.6	1.0
Other interest payable	-	0.1	0.2
Total finance costs	0.5	0.7	1.3

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NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

9. Taxation

The tax charge for the period is provided at the effective rate of 20% (FY17: 20% before non deductible IPO costs) representing the best estimate of the average annual tax rate for the full year profit.

10. Dividends

	Six Months ended 30 September 2017	Six Months ended 30 September 2016	Year ended 31 March 2017
	£m	£m	£m
Pre IPO Dividend in specie	-	14.4	14.4
Pre IPO Cash Dividends	-	4.4	4.4
Post IPO Cash Dividends	2.9	-	1.3
Total dividends	2.9	18.8	20.1

11. 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 period. Adjusted earnings per share are calculated on the same basis but adjusting earnings attributable to equity shareholders for exceptional items.

	Six Months ended 30 September 2017	Six Months ended 30 September 2016	Year ended 31 March 2017
Profit Attributable to Ordinary Shareholders (£m)	7.8	1.3	8.7
Exceptional Items (£m)	0.8	4.0	4.0
Adjusted Profit Attributable to Ordinary Shareholders (£m)	8.6	5.3	12.7
Weighted average number of ordinary shares in Issue ('000)	100,194	100,194	100,194
Earnings per share (pence)	7.78	1.30	8.68
Adjusted Earnings per share (pence)	8.58	5.29	12.68
Diluted Number of Shares in Issue ('000)	100,341	100,194	100,360
Diluted Earnings per share (pence)	7.77	1.30	8.67
Adjusted Diluted Earnings per share (pence)	8.57	5.29	12.65

Motorpoint Group PLC FY18 Interim Results

NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

11. Earnings per Share (Continued)

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

	Six Months ended 30 September 2017	Six Months ended 30 September 2016	Year ended 31 March 2017
Weighted average number of ordinary shares in Issue ('000)	100,194	100,194	100,194
Adjustment for share options	147	-	166
Weighted average number of ordinary shares for diluted earnings per share	100,341	100,194	100,360

12. Property, plant and equipment

During the period ended 30 September 2016 the business acquired the freehold land and property for a site at Oldbury. The cost of £3.9m was capitalised. This property was subsequently sold and is shown as both an acquisition and a disposal in the year ended 31 March 2017.

13. Trade and other receivables

	30 September 2017 £m	30 September 2016 £m	31 March 2017 £m
Due within one year			
Trade receivables	4.3	2.2	2.6
Other receivables	-	0.1	0.2
VAT recoverable	-	-	0.2
Prepayments	3.8	3.9	5.3
Accrued income	0.8	0.8	1.1
	8.9	7.0	9.4

The Directors' assessment is that the fair value of trade and other receivables is equal to the carrying value.

Motorpoint Group PLC FY18 Interim Results

NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

14. Trade and other payables due less than 1 year

	30 September 2017 £m	30 September 2016 £m	31 March 2017 £m
Trade payables			
- Trade creditors	11.0	5.8	18.8
- Stocking finance facilities	70.0	53.0	64.9
Other taxes and social security	0.7	0.6	0.7
Accruals	13.8	7.5	11.2
VAT Payable	2.6	1.7	-
Deferred extended guarantee income	3.4	2.6	3.2
Amounts due to related parties	-	0.4	0.4
	101.5	71.6	99.2

The Directors' assessment is that the fair value of trade and other payables is equal to the carrying value.

15. Trade and other payables due over 1 year

	30 September 2017 £m	30 September 2016 £m	31 March 2017 £m
Deferred extended guarantee income	3.4	6.3	5.2
	3.4	6.3	5.2

The Directors' assessment is that the fair value of trade and other payables is equal to the carrying value.

Motorpoint Group PLC FY18 Interim Results

NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

16. Cash flow from operations

	Six Months ended 30 September 2017 £m	Six Months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Profit for the year, attributable to equity shareholders	7.8	1.3	8.7
Adjustments for:			
Taxation charge	1.9	1.1	3.0
Finance income	-	(0.1)	(0.1)
Finance costs	0.5	0.7	1.3
Operating profit	10.2	3.0	12.9
Share Based Compensation Charge	0.3	0.1	0.4
Exceptional items charged to operating profit	0.8	4.0	4.0
Depreciation charge	0.6	0.6	1.0
<i>Cash flow from operations before movements in working capital and cash flow on exceptional items</i>	11.9	7.7	18.3
Decrease (Increase) in inventory	8.0	8.8	(23.5)
Decrease in trade and other receivables	0.5	0.3	(2.0)
Increase (Decrease) in trade and other payables	0.1	(4.3)	20.8
<i>Cash flow from operations before exceptional items</i>	20.5	12.5	13.6
Payments in respect of exceptional items	-	(6.2)	(6.2)
Cash generated from operations	20.5	6.3	7.4

Non-cash transactions

In the period to 30 September 2016 the Company declared dividends in specie, which are disclosed in note 10.

Motorpoint Group PLC FY18 Interim Results

NOTES TO THE SET OF FINANCIAL INFORMATION (Continued)

17. Related Parties

During the period ended 30 September 2016 the vast majority of related party balances were settled either through cash payments or dividends in specie, this was completed ahead of the Group listing on the London Stock Exchange and the clearance of these balances was as outlined in the Motorpoint Group PLC prospectus.

During the period ended 30 September 2017 a payment of £0.4m was made to Spring Rental meaning that at the 30 September 2017 there were no balances outstanding with related parties other than rental agreements with Shoby Properties.

During the period ended 30 September 2017 rental payments totaling £1.4m (FY17 H1: £1.5m) were due to Shoby Properties, a related party, £0.5m of this was outstanding as at the 30 September 2017 (FY17 H1: £Nil).

18. Risks and uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors include: failure to deliver on choice, value and service, a negative implication to the Motorpoint brand and customer perception, inability to maintain relationships with suppliers, fluctuation on exchange rate having an impact on vehicle pricing, economic conditions impacting trading, market driven fluctuations in vehicle values, litigation and regulatory risk, failure of Group information and systems, availability of credit and vehicle financing.

All other principal risks are consistent with those detailed in the Motorpoint Group PLC Annual Report and Financial Statements. The Board continually reviews the risk factors which could impact on the Group achieving its expected results and confirm that the above principal factors will remain relevant for the final six months of the Financial Year ended 31 March 2018.

Motorpoint Group PLC FY18 Interim Results

Independent review report to Motorpoint Group PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Motorpoint Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the FY18 interim results of Motorpoint Group PLC for the 6 month period ended 30 September 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 September 2017;
- the Condensed Consolidated Income Statement for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the FY18 interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The FY18 interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the FY18 interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the FY18 interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Motorpoint Group PLC FY18 Interim Results

Independent review report to Motorpoint Group PLC (Continued)

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the FY18 interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
East Midlands
28 November 2017

- a) The maintenance and integrity of the Motorpoint Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.