11 June 2019

Motorpoint Group PLC

("Motorpoint" or the "Group")

Final Results

Solid trading performance and well placed to grow market share

Motorpoint Group PLC, the UK's largest independent vehicle retailer, today announces its Final Results for the year ended 31 March 2019.

Financial Highlights

- Revenue increased by 6.8% to £1,058.7m (FY18: £991.2m)
- Profit before taxation and exceptional items up 10% to £22.9m (FY18: £20.8m)
- Adjusted earnings per share increased 11.3% to 18.7p (FY18: 16.8p)
- Gross Profits to Adjusted Overheads ratio of 144.5% (FY18: 140.7%)
- Cash flow from operations up £4.1m to £24.3m (FY18: £20.2m)
- Operating cash conversion of 99% (FY18: 95%)
- Proposed final dividend of 5.0 pence per share (FY18: 4.6p) which would give a full year dividend of 7.5 pence (FY18: 6.6p)
- £15.7m of cash has been returned to shareholders during the year through dividends and buyback programme

Operational Highlights

- Acquired 13th retail site , expected to open in H2 FY20
- Peterborough Preparation Centre development on track for opening in H1 FY20
- Record levels of repeat customers, increasing to 30% of total customers, up from 26% in FY18
- Named in the Sunday Times Best 100 Companies to Work For for fifth consecutive year
- Obtained Gold Trusted Service rating from Feefo for FY19, the third year in succession
- Motorpoint Price Pledge introduced as part of dedication to outstanding customer service
- Continued share buy back programme, reflecting ongoing strong cash generation

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

"We are pleased with the progress that has been made over the course of the year, with the Group delivering double-digit profit growth and achieving sales of over £1bn for the first time. We have continued to gain market share, thanks to our value-orientated, customer-friendly proposition which has resulted in a record number of repeat customers coming through our doors along with consistently high levels of customer satisfaction being reported.

"Our 13th retail site is expected to open in the second half of the current financial year and we are committed to bringing the Motorpoint brand closer to more people across the UK.

"The Group closed the year with a healthy cash position, thanks in part to our tight cost control and disciplined capital allocation. This has enabled us to deliver enhanced returns for our shareholders in the form of an increased dividend and continued buyback programme.

"In spite of what remains a challenging market backdrop, as has been well documented, we are well positioned at the beginning of the new financial year with a healthy and competitive stock mix. As a Group, we are confident about the opportunities ahead owing to the strengths of our people and our unique operating model, focused on delivering unrivalled Choice, Value and Service."

A meeting for analysts will be held at 9:30am today at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD.

Enquiries:

Motorpoint Group PLC Mark Carpenter, Chief Executive Officer James Gilmour, Chief Financial Officer	**Via FTI Consulting**
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Notes to editors

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

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

CHIEF EXECUTIVE'S STATEMENT

Overview

I am delighted to report that we have continued to enjoy the benefits of our unique operating model, taking market share and achieving double-digit profit growth.

Despite the current consumer environment of caution and insecurity, we have welcomed back more repeat customers than ever before, achieved record new levels of customer satisfaction, and continued the development of our outstanding team.

During the year we have launched new customer initiatives, such as our Motorpoint Price Pledge and our new lower finance rate. We have built our new Preparation Centre in Peterborough, which will become fully operational in the coming months, and we have refreshed our Glasgow site with our updated retail aesthetic. We have embedded the 5 new sites opened within the last 5 years and have invested substantial management time in developing our operational systems and data use.

We look ahead to the new year with our sights set on taking further market share, both from the ongoing performance of our like-for-like stores, and upcoming new openings.

Putting the team first

Unchanged in our operating model, everything starts with our team. The Motorpoint Virtuous Circle is central to our approach, with our passionate focus on developing the team at the heart of everything that we do.

As we grow, it is ever more important to keep our culture and values alive and prominent across the team – whether as part of our recruitment process, team-member induction, ongoing personal development, or as the criteria for identifying senior leaders of the future. We remain proud to be leaders in people development and are convinced this will maintain our differentiated style from the rest of the car retail industry and be a major driver of our continued success.

We have introduced new team benefits during the year, such as a dedicated retail-benefits portal and regular flexible leave to allow our team to pursue charitable, social or personal projects called "One Big Dream." These benefits are in line with our ambition to be the UK's most admired retailer, and we know that to get there we need to have a fully engaged and motivated team.

We have also committed for two consecutive years to have a minimum pay rate that is again in line with the current Real Living Wage. This is based on living costs and is more than the national minimum wage and was communicated across the team in the April pay award.

We have run our third ShareSave scheme, again offering the opportunity to the whole business to become Motorpoint shareholders and thereby share in the financial rewards of their endeavours.

I am delighted to confirm that we have been awarded a place in the Sunday Times Top 100 Companies to Work For, for the fifth consecutive year. This is an independent recognition of our team's engagement, and a huge acknowledgement of the hard work of our managers.

Customers

In this volatile market we firmly believe that our position as the Car Buyers' Champion allows us to stand out from the competition – we are seeing this recognised by our customers, with our volume of sales to repeat customers stepping up in every site across the estate, with our total proportion of repeat sales now hitting 30%.

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

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 different models from 39 manufacturers, and we are able to rapidly follow emerging customer preferences, such as through our increasing proportion of hybrid and electric sales.

Value – we are a supermarket, predicated on working to a high volume and keeping our cost base modest. This allows us to pass on the savings to our customers, reinforcing our volume model. We support our cars with a competitive finance and ancillary offering. We also champion low prices, such as where we have reduced our customer finance rate across all cars from December 2018.

Service – service is what will ultimately set us apart in the market. We measure ourselves primarily using Net Promotor Score ("NPS") – on this measure we have improved again, finishing the year on an exceptional 78%, up from 77% last year. 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.

Financial Strength

We have closed the year, again with a strong and robust balance sheet – with an operating cash conversion for the year of over 99%, FY19 ended with a net cash position of £13.8m and no structural debt. This closing position is even more pleasing given the total cash return to shareholders we have achieved (£6.9m ordinary dividends plus £8.8m of share buyback), and capital invested in both the new Peterborough Preparation Centre and in refurbishment at our Glasgow site.

We have executed particularly strong cost disciplines in the year, commensurate with the lower rate of sales growth, through diligent operational management and a focus on efficiency.

In May 2019, the Board of Directors announced a new share buyback programme of up to £10m (subject to shareholder approval at the next Annual General Meeting), extending the programme announced in August 2018. The Board is recommending a full year dividend of 5.0 pence per share, taking the total dividend for the year to 7.5 pence per share. This level of proposed dividend maintains a consistent dividend cover to last year, and again underscores our confidence in delivering strong, profitable sales and cash flow, and generating superior financial returns.

Current trading and outlook

We enter FY20 with optimism but remain cognisant of the uncertain market and political environment.

Motorpoint's operations are ideally placed to continue taking market share in FY20 and we enter the year with a healthy and competitive stock mix, and fantastic levels of team engagement.

We continue to monitor the ongoing political uncertartainty and its inevitable impact on customer confidence, but maintain our focus on the operations within our control to continue to deliver as the Car Buyers' Champion.

MARKET REPORT

Motorpoint's core proposition is the sale of nearly new cars, the vast majority of which are up to two years old and have covered fewer than 15,000 miles. We monitor available market statistics, notably from the SMMT, which give us transaction volumes for 0-3 year old cars but do not include recorded mileage. We therefore use the transaction volumes alone as a proxy for our available market. The nearly-new car market narrowly declined throughout FY19, though the Group increased its market share.

We note that consumer confidence metrics have remained subdued for the year, despite the economy enjoying very modest unemployment and inflationary pressures.

We predicate our business model on being relevant in a breadth of economic conditions, and note that our growth over FY19 has been achieved in spite of the more challenging consumer environment. We therefore continue to believe that an environment where consumer confidence is unsettled will put increasing pressure on the weaker players in the market, and allow us to win market share through our focus on Choice, Value and Service.

FINANCIAL REVIEW

Overview

Resilient trading in FY19 has contributed to a year of continued growth amidst a challenging market environment. Full year Revenue growth of 6.8% has driven Gross Profit up by 4.6% and Adjusted Operating Profit up by 11.3%.

Tight cost discipline was achieved in the face of a more modest underlying top-line growth rate, particularly in the second half of the year. Our key Gross Profit / Overheads metric has risen to 144.5% as the operating costs of the newer site openings are increasingly covered by their maturing sales performances. Operating Cash Conversion of 99% has allowed £15.7m of cash to be returned to shareholders through dividends and the buyback programme.

Revenue and Gross Profit

Revenue for the year increased by 6.8% to £1,058.7m (FY18: £991.2m), across existing sites as there were no new sites openings in the year.

Gross margins for FY19 softened slightly, to 7.5% (FY18: 7.7%) due to the breadth of stock available on the market, although this level is in line with historical norms. The Revenue growth increased full year gross profit by 4.6% to £79.9m (FY18: £76.4m). The year on year increase was more pronounced in the first half of the year. FY19's second half margin performance fell below normal seasonal trends due to more aggressive pricing in a consumer market disrupted by the ongoing political and economic uncertainty.

Adjusted Operating Profit

Adjusted Operating Profit (Operating Profit Before Exceptional Items) for the year increased by 11.3% to £24.6m (FY18: £22.1m).

Pre-Exceptional Operating Expenses increased by £1.0m to £55.3m (FY18: £54.3m):

Team Costs

Total team costs increased by £0.4m, driven in part by higher commissions for units sold.

The cost of Share Based Compensation schemes decreased as a result of the FY17 PSP scheme not vesting for the majority of participants.

Site Costs

Site costs decreased by £0.3m as a result of negotiating rates assessments at a number of sites. This has led to a lower rateable value going forwards at these sites.

Other Costs

Other Operating Expenses increased by £0.9m as a result of increased investment in the IT platform for future site growth and investing in the in-house marketing team capability.

Operating Profit

The reconciliation from Adjusted Operating Profit to Operating Profit is shown below; the only reconciling item is the exceptional costs in FY18.

£m	FY19	FY18
Operating Profit Before Exceptional Items	24.6	22.1
Exceptional Items	-	(0.8)
Operating Profit	24.6	21.3
Finance Expense	(1.7)	(1.3)
Profit Before Tax	22.9	20.0
Taxation	(4.6)	(4.0)
Profit After Tax	**18.3**	**16.0**

The finance expense of £1.7m is the Group's interest costs.

During the year the Group increased its stocking facility with Blackhorse by £5m, taking the total Blackhorse facility to £75m, in addition to the existing £20m stocking facility with Lombard North Central Plc.

Total stocking finance facilities available total £95m, of which £82.2m was drawn at 31 March 2019. £1.6m of interest cost was incurred during the year under these facilities, an increase of £0.5m as a result of higher utilisation over the year in line with higher average stock levels.

The existing £20m facility with Santander UK Plc is split between £6m available as an overdraft and £14m available as a revolving credit facility. At 31 March 2019, there were no drawings under the facility. The facility has been utilised at various points during the year with an interest cost in the year of £0.1m. The facility is available for a fixed term of five years from 10 May 2016.

Share based compensation

The cost of Share Based Compensation schemes is included in Operating Profit. There are three schemes which are the Share Incentive Plan (SIP), Performance Share Plan (PSP) and Save As You Earn (SAYE) scheme.

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

The PSP is for Executive Directors and certain key Senior Managers. Awards made under the PSP are nil cost options. The extent to which such awards vest depends on the Group's performance over a three year period. It is the intention of the Board that a new award will be made during each future financial period, and awards were made in FY17, FY18 and FY19. The FY17 award relates to the three year period ending 31 March 2019 and is due to mature in June 2019 but the majority will not vest as the EPS measures were not met.

The SAYE scheme was launched by Motorpoint in December 2016, and further schemes were issued in both December 2017 and December 2018. It is anticipated that a further scheme will be launched in each future year, subject to Board approval.

Exceptional items

There have been no exceptional items in the period. The exceptional cost of £0.8m in the prior period relates to the VAT treatment of rebates received from a single supplier over the four years prior and was paid during FY18. Volume rebates from this supplier are an area of specific focus from HMRC across the industry. We have submitted a claim, and had a notice of appeal acknowledged, noting a reliance on an existing case brought with HMRC. We continue to monitor this case and industry developments with interest. Volume rebates received from this supplier in both FY18 and FY19 have been accounted for in line with the HMRC assessment, despite our ongoing claim, with underlying gross margin being adjusted down accordingly.

Taxation

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

Financial Position

The financial position of the Group is strong with net assets having increased by £2.6m to £29.0m.

A significant amount of the capital expenditure is the preparation centre at Peterborough which has been developed to support storage and preparation activities opening in early FY20. Other capital expenditure in the year included £0.4m for a refurbishment of the Glasgow showroom.

Stock levels have increased by 11.7% to £116.2m (FY18: £104.0m). Stock has increased due to good availability around the year end, and to provide a broad range of choice at existing sites. Stock provisions, calculated on a basis consistent with the prior year, have been maintained at £1.4m (FY18: £1.4m).

Stocking finance facilities drawn at 31 March 2019 total £82.2m (FY18: £69.0m), there was unutilised headroom within these facilities of £12.8m (FY18: £21.0m).

Trade receivables are amounts due in the short term from Motorpoint partner vehicle finance providers, the majority of these are paid on the next working day. The balance has increased by £2.1m to £8.6m (FY18: £6.5m) which in part is due to the year end falling over the weekend.

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

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

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

Contract liabilities, both less than and over one year, are the extended guarantee products which were sold prior to December 2016. These revenues are recognised over the period to which the guarantee relates, together with any associated direct costs, with these costs being prepaid. From 1 December 2016, Motorpoint ceased sale of the extended guarantee product as principal, replaced by the sale of a new extended warranty product which is fully underwritten with a third party insurer, with Motorpoint now acting as sales agent. Commission on such sales is recognised as revenue at the point of sale.

The deferred revenue relating to the historical guarantee product will be substantially released by the end of FY20.

Cash and cash equivalents of £13.8m (FY18: £15.6m) are solely amounts held on deposit account.

Cash Flow and Working Capital

The Group continues to be highly cash generative; cash reserves for the year decreased by £1.8m after the impact of the buyback (£8.8m) and dividends (£6.9m), leaving us well positioned to continue the share buyback as announced in May 2019.

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

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

Payments in respect of the exceptional item in FY18 of £0.8m are the cash outflow to settle the HMRC assessment as outlined in the Exceptional Items section of this report above.

Capital expenditure primarily includes spend of £2.5m on the preparation centre at Peterborough and a £0.4m refurbishment of the Glasgow showroom.

Share Buyback

We announced our intention to buyback up to £10 million worth of our shares on 7 May 2019 replacing the £5 million programme announced on 14 August 2018. The purpose of this remains to reduce the share capital of the Company and return funds to shareholders; repurchased shares are typically being cancelled although the programme allows for shares to be held in treasury to allow the Company to satisfy employee share plan obligations. Subject to shareholder approval at the upcoming 2019 AGM, the current programme is expected to complete no later than the date of the Company's 2020 AGM.

Dividend

In June 2019, the Board of Motorpoint Group PLC proposed a final dividend of 5.0 pence per share in respect of FY19. This will be tabled at the forthcoming AGM on 23 July 2019, and subject to approval will be paid to shareholders on the record date of 16 August with a payment date of 20 September 2019.

Together with the interim dividend of 2.5 pence per share that was paid on 15 March 2019, this will deliver a total dividend for the year of 7.5 pence per share.

Earnings per Share

Earnings per Share for the period are shown below and it is with pleasure that we report an increase of 11.3% to our adjusted Earnings per Share.

The Board views the adjusted Earnings per Share as the most appropriate metric for performance of the business as this excludes the impact of exceptional items in the previous year.

The dilutive impact of shares issued in relation to Motorpoint shares in issue is shown but given the three year vesting period and immaterial nature of these, the Board believe the adjusted Basic Earnings per Share to be the most appropriate basis.

The reduction in share capital is due to the impact of the share buyback programmes announced in November 2017 and August 2018.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2019

	Note	2019 £m	2018 £m
Revenue		1,058.7	991.2
Cost of sales		(978.8)	(914.8)
Gross profit		79.9	76.4
Operating expenses	3	(55.3)	(55.1)
Operating profit	3	24.6	21.3
Operating profit before exceptional items		24.6	22.1
Exceptional items	4	-	(0.8)
Finance expense		(1.7)	(1.3)
Profit before taxation		22.9	20.0
Taxation	5	(4.6)	(4.0)
Profit and total comprehensive income for the year attributable to equity holders of the parent		18.3	16.0
Earnings per share attributable to the			
owners of the parent	6	18.7p	16.0p
Basic	6	18.7p	15.9p
Diluted			

The Group's activities all derive from continuing operations.

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

CONSOLIDATED BALANCE SHEET
At 31 March 2019

	Note	2019 £m	2018 £m
ASSETS			
Non-current assets			
Property, plant and equipment		8.3	5.4
Deferred tax asset		0.5	0.5
Total non-current assets		8.8	5.9
Current assets			
Inventories		116.2	104.0
Trade and other receivables		13.9	12.9
Cash and cash equivalents		13.8	15.6
Total current assets		143.9	132.5
TOTAL ASSETS		152.7	138.4
LIABILITIES			
Current liabilities			
Trade and other payables		(120.0)	(104.9)
Contract liabilities		(1.4)	(3.5)
Current tax liabilities		(2.1)	(2.0)
Total current liabilities		(123.5)	(110.4)
Net current assets		20.4	22.1
Non-current liabilities			
Contract liabilities		(0.2)	(1.6)
Total non-current liabilities		(0.2)	(1.6)
TOTAL LIABILITIES		(123.7)	(112.0)
NET ASSETS		29.0	26.4
EQUITY			
Share capital	8	1.0	1.0
Capital reorganisation reserve		(0.8)	(0.8)
Retained earnings		28.8	26.2
TOTAL EQUITY		29.0	26.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Note	Share capital £m	Retained earnings £m	Capital reorganisation reserve £m	Total equity £m
Balance at 1 April 2017		1.0	14.5	(0.8)	14.7
Profit and total comprehensive income for the year		-	16.0	-	16.0
IFRS 2- Share-based compensation		-	0.7	-	0.7
Buyback and cancellation of shares		-	(0.1)	-	(0.1)
Final dividend for the year ended 31 March 2017	9	-	(2.9)	-	(2.9)
Interim dividend for the year ended 31 March 2018	9	-	(2.0)	-	(2.0)
Balance at 31 March 2018		1.0	26.2	(0.8)	26.4
Profit and total comprehensive income for the year		-	18.3	-	18.3
Buyback and cancellation of shares		-	(8.8)	-	(8.8)
Final dividend for the year ended 31 March 2018	9	-	(4.5)	-	(4.5)
Interim dividend for the year ended 31 March 2019	9	-	(2.4)	-	(2.4)
Balance at 31 March 2019		1.0	28.8	(0.8)	29.0

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2019

	Note	**2019 £m**	2018 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items	*10*	*24.3*	*21.0*
Cash flows from exceptional items	*10*	*-*	*(0.8)*
Cash generated from operations		24.3	20.2
Interest paid		(1.7)	(1.3)
Income tax paid		(4.5)	(3.9)
Net cash generated from operating activities		18.1	15.0
Cash flows from investing activities			
Purchases of property, plant and equipment		(4.2)	(1.3)
Cash outflows to related parties		-	(0.4)
Net cash used in investing activities		(4.2)	(1.7)
Cash flows from financing activities			
Final dividend for the year ended 31 March 2017	9	-	(2.9)
Interim dividend for the year ended 31 March 2018	9	-	(2.0)
Final dividend for the year ended 31 March 2018	9	(4.5)	-
Interim dividend for the year ended 31 March 2019	9	(2.4)	-
Payments to acquire own shares	9	(8.8)	(0.1)
Net cash used in financing activities		(15.7)	(5.0)
Net (decrease)/ increase in cash and cash equivalents		(1.8)	8.3
Cash and cash equivalents at the beginning of the year		15.6	7.3
Cash and cash equivalents at end of year		13.8	15.6
Net cash and cash equivalents comprises:			
Cash at bank		13.8	15.6

NOTES TO THE SET OF FINANCIAL INFORMATION

1. Basis of Preparation

Motorpoint Group PLC ('the Company') is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is a public company limited by shares and is listed on the London Stock Exchange; the address of the registered office is Chartwell Drive, West Meadows Industrial Estate, Derby, England, United Kingdom, DE21 6BZ. The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2019 comprise the Company and all its subsidiaries, together referred to as the "Group". These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

In the current year the Group has adopted the following new standards and interpretations;

IFRS 9 Financial Instruments – (effective date for periods commencing on or after 1 January 2018), IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has assessed the criteria of the new standard and changes to classification of financial instruments and disclosure requirements were identified. No other material changes were required to the financial statements.

IFRS 15 Revenue from Contracts with Customers – (effective date for periods commencing on or after 1 January 2018), deals with revenue recognition and establishes principles for reporting such information. The standard considers revenue recognition when there are multiple elements to the transaction. The Group has assessed the criteria of the new standard and additional disclosure requirements were identified. No other material changes were required to the financial statements.

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The Group has commenced its assessment of the impact of these standards.

IFRS 16 Leasing
IFRS 16 Leasing is effective for annual periods beginning on or after 1 January 2019. The new standard replaces existing leases guidance, principally IAS 17 Leases. The Group plans to apply IFRS 16 initially on 1 April 2019, using the full retrospective approach. Therefore, the effect of adopting IFRS 16 will be the restatement of comparative information as if IFRS 16 had always applied.

As at the reporting date, the Group has non-cancellable operating lease commitments of £61.6m. Of these commitments, approximately £0.4m relate to short-term leases and low-value leases which will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognise ROU assets of approximately £45.0m on 1 April 2019 and lease liabilities of approximately £47.1m. The Group expects that profit after tax will decrease by approximately £0.7m for FY19 as a result of adopting IFRS 16. EBITDA is expected to increase by approximately £4.3m, as the operating lease payments were included in EBITDA, but the amortisation of the ROU assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase and financing cash flows decrease by approximately £2.7m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The financial information set out in this document does not constitute the statutory financial statements of the Group for the year end 31 March 2019 but is derived from the Annual Report and Accounts 2019. The auditors have reported on the annual financial statements and issued an unqualified opinion.

2. Segment Reporting and Revenue

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

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

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

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 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 product is supplied to the customer.

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.

(c) Deferred guarantee Income

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. 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.

	2019	2018
	£m	£m
Revenue from sale of motor vehicles	1,009.5	945.6
Revenue from motor related services and commissions	45.7	42.3
Revenue recognised that was included in the contract liability balance at the beginning of the period – Extended guarantee income	3.5	3.3
Total Revenue	1,058.7	991.2

3. Operating profit - expenses

Operating profit include the effect of (crediting) / charging:	**2019**	2018
	£m	£m
Inventory recognised as expense	968.7	908.3
Movement in provision against inventory	-	0.6
Employee benefit expense (note 9)	29.1	28.0
Depreciation of property plant and equipment	1.3	1.3

Exceptional items	-	0.8
Operating lease payments - property	4.6	4.7
Other operating expenses	30.4	26.2
	1,034.1	969.9

Cost of sales	978.8	914.8
Operating expenses		
- Selling and distribution expenses	16.4	18.2
- Administrative expenses	38.9	36.9
	1,034.1	969.9

4. Exceptional items

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

	2019	2018
	£m	£m
Exceptional items: Operating profit		
VAT liability (i)	-	0.8
	-	0.8

(i) Vat liability - this exceptional item relates to a HMRC assessment under the margin VAT scheme in respect of rebates received from one supplier. The exceptional item relates to the assessment amounts that relate to periods prior to FY2018. Cash payment has been made to HMRC. Volume rebates from this supplier are an area of specific focus from HMRC across the industry. We have submitted, and had a notice of appeal acknowledged, to HMRC an appeal requesting to follow the precedents which will be set through an existing case bought with HMRC. We therefore continue to monitor industry developments with interest.

5. Taxation

The tax charge in the income statement represents:

	2019	2018
	£m	£m
Current tax:		
UK corporation tax	4.6	4.1
Total current tax		4.1
Deferred tax:		
Origination and reversal of temporary differences	-	(0.1)
Total deferred tax	-	(0.1)
Total tax charge in the income statement	4.6	4.0

Reconciliation of the total tax charge

The tax charge in the income statement in the year differs from the charge which would result from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below.

	2019	2018
	£m	£m
Profit before tax	22.9	20.0
Profit before tax at the standard rate of corporation tax of 19% (2018:19%)	4.4	3.8
Tax effect of:		
- Expenses not deductible for tax purposes	0.2	0.2
Tax charge in the income statement	4.6	4.0

Factors affecting current and future tax charges

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

6. Earnings per Share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares at the end of the current year. Adjusted earnings per share are calculated on the same basis but adjusting earnings attributable to equity shareholders for exceptional items.

	2019	2018
Profit Attributable to Ordinary Shareholders (£m)	18.3	16.0
Exceptional Items (£m)	-	0.8
Adjusted Profit Attributable to Ordinary Shareholders (£m)	18.3	16.8
Weighted average number of ordinary shares in Issue ('000)	97,924	100,193
Earnings per share (pence)	18.69	15.97
Adjusted Earnings per share (pence)	18.69	16.77
Diluted Number of Shares in Issue ('000)	98,116	100,556
Diluted Earnings per share (pence)	18.66	15.91
Adjusted Diluted Earnings per share (pence)	18.66	16.71

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

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

	2019 **£m**	2018 £m
Weighted average number of ordinary shares in Issue ('000)	97,924	100,193
Adjustment for share options	192	363
Weighted average number of ordinary shares for diluted earnings per share	98,116	100,556

7. Borrowings

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

The finance charged for utilising the facility is dependent on the Group's borrowing ratios as well as the base rate of interest in effect. During the year ended 31 March 2019 interest was charged at 1.4% (FY18: 1.4%) per annum. The interest charged for the year of £0.1m (FY18: £0.1m) has been expensed as a finance cost.

8. Share Capital

	2019		2018	
	Number	**Amount**	Number	Amount
	'000	**£m**	'000	£m
Allotted, called-up and fully paid ordinary shares of 1p each				
Balance at the beginning of the year	100,154	1.0	100,194	1.0
Bought back and held as treasury shares during the year	(4)	-	-	-
Transferred from treasury to satisfy employee share plan obligations	4	-	-	-
Bought back and cancelled during the year	(3,988)	-	(40)	-
Balance at the end of the period	96,166	1.0	100,154	1.0

9. Dividends

During the year the following dividends were paid.

	2019	2018
	£m	£m
Final dividend for the year ended 31 March 2017		2.9
Interim dividend for the year ended 31 March 2018		2.0
Final dividend for the year ended 31 March 2018	4.5	-
Interim dividend for the year ended 31 March 2019	2.4	-
Total dividends	6.9	4.9

The proposed final dividend of 5.00 pence per ordinary share (FY18: 4.60 pence) for the year ended 31 March 2019 is subject to approval by shareholders at the Annual General Meeting and hence has not been included in liabilities in the financial statements at 31 March 2019.

The final dividend for FY18 was approved by shareholders at the Annual General Meeting in June 2018 and was therefore not included in liabilities in the financial statements at 31 March 2018.

10. Cash-flow from operations

	2019	2018
	£m	£m
Profit for the year, attributable to equity shareholders	18.3	16.0
Adjustments for:		
Taxation charge	4.6	4.0
Finance costs	1.7	1.3
Operating profit	24.6	21.3
Share based payment charge	-	0.7
Exceptional items charged to operating profit	-	0.8
Depreciation charge	1.3	1.3
Cash flow from operations before movements in working capital and cash flow on exceptional items	25.9	24.1
Increase in inventory	(12.2)	(5.6)
Increase in trade and other receivables	(1.0)	(3.5)
Increase in trade and other payables	11.6	6.0
Cash flow from operations before exceptional items	24.3	21.0
Payments in respect of exceptional items	-	(0.8)
Cash generated from operations	24.3	20.2

11. Related party transactions

	2019 £m			
	Balance as at 1/4/2018	Rental charge	Payments made	Balance as at 31/3/2019
Shoby Properties Limited	–	(1.8)	1.8	–

	2018 £m			
	Balance as at 1/4/2017	Rental charge	Payments made	Balance as at 31/3/2018
Spring Rental Limited	(0.4)	–	0.4	–
Shoby Properties Limited	–	(2.2)	2.2	–

During the year D E Shelton purchased a vehicle from Motorpoint Limited for its market value of £49,000 with payment received post year end.

Term	Meaning
Adjusted Earnings per Share	Earnings attributable to equity shareholders adjusted for exceptionals/weighted average number of ordinary shares during the year
Adjusted Overheads	Operating costs before Exceptionals
Operating Cash Conversion	Cash generated from operations/operating profit
Structural Debt	Debt excluding stocking finance facilities