MOTORPOINT
GROUP PLC

# STRENGTH THROUGH INDEPENDENCE

**Motorpoint Group Plc**
Annual Report and
Accounts 2018

# STRENGTH THROUGH INDEPENDENCE

## Strategic Report



## Governance



## Financial Statements



# THE UK'S LARGEST INDEPENDENT VEHICLE RETAILER

Motorpoint sells nearly-new vehicles, most of which are up to two years old and have covered fewer than 15,000 miles. We sell vehicles from all of the biggest brands, with our best sellers including models from Ford, Vauxhall, Volkswagen, Nissan, Hyundai, Audi, BMW and Mercedes-Benz.

We operate from 12 retail sites across Great Britain, supported by a central contact centre which deals with digital and telephone enquiries.

Our Auction4Cars.com, a business to business digital auction platform, allows an efficient and quick route for sale of part-exchange vehicles which do not fall into our nearly-new retail criteria.

## FINANCIAL HIGHLIGHTS

**£20.8m**
Profit before taxation and exceptional items (FY17: £15.7m)

**£20.2m**
Cash generated from operations (FY17: £7.4m)

**16.8p**
Adjusted Basic Earnings per Share (FY17: 12.7p)

**£20.0m**
Profit before taxation (FY17: £11.7m)

**94.8%**
Operating Cash Conversion (FY17: 57.4%)

**6.6p**
Total Dividend (2p interim plus 4.6p recommended final dividend) (FY17: Total 4.2p)

## OPERATIONAL/STRATEGIC HIGHLIGHTS

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

# CHIEF EXECUTIVE'S STATEMENT

> A huge part of Motorpoint's success today is thanks to the hard work and dedication of our co-founder, David Shelton. We wish David every success in his retirement and are delighted that he remains part of Team Motorpoint as a Non-Executive Director.
>
> **MARK CARPENTER**
> CEO

## Overview

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

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

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

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

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

## Our Focus on Team

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

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

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

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

## COACHING CULTURE – HOW WE BROUGHT IT TO LIFE

Coaching is a core part of our culture; we bring this to life not only through robust external training for all of our managers but through our leadership behaviours in all our interactions with our teams. We ensure all new team members understand our coaching focus as part of their induction and that they can expect to feel this supportive culture throughout their career with us.

## Customers

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

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

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

## Financial Strength

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

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

## Current Trading and Outlook

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

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

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

Our key strengths that differentiate us from the rest of the market give us confidence that our value proposition will continue to deliver in our current footprint and in our new site pipeline.

**Mark Carpenter**
Chief Executive Officer
12 June 2018

# MARKET REPORT

The UK nearly new car market was broadly flat throughout FY18 and we are well positioned to take market share.

**Car Market**

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.

**Consumer Confidence**

We note that UK economic growth slowed markedly from early 2017 as consumer spending growth moderated, in particular driven by the increase in the impact of inflation squeezing household income.

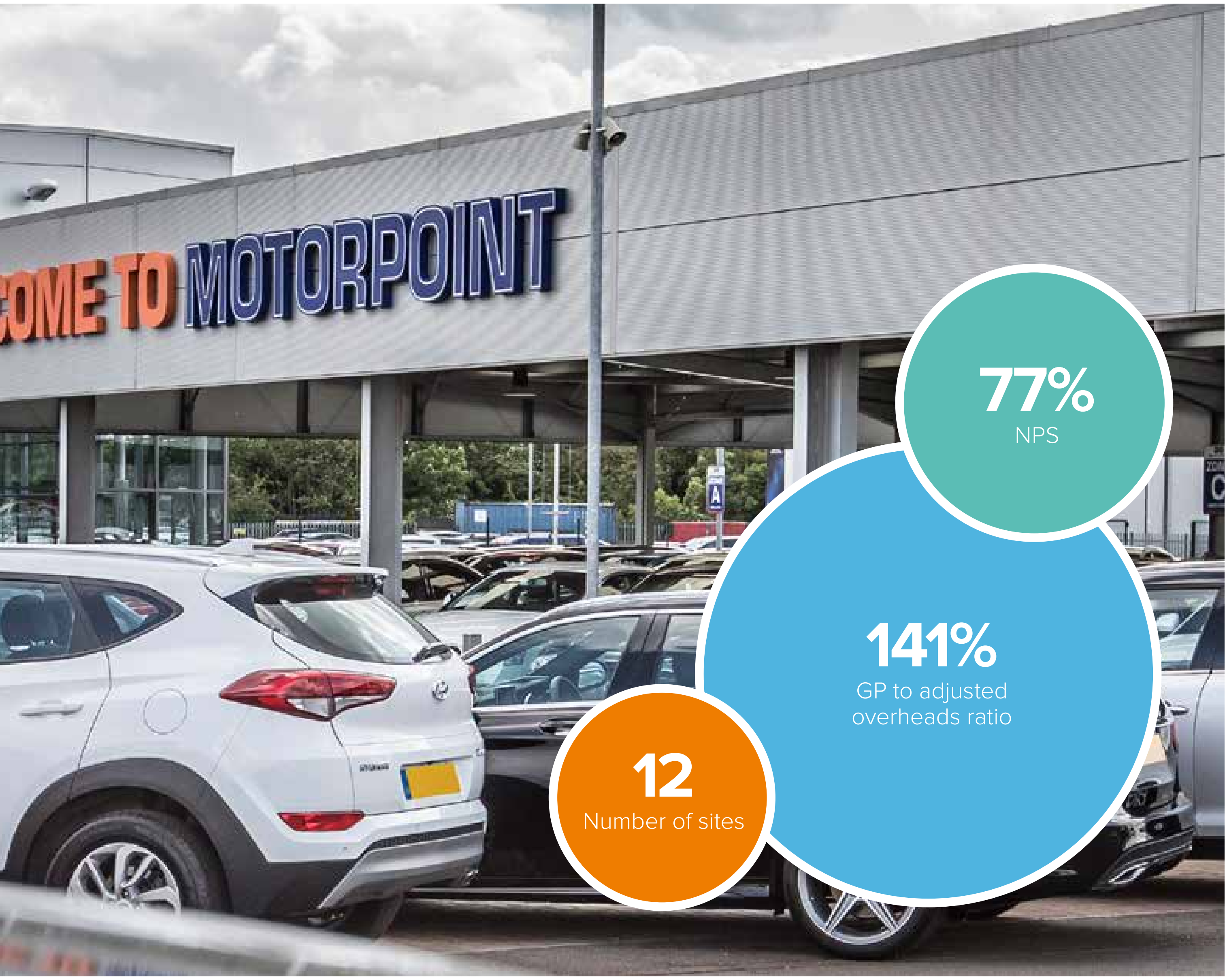
We predicate our business model on being relevant in a breadth of economic conditions, and note that our growth over FY18 has been achieved in spite of the more challenging consumer environment. We therefore continue to believe that an environment where consumer confidence is unsettled will put increasing pressure on the weaker players in the market, but allow us to win market share through our focus on Choice, Value and Service.

# OUR INDEPENDENCE SUPPORTS OUR BRAND VALUES

Our vision is "to be the Car Buyer's Champion by offering unrivalled Choice, Value and Service".

Our aim today is exactly the same as when we opened our doors in 1998, which is to provide customers with the lowest prices on a huge selection of low mileage nearly-new cars. We constantly innovate to deliver outstanding customer service; the foundation for our record levels of repeat customers.

| | Choice | Value | Service |
|---|---|---|---|
| **Customer offer** | A broad range of vehicles always available, from different manufacturers and across a spectrum of price points.<br>Customers can choose to buy online or at any one of our 12 sites. | Being the biggest allows us to command competitive prices when we source stock and we pass those savings on to our customers.<br>Modest capital investment in new sites and no requirement to pay for goodwill helps manage the overhead base. | 100% stock mobility across the UK between any of our sites.<br>Convenience-led initiatives, such as Same Day Driveaway, and a range of financing and ancillary products available.<br>Part-exchanges competitively priced and managed through Auction4Cars.com. |



# THE RIGHT BUSINESS MODEL TO CREATE VALUE

We are proud to be independent. We can open sites where we see opportunity, buy the stock that our customers are demanding and take pride in developing our people to deliver the Motorpoint values.

We aren't a franchise operation, so are free from the influence that the franchised dealers may feel from their manufacturer partners. This allows us to take market opportunities where available and operate without brand restriction.

## WHAT MAKES US DIFFERENT?

| | Franchised dealer | Motorpoint |
|---|---|---|
| **New sites and growth opportunity** | Can only expand with agreement of the manufacturer. Typically has to acquire an existing dealer, often paying significant goodwill. | We can open wherever we see a market opportunity; speed and scale are in our control. We can choose to buy an existing dealer, or develop a new operation, avoiding the need for goodwill payments. |
| **Product offer** | The only retailer in the local market selling brand new cars from that manufacturer. Supplemented by used cars, parts and servicing. | 100% dedicated to nearly-new car sales. |
| **Brand and reputation** | Customer perception of the dealer's brand is substantially dictated by their perception of that manufacturer. | We build our own brand independently; our reputation is formed purely by how our team and customers feel about us. |
| **Breadth of stock** | Typically only one or two brands available on a single site. Stock substantially secured from the tied OEM. | On average 35 brands available on site or online, spanning all of the leading makes and models, sourced from multiple channels. All stock is available nationally and can be moved to a customer's local site for a maximum of £99. |
| **Operational control** | Manufacturer prescribes operational and customer relations systems, staff recruitment and training programmes, specifications for showroom fit-out, the geography into which the dealer can advertise, the format of customer satisfaction programmes and marketing messages. | No external restrictions or controls. Proprietary systems can be built; bespoke values-led development and staff engagement programme; marketing can be via any channel or into any geography; modest showroom fit-out costs support Motorpoint's value proposition. |
| **Financing** | Typically provided on standard terms by the manufacturer. | Free to negotiate for the most competitive terms on the external market. |

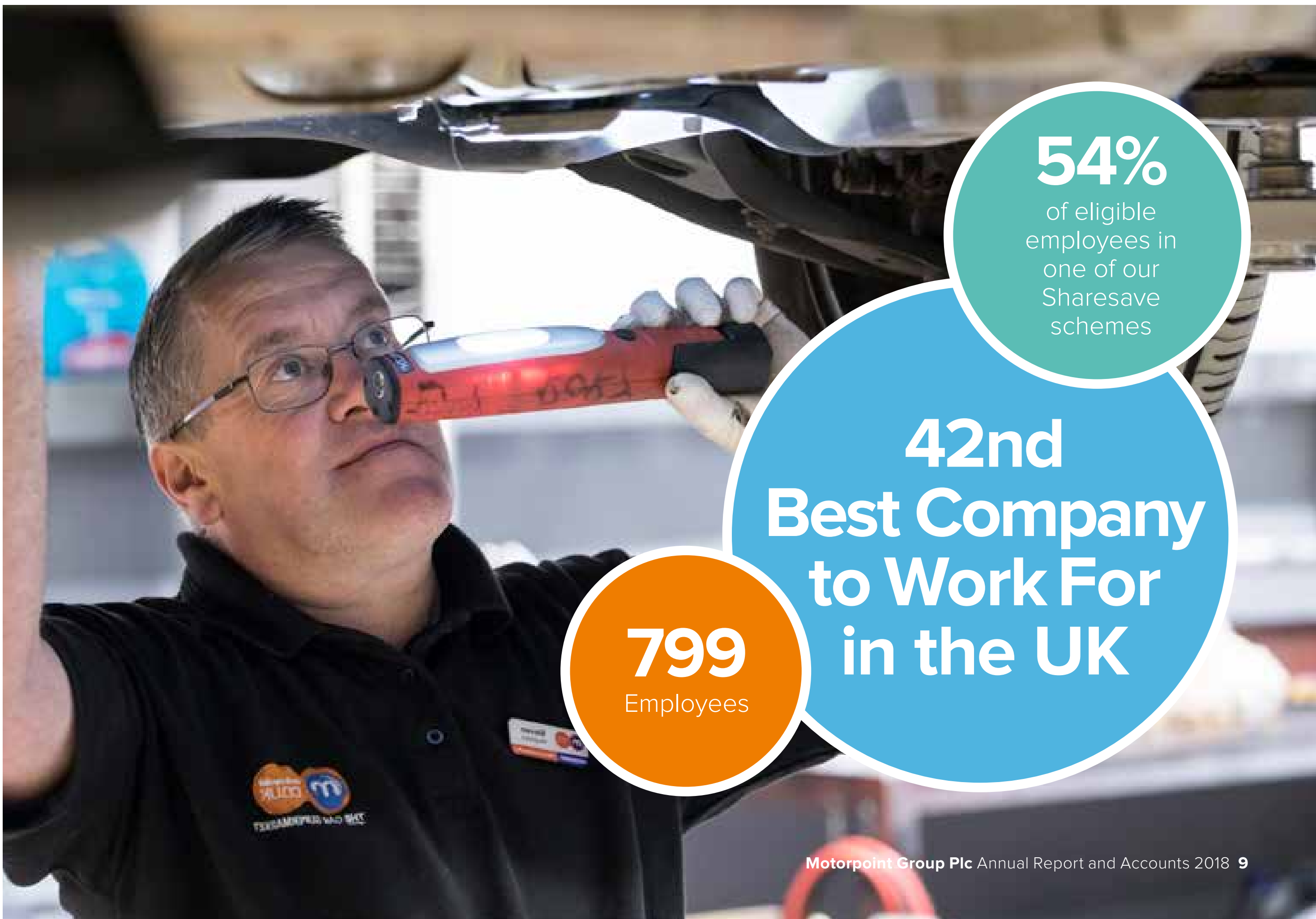
# OUR PEOPLE ARE AT THE HEART OF WHAT WE DO

Our operating model is focused on putting the employee first. This means empowering our employees and giving them the skills and confidence to champion the customer. We achieve this through living our core values and team commitments.

We have launched our refreshed core values as set out in our CEO's statement, to reinvigorate their relevance and prominence to our team.

By focusing on putting our team first, we have created and fostered a culture that creates a virtuous circle: employees feel empowered, supported and well positioned to provide a professional, friendly and knowledgeable vehicle buying experience, which in turn delivers positive results for the Group and an increased level of repeat custom.

| | |
|---|---|
| **Putting our team first**<br>Read more p2 and p6 | Relaunching our core values.<br>Reminder of virtuous circle. |
| **Strategic developments in FY18** | Training and development progress.<br>New site in Sheffield.<br>Record stock levels/breadth. |
| **Highlighted measures**<br>Read more p25 | Sharesave involvement.<br>Employee engagement.<br>Jobs created. |



# DRIVING DREAMS®

**Driving Dreams®**
All of Team Motorpoint, regardless of role, is focused on a common goal, to drive dreams for our three key stakeholders: our employees; our customers; and our shareholders. Our vision and supporting business plans are aligned to this but what really brings the virtuous circle to life is the way in which we do things. All of our actions are underpinned by a common mindset, by our behaviours, by our values!

Our values are our DNA and we are immensely proud of them. They epitomise what Motorpoint is about and are a very powerful tool in driving our engagement and performance levels. Motorpoint has always had values at the core of who we are; however, they haven't always been looked at so deeply and developed in such a cohesive manner with our teams.

This additional focus and consultation with our teams has resulted in something incredibly powerful and meaningful coming to life across the business. Our refreshed core values are:

As we developed these values we held workshops with each of our teams to really drill down into what makes us Team Motorpoint. What really matters to us? What should we aspire to be seen as? What must all our new recruits display and why do all these things matter? It became clear very quickly we had some common themes, which is what made this process so natural and so impactful. This is who we are as a business; it is these common themes that make and engage teams who are proud to work at Motorpoint, they are supportive of each other and thrive in an environment that allows them to be who they are, and offer an open and honest service to all our customers.

We have a leadership culture across the business that is based on coaching, on supporting team members through honest feedback, proudly celebrating success and delivering happiness.

I am personally very proud of the work we have done on our values as I know they are meaningful to our teams and important qualities to our customers. I want everyone to know our values and measure us against them; it is what makes us stand out from the competition and raises the bar for the industry.

In order to really bring the values to life in every site we have put them at the core of our employer brand. We have mirrors in all team areas with the values on them as well as a values based welcome day for all new recruits. Our cafés also proudly display the values on their mugs so customers can see them, share them and tell us how we are doing against them.

Our values unite us and have been a key lever in our growth to date and I will continue to measure our plans, our people and myself against them every day.

## PROUD


We are proud of what we do, how we do it and the people who make it happen – we stand out from the crowd and are proud to work as part of Team Motorpoint.

## SUPPORTIVE


We have a one team ethos and understand that together we achieve more. We are a united team focused on a common goal and vision and will always help our customers and colleagues alike #drivingdreams®.

## HAPPY


We enjoy what we do and we show it – a smile is contagious and our teams wear them naturally with pride. A happy team makes for a better working environment which in turn translates to a great customer experience.

## HONEST


We speak the truth and give honest feedback at all times, this applies to our teams, investors and customers. Courage and honesty is the vehicle for positive change and Team Motorpoint has embraced this.


THE SUNDAY TIMES
100
BEST
COMPANIES
TO WORK FOR
2018

"We are immensely proud that we have been named, once again, in the 100 Best Companies to Work For. This means so much to us as it is based on our team members' feedback, they are telling us how great it feels to be part of Team Motorpoint. Not only have we achieved the Top 100 status, but we have achieved our highest score to date demonstrating further growth and increased levels of employee satisfaction across the business. I truly believe this is down to the focus and shared belief we all have on our values creating a culture of support, pride and honesty driving true team happiness."

**CAT MCGUCKIN**
HUMAN RESOURCES DIRECTOR

# CHAIRMAN'S STATEMENT

> A strong trading performance and the launch of our 12th site have been achieved alongside an Operating Cash Conversion of 95%.
>
> MARK MORRIS
> CHAIRMAN

## Trading and Financial Performance

I am pleased to report a year of strong progress for the Company, which has achieved record levels of sales and earnings. 2018 marks Motorpoint's 20th anniversary, having grown from the first site in Derby which opened in April 1998, to our current estate of 12.

The year saw the Group continue to win market share, both through the physical sites and via the dedicated online contact centre, driving FY18's adjusted PBT up by over 32% to £20.8m. With tightly controlled capital expenditure and good working capital discipline, the Group again finished the year with no structural debt and delivered Operating Cash Conversion of 95%.

The performance was one of strong execution and a focus on getting the details right. Sales and margin performance were encouragingly consistent between the two halves, and the new sites are gathering a pleasing sales momentum.

## Our Market

The travails of the new car market for 2017 and the early part of 2018 have been loudly and publicly debated, but we see our opportunity in the nearly-new sector to be one of continuing to grow our market share. The nearly-new car market itself has remained broadly flat, but our differentiated business model, built on a unique customer proposition of Choice, Value and Service, sees ever-increasing customer satisfaction, repeat customer levels and growth.

## Dividend and Share Buyback

I am pleased to announce that the Directors have recommended a final dividend of 4.6 pence per share, taking the total for the year to 6.6 pence per share. This represents dividend cover of 2.5 times of adjusted EPS.

We announced a £10m share buyback alongside our interim results in November, facilitated by the model's strong cash generation and low capital expenditure requirements.

## Your Board

I am delighted to confirm David Shelton's appointment as a Non-Executive, transitioning on 1 April 2018 from his role as Executive Director. David is the Company co-founder and we are glad to be able to retain his passion, experience and knowledge of the motor industry within the Motorpoint boardroom.

David joins our existing independent Non-Executives, Mary McNamara, Gordon Hurst and Steve Weller, who all joined us on our flotation in May 2016.

## The Year Ahead

Motorpoint is well positioned to continue its expansion, with the existing sites taking market share, the online contact-centre team achieving record volumes, and a new site pipeline closing in on our 13th retail site. This year will be another of keeping the investment in the team, and of constantly challenging our customer offer to stay ahead of the competition.

**Mark Morris**
Chairman
12 June 2018

# THE RIGHT CULTURE FOR SUCCESS


## Our Vision

To be the Car Buyer's Champion by offering unrivalled Choice, Value and Service.

## Our Customer Charter

- We will be open and honest.
- We will offer a warm and friendly welcome.
- We will provide a "no pressure" customer experience.
- We will prepare your vehicle to the Motorpoint Standard.
- We will offer excellent service before, during and after your purchase.
- We will actively resolve any questions or issues you may have.
- We will work hard to remain the Car Buyer's Champion by offering unrivalled Choice, Value and Service.

## Our Core Values

- Proud
- Supportive
- Happy
- Honest

## Our Team Member Commitments

- We will be open minded and approachable.
- We will encourage positive team spirit.
- We will provide a safe working environment.
- We will provide industry leading training and development.
- We will communicate all internal vacancies regularly and promote from within where possible.
- We will be passionate about delivering happiness to our team members.

# OUR STRATEGY

### Car Buyer's Champion
Our vision is "to be the Car Buyer's Champion by offering unrivalled Choice, Value and Service". We achieve this through our focus on our breadth of stock, data driven approach to ensuring our pricing is keen and continued focus on innovation and delivering outstanding customer service.

Our people are at the heart of our business, not least in ensuring the quality of the customer experience; this is why we are determined to continually focus on our team engagement.

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

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

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

### Team
The relaunch of the Motorpoint core values simplified and prioritised the existing shared behavioural values. These core values of Proud, Supportive, Happy and Honest were launched at our October managers' conference and have been immediately embraced by the team.

We were very proud to achieve our Sunday Times Top 100 Best Companies recognition for the fourth consecutive year, achieving our highest placing of 42 in the mid-sized companies section.

### Brand and Reputation
Through a relentless focus on customer satisfaction, we continue to drive our customer satisfaction KPIs with NPS remaining at 77%, being awarded the Feefo Gold rating for the second year running and a Google rating of 4.6/5. Our focus on customer service is reflected by the fact that 26.2% of our customers during the year were repeat customers.

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

### Operational Control
We continue to focus on automating and improving the customer experience across both our retail and our Auction4Cars operations. We look to automate processes where the end result will be operational time saving or customer experience improvement.

### Our Strategy and How This Looks
The retail sites contain showrooms, light vehicle preparation, storage and valet services, as well as administrative functions as appropriate. All sites offer café facilities. Locations are generally positioned for ease of access and are optimally located within a 30 minute drive of an appropriate population demographic.

The Group's retail website (www.motorpoint.co.uk) is developed and maintained by a dedicated in-house IT function. The website is a key cornerstone of the operations, and is vital to driving footfall to the retail sites.

The website is supported by a dedicated national contact centre which handles email, phone and web chat enquiries. The contact centre will reserve vehicles for collection at a convenient retail site, arrange for transportation if required, value any part-exchange vehicle and offer finance and other related products.

For part-exchanges falling outside of the Group's nearly-new criteria, Motorpoint operates Auction4Cars.com, a business to business online auction platform.

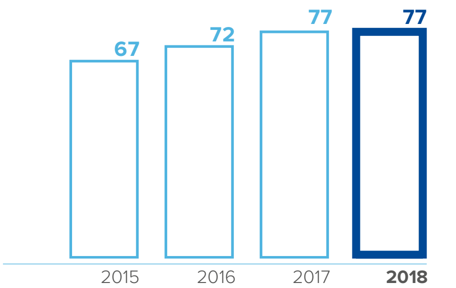
Management is focused on generating efficient returns for the business and the diligent and efficient employment of capital resources. Through a cost-effective opening and operating programme and a relentless drive on stock turn, management has been able to generate strong, recurring levels of return on capital employed.

# KEY PERFORMANCE INDICATORS

NON-FINANCIAL KPIs

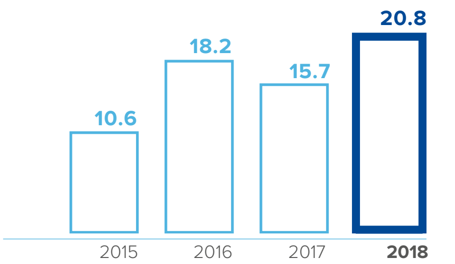
FINANCIAL KPIs

### Net Promoter Score (%)



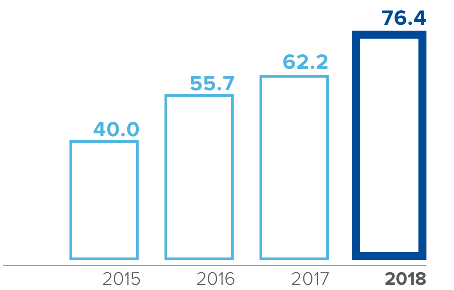

Customer satisfaction has continued to strengthen, with the record levels of NPS being maintained.

### Adjusted PBT[1] (£m)



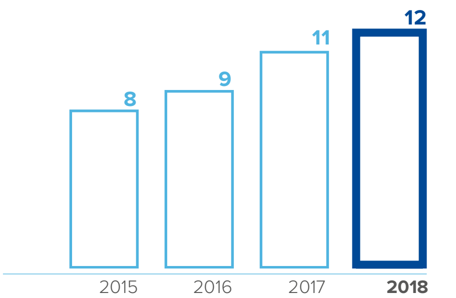

Adjusted PBT grew to record highs of £20.8m which represents growth of 32.5%.

### Gross Profit (£m)



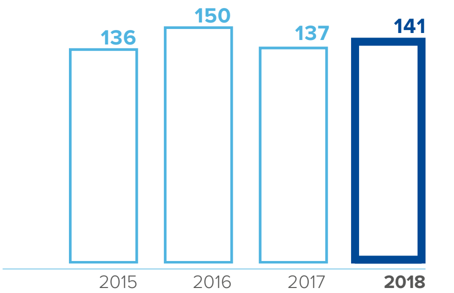

GP growth of 22.8% for the year was achieved through increased revenues and an improvement on profit per vehicle.

### Sites as at 31 March (Number)



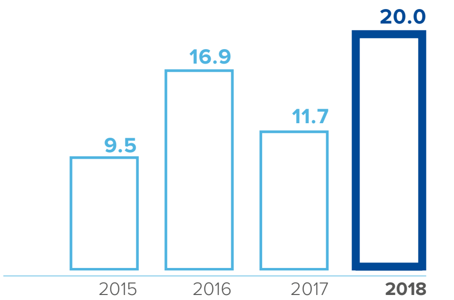

Our 12th site, Sheffield, opened on 28 April 2017. The Group continues to evaluate opportunities for its 13th retail site, with a pipeline of new site options under review.

### GP/Adjusted Overheads[2] (%)




The four new sites opened since November 2016 mean GP/Adjusted Overhead coverage is below its FY16 best; however, the improving percentage in FY18 reflects the increased margin contribution being generated by newer sites as their volumes increase.

### PBT (£m)




PBT grew to record highs of £20.0m which represents growth of 70.9% compared with FY17 which included £4m of exceptional costs predominantly related to pre IPO activity.

### Engagement

THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2018

Our staff engagement levels continue to be strong; for the fourth year running we were named in the Sunday Times 100 Best Companies to Work For, achieving 42nd position, our highest position to date.

1 Adjusted PBT is profit before tax adjusted for the impact of exceptional items.
2 Adjusted for the impact of exceptional items.

# FINANCIAL REVIEW

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

### Revenue and Gross Profit

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

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

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

The historical trends over the last five years for both revenue and gross profit are shown in the graphs opposite.

### Adjusted Operating Profit

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

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

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

### OPERATING PROFIT RECONCILIATION

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

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

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

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

### Site costs
Rent and rates increased by £0.7m due to increased business rates, the full year impact of the Oldbury site and our new contact centre building rent.

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

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

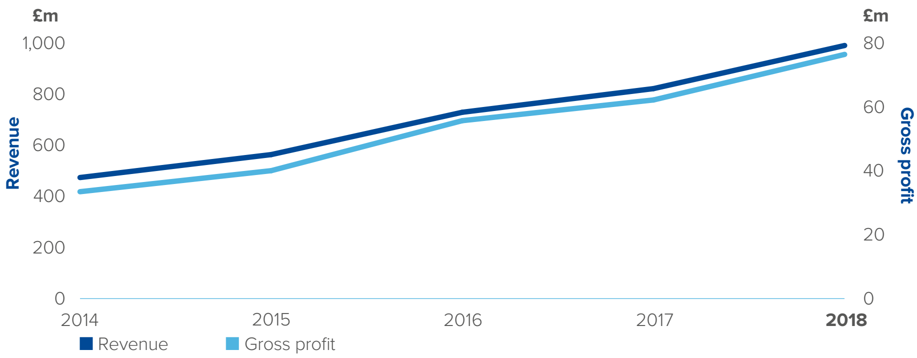
### Operating Profit
The reconciliation from Adjusted Operating Profit to Operating Profit is shown opposite; the only reconciling items are the exceptional costs during both years.

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

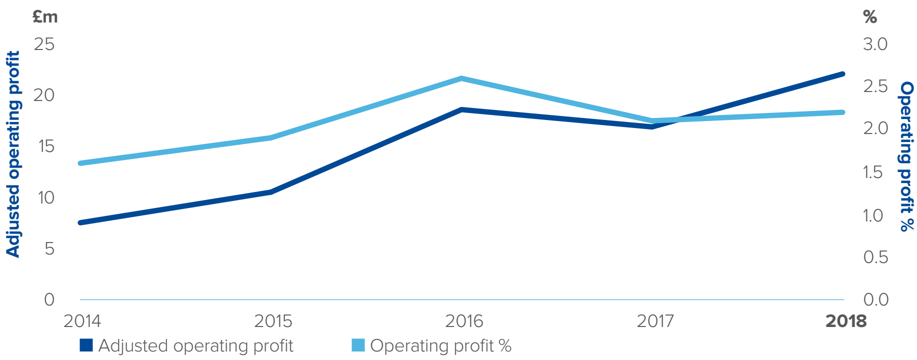
During the year the Group increased the stocking facility with Black Horse Limited by £5m, taking the total Black Horse Limited facility to £70m, and secured a new £20m stocking facility with Lombard North Central PLC. The Lombard facility provides additional funding for stock purchases whilst diversifying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

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

## REVENUE AND GROSS PROFIT




## ADJUSTED OPERATING PROFIT




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

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

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

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

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

Further information on Share Based Compensation schemes is included in note 28 to the Consolidated Financial Statements.

# FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Share Buyback

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

### Earnings per Share

Earnings per Share for the period are shown below and it is with pleasure that we report an increase of 32.3% to our Adjusted Basic Earnings per Share.

| | FY18 £m | FY17 £m |
|---|---|---|
| Profit Attributable to Ordinary Shareholders (£m) | **16.0** | 8.7 |
| Exceptional Items (£m) | **0.8** | 4.0 |
| Adjusted Profit Attributable to Ordinary Shareholders (£m) | **16.8** | 12.7 |
| Weighted average number of Shares in Issue ('000) | **100,193** | 100,194 |
| Adjusted Basic Earnings per Share (Pence) | **16.8** | 12.7 |

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 both years.

The dilutive impact of shares issued in relation to Motorpoint shares in issue is shown in note 13 to the Consolidated Financial Statements but given the three year vesting period and immaterial nature of these, the Board believes the Adjusted Basic Earnings per Share to be the most appropriate basis.

The slight reduction in share capital is due to the commencement of the share buyback in March 2018.

## FINANCIAL POSITION

| | FY18 £m | FY17 £m |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **5.4** | 5.4 |
| Deferred tax assets | **0.5** | 0.4 |
| **Total non-current assets** | **5.9** | 5.8 |
| **Current assets** | | |
| Inventories | **104.0** | 98.4 |
| Trade receivables | **6.5** | 2.6 |
| Other receivables | **0.8** | 0.2 |
| VAT recoverable | **–** | 0.2 |
| Prepayments | **4.4** | 5.3 |
| Accrued income | **1.2** | 1.1 |
| Cash and cash equivalents | **15.6** | 7.3 |
| **Total current assets** | **132.5** | 115.1 |
| **Total Assets** | **138.4** | 120.9 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade creditors | **(13.8)** | (18.8) |
| Stocking finance facilities | **(69.0)** | (64.9) |
| Other taxes and social security | **(0.6)** | (0.7) |
| Vat payable | **(4.5)** | – |
| Accruals | **(17.0)** | (11.2) |
| Deferred extended guarantee income | **(3.5)** | (3.2) |
| Amounts due to related parties | **–** | (0.4) |
| Current tax liabilities | **(2.0)** | (1.8) |
| **Current liabilities** | **(110.4)** | (101.0) |
| Deferred extended guarantee over one year | **(1.6)** | (5.2) |
| **Total non-current liabilities** | **(1.6)** | (5.2) |
| **Total Liabilities** | **(112.0)** | (106.2) |
| **NET ASSETS** | **26.4** | 14.7 |

# FINANCIAL REVIEW

## CASH FLOW AND WORKING CAPITAL

| | FY18 £m | FY17 £m |
|---|---|---|
| **Cash flow from operations before movements in working capital and cash flow on exceptional items** | **24.1** | 18.3 |
| Net working capital movement | **(3.1)** | (4.7) |
| **Cash flow from operations before exceptional items** | **21.0** | 13.6 |
| Payments in respect of exceptional items | **(0.8)** | (6.2) |
| Interest paid | **(1.3)** | (1.3) |
| Income tax paid | **(3.9)** | (2.9) |
| **Net cash generated from operating activities** | **15.0** | 3.2 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(1.3)** | (6.9) |
| Proceeds from sale of property, plant and equipment | **–** | 5.8 |
| Interest received | **–** | 0.1 |
| Cash outflows to related parties | **(0.4)** | (0.8) |
| **Net cash used in investing activities** | **(1.7)** | (1.8) |
| **Cash flows from financing activities** | | |
| Pre IPO Dividends | **–** | (4.4) |
| Post IPO Dividends | **(4.9)** | (1.3) |
| Payments to acquire own shares | **(0.1)** | – |
| **Net cash used in financing activities** | **(5.0)** | (5.7) |
| **Net increase / (decrease) in cash and cash equivalents** | **8.3** | (4.3) |

# RISK MANAGEMENT

## Approach to Risk Management

The Board is accountable for maintaining a policy of continuous identification and review of the principal risks facing the Group which could threaten its future performance or business model. On behalf of the Board, the Audit Committee reviews the effectiveness of Motorpoint's risk management processes.

The Compliance Committee is delegated responsibility, from the Audit Committee, for formally identifying and assessing these risks annually, measuring them against a defined set of criteria, and considering the likelihood of occurrence and potential impact to the Group. The Compliance Committee is formed of two Executive Directors and the Company Secretary.

The most material risks (based on likelihood and impact as illustrated in the Principal Risks and Uncertainties) form our Group Risk Profile, which is reported to the Executive Board for review and challenge, ahead of final review and approval by the Board. These principal risks are then subject to Board discussion during the course of the year, as appropriate. To drive continuous improvement across the business, the Compliance Committee monitors the ongoing status of action plans against key risks quarterly.

## Principal Risks and Uncertainties

On the following pages are details of our principal risks and uncertainties and the key mitigating activities in place to address them. It is recognised that the Group is exposed to risks wider than those listed. We disclose those we believe are likely to have the greatest impact on our business at this moment in time and which have been the subjects of debate at recent Board or Audit Committee meetings.

## Developments in the Year

As required by the Finance Act 2017, we have published our tax strategy online this year, from our main retail website and our PLC website at www.motorpointplc.com/investor-relations/corporate-governance/motorpoint-group-plc-tax-strategy/.

We have also completed detailed internal reviews and performed forecast impact assessments for each of the three forthcoming new accounting standards, which will be adopted into our reporting from FY19 onwards. Whilst the new standards will potentially introduce increased disclosure, we anticipate that only IFRS 16 will have a material impact on the shape of the primary financial statements. In particular, we expect that our substantially leasehold property portfolio will materially gross up the balance sheet, and change the split of expenses between overheads, interest and depreciation in the income statement. We will provide more detail throughout our FY19 Financial reporting.

## How the Board Manages Risk

The Board and each of its delegated Committees operate to a prescribed meeting agenda in order to ensure that all relevant risks are identified and addressed as appropriate. Key management information is reviewed in order to prescribe operating controls and performance monitoring against the Company's strategy and business plans.

The Non-Executive Directors have particular responsibility for monitoring the financial and operating performance, to ensure that progress is being made towards our agreed goals. The Board's responsibilities also include assessing the effectiveness of internal controls and the management of risk.

## The Board's Review of Risk and Controls

During the year, the Board considered all strategic matters, received key performance information on operating, financial and compliance matters and reviewed the results of corresponding controls and risk management. We received from the Audit Committee and the Compliance Committee timely information and reports on all relevant aspects of risk and corresponding controls.

We reviewed all our key Company policies and ensured that all that matters of internal control received adequate Board scrutiny and debate. At Board meetings, and informally via the Chairman, all Directors had the opportunity to raise matters of particular concern to them. There were no unresolved concerns in the year.

We concluded that appropriate controls are in place and functioning effectively. The Board considers that the Group's systems provide information which is adequate to permit the identification of key risks to its business and the proper assessment and mitigation of those risks.

Based on the Audit Committee's and the Compliance Committee's work, the Board has performed a robust assessment, to ensure that: (i) the principal risks and uncertainties facing the Group's business have been identified and assessed, taking into account any adaptations made to the Group's business strategies; and (ii) appropriate mitigation is in place.

# PRINCIPAL RISKS AND UNCERTAINTIES

| RISK AND IMPACT | MITIGATING CONTROLS | CHANGE IN RISK AND COMMENTS SINCE 2017 ANNUAL REPORT |
|---|---|---|
| **Competition**<br>The UK vehicle market is highly competitive and customers have a broad choice of retailers, some of which offer comparable products. The market continues to see consolidation and innovation, through which our competitors have progressed their propositions.<br><br>Concurrently customer expectations and buying patterns are evolving, with the traditional research and purchase channels becoming ever more influenced by digital media, peer recommendations and convenience.<br><br>Failing to stay ahead of the market, or failing to adapt to changing customer behaviours faster than the competition, could undermine our ability to meet our objectives. | We compete via our business model's consistent focus on Choice, Value and Service; each of these cornerstones is built into the business operation and reporting. For example, customer satisfaction ratings are used in the calculation of all bonuses or commissions across the business.<br><br>We identify potential gaps in our proposition using both internal and external sources, for example by commissioning market research studies or mystery shopping best in class retailers. | No change. |
| **Brand and reputation**<br>As a function of being independent of manufacturer support, Motorpoint attracts new and repeat customers substantially through building a compelling perception of the Company's brand and reputation.<br><br>Failure to maintain these would rapidly result in a loss of customer confidence and impact levels of business.<br><br>Unfavourable publicity concerning the Company or the industry in which it operates could also have an adverse impact. | We have continued to expand awareness and relevance of our brand to both new and existing customers, through investment in our website and via more personalised outbound communications.<br><br>Customer satisfaction, measured using the NPS system, sits at the heart of our operations and is subject to regular scrutiny across all levels of the business.<br><br>We closely monitor customer perceptions using both qualitative and quantitative feedback, and respond quickly where possible.<br><br>We employ a policy of comprehensive disclosure and proactive communication in all of our customer processes, in line with our commitment to be Open and Honest. | No change. |
| **Availability and terms of customer finance**<br>Vehicle sales volumes rely on our customers being able to access affordable credit lines. As such the Company is exposed to the risk of lending institutions reducing, terminating or materially altering the terms and conditions on which they are willing to offer consumer credit to the Company's customers.<br><br>Commission income generated by the Company acting as a regulated credit broker could be impacted if either the number of such arrangements reduces, or the structure or amount of commissions earned is altered. | The risk is spread by way of customer finance being offered through a panel of key relationship partners.<br><br>We constantly monitor the market and emerging trends, working in conjunction with our partners to keep our consumer credit offer relevant, competitive and viable.<br><br>Where possible we reinvest in the quality of the customer offer, preferring to build its appeal rather than maximise our commission rates. | No change. |

| RISK AND IMPACT | MITIGATING CONTROLS | CHANGE IN RISK AND COMMENTS SINCE 2017 ANNUAL REPORT |
|---|---|---|
| **Availability of supply**<br>Given the absence of forward-purchase contracts with manufacturers or any other suppliers, there is a risk that future vehicle supply is insufficient to satisfy customer demand as the Company continues to grow. | We use a broad spread of supply channels, within each of which are long-standing relationships. As we grow we will continue to diversify this supply base to minimise reliance on any one source.<br>We employ an experienced buying team which is responsible for maintaining an efficient and effective supply chain.<br>We are able to flex our buying criteria within the scope of our retail proposition (age and mileage of vehicles) to access more supply if any one segment contracts. | No change. |
| **Regulation**<br>The Company has various FCA permissions to carry on a range of regulated insurance and consumer credit activities from which it derives income. There is a risk that increased regulation or restrictions on the sales process or nature of these products would restrict the income available to the Company.<br>In addition, whilst the Directors believe that the Company conducts its business in accordance with all applicable regulations and will endeavour to continue to do so, there remains a risk that a regulator will find that the business has not complied fully with such regulations. In such circumstances, the impact to the business of any regulatory fines and other costs, reputational damage and/or loss of FCA or other authorisations could be material.<br>The introduction of the GDPR has necessitated many changes in business processes and record retention. | We have a number of policies and codes across the business outlining the mandatory requirements within the business. These are communicated to all staff via an employee handbook.<br>We have a Compliance Committee which conducts regular reviews of the key regulatory risk areas, allocating control environment improvement objectives to relevant owners.<br>We also operate a whistle blowing hotline which allows colleagues or suppliers to confidentially report any concerns or inappropriate behaviour within the business.<br>A dedicated project has run from Summer 2017 to review and update systems and processes to implement changes required under GDPR. | Increase.<br>New GDPR requirements. |
| **Economic conditions**<br>The Company operates entirely in the United Kingdom and therefore its business is affected by overall economic conditions and the level of customer confidence and spending in the country, including changes in factors such as unemployment, exchange rates, inflation or deflation and the cost of motoring. | We offer what we believe to be a compelling customer proposition, including a core element of Value. This allows customers to trade up (from older or higher mileage cars) or down (from new cars) as economic conditions fluctuate.<br>We maintain a low cost business model that allows us to maintain our selling prices as low as possible, and we always aim to be cheaper than the competition.<br>We have an extensive forecasting process that enables actions to be taken in the medium term in response to evolving economic conditions. | No change. |

# PRINCIPAL RISKS AND UNCERTAINTIES

| RISK AND IMPACT | MITIGATING CONTROLS | CHANGE IN RISK AND COMMENTS SINCE 2017 ANNUAL REPORT |
|---|---|---|
| **Credit, liquidity and financing**<br>The Company uses a selection of finance facilities to fund its operations, including a stock financing facility, which is secured against its retail vehicle stocks.<br>A change in the pricing or a reduction in funding parameters and facility limits could significantly constrain the Group's ability to trade or the Group could be required to dispose of assets at below their market value or at a substantial discount. | A treasury policy and set of processes are in place to govern and control cash flow activities, including the investment of surplus cash.<br>Forward-looking cash flow forecasts and covenant tests are prepared to ensure that sufficient liquidity and covenant headroom exist.<br>We maintain a close relationship with the stock finance facility provider, with a minimum period of commitment in place to manage the risk of a diminution of lending appetite. | No change. |
| **IT systems and business continuity**<br>The Group is reliant on key IT systems, and disruption to these would adversely impact business operations.<br>Data protection failure may lead to a potential prosecution and reputational damage to the brand. | All critical business systems have either third party maintenance contracts in place or dedicated internal resource.<br>We utilise the services of an expert third party IT company to ensure that any investments made in technology are fit for purpose.<br>We have a disaster recovery strategy including an approved Business Continuity Plan and an ongoing PCI compliance strategy. | No change. |
| **Key management reliance**<br>The Group is reliant on the high quality and ethos of the executive team as well as strong management and operational teams.<br>The loss of one or more of these leaders could lead to poor implementation of the strategy or loss of operational oversight.<br>This risk also encompasses the risk of management override of controls. | The key Senior and Operational Management are appropriately incentivised through bonus and share arrangements such that talent is retained.<br>The composition and succession of the executive team is kept under constant review to ensure that it is appropriate to delivery of the Group's plans.<br>Significant decisions for the business are made by the PLC Board, or via approved delegation by the Executive Board, with segregation of duties enforced on key business processes, such as the payables process. | No change. |

## Viability Statement

In accordance with the UK Corporate Governance Code, the Board has assessed the prospects of the Group over a period in excess of the 12 months required by the 'Going Concern' provision, selecting instead a period to the end of FY22 which takes into account the Group's current position and the potential impact of the principal risks and uncertainties as set out on pages 22 to 24.

In making their assessment the Directors considered the Group's current balance sheet, its strong track record of generating operational cash flows, and stress testing of the key trading assumptions within the Group's plan.

Based on this assessment, the Board confirms it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2022.

The Board has determined that the period constitutes an appropriate period over which to provide its Viability Statement. Whilst the Board has no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a medium term perspective.

# SUSTAINABILITY

## Team

### People development
We continually invest in our teams and their ongoing development as is shown with our Talent Management programme. This continues to run with great success and has seen 25 people actively progress through the programme this year.

Our Talent Management programme is a core pillar in our succession planning strategy. It ensures we are investing in real talent and unleashing their potential. The result is that we have an internal pool of high calibre managers and team members to progress through the business to take up key management positions and open new sites as we grow.

### Coaching culture
As our values show, we have a culture that is supportive and honest. This is driven through our leadership teams and their management style being one of a coaching nature.

We have trained all of our managers this year in how to successfully coach and engage their teams. This culture has enhanced not only the skill and performance of individuals but also their levels of engagement and productivity.

### Skills for life
As well as our management and leadership training we are also very proud to offer training programmes bespoke to Motorpoint, developed specifically for non-management and junior management roles. Courses at all levels of the business are aimed at helping employees to reach their full potential with results at home as well as in the workplace.

Our training falls within four main areas:

- Personal Development
- Work Skills
- Talent and Career Development
- Management Development

### Employee engagement
Motorpoint has been placed in the Sunday Times Top 100 Mid Tier Best Companies to Work For the fourth year running. We achieved our highest scoring position to date, ranking at number 42, and also received a two star accreditation.

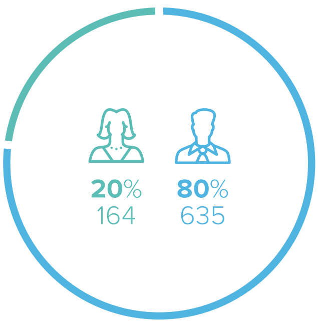
We have celebrated this success with our teams and are committed to listening to their feedback and providing opportunities to further drive engagement levels.

### Employee voice
It is important to us that all our employees have a voice. The 100 Best Companies to Work For survey is a great platform for this.

**Employee profile by gender**

| Female | | Male |
|---|---|---|
| 14% 1 | Board level | 86% 6 |
| 45% 4 | Senior management | 55% 5 |
| 29% 26 | Line manager | 71% 64 |
| 19% 133 | Other employees | 81% 560 |

**Total employees**




We also run our own internal team survey, hold employee feedback forums on sites, all hands team meetings, and we have established an employee wellbeing and community forum.

### Real Living Wage
We take great pride in being an employer who puts investment in its teams as a key priority. As part of this we have continually reviewed our entry level pay rates and created the 'Motorpoint Minimum Wage' which tracks at over and above the living wage. In 2018 we decided to take this a step further and move our Motorpoint Minimum Wage to align that of the Real Living Wage. Work is about enhancing life and helping our employees drive their dreams; the real living wage is a voluntary pay rate which is truly reflective of the cost of living. This rate is significantly higher than the living wage and applies to all people over the age of 18 not just 25. We are proud to say that every single member of our team earns the Real Living Wage or above.

**Talent Management programme**

We offer a two year staff programme that will prepare OUR TEAM to lead

Workshops to develop self management, self belief and leadership qualities

Online learning for knowledge and understanding

Personal development plans "you taking action"

Site visits and presentations from senior managers

Business improvement projects

Coaching qualification

### Employee reward
In recognition of the ongoing commitment and pride our teams display everyday we have reviewed our core benefits package to ensure we are offering benefits that add value to their lives outside of work as much as possible.

We have enhanced our maternity and paternity pay this year as well as introducing additional holiday benefit for anyone who is getting married or moving house. Life events are celebrated and supported.

On top of these new enhanced benefits we have enhanced our staff discount scheme and launched a further Sharesave Scheme.

### Employee wellbeing
We offer an enhanced healthcare option to all employees as well as the Employee Assistance Programme. This is a free service offering independent advice and support including counselling and financial advice and guidance.

# SUSTAINABILITY

Our Cycle to Work scheme has also supported employee health and wellbeing, driving a positive environmental impact.

Employee wellbeing and corporate social responsibility (CSR) are very important to us and so we have established an employee working party who can help drive our CSR strategy and engage employees in our strategic aims.

We have already changed some of our business processes in the office to rationalise the need for printing and are embracing digital solutions to reduce the need to print.

### Greenhouse Gas Emissions Data

We are required to measure and report greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The greenhouse gas reporting period is the calendar year January to December 2017. Emission factors used are from UK government (Defra) conversion factor guidance current for the year reported for carbon dioxide equivalent ($CO_2e$).

| | 2016 | 2017 |
|---|---|---|
| Equivalent $CO_2$ emissions | 2.2t | 2.0t |
| No of sites as at 31 Dec | 11 | 12 |
| Equivalent $CO_2$ per site | 0.2t | 0.2t |

### Our Community

Each of our sites is proud of the community in which they sit and we continually look for ways we can add value and support them. We establish meaningful charity partnerships at a local level and ensure we utilise our resources to generate funds and awareness for each one. Our list of charity partners are:

| Charities supported during the year | |
|---|---|
| Glasgow | The Dog's Trust |
| Birtley | Solan Connor Fawcett Family Cancer Trust |
| Castleford | The Prince of Wales Hospice |
| Burnley | Pendleside Hospice |
| Widnes | James Bulger Memorial Trust |
| Derby | Nottingham School of Boxing |
| Peterborough | Sue Ryder Thorpe Hall Hospice |
| Chingford | Teens Unite |
| Newport | Dreams & Wishes |
| Birmingham/ Oldbury | Birmingham Children's Hospital |
| Sheffield | Cash for Kids |

### Treating Customers Fairly

The Directors are committed to ensuring that the FCA principle of treating customers fairly (TCF) is applied in all areas of our day-to-day business activities. TCF is a core foundation of delivering our retail proposition of Choice, Value and Service, and is thereby fundamental to delivering long term business value. To this end the Board has reviewed and maintained the "Treating Customers Fairly and Vulnerable Customers" policy.

Through concerted focus, TCF has become an integral part of the culture and is subject to frequent and rigorous scrutiny within all forums that consider, inter alia, customer- facing processes, staff remuneration, and product selection. The Board is committed to delivering the best possible service to our customers, with objectives across Motorpoint reflecting this aim.

In particular, the following business areas are under constant review in light of changes to Motorpoint's business model, customer requirements or the regulatory environment:

- Marketing practices, including promotional material
- Sales processes, whether on site, via the contact centre or digital
- Customer communications
- Record keeping
- Complaints handling

A review and reporting environment has been developed to ensure that Motorpoint's high expectations are met, and that all systems, people and processes are supported to achieve our TCF objectives, including via:

- qualitative quality controls, such as post sale customer interviews and mystery shoppers;
- quantitative quality controls, such as cancellation rates for products within their cooling-off period; and
- ongoing training and support for our team, including personalised and scheduled refresher training.

### Other

We are committed to the highest levels of health and safety for our team and for others working on behalf of Motorpoint. To that end we use a specialist Health and Safety Management System to ensure the appropriate levels of training, reporting and support. We carry out health and safety risk assessments regularly, with the results reported to both the Compliance Committee and the Board.

We ensure all employees complete health and safety training in their induction period and refresh at appropriate points in their ongoing career.

We continue to address the risks of modern slavery and human trafficking in response to the Modern Slavery Act 2015, including by debating and adopting a policy, raising awareness of the risks across the business, and working with suppliers to protect workers from abuse or exploitation.

We operate a confidential whistle blower hotline which is available for all of our team and our suppliers, to give them the opportunity to raise any issues about dishonesty or malpractice within Motorpoint, the results of which are independently collated and submitted to the Compliance Committee. We also have an Anti-Corruption and Anti-Bribery policy which is reviewed and recommended annually.

This Strategic Report is set out on pages 1 to 26 and is approved by the Board of Directors and signed on its behalf.

**Mark Carpenter**
Chief Executive Officer
12 June 2018

**James Gilmour**
Chief Financial Officer
12 June 2018

### Our Charity Partners

# CHAIRMAN'S INTRODUCTION TO GOVERNANCE

The Board recognises the importance of, and is committed to, high standards of corporate governance and all Directors are fully aware of their duties and responsibilities under the UK Corporate Governance Code, the Disclosure and Transparency Rules and the Listing Rules.

I am pleased to confirm that Motorpoint continues to comply with the April 2016 UK Corporate Governance Code (the Code), being the Code applicable for the relevant period.

## Governance Framework

The Directors are satisfied that Motorpoint has established procedures in place which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group. This Corporate Governance Report discusses the robust framework for controlling and managing the Group in further detail.

## Directors

All of our Directors were appointed on or around flotation and they are listed along with their biographies on pages 28 and 29 of this Report.

## Annual General Meeting

This Annual Report remains the principal means of reporting to our shareholders on the Board's governance policies and therefore I welcome this opportunity to set out how the main and supporting principles of good corporate governance, as set out in the Code, the FRC Listing Rules and the Disclosure and Transparency Rules, have been applied in practice.
I would like to encourage our shareholders to attend our AGM which will be held on Tuesday 24 July 2018 at 11.00 am at Pride Park Stadium, Pride Park, Derby, DE24 8XL. This is a good opportunity for you to meet the Executive and Non-Executive Directors. The notice of the AGM will be sent separately to shareholders along with this Report.

**Mark Morris**
Non-Executive Chairman
12 June 2018

# BOARD OF DIRECTORS AND COMPANY SECRETARY

CHAIRMAN

COMPANY SECRETARY

**Mark Morris**
Non-Executive Chairman

Date of appointment
12 April 2016

Committee memberships
Nomination (Chair)

Background and career
Mark has been Chairman of Motorpoint Limited since January 2013 and prior to that Chairman/consultant since December 2010. He has 20 years' experience in motor retail having been finance director and then managing director of Sytner Group Plc. Prior to his role at Sytner Group, Mark was in audit, business advisory and corporate finance with Price Waterhouse where he qualified as a Chartered Accountant.

Areas of expertise
Motor retail and finance

Significant external roles
None

**Mark Carpenter**
Chief Executive Officer

Date of appointment
12 April 2016

Committee memberships
Compliance, Nomination

Background and career
Mark was appointed CEO of Motorpoint Limited in May 2013 following two years as CFO. He has 16 years' experience in motor retail and was previously finance director of Sytner Group Plc from 2005 to 2010. Prior to this, Mark was with Andersen, where he qualified as a Chartered Accountant.

Areas of expertise
Motor retail and finance

Significant external roles
None

**James Gilmour**
Chief Financial Officer

Date of appointment
12 April 2016

Committee memberships
Compliance

Background and career
James has been CFO of Motorpoint Limited since August 2015. He has 10 years' prior experience in retail, having previously held a number of finance positions at Tesco, including two years as finance director of Tesco Slovakia. Prior to Tesco, James held positions with Volvo Financial Services and with Deloitte, where he qualified as a Chartered Accountant.

Areas of expertise
Motor retail, general retail and finance

Significant external roles
None

**Manjit Virk**
Company Secretary

Date of appointment
11 May 2016

Committee memberships
Compliance. Secretary to Audit, Remuneration and Nomination

Background and career
Manjit was a senior associate corporate/commercial lawyer at Freeths LLP, having had a 14 year career as a solicitor.

Areas of expertise
Legal – corporate and commercial

Significant external roles
None

## NON-EXECUTIVE DIRECTORS

### Gordon Hurst
Independent
Non-Executive Director

**Date of appointment**
13 May 2016

**Committee memberships**
Audit (Chair), Remuneration, Nomination

**Background and career**
Gordon spent the majority of his executive career with Capita Plc where he spent 27, years including 19 years as group finance director. Gordon trained as a Chartered Accountant with Coopers & Lybrand.

**Areas of expertise**
Finance

**Significant external roles**
None

### Mary McNamara
Senior Independent
Non-Executive Director

**Date of appointment**
13 May 2016

**Committee memberships**
Remuneration (Chair), Audit, Nomination

**Background and career**
Mary was CEO of the commercial division and board director of Close Brothers Group Plc. She spent 17 years with GE in a number of leadership roles, including CEO of the European Fleet Services business. Mary has also spent time with Skandia and 14 years at Harrods.

**Areas of expertise**
Financial services

**Significant external roles**
OneSavings Bank Plc – Chair of Remuneration Committee
Dignity Plc – Chair of Remuneration Committee

### Steve Weller
Independent
Non-Executive Director

**Date of appointment**
13 May 2016

**Committee memberships**
Audit, Remuneration, Nomination

**Background and career**
Steve is CEO of uSwitch.com, one of the leading comparison websites, where he has been since 2006. uSwitch.com was expanded rapidly under Steve's leadership, where he successfully completed a management buy out in 2013 with LDC and subsequently sold the business to ZPG Plc in 2015. Prior to this Steve was involved in a number of roles in the telecoms industry, including with Orange.

**Areas of expertise**
E-commerce and online

**Significant external roles**
CEO of uSwitch.com

### David Shelton
Non-Executive Director

**Date of appointment**
Executive from 12 April 2016 to 31 March 2018

**Committee memberships**
None

**Background and career**
David co-founded Motorpoint in March 1998 following a ten year career as Buying Director for Motorhouse. David became a NED on 1 April having previously been an Executive Director.

**Areas of expertise**
Motor retail

**Significant external roles**
Director of Shoby Properties Limited and Shoby Investments Limited

# CORPORATE GOVERNANCE STATEMENT

## Leadership

### The role of the Board

The Board has regular scheduled meetings most months throughout the year, and attendance is tabled in the next column.

Mark Morris chairs the meetings and promotes a culture of openness and debate, including inviting the Executive Directors and the NEDs to debate and challenge Motorpoint's strategic matters. Mark sets the agendas for meetings in conjunction with the CEO, CFO and Company Secretary and ensures that Board papers are accurate, informative and distributed in good time for meetings.

The Board has a written statement of matters which are reserved for its decision, which was reviewed and updated in March 2018. This includes:

- Strategy and management
- Structure and capital
- Financial reporting controls
- Internal controls
- Contracts
- Communication
- Board membership and other appointments
- Remuneration
- Delegation of authority
- Corporate governance matters
- Policies

The Board regularly considers Motorpoint's need for a ready supply of strong General Managers to support its strategy for growth and opening new sites. This includes keeping the current management teams on sites motivated and incentivised.

The NEDs have constructively challenged and helped develop proposal strategies when considering locations for new site openings and decisions surrounding the General Managers, among other matters.

### Board and Committee attendance FY18

The table below sets out the Directors' attendance at meetings of the Board and Committees for the year ended 31 March 2018:

| Director | Scheduled Board | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| Mark Morris | 10/10 | – | – | 1/1 |
| Mark Carpenter | 10/10 | – | – | 1/1 |
| James Gilmour | 10/10 | – | – | – |
| David Shelton | 10/10 | – | – | – |
| Mary McNamara | 9/10[1] | 3/4[1] | 5/5 | 1/1 |
| Gordon Hurst | 10/10 | 4/4 | 5/5 | 1/1 |
| Steve Weller | 10/10 | 4/4 | 5/5 | 1/1 |

1 Mary McNamara did not attend the Board and Audit Committee meetings on one date due to an unavoidable prior engagement. She was provided the papers in advance of the meetings and had the opportunity to provide any comments or raise any queries to the Chairman, for raising at the meeting.

The Chairman's primary role is to lead the Board and to ensure that it is effective in all aspects of its role. The CEO's primary role is to provide the overall management and leadership of the Company and to formulate/propose the Company's strategy to the Board. It is the responsibility of both to uphold and promote high standards of integrity and probity within the Group.

In order to ensure the success of the Company, it is essential that the Chairman and CEO have a close relationship, based upon trust, with the Chairman providing support and advice while respecting the importance of the CEO's executive responsibilities. It is particularly important that both promote effective relationships and open communication, both inside and outside the Boardroom, between Non-Executive and Executive Directors.

The roles of Chairman and CEO are clearly defined with the division of responsibility having been set out in writing and approved by the Board.

David Shelton sits on the Board as a Non-Executive Director as of 1 April 2018, is a significant shareholder with an interest in 23.4% of the issued share capital of the Company via Shoby Investments Limited and is also director and shareholder of Shoby Properties Limited, which is landlord to a number of the Company's sites.

David Shelton has entered into a Relationship Agreement which is intended to ensure that the Company and the Group are capable of carrying on their business independently of Shoby and David Shelton, their respective associates and persons acting in concert with them or their respective associates at all times after Admission (Related Party Group). The Relationship Agreement is in force for so long as the Company remains listed and the undertakings are required from the Related Party Group so long as David/Shoby Investments Limited holds 10% or more of the voting rights in the Company.

## Roles and Responsibilities

### The Chairman's role

- Chair the Board, the AGM and other shareholder meetings of the Company.
- Set the Board's agenda (primarily focused on strategy, performance, value creation and accountability) and ensure that adequate time is available for discussion of all agenda items, in particular strategic and complex/ contentious issues.
- Ensure that clear strategic objectives of the Company are agreed by the Board and that these are monitored and regularly reviewed, and ensure that the Board determines the nature and extent of the significant risks that the Company is willing to embrace in implementing its strategy.
- Ensure that the Board has effective decision-making processes and applies sufficient challenge to major proposals.
- Ensure that an appropriate balance is maintained between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community).
- Ensure that the Board, Audit, Remuneration and Nomination Committees are properly structured with appropriate Terms of Reference.
- Encourage all Board members to engage in Board and Committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence.
- Develop productive working relationships with all Executive Directors and the CEO.
- Consult the SID on Board matters in accordance with the Code.
- Demonstrate ethical leadership and promote the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.
- Ensure that the Board receives accurate, timely and clear information from the Company, including the CEO, the CFO, the Company Secretary and the wider management team, in particular regarding its performance, delivery of key strategies and KPIs, to enable the Board to make sound decisions.
- Maintain an effective and complementary Board, initiating change and succession in Board appointments, subject to Board and shareholder approval. This includes the identification and regular review of training/development needs of individual Directors as well as addressing the development needs of the business as a whole, with a view to enhancing overall effectiveness.
- Hold meetings with the NEDs, without the Executive Directors present.
- Together with the SID, ensure effective communication with shareholders and other stakeholders and that the Board is made aware of the views of those who provide the Company's capital.
- Promote a culture of mutual respect, openness and debate by facilitating the effective contribution of NEDs in particular and ensuring constructive relations between Executive Directors and NEDs.
- Be primarily responsible for the response from the Company to any takeover approach.
- Build a close relationship of trust with the CEO and CFO, providing support and advice while respecting executive responsibility.
- Ensure that the performance of the Board, its Committees and individual Directors (including the CEO) is evaluated at least once a year and act on the results of such evaluation.

### The CEO's role

- Formulate and propose the strategic direction of the Company and incorporate this into a business plan for regular discussion and agreement by the Board.
- Ensure that Board decisions are effectively implemented and progress reported back to the Board.
- Propose, and then ensure the implementation of, Company policies as agreed by the Board.
- Have overall responsibility for the operational and financial performance of the Company.
- Manage the Company's affairs and resources on behalf of the Board, except for those reserved for decision by the Board.
- Provide clear leadership, and inspire and support the Company's employees in all areas of the Company's business, including the development of ideas, products and operations. Ensure that employees have all relevant up to date information, including relevant information from the Board.
- Draw up succession plans for key Senior Management positions and specialist roles within the Company, ensure that these plans are discussed with the Board as appropriate and, where appropriate, make proposals to the Nomination Committee for the appointment of new Executive Directors. This includes the identification, development and promotion of succession candidates to prepare them for appointment into appropriate positions of leadership.
- Ensure that key relationships with customers and suppliers are fostered.
- Be the main day-to-day contact with existing and potential investors, providing the appropriate level of information about the Company's business, its results and strategic direction.

# CORPORATE GOVERNANCE STATEMENT

- Act as a liaison between the Company and the public, with responsibility for ensuring the profile of the Company.
- Ensure that there are appropriate processes in place to identify and manage risk in line with the Board's overarching risk principles.
- Agree and review the annual performance objectives for the other Executive Directors and members of the senior management team.

### Senior independent Director's role

- Provide a sounding board for the Chairman.
- Serve as an intermediary for the other Directors when necessary.
- Be available to shareholders if they have concerns which the normal channels through the Chairman, CEO or other Directors have failed to resolve.
- Meet with the other NEDs without Executive Directors present.
- Lead the annual evaluation of the Chairman's performance.

### The role of the independent Non-Executive Directors

- Scrutinise and monitor the performance of management.
- Constructively challenge the Executive Directors.
- Monitor the integrity of financial information, financial controls and systems of risk management.

### The Company Secretary's role

- Ensure that good information flows within the Board and its Committees, between Senior Management and NEDs.
- Facilitate induction and assist with professional development and training.
- Advise the Board through the Chairman on all governance matters.
- Act as secretary to the Board and all Committees.
- Assist in arranging independent professional advice for the Directors when required.
- Ensure that Board procedures are complied with.

## Effectiveness

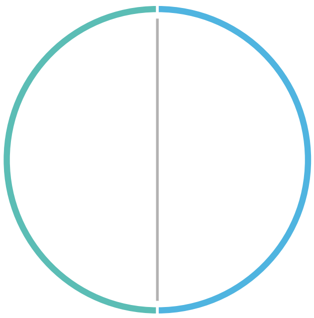
### Composition of the Board

During the year the Board comprised four NEDs and three Executive Directors, which is considered to be an adequate size to meet the requirements of the business. As of 1 April 2018 this is now five NEDs and two Executive Directors.

Excluding the Chairman, half of the Board comprised NEDs who are considered by the Board to be independent:

- Mary McNamara
- Gordon Hurst
- Steve Weller

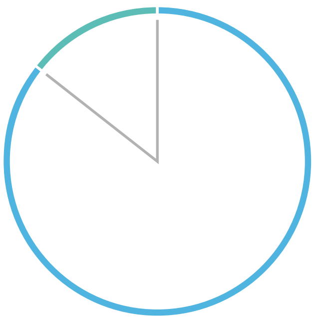
**INED/Executive split**



INED 3
Executive 3

As at 31 March 2018

**Male/female split**



Male 6
Female 1

Details of the NEDs' letters of appointment are set out on page 44 in the Remuneration Policy. The full terms and conditions are available for inspection on request from the Company Secretary and will be available for review 15 minutes prior to the AGM.

### Evaluation

During the year the Chairman led a formal evaluation of the Board's performance. As part of this process Directors' training and development needs are also being considered. The Board members were given thorough training on the Code and insider dealing prior to the IPO by the Company's lawyers and no additional training needs were identified at the time of the evaluation.

All of the existing Directors will be up for re-election at Motorpoint's next AGM. The biographies of the Directors are included on page 28 and 29.

## Accountability

### Financial and business reporting

The Board is responsible for preparing the Annual Report and Accounts and considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders in compliance with the Code.

The Company's Viability Statement is on page 24 in the Strategic Report.

The Audit Committee Report is on pages 34 and 35.

The Directors confirm they have carried out a robust assessment of the principal risks facing the Company. They key risks are set out and considered in more detail on pages 22 to 24.

## Relations with Shareholders

The Board maintains a dialogue with its shareholders via monthly reporting from the CEO and CFO who meet regularly with investors and analysts to discuss the Company's performance. All shareholders have access to the Chairman and SID, who are available to discuss any questions which they may have in relation to the running of the Company.

The Board encourages shareholders to attend its AGM on 24 July 2018, details of which are in a notice of AGM to be sent to shareholders with this Report, and is always willing to answer questions, either in the meeting itself or, more informally, afterwards.

The Board recognises the need to ensure that all Directors are fully aware of the views of major shareholders. Copies of all analysts' research relating to the Company are circulated to Directors upon publication. The Board receives a monthly Investor Relations report which includes an analysis of the Company's shareholder register.

# NOMINATION COMMITTEE REPORT

**The Board is now focusing its attention on succession planning.**

MARK MORRIS
NOMINATION COMMITTEE CHAIR

## Nomination Committee Chair's Statement

The Nomination Committee (the Committee) is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board Committees and the chairmanship of the Board Committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise that will be needed on the Board in the future.

In its second year following Admission, the Committee's role is now looking to focus on succession planning.

## Committee Composition

The Committee comprises five members: the CEO, Mark Carpenter; three independent NEDs, Gordon Hurst, Mary McNamara and Steve Weller; and the Non-Executive Chairman, Mark Morris.

The Committee is chaired by Mark Morris.

## Committee Responsibilities

The Committee leads the process for Board appointments and makes recommendations to the Board, and evaluates the balance of skills, experience, independence and knowledge on the Board.

The Committee has considered the Board's diversity, including gender, race and professional diversity.

The Committee met once for a scheduled meeting during the year and its activities included initial considerations for Board succession, the terms of David Shelton's NED letter of appointment and review of its Terms of Reference. Details of the Committee attendance is included on page 30.

## Our Priorities for the Year Ahead

The Committee has commenced a more formal review of Board succession which will be progressed during the year ahead.

**Mark Morris**
Nomination Committee Chair
12 June 2018

# AUDIT COMMITTEE REPORT

> The Board has overall responsibility for managing the risks facing the business to protect as far as possible the long term success of Motorpoint.
>
> **GORDON HURST**
> AUDIT COMMITTEE CHAIR

## Audit Committee Chair's Statement

The Board has overall responsibility for managing the risks facing the business to protect as far as possible the long term success of Motorpoint. The Audit Committee (the Committee) plays a crucial role in assisting the Board to discharge that duty by monitoring, reviewing and challenging the effectiveness of the Group's systems of control and processes concerning financial reporting; risk management and business continuity; and business assurance around areas such as fraud, bribery and corruption detection, and whistle blowing. The Committee also monitors and reviews the appointment of the Company's external auditors, including with regard to their independence and effectiveness, audit fees and the provision of non-audit services.

## Audit Committee Composition

The Committee comprises three independent NEDs: Gordon Hurst (Committee Chair), Mary McNamara and Steve Weller. The table on page 30 sets out each member's attendance record at Committee meetings during the financial year.

Although not members of the Committee, the Chairman, the CEO, the CFO and the Company Secretary are also invited to attend meetings (unless they have a conflict of interest), as are the external auditors.

The Committee Chair has regular dialogue with the external auditors, without the Executive Directors present.

The Board is satisfied that the Chair of the Committee, Gordon Hurst, has recent and relevant financial experience. He is a Chartered Accountant and has held executive roles in financial positions in other companies. The Committee's other members have all played an active role in Committee meetings held throughout the year.

The Committee has engaged the following external advisers to assist it in meeting its responsibilities: PricewaterhouseCoopers LLP (PwC) act as external auditors. The Company also receives advice as required from PwC, Deloitte and Pinsent Masons LLP on tax and legal issues relating to corporate matters.

## Audit Committee Responsibilities

The Committee's principal responsibilities are:

- monitoring the integrity of the Company's financial statements in relation to the Company's financial performance;
- reviewing the effectiveness of the external audit process;
- assessing the potential requirement to build an internal audit function; and
- reviewing the effectiveness of the Group's financial and internal controls, including the process for the evaluation, assessment and management of risk.

The Committee met four times for scheduled meetings during the year and once since the year end. Its activities included:

- reviewing and approving the Annual Report and Accounts to 31 March 2018 and half year results to 30 September 2017;
- considering reports from the external auditors and identifying any accounting or judgemental issues requiring its attention;

- overseeing the appointment of and relationship with the external auditors, including an assessment of their independence and a review of the policy for use of external auditors to provide non-audit services;
- reviewing and considering the requirement to build an internal audit function;
- considering accounting treatments for one-off transactions encountered in the year;
- reviewing and approving the Group's treasury policy;
- reviewing the Company's Risk Register and the risk mitigation actions undertaken during the year;
- considering reports on the Company's Anti-Bribery and Anti-Money Laundering policies;
- reviewing the Committee's Terms of Reference; and
- agreeing an appropriate period for a Viability Statement.

**Financial Reporting**

The Board has discussed areas of risk with the external auditors and agree for the following areas of heightened risk to be reviewed and assessed in the audit of the Company's performance in the financial year to 31 March 2018:

- Share option schemes: due to the complexity of IFRS 2 Share-based Payment, and the continued growth in the number of active schemes for Motorpoint employees and of grants under the Performance Share Plan in the year, there is a heightened risk of error from the accounting for share based payments as they involve complex calculations with multiple assumptions relating to volatility, risk free rate, dividend yield and non-vesting rate.

- Property Related Provisions: we operate across a number of locations and if there is clear indication that a property will no longer be used for its intended operation, a provision may be required based on an estimate of potential liabilities for periods of lease where the property will not be used, together with costs associated with the leases for items such as dilapidations and other associated costs. Due to the judgement involved in determining these potential costs this is deemed a heightened risk.

- VAT margin scheme treatment: due to the complexity of the VAT legislation in relation to applying the VAT margin scheme on the sale of used vehicles and industry practice of making rebate payments which are an area of contention with HMRC, there is a heightened risk of error from incorrect accounting treatment.

During the year the Committee reviewed these judgements, which are described further in the relevant accounting policies and detailed notes to the financial statements.

The external auditors reported to the Committee any misstatements that they had found in the course of their work and no material adjustments were required.

After reviewing the presentations and reports from management and consulting where necessary with the external auditors, the Committee was satisfied that the financial statements appropriately addressed the critical judgements and key estimates in respect of both the amounts reported and disclosures.

**External Audit**

The Committee oversees the Group's relationship with the external auditors. In line with its Terms of Reference, the Committee undertakes a thorough assessment of the quality, effectiveness, value and independence of the audit provided by PwC each year, seeking the views of the Board, together with those of relevant members of the Executive Board.

The Board is satisfied that the Company has adequate policies and safeguards in place to ensure that PwC maintain their objectivity and independence. The external auditors report to the Committee annually on their independence from the Company.

To fulfil its responsibilities in respect of the independence and effectiveness of the external auditors, the Committee reviewed:

- the terms, areas of responsibility, duties and scope of work of the external auditors as set out in the engagement letter;
- the audit work plan for the Group;
- the detailed findings of the audit, including a discussion of any major issues that arose during the audit;
- confirmation from PwC of their independence and objectivity; and
- the audit fee and the extent of non-audit services provided during the year.

The external auditors are appointed by shareholders to provide an opinion on the financial statements and certain other disclosures prepared by the Directors. PwC acted as the external auditors to Motorpoint throughout the year.

The Board has a formal policy on the Company's relationship with PwC in respect of non-audit work. Proposals for all non-audit services above £50,000 must be approved by the Committee before any such work is carried out, and PwC may only provide such services if their advice does not conflict with their statutory responsibilities and ethical guidance.

Following the most recent review, the Committee recommended the reappointment of PwC as auditors of the Company, and PwC expressed their willingness to continue in office. A resolution to reappoint PwC and a resolution to enable the Directors to determine their remuneration will be proposed at the 2018 AGM.

**Review of Anti-bribery Controls and Whistle Blowing**

The Committee reviewed the Company's anti-bribery processes and controls and evaluated and approved these and the Company's bribery risk assessment. On its recommendation, the Board readopted the Company's Anti-Bribery policy statements and associated controls. The Committee considered reports on known instances of alleged wrongdoing and matters reported on the Company's confidential reporting line and their investigation, reviewed the adequacy of whistle blowing procedures and commissioned follow-up action and improvements in risk related controls.

**Gordon Hurst**
Audit Committee Chair
12 June 2018

# REMUNERATION COMMITTEE REPORT

> **The executive team has recruited to strengthen the Sales, Operational and support functions. The focus of the Remuneration Committee has been to ensure that the executive team and new recruits remain focused, motivated and are retained for the next stage of our development.**
>
> **MARY MCNAMARA**
> REMUNERATION COMMITTEE CHAIR

I am pleased to present the Company's Directors' Remuneration Report for the financial year ended 31 March 2018.

This report is split into two sections:

- The Directors' Remuneration Policy, which describes the remuneration policy that has been applied to the Executive Directors and NEDs of the Company since Admission. The policy was approved by shareholders at the 2017 AGM and no changes are proposed this year.
- The Annual Report on Remuneration, which sets out in detail how the remuneration policy has been applied in the year to 31 March 2018, as well as how it will be applied in the forthcoming year. This section of the report, as well as this introductory letter, will be subject to an advisory shareholder vote at the 2018 AGM.

### Remuneration and How it Supports our Business Strategy

The Remuneration Committee (the Committee) is responsible for setting and applying a remuneration policy which serves to provide fair and appropriate levels of remuneration to the Senior Management team. The goals of the policy are to provide appropriate reward for strong performance and quality leadership; to ensure the retention of key employees; and to allow the Company to attract high quality candidates where required. The Committee believes that the current policy is appropriate, provides alignment with the Company's shareholders, customers and employees and focuses the Executive Directors on the delivery of strong financial performance.

A sizeable portion of each Executive Director's total package is performance-based, with performance measures linked to our key strategic objectives of delivering profitable Earnings growth, together with high levels of customer satisfaction and employee engagement. Furthermore, the award of share based long term incentives, in tandem with the share ownership guidelines, serve to directly align the interests of our Directors with those of our shareholders.

The remuneration policy received strong support from shareholders at the 2017 AGM. A summary of the key elements of the policy and how they will be applied in the forthcoming financial year are set out opposite.

### Summary of Remuneration Policy

| Element | Description | Opportunity |
|---|---|---|
| Fixed Salary | Set at a level to reflect the experience, skills and responsibilities of the individual as well as the scope and scale of their role. | Effective 1 July 2018:<br>CEO: £255,000<br>CFO: £200,000 |
| Benefits | Family private medical insurance, company car, fuel allowance and participation in the Company's all employee SAYE Scheme. | Market competitive. |
| Pension | Contributions paid to nominated personal pension funds for each Director. | 10% of salary. |
| Variable annual bonus | Performance is measured with reference to an appropriate mix of financial and non-financial measures, determined annually by the Committee and in alignment with the Company's strategic objectives at that time. Currently bonuses are based on Adjusted Profit before tax, customer satisfaction and employee engagement metrics. | Up to 100% of salary. |
| Performance Share Plan | Annual awards of performance shares, vesting subject to challenging EPS growth targets, measured over a period of three financial years.<br>Awards are additionally subject to a two year post vesting holding period during which time vested shares may not be sold (other than for tax).<br>In addition, any vested awards must be retained (net of any taxes due) until the shareholding guidelines have been met. | Up to 100% of salary. |

#### Remuneration in FY18

Base salaries were set on Admission and are reviewed annually. No salary increases were awarded to Executive Directors in FY18. Pension and other benefits were provided in line with the remuneration policy.

Annual bonuses for FY18 were based on Adjusted Profit before Tax, customer satisfaction (NPS and Google ratings) and employee engagement (measured through participation in the Sunday Times 100 Best Companies to Work For survey). Reflecting the strong performance of the Company during the year, the targets under each element were met in part, and accordingly a bonus of 60.8% of maximum was payable for FY18 performance.

A second award under the Performance Share Plan (PSP) was granted in July 2017, and will be eligible to vest in July 2020, subject to a minimum of 18% p.a. EPS growth over the three financial years to 31 March 2020. Full vesting of the shares will require 35% p.a. EPS growth. The higher EPS growth targets for the 2017 PSP award (compared with those set for the 2016 PSP award) reflect the lower base EPS on which the growth targets are based.

As announced in June 2017, David Shelton began a phased reduction in his contracted working hours during the course of FY18 and, on 1 April 2018, he became a Non-Executive Director of the Group. His remuneration for FY18 was reduced pro-rata to reflect the reduction in time commitment during the year.

The table below provides a summary of total remuneration for the Executive Directors for FY18.

| £'000 | Salary | Benefits | Pension | Bonus | LTIP | Total |
|---|---|---|---|---|---|---|
| Mark Carpenter | £250 | £16 | £25 | £152 | – | £443 |
| James Gilmour | £180 | £15 | £18 | £109 | – | £322 |
| David Shelton | £160 | £30 | £0 | £78 | – | £268 |

# REMUNERATION COMMITTEE REPORT

**Application of the Policy for FY19**

The remuneration policy was developed in preparation for the Company's IPO in May 2016, in line with existing remuneration arrangements, market best practice and investor guidelines for the listed-company market. No major changes are proposed for the application of the policy in FY19.

The Executive Directors' salaries were deliberately set on IPO at a discount to the prevailing market rate for comparable roles in companies of similar size and complexity to Motorpoint. No salary increases were awarded in FY18. The remuneration policy, however, allows us the flexibility to provide higher increases in future years, to bring executive pay closer to the market level, should the Committee feel that it is appropriate to do so, and supportive of the wider Company strategy, at that point. An 11.1% increase has been applied to James Gilmour's salary effective 1 July 2018, recognising James' experience and strong performance in role. It is noted that the salaries for both Executive Directors continue to remain below prevailing market rates. Whilst the Committee operates a general policy of restraint on fixed pay, further adjustments to the base salary levels may be made in future years to ensure that the overall packages remain appropriate.

No changes are proposed to the annual bonus and performance share award opportunity. The measures remain linked to the delivery of strong financial performance targets, with customer and employee engagement measures also targeted under the annual bonus plan.

The Committee wishes to maintain an open and transparent dialogue with shareholders, and we will seek to consult with them in relation to any major changes to the policy or its implementation in future years. I welcome any comments or questions you may have with regards to any part of this report.

I believe that the remuneration structures in place are appropriate and relevant for the Company, and I hope that you will support the relevant remuneration resolutions at our upcoming AGM.

**Mary McNamara**
Remuneration Committee Chair
12 June 2018

# REMUNERATION POLICY

This section of the report sets out the remuneration policy for the Directors of Motorpoint Group Plc. The policy report was approved by shareholders at the AGM on 26 July 2017 and took effect from that date. No changes are proposed to the policy this year and therefore there will be no shareholder vote on the policy section of the Remuneration Report at the AGM. The current remuneration policy (as approved by shareholders last year) is set out here for reference purposes only.

### Setting the Remuneration Policy

The Committee sets the remuneration policy for Executive Directors and other Senior Executives taking into account the Company's strategic objectives, shareholder expectations and the principles of the UK Corporate Governance Code.

The aim of the remuneration policy is to provide an appropriate pay structure for the Executive Directors and Senior Management, to ensure their retention and to continue to focus them on delivering strong financial performance.

The Company and the Committee are confident that the formal policy set out in this report is effective at driving continued good performance from the Executive Directors without overpaying, and is therefore appropriate for the Company.

### Consideration of Pay Conditions Within the Wider Team

When making decisions on executive remuneration, the Committee takes into account pay conditions for the Company as a whole, although it does not consult directly with employees on this subject.

The Group has a strong "team culture" and accordingly there is consistency in how packages are structured across the whole Senior Management team, with all Executive Directors and Senior Managers participating in the same annual incentive plan and PSP from Admission.

However, there are some differences in the structure of the remuneration policy for the Executive Directors compared with other Senior Managers, which the Committee believes are necessary to reflect the different levels of responsibility. The two main differences are the increased emphasis on performance related pay for Executive Directors (through a higher variable pay opportunity) and a greater focus on long term alignment (through additional holding periods for the long term incentive awards and minimum shareholding guidelines).

### Shareholder Views

The Committee values the views of the Company's shareholders and takes into account guidance from shareholder representative bodies.

Shareholder feedback received in relation to the AGM, as well as any additional feedback received during the year, will be considered as part of the Company's annual review. Before any significant changes to the policy are proposed, the Chair of the Committee will discuss these changes with the Company's major shareholders to ensure that the policy remains supportive of their interests.

### Remuneration Policy for Executive Directors

The table below sets out, for each element of pay, a summary of how remuneration is structured and how it supports the Company's strategy.

| Purpose and link to strategy | Operation | Performance measurement | Maximum opportunity |
|---|---|---|---|
| **BASE SALARY** | | | |
| To aid the recruitment of Executive Directors of a suitable calibre for the role and to provide a core level of reward to reflect the duties required. | Base salaries will normally be reviewed annually by the Committee with any increases typically taking effect from 1 July each year. | Base salary levels are set at a level to reflect the experience, skills and responsibilities of the individual as well as the scope and scale of their role.<br><br>Increases to base salary will reflect the performance of the individual and Company and external indicators such as inflation. | While there is no maximum salary, increases will normally be in line with the typical level of increase awarded to other employees of the Group.<br><br>However, since base salaries at Admission were set significantly below competitive market levels, the Committee reserves the right to award increases above the level set out above to ensure that the salaries appropriately reflect the role, responsibilities, performance and experience of the Directors.<br><br>For details of the current base salary levels for the Executive Directors see page 51. |

# REMUNERATION POLICY

| Purpose and link to strategy | Operation | Performance measurement | Maximum opportunity |
|---|---|---|---|
| **BENEFITS** | | | |
| To provide a market-competitive benefits package for the executives to aid recruitment and retention. | The benefits offered to Executive Directors comprise family private medical insurance, access to a car and fuel allowance.<br>The Committee may offer an equivalent cash allowance instead if it feels it is more suitable.<br>Other reasonable benefits may be offered as appropriate (including, in exceptional circumstances, relocation and/or disturbance allowances).<br>Executive Directors may also be reimbursed for any reasonable expenses incurred in performing their duties, and any income tax payable thereon. | Not applicable. | There is no maximum limit on the value of the benefits provided but the Committee monitors the total cost of the benefit provision on a regular basis. |
| **PENSION** | | | |
| To provide market-competitive pension arrangements for the executives to aid recruitment and retention. | Executive Directors are eligible for a contribution to the Group personal pension plan, or any other nominated personal pension fund.<br>Where appropriate, Executive Directors may instead receive a cash allowance in lieu of formal pension contributions, or a combination of both. | Not applicable. | 10% of base salary. |
| **ANNUAL BONUS** | | | |
| To encourage improved financial and operational performance and align the interests of Directors with the short term Company strategy. | Executive Directors are eligible for bonuses, payable in cash, on an annual basis. Bonus payments are subject to the achievement of annual performance targets.<br>Annual bonuses are payable at the sole discretion of the Committee.<br>All bonus payments are subject to appropriate recovery and withholding arrangements. | Performance will normally be based on a mix of financial and operational measures aligned with the strategic objectives of the business.<br>Financial performance will usually be represented by Adjusted Profit before Tax targets, although the Committee reserves the right to use other measures in support of the Company strategy as it sees fit.<br>Stretching performance targets will be determined taking into account internal and external forecasts, and will be set out on a retrospective basis in the Annual Report on Remuneration, unless still considered to be commercially sensitive. | 100% of base salary. |

| Purpose and link to strategy | Operation | Performance measurement | Maximum opportunity |
|---|---|---|---|
| **LONG TERM INCENTIVES** | | | |
| To encourage improved financial and operational performance and align the interests of Directors with the long term Company strategy and the interests of shareholders through share ownership. | The Company operates a PSP under which annual awards of conditional shares or nil cost options can be made to Executive Directors and selected Senior Managers.<br><br>Awards will normally be granted following the publication of the Company's annual results each year.<br><br>Awards made under the PSP will normally vest three years from the date of grant, subject to continued service and the satisfaction of pre-determined performance conditions.<br><br>Any shares vesting to Executive Directors, other than those sold to settle tax and national insurance contributions, will be subject to a two year holding period during which they may not be sold. Thereafter they will be subject to the normal share ownership guidelines as summarised below.<br><br>The Committee may determine that dividend equivalents will accrue over the vesting/holding period.<br><br>Vesting of awards is at the sole discretion of the Committee. All payments are subject to recovery and withholding arrangements. | Stretching performance targets will be set for each award cycle.<br><br>Vesting will normally be based on three year EPS growth targets but, for Senior Managers, vesting may include an element dependent on site performance. The Committee reserves the right to use other measures in support of the Company strategy as it sees fit.<br><br>The Committee will seek to consult with major shareholders should it propose to introduce any other measure representing more than 25% of the total award. | Normally 100% of base salary.<br><br>However, an individual maximum of 150% of base salary may apply in exceptional circumstances. |
| **ALL EMPLOYEE SHARE PLANS** | | | |
| To align the interests of Directors and other employees with those of the shareholders through share ownership. | The Company has adopted employee share plans in which the Executive Directors are eligible to participate on the same terms as all other employees. | Not applicable. | Investment by Executive Director of £3,600 per annum for SAYE. |
| **SHAREHOLDING GUIDELINES** | | | |
| To align the interests of Directors with those of the shareholders through share ownership. | All Executive Directors are required to build and maintain a shareholding equivalent in value to 200% of their annual base salary.<br><br>Until this guideline is met, Directors must retain all shares vesting under the PSP (after payment of tax and national insurance contributions). | Not applicable. | Not applicable. |

# REMUNERATION POLICY

### Choice of Performance Measures

The Committee retains flexibility as to the choice of performance measures for future annual bonus and PSP award cycles. Measures will be selected as appropriate to reflect the business strategy and to ensure the delivery of sound financial performance. The current performance measures are as follows:

| Performance measure | Incentive plan | Link to strategy |
|---|---|---|
| Adjusted profit before tax | Annual bonus | Reflects the short term operating and financial performance of the Company. |
| Customer satisfaction | Annual bonus | Reflects the importance of customers and the customer experience to the organisation and its ongoing success. |
| Employee engagement | Annual bonus | Reflects the importance of our employees and their contribution to the Group's performance. |
| Earnings per Share | Performance Share Plan | Reflects the long-term profitability of the Company and alignment with shareholders. |

### Incentive Plan Operation

The Committee will operate the Company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include timing of awards, dealing with leavers and making adjustments to awards following acquisitions, disposals, changes in share capital, and other merger and acquisition activity.

The Committee also retains the ability to adjust the targets and/or set different measures for the annual bonus plan and outstanding PSP awards if events occur which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Recovery and withholding provisions may be operated at the discretion of the Committee in respect of awards granted under the annual bonus plan arrangements and the PSP in certain circumstances (including where there is a material misstatement or restatement of audited accounts, an error in assessing any applicable performance condition or bonus outcome, or in the event of gross misconduct on the part of the participant).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration.

### Remuneration Policy for Non-Executive Directors

The table below sets out how pay is structured for NEDs.

| Purpose and link to strategy | Operation | Performance measurement | Maximum opportunity |
|---|---|---|---|
| FEES | | | |
| To ensure a fair award for services provided to the Company. | NEDs receive a fixed base fee for their role on the Board, plus supplementary fees for additional responsibilities such as performing the role of SID, or chairing one of the Board Committees.<br><br>The Non-Executive Chairman receives a fixed fee only, and is not eligible for any additional responsibility fees.<br><br>Fee levels are reviewed on an annual basis, and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity and other broadly comparable companies.<br><br>Each NED will be entitled to be reimbursed for all reasonable expenses incurred in the course of their duties to the Company and has the benefit of indemnity insurance maintained by the Group on their behalf indemnifying them against liabilities he/she may potentially incur to third parties as a result of their office as Director.<br><br>Where there has been a material increase in time commitment in the year fees may be temporarily increased to reflect this. | Not applicable. | Current fee levels are set out in the Annual Report on Remuneration. Aggregate fee levels are subject to the maximum limit set out in the Articles of Association. |

| Purpose and link to strategy | Operation | Performance measurement | Maximum opportunity |
|---|---|---|---|
| SHARE OWNERSHIP GUIDELINES | | | |
| To align the interests of Directors with those of the shareholders through share ownership. | All NEDs are encouraged to build and maintain a shareholding equivalent in value to 100% of their annual fees. | Not applicable. | Not applicable. |

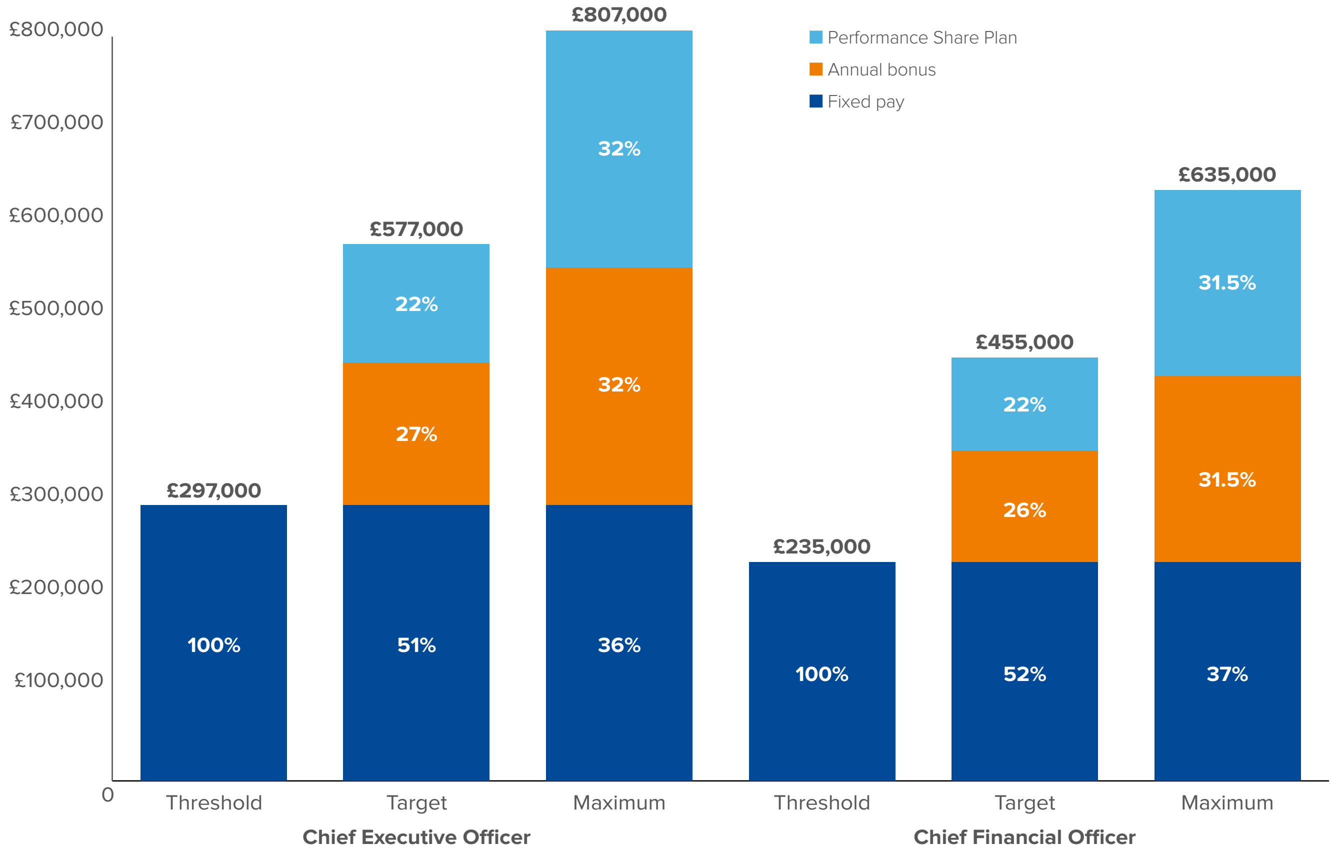
**Reward Scenarios**

The bar chart below details how the composition of the Executive Directors' remuneration package varies at different levels of performance.

- Threshold includes fixed pay only (i.e. base salary, benefits and pension).
- Target includes fixed pay, 60% of maximum bonus and 50% vesting of PSP awards.
- Maximum includes fixed pay, maximum bonus payout and full vesting of PSP awards.

Salary levels are effective as at 1 July 2018, and the value for benefits is the cost of providing those benefits in FY18.

No share price growth has been factored in to the chart, and all amounts have been rounded to the nearest £1,000.



# REMUNERATION POLICY

### Approach to Recruitment Remuneration

New Executive Director hires (including those promoted internally) will be offered packages in line with the remuneration policy in place at the time, except as noted below:

- If it is considered appropriate to set the salary for a new Executive Director at a level which is below market, his or her salary may be increased in future periods to achieve the desired market positioning by way of a series of phased above-inflation increases, subject to his or her continued development in the role.
- Any bonus payment for the year of joining will normally be pro-rated to reflect the proportion of the period worked, and the Committee may set different performance measures and targets, depending on the timing and nature of the appointment.
- The Committee recognises that it may be necessary in some circumstances to provide compensation for amounts forfeited from a previous employer (‘‘buy out awards’’). Any buy out awards would be limited to what is felt to be a fair estimate of the value of remuneration forfeited when leaving the former employer and would be structured so as to be, to the extent possible, no more generous in terms of the fair value and other key terms (e.g. time to vesting and performance targets) than the incentive it is replacing. Where possible any such payments would be facilitated through the Company’s existing incentive plans, but, if not, the awards may be granted outside of these plans, as permitted under the Listing Rules, which allow for the grant of awards to facilitate the recruitment of an Executive Director.
- In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms or adjusted as considered appropriate to reflect the new role.

### External Directorships

Executive Directors are permitted to take on external non-executive directorships at other listed companies, though normally only one other appointment, to bring a further external perspective to the Group and help in the development of key individuals’ experience. In order to avoid any conflicts of interest, all appointments are subject to the approval of the Nomination Committee. Executive Directors are permitted to retain the fees arising from any appointments undertaken.

### Service Contracts and Payments for Loss of Office

The terms of Directors’ service contracts and letters of appointments are set out below.

| Director | Commencement date of contract/letter | Date of expiry | Notice period by Company or Director |
|---|---|---|---|
| **Executive Directors** | | | |
| Mark Carpenter | 12 May 2016 | N/A | 9 months |
| James Gilmour | 12 May 2016 | N/A | 9 months |
| **Non-Executive Directors** | | | |
| Gordon Hurst | 12 May 2016 | 12 May 2019 | 3 months |
| Mary McNamara | 12 May 2016 | 12 May 2019 | 3 months |
| Mark Morris | 12 May 2016 | 12 May 2019 | 3 months |
| Steve Weller | 12 May 2016 | 12 May 2019 | 3 months |
| David Shelton | 1 April 2018 | 1 April 2021 | 3 months |

The remuneration related elements of the current contracts for Executive Directors are as follows:

| Provision | Treatment |
|---|---|
| Termination payment | The Company may (at its discretion) elect to terminate the employment by making a payment in lieu of notice equivalent in value to the base salary which the Executive Director would have received during any unexpired period of notice. |
| Mitigation | The payment in lieu of notice will be payable in monthly instalments (subject to mitigation, i.e. reduced on a pound for pound basis if alternative employment/engagement is taken up during the payment period). |
| Annual bonus | There is no contractual right to any bonus payment in the event of termination although in certain circumstances the Committee may exercise its discretion to pay a bonus for the period of employment and based on performance assessed after the end of the financial year. |
| Share awards | The default treatment, under the PSP rules, is for all unvested awards to lapse in full on cessation.<br><br>However, if the participant ceases to be an employee or a Director within the Group because of his/her death, injury, disability, retirement, redundancy, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Committee, then his/her award will normally vest on the original scheduled vesting date (except in the case of death, where the default position will be for the award to vest on cessation of employment).<br><br>The default position in this case is that an award will vest subject to: (i) the extent to which the performance conditions (if any) have been satisfied over the full performance period; and (ii) the pro-rating of the award by reference to the period of time served in employment during the normal vesting period. However, the Committee can decide to allow early vesting and/or reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances. |
| Change of control | In the event of a change of control or winding-up of the Company (otherwise than as part of a Group corporate reorganisation), all awards will vest early, subject to: (i) the extent that the performance conditions (if any) have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the period of time between their grant and early vesting, although the Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.<br><br>In the event of a Group corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a change of control.<br><br>If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a change of control as described above. |
| Other | Outstanding shares under an all employee share plan will vest in accordance with the terms of the plan and HMRC legislation.<br><br>The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interest of the Company.<br><br>Outplacement services and reimbursement of legal costs may also be provided. |

# ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at our next AGM.

### Membership of the Remuneration Committee

The Committee comprises the three independent NEDs, Gordon Hurst, Mary McNamara and Steve Weller, and is chaired by Mary McNamara.

The Chairman and CEO attend meetings by invitation but are not members of the Committee.

### Advice to the Committee

The Committee receives information and takes advice from inside and outside the Group. Internal support is provided by the HR Director and the Company Secretary. The CEO and any other Director or employee may be invited to attend Committee meetings by the Chair where relevant. No individual is present when matters relating to his or her own remuneration are discussed.

New Bridge Street (NBS) was appointed in 2016 following a competitive tender process to act as an independent adviser on remuneration matters. NBS has provided advice in relation to the design, implementation and reporting of the remuneration policy, as well as in relation to the implementation of the Company's share plans. NBS is a trading name of Aon Hewitt Limited, which is a subsidiary of Aon Plc. Aon Plc provides no other services to the Company.

The total fees paid to NBS in respect of its services to the Committee during the year were £8,983 plus VAT. NBS is a signatory to the Remuneration Consultants Group Code of Conduct and reports directly to the Chair of the Committee. The Committee is satisfied that the advice that it receives from NBS is objective and independent.

### Remuneration in FY18

#### Directors' single figure of remuneration (audited)

The table below shows the aggregate emoluments earned by the Directors of the Company during FY18. The comparative information for FY17, the Company's first year of listing, shows remuneration for the period from when Motorpoint Group Plc acquired Motorpoint Limited on 9 May 2016. The Executive Directors and Chairman were appointed to the Board of Motorpoint Group Plc on 12 May 2016.

| £'000 | | Salary/fees | Benefits[1] | Pension | Bonus | LTIP[2] | Total |
|---|---|---|---|---|---|---|---|
| Mark Carpenter | **FY18** | **£250** | **£16** | **£25** | **£152** | **–** | **£443** |
| | FY17[3] | £224 | £16 | £22 | – | – | £262 |
| James Gilmour | **FY18** | **£180** | **£15** | **£18** | **£109** | **–** | **£322** |
| | FY17[3] | £161 | £19 | £16 | – | – | £196 |
| David Shelton[4] | **FY18** | **£160[6]** | **£30** | **£0** | **£78** | **–** | **£268** |
| | FY17[3] | £183 | £41 | £18 | – | – | £242 |
| Mark Morris | **FY18** | **£100** | **–** | **–** | **–** | **–** | **£100** |
| | FY17[3] | £88 | – | – | – | – | £88 |
| Gordon Hurst | **FY18** | **£48** | **–** | **–** | **–** | **–** | **£48** |
| | FY17[5] | £42 | – | – | – | – | £42 |
| Mary McNamara | **FY18** | **£53** | **–** | **–** | **–** | **–** | **£53** |
| | FY17[5] | £45 | – | – | – | – | £45 |
| Steve Weller | **FY18** | **£40** | **–** | **–** | **–** | **–** | **£40** |
| | FY17[5] | £35 | – | – | – | – | £35 |

1 Relates to the provision of family private medical insurance, company car, fuel allowance and participation in the all employee SAYE Scheme (valued as the discount given on the date of grant).
2 There were no long-term incentive awards vesting in relation to performance in the year.
3 Shows the period from 9 May 2016 to 31 March 2017. The Executive Directors previously held contracts with Motorpoint Limited and served as unpaid Directors of Motorpoint Group Plc from incorporation until 12 May 2016 when contracts with Motorpoint Group Plc were put in place.
4 David Shelton began a phased reduction in his contracted working hours during the course of the 2018 financial year and on 1 April 2018, he became a Non-Executive Director of the Group. His remuneration for FY18 was reduced pro-rata to reflect the reduction in time commitment during the year.
5 Appointed 12 May 2016.
6 Includes £18k paid in lieu of pension in relation to FY17 as disclosed below as FY17 pension.

All Directors have confirmed that, save as disclosed in the single figure of remuneration table above, they have not received any other items in the nature of remuneration.

## Details of variable pay earned in the year (audited)

### Annual bonus

Executive Directors were eligible for a maximum annual bonus payment of 100% of base salary, subject to profit before tax, customer and employee engagement performance measures.

| | Performance required[1] | | | | | | |
|---|---|---|---|---|---|---|---|
| Performance measures | Threshold | Target | Stretch | % salary payable at target performance | % salary payable at stretch performance | Outcome FY18 | Total payable (% of salary) |
| Adjusted profit before tax | £19.5m | £20.8m[4] | £23.1m[4] | 45% | 80% | £20.8m | 45% |
| Customer – average Net Promoter Score[2] | – | 77% | 80% | 4.5% | 6% | 77% | 4.5% |
| Customer – average Google review score[2] | – | 4.5/5 | 4.7/5 | 4.5% | 6% | 4.6/5 | 5.3% |
| Employee engagement[2,3] | – | 2 star rating in Sunday Times 100 Best Companies to Work For[3] | 3 star rating in Sunday Times 100 Best Companies to Work For[3] | 6% | 8% | 2 star | 6% |
| Total | | | | 60% | 100% | | 60.8% |

1 Payable on a sliding scale between target levels.
2 Subject to achieving the threshold level of adjusted operating profit.
3 Assessment is conducted externally by Best Companies. The data gathering and analysis used for this survey is extensive and looks at anonymous feedback from employees on a range of areas linked to employee engagement, including leadership, wellbeing, social responsibility, training and development, team and colleagues, and pay and benefits.
4 Amended target (see explanation below).

The Group delivered a strong performance this year, with the management team driving the strategic agenda forward. During the year the Board took the strategic decision, given the encouraging performance of the business, to accelerate the timing of some operational investments, which therefore started in FY18. These related primarily to increasing the headcount and capability of the senior site management team and making improvements to our key IT platforms. These investments impacted on the reported profit before tax numbers. The targets were therefore adjusted to reflect this. The Board believes that these investments will help drive the business forward, support our long term growth strategy and are in the best interests of the shareholders. Overall, the Board considered that the executives' performance in the year was in line with the level of challenge intended in the original targets and that the pay-out levels are appropriate.

## Long term incentives vesting in relation to performance ending in FY18

There were no outstanding long term incentive awards with performance periods ending in the financial year.

# ANNUAL REPORT ON REMUNERATION

### Outstanding share awards, including details of awards granted during the year (audited)

The table below sets out details of the Executive Directors' outstanding awards under the PSP and other share schemes.

| Name | Year of grant | Scheme | At 31 March 2017 | Awards granted during the period | Awards vesting during the period | Awards lapsed during the period | At 31 March 2018 | Date from which exercisable | Exercise price | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| Mark Carpenter | 2016 | PSP | 125,000 | | – | – | 125,000 | 23 June 2019 | – | (a) |
| | 2017 | PSP | – | 180,505 | – | – | 180,505 | 21 July 2020 | – | (b) |
| | 2016 | SAYE | 3,203 | | – | – | 3,203 | 1 February 2020 | 112.3875p | (c) |
| | 2017 | SAYE | – | 2,030 | – | – | 2,030 | 1 February 2021 | 177.3p | (d) |
| James Gilmour | 2016 | PSP | 90,000 | | – | – | 90,000 | 23 June 2019 | – | (a) |
| | 2017 | PSP | – | 129,964 | – | – | 129,964 | 21 July 2020 | – | (b) |
| | 2016 | SAYE | 3,203 | | – | – | 3,203 | 1 February 2020 | 112.3875p | (c) |
| | 2017 | SAYE | – | 2,030 | – | – | 2,030 | 1 February 2021 | 177.3p | (d) |
| David Shelton | 2016 | PSP | 105,000 | | – | – | 105,000 | 23 June 2019 | – | (a) (f) |
| | 2017 | PSP | – | 90,975 | – | – | 90,975 | 21 July 2020 | – | (b) (f) |

(a) The first awards under the Company's PSP were made in June 2016. Awards were made to the value of 100% of base salary for each Executive Director (using the offer price on flotation of £2.00). Vesting is contingent on continued employment, and satisfaction of EPS growth targets, measured over the three financial years from 1 April 2016 to 31 March 2019, as follows:

| | EPS growth (CAGR) | Vesting |
|---|---|---|
| Threshold | 12% | 25% |
| Maximum | 20% | 100% |

These awards will ordinarily vest on the third anniversary of the date of grant, subject to achievement of the above performance conditions. A two year post vesting holding period will apply thereafter, during which time any vested shares (net of any taxes due) may not be sold.

(b) Further PSP awards were made in July 2017, again to the value of 100% of base salary for each Executive Director (based on the closing share price on the day before grant of 138.5 pence). The face values of the awards at the date of grant were: Mark Carpenter £250,000; James Gilmour £180,000; and David Shelton £126,000. Vesting is contingent on the satisfaction of EPS growth targets, measured over the three financial years from 1 April 2017 to 31 March 2020, as follows:

| | EPS growth (CAGR) | Vesting |
|---|---|---|
| Threshold | 18% | 25% |
| Maximum | 35% | 100% |

These awards will ordinarily vest on the third anniversary of the date of grant, subject to achievement of the above performance conditions. A two year post vesting holding period will apply thereafter, during which time any vested shares (net of any taxes due) may not be sold. The required growth rates for the FY18 award were set at a higher level than for the FY17 scheme, to reflect the lower base year EPS figure for the FY18 awards.

(c) In December 2016, Motorpoint launched an SAYE Scheme for all permanent employees. Eligible employees were invited to subscribe for options over the Company's shares at an exercise price of 112.3875 pence, representing a 10% discount to the closing mid-market share price on 2 December 2016 (the day before the invitation date). A total of 335 out of 680 eligible employees elected to participate.

The maximum subscription offered was £3,600 (equivalent to £100 per month over the 36 month savings period). Mark Carpenter and James Gilmour participated at the maximum limit. The share price on the date of grant was 128.2 pence.

(d) A SAYE invitation was again made to eligible employees in December 2017, over options with an exercise price of 177.3 pence, representing a 10% discount to the closing mid-market share price on 1 December 2017 (the day before the invitation date). A total of 286 out of 785 eligible employees elected to participate. The maximum subscription offered was £3,600 (equivalent to £100 per month over the 36 month savings period). Mark Carpenter and James Gilmour participated at the maximum limit. The share price on the date of grant was 222.25 pence.

(e) Dilution limits
The PSP and SAYE Scheme were put in place after Admission. Awards to executives are subject to a dilution limit for newly-issued and treasury shares of 5% of the share capital in any 10 year period. Awards under all share plans operated by the Company are subject to an overall dilution limit for newly-issued and treasury shares of 10% of the share capital in any 10 year period.

(f) David Shelton began a phased reduction in his contracted working hours in June 2017. The number of shares granted to him in July 2017 was scaled back to reflect his reduced time commitment. On 1 April 2018, David became a Non-Executive Director of the Group. No further PSP awards will be granted to him. His outstanding unvested PSP awards will continue to vest on the normal vesting date, subject to performance. Any shares vesting to him will be reduced pro-rata to reflect the proportion of the period for which he was working in an executive capacity.

### Table of Directors' share interests (audited)

The share interests of each Director as at 31 March 2018 (together with interests held by his or her connected persons) are set out in the table below.

Executive Directors are required by the remuneration policy to hold shares to the value of 200% of base salary, and must retain any vesting PSP award (net of any taxes due) until this guideline is met. Additionally, the NEDs are expected to hold shares to the value of 100% of their annual fee. Shareholdings are set out as a percentage of salary or fees in the table below.

| | | | | At 31 March 2018 | |
|---|---|---|---|---|---|
| Name | Beneficially owned shares | Unvested PSP awards | Unexercised SAYE options | Total | Percentage of salary/fees[1] |
| **Executive Directors** | | | | | |
| Mark Carpenter | 8,874,556 | 305,505 | 5,233 | 9,185,294 | 7,857% |
| James Gilmour | 175,317 | 219,964 | 5,233 | 400,514 | 216% |
| David Shelton | 23,396,726[2] | 195,975 | | 23,592,701 | 41,106% |
| **Non-Executive Directors** | | | | | |
| Mark Morris | 8,614,556 | | | 8,614,556 | 19,068% |
| Gordon Hurst | 65,000 | | | 65,000 | 303% |
| Mary McNamara | 65,500 | | | 65,500 | 276% |
| Steve Weller | 52,000 | | | 52,000 | 287% |

1 Calculated as the value of all fully-owned shares held at 31 March 2018, valued using the three-month average share price over the period to 31 March 2018 (221 pence), divided by base salary as at 31 March 2018.
2 Shares held by Shoby Investments Limited, an entity which David Shelton owns and controls with his spouse.

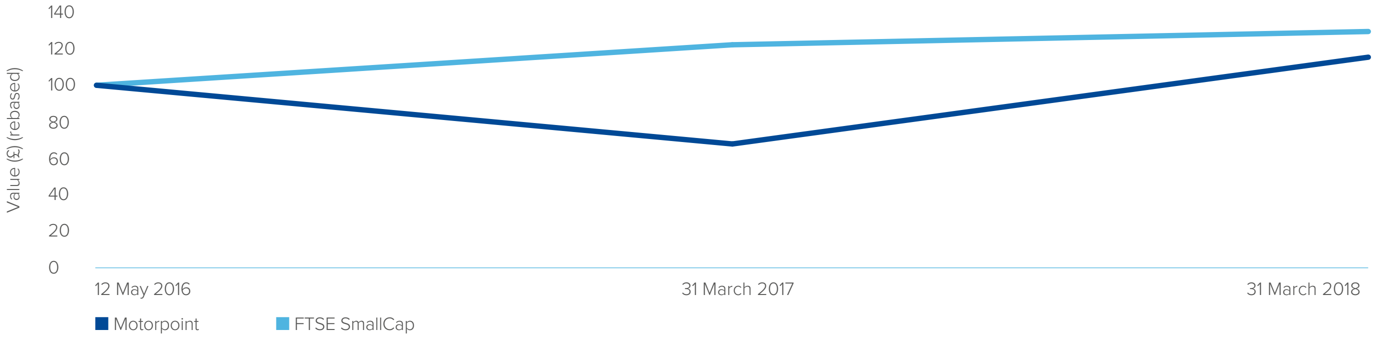
During the period from 31 March 2018 to the publication of this report, there have been no changes in the Directors' share interests. None of the Directors hold any loans against their shares or otherwise use their shares as collateral.

# ANNUAL REPORT ON REMUNERATION

## Payments to former Directors and for loss of office (audited)
No payments were made to former Directors of the Company or in relation to loss of office during the year.

## External directorships
None of the Executive Directors currently hold non-executive directorships at any other listed companies.

## Total Shareholder Return and Chief Executive Officer earnings history
The chart below shows the Company's Total Shareholder Return performance compared with that of the FTSE SmallCap Index over the period from the date of the Company's admission onto the London Stock Exchange to 31 March 2018. The FTSE SmallCap Index has been chosen as an appropriate comparator as it is the index of which the Company is a constituent.




This graph shows the value, by 31 March 2018, of £100 invested in Motorpoint on 12 May 2016, compared with the value of £100 invested in the FTSE SmallCap on the same date.

The other points plotted are the values at intervening financial year-ends.

The total remuneration figure for the CEO since 9 May 2016 is shown in the table below, along with the value of bonuses paid, and LTIP vesting, as a percentage of the maximum opportunity.

| | FY17 | FY18 |
|---|---|---|
| Total remuneration (£'000) | 262 | 443 |
| Annual bonus (% of maximum) | 0% | 61% |
| LTIP vesting (% of maximum) | N/A[1] | N/A[1] |

1 No long-term incentive awards were eligible to vest over the period.

## Change in remuneration of the CEO
The table below compares the difference in remuneration payable to the CEO in FY17 and FY18, to the average employee of the Company. For the purpose of this disclosure, these figures have been compiled by comparing the average of all employees in FY17 and FY18 separately and are based on annualised figures for each year.

| | CEO | | | Average employee | | |
|---|---|---|---|---|---|---|
| | FY17 £'000 | FY18 £'000 | Percentage change | FY17 £'000 | FY18 £'000 | Percentage change |
| Base annual salary | 250[1] | 250 | 0% | 22 | 23 | 5% |
| Taxable benefits | 16 | 16 | 0% | 1 | 1 | 0% |
| Bonus | – | 152 | N/A | 7 | 10 | 43% |

1 Full year equivalent of annual salary. The CEO's appointment commenced on 9 May 2016 and remained unchanged throughout FY18.

## Relative importance of the spend on pay

The following table sets out the percentage change in staff costs, dividends paid and profit before tax in FY18 compared with the prior year.

| | FY17 £m | FY18 £m | Percentage change |
|---|---|---|---|
| Total employee remuneration | £24.4 | £28.0 | 14.8% |
| Post IPO Dividends paid | £1.3 | £4.9 | 276.9% |
| Profit before tax | £11.7 | £20.0 | 70.9% |

## Statement of Shareholder Voting

The first AGM since the Company's IPO was held on 26 July 2017, at which the Remuneration Policy and Annual Report on Remuneration were put forward for a binding and advisory vote respectively. The Committee is pleased to report that it received unanimous results in favour of these resolutions, as follows:

| | Binding vote on Remuneration Policy | | Advisory vote on Annual Report on Remuneration | |
|---|---|---|---|---|
| Votes cast | Votes | Percentage | Votes | Percentage |
| For | 73,446,640 | 100% | 73,433,474 | 98.98% |
| Against | 0 | 0% | 0 | 0% |
| Total | 73,446,640 | 100% | 73,433,474 | 98.98% |
| Abstentions | – | – | 13,166 | – |

The Annual Report on Remuneration will once again be put to an advisory vote at the Company's next AGM on 24 July 2018. The results of these votes will be made available online and will be disclosed in next year's Annual Report.

## Implementation of the Policy in FY19

A summary of how the remuneration policy will be applied during the forthcoming financial year is set out below.

### Base salaries

The Committee reviews the Executive Directors' base salaries on an annual basis, with any increases taking effect from 1 July each year. Base salaries effective from 1 July 2018 are set out below.

| | 1 July 2017 | 1 July 2018 | Percentage change |
|---|---|---|---|
| Mark Carpenter | £250,000 | £255,000 | 2.0% |
| James Gilmour | £180,000 | £200,000 | 11.1% |

### Benefits and pension

No changes are proposed to the provision of pension and benefits for FY19. Executive Directors will continue to receive family private medical insurance, access to a car and fuel allowance. Pension contributions will amount to 10% of base salary in line with the remuneration policy, and are payable into their nominated personal pension plans.

# ANNUAL REPORT ON REMUNERATION

## Annual bonus
There are no significant changes to the structure of the annual bonus plan proposed for the forthcoming year. Executive Directors will be eligible for an annual bonus payment up to a maximum of 100% of base salary. Bonuses will be based on profit before tax, customer and employee engagement measures. No bonus will become payable under the customer and employee measures unless the threshold level of profit is achieved. The Committee considers the forward-looking targets to be commercially sensitive as they relate to the current financial year, but disclosure of the targets and performance against them will be provided in next year's Annual Report.

## Long term incentives
There are no changes to the structure of the long term incentive arrangements proposed for the forthcoming year. Executive Directors will receive an award of nil cost options under the Company's PSP following the announcement of annual results.

These awards will have a face value of 100% of base salary, with the exact number of shares to be granted to be determined with reference to the prevailing share price around the date of grant.

Vesting of the FY19 awards is contingent on the Group's EPS growth performance, measured as the three year period from FY18 to FY21. The Committee determines performance targets in place annually, and the required growth rates for the FY19 award have been set taking into account current market conditions, and the higher EPS base value compared to awards made in FY18. These targets are considerably more stretching than those typically in place at listed peer companies, and the Committee considers that they are appropriately challenging yet achievable.

| | EPS growth (CAGR) | Vesting |
|---|---|---|
| Threshold | 10% | 25% |
| Maximum | 18% | 100% |

These awards will ordinarily vest on the third anniversary of the date of grant, subject to achievement of the above performance conditions. A two year post vesting holding period will apply thereafter, during which time any vested shares (net of any taxes due) may not be sold.

## Chairman and Non-Executive Directors' fees
The fees payable to the NEDs of the Company remain unchanged for FY19, and are as follows:

| | |
|---|---|
| Non-Executive Chairman | £100,000 |
| Other NEDs | £40,000 |
| Additional responsibility fees: | |
| Chair of the Remuneration Committee | £7,500 |
| Chair of the Audit Committee | £7,500 |
| SID | £5,000 |

## Approval
This report was approved by the Board of Directors on 12 June 2018 and is signed on its behalf by:

**Mary McNamara**
Remuneration Committee Chair
12 June 2018

# DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements of Group and the Company, for the year ended 31 March 2018.

This Directors' Report includes information which is included elsewhere in the Annual Report as indicated in the table below, and which is incorporated into this report by reference.

| Information | Page reference | |
|---|---|---|
| Management Report | 1 to 26 | This Directors' Report and the Strategic Report form the Management Report for the purposes of DTR4.1.5R. |
| Directors | 28 and 29 | Details of the Directors and their full biographies. |
| Dividends | 12, 18 | Details of the final dividend recommended by the Board. |
| Future developments | 1 to 26 | |
| The Code | 27 | We are compliant with the April 2016 UK Corporate Governance Code. |
| Employee engagement | 25 | Provision of information to employees. Details of our employee share schemes. |
| Going concern | 24, 66, 91 | |
| Greenhouse gas emissions | 26 | |
| Important post year end events | 13 | Change to David Shelton's role. |
| Share capital | 80 | Note 25 Share Capital. |
| Directors' interests | 49 | Table of Directors' share interests. |
| AGM | 27 | |
| Directors' service contracts | 44 | Details of unexpired term of Directors' service contract. |
| Restrictions on transfer of securities | 30 | Details of David Shelton's Relationship Agreement. |
| Financial instruments | 77 | Note 23 Financial Instruments and Risk Management. |

## Indemnity Provisions

The Company has qualifying third party indemnity provisions in force for the benefit of its directors in accordance with Section 236 of the Companies Act 2006 and has had Directors and Officers liability insurance cover in place for the year and up to the date of signing this report.

## Audit Information

In accordance with Section 418 of the Companies Act 2006 each of the Directors confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

# DIRECTORS' REPORT

## Going Concern
When considering the going concern principle for the accounts of Motorpoint Group Plc the Directors have considered the current profitable financial projections and facilities of the consolidated Group and that it will continue in operation for a period not less than 12 months from the date of this report.

Motorpoint Group Plc, the Company, is in a net current liability position; however, this is wholly as a result of amounts owed to Motorpoint Limited, a company which it owns. As such the Directors do not see the net current liability position as a risk when considering the going concern of the Company.

## Political Donations
The Company has not made any political donations in FY18.

## Employees
Motorpoint is an equal opportunities employer and our culture is one that promotes excellence and celebrates success. We are committed to eliminating discrimination and encouraging diversity. We take pride in having a workplace which celebrates diversity. Our aim is that our people will be truly representative of all sections of society and reflect the diverse customer base that we enjoy.

It is important that each person feels respected and is able to perform to the best of their ability – we don't tolerate any form of discrimination and actively promote equal opportunities. Motorpoint proudly employs a number of people with a registered disability and gives full and fair consideration to new applications for employment made by people with disabilities. We ensure reasonable adjustments are made for new and existing team members, should they be required, to accommodate their needs and deliver a safe and welcoming work environment.

## Disclosable Share Interests
As at 31 March 2018, the Company had been notified of the following voting interests in the Ordinary Share capital of the Company in accordance with DTR5 of the FCA's Disclosure Guidance and Transparency Rules. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the movement triggering the notification.

| Shareholder and date of notification to the Company | No. of 1 penny Ordinary Shares | % of issued shares |
|---|---|---|
| Immersion Capital LLP – 1 December 2017 | 11,478,834 | 11.45 |
| Merrill Lynch International – 26 October 2017 | "Below notifiable threshold" | 5.949 |
| Long Light Capital, LLC – 24 October 2017 | 5,460,314 | 5.45 |
| Aggregate of Standard Life Aberdeen plc affiliated – 16 August 2017 | 6,496,419 | 6.48 |

As at 8 June 2018 the Company has not been notified of any further changes.

## Shares

### Voting rights

Each Ordinary Share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is duly demanded.

At any general meeting of the Company every member who is present in person (or by proxy) shall on a show of hands have one vote and on a poll shall have one vote for each share of which he/she is the holder. The Articles of Association provide a deadline for submission of proxy forms of not than less than 48 hours before the time appointed for holding the meeting or adjourned meeting. No member may vote at any general meeting either in person or by proxy, in respect of a share held by him/her, unless all amounts presently payable by him/her in respect of that share have been paid or the Board determines otherwise.

### Pre-emption disapplication

During the year the Board has not allotted any Ordinary Shares.

### Restrictions on transfer of securities

The Directors and Senior Managers at the time of the IPO each entered into a Lock-In and Orderly Marketing Agreement with the Company and Numis Securities Limited. The agreements prohibited them from transferring any of their shares for a period of 18 months from the IPO without the consent of Numis Securities Limited, subject to the usual exceptions. The prohibition to transfer shares under the Lock-In Agreements expired in November 2017.

### Authority to allot shares

The Directors have authority to allot Ordinary Shares up to a maximum nominal amount of £667,960 (66,796,000 shares, representing approximately two thirds of the Company's existing share capital at 8 June 2017), of which 33,398,000 shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue by shareholder resolution.

### Authority to purchase own shares

The Directors gained authority by way of shareholder approval at the Company's last AGM under Section 701 of the Companies Act 2006 to make market purchases of up to 10% of the Company's issued Ordinary Share capital, being 10,019,402 Ordinary Shares.

On 29 November 2017 the Directors announced the Company's share buyback programme to purchase and cancel up to £10m worth of Ordinary Shares.

The purpose of the programme is to reduce the share capital of the Company and return funds to shareholders who sell their shares; with repurchased shares being cancelled.

As at 8 June 2018 the Company has purchased and cancelled 260,000 at £575,450. We are making regular announcements of buyback activity in accordance with the Listing Rules, DTR and the Market Abuse Regulation.

The impact of the purchase and cancellation of the 260,000 shares would result in FY18 EPS increasing to 16.01 and increases major shareholdings as shown in the below table.

| | % of issued shares | |
|---|---|---|
| Shareholder and date of notification to the Company | Pre buyback | As at 12 June 2018 |
| Immersion Capital LLP – 1 December 2017 | 11.45 | 11.49 |
| Merrill Lynch International – 26 October 2017 | 5.949 | 5.96 |
| Long Light Capital, LLC – 24 October 2017 | 5.45 | 5.46 |
| Aggregate of Standard Life Aberdeen plc affiliated – 16 August 2017 | 6.48 | 6.50 |

## Articles of Association

Motorpoint's Articles of Association may only be amended by way of a special resolution at a general meeting of the Shareholders. No amendments are being recommended at the AGM.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors and Company Secretary section, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information

The Report of the Directors has been approved by and is signed by order of the Board of Directors.

**Manjit Virk**
Company Secretary
12 June 2018

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOTORPOINT GROUP PLC

## Report on the audit of the group financial statements

### Opinion

In our opinion, Motorpoint Group Plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts, which comprise: the consolidated balance sheet as at 31 March 2018; the consolidated income statement, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

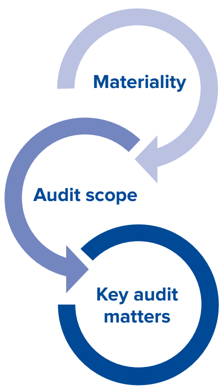
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

We have provided no non-audit services to the group in the period from 1 April 2017 to 31 March 2018.

### Our audit approach

#### Overview




- Overall group materiality: £5 million (2017: £4.1 million), based on 0.5% of revenue.

- We conducted audit work over Motorpoint Limited (the Group's trading company) and Motorpoint Group Plc (the Company) which together accounted for 100% of the Group's revenue and profit before tax.

- Share based payments.
- Property related provisions.
- VAT Exposure.

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group financial statements, including, but not limited to, Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

# INDEPENDENT AUDITORS' REPORT

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Share based payments**<br>Refer to page 35 (Audit Committee Report), page 70 (note 4: Critical Accounting Estimates and Judgements), page 81 (note 28: Share Based Compensation).<br><br>The Group has introduced three share based payment schemes during the year and updated their assumptions for the existing schemes. The schemes have all been accounted for under IFRS 2 "Share-based Payment". A share based payment compensation charge of £0.7m has been recognised in the year.<br><br>We have focused on this area as share based payments involve complex calculations with multiple assumptions relating to volatility, risk free rate, dividend yield and non-vesting rate.<br><br>In addition, any incorrect assumptions adopted in this period may result in errors in future periods. | We have agreed the factual inputs in the share based payment calculations to scheme rules and other supporting documentation.<br><br>We have understood the assumptions adopted by the Directors related to volatility, risk free rate, dividend yield and non-vesting rate, compared them to independent sources of information where appropriate and carried out a sensitivity analysis.<br><br>We found that the assumptions and methodology used in the calculation of share based compensation expense were supported by audit evidence we have obtained. |
| **Property related provisions**<br>Refer to page 35 (Audit Committee Report) and page 70 (note 4: Critical Accounting Estimates and Judgements.<br><br>Motorpoint operate across a number of locations and needs to estimate any potential liabilities for costs in relation to the leases for items such as dilapidations and other associated costs.<br><br>We have focussed on this area, as there is judgement involved in estimating the potential costs in current and future periods. | We have obtained the Directors' calculations of the provision and agreed the various inputs to lease documents and other supporting documents including correspondence with landlords.<br><br>We have challenged management's estimates for costs, judgement as to when to provide and carried out a sensitivity analysis.<br><br>We found the accounting treatment for the provisions to be materially supported by the audit evidence obtained. |
| **VAT Exposure**<br>Refer to page 35 (Audit Committee Report) and page 70 (note 4: Critical Accounting Estimates and Judgements.<br><br>The treatment of VAT on certain vehicle sales was challenged across the industry by HMRC. As a result of this challenge Motorpoint recognised an amount of £0.8m. Motorpoint is appealing against the assessment.<br><br>We have focussed on this area given the judgement involved in the estimation of the liability and the uncertainty over the final outcome. | We have engaged specialists to review the VAT treatment and the correspondence with HMRC.<br><br>We have agreed the settlement amount to the formal assessment issued by HMRC and evidenced payment in financial year.<br><br>We have reviewed subsequent VAT returns to confirm VAT is paid on rebates received from this supplier. We have understood the assumptions used in estimating the potential penalties and re-performed the calculations.<br><br>We found the assumptions and the accounting treatment for the provisions to be supported by the audit evidence obtained. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The Group and all components are based in the UK. There is one trading entity, Motorpoint Limited, which has 12 retail sites spread across the UK.

Motorpoint Limited and Motorpoint Group Plc, the Company, were considered to be significant components, due to their contribution to the Group financial statements. Full scope audits were carried out on both of these components.

The audit work performed over Motorpoint Limited and Motorpoint Group Plc gave us the evidence we needed for our opinion on the Group financial statements as a whole. These two statutory entities cover 100% of the Group's revenue and profit before tax.

All audit work, including work on significant components, was completed by the Group audit team.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| Overall group materiality | £5 million (2017: £4.1 million). |
| How we determined it | 0.5% of revenue. |
| Rationale for benchmark applied | In an industry that operates on low profit margins, volume and revenue are the key drivers for the business performance. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. Motorpoint Limited (the Group's trading company) was allocated an overall materiality of £4.7 million and Motorpoint Group Plc (the Company) was allocated an overall materiality of £1 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2017: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. |
| We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

# INDEPENDENT AUDITORS' REPORT

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (*CA06*)

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (*CA06*)

### The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 24 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the April 2016 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group its environment obtained in the course of the audit. (*Listing Rules*)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 56, that they consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report on pages 34 and 35 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors

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## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 56, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

### Appointment

We were first appointed as auditors of Motorpoint Limited by its directors on 18 September 2015 to audit the financial statements for the year ended 31 March 2015 and subsequently reappointed on 29 February 2016 to audit the financial statements for the year ended 31 March 2016. Following the reorganisation of the group headed by Motorpoint Holdings Limited and the formation of Motorpoint Group Plc, we were appointed by the directors of Motorpoint Group Plc on 28 October 2016 to audit the financial statements for the year ended 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 March 2015 to 31 March 2018.

## Other matter

We have reported separately on the company financial statements of Motorpoint Group Plc for the year ended 31 March 2018 and on the information in the Directors' Remuneration Report that is described as having been audited.

**Christopher Hibbs (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
12 June 2018

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| **Revenue** | 5 | **991.2** | 822.0 |
| Cost of sales | 6 | **(914.8)** | (759.8) |
| **Gross profit** | | **76.4** | 62.2 |
| | | | |
| Operating expenses | 6 | **(55.1)** | (49.3) |
| Operating profit | 6 | **21.3** | 12.9 |
| *Operating profit before exceptional items* | | **22.1** | 16.9 |
| *Exceptional items* | 8 | **(0.8)** | (4.0) |
| | | | |
| **Finance income** | 11 | **–** | 0.1 |
| **Finance costs** | 11 | **(1.3)** | (1.3) |
| Finance costs – net | | **(1.3)** | (1.2) |
| **Profit before taxation** | | **20.0** | 11.7 |
| Income tax expense | 12 | **(4.0)** | (3.0) |
| | | | |
| **Profit and total comprehensive income for the year attributable to equity holders of the parent** | | **16.0** | 8.7 |
| | | | |
| **Earnings per share attributable to equity holders of the parent** | | | |
| Basic | 13 | **16.0p** | 8.7p |
| Diluted | 13 | **15.9p** | 8.7p |
| **Adjusted Earnings per share** | | | |
| Basic | 13 | **16.8p** | 12.7p |
| Diluted | 13 | **16.7p** | 12.7p |

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.

The notes on pages 66 to 84 are an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2018

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **5.4** | 5.4 |
| Deferred tax asset | 16 | **0.5** | 0.4 |
| **Total non-current assets** | | **5.9** | 5.8 |
| **Current assets** | | | |
| Inventories | 17 | **104.0** | 98.4 |
| Trade and other receivables | 18 | **12.9** | 9.4 |
| Cash and cash equivalents | 19 | **15.6** | 7.3 |
| **Total current assets** | | **132.5** | 115.1 |
| **Total assets** | | **138.4** | 120.9 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **(108.4)** | (99.2) |
| Current tax liabilities | | **(2.0)** | (1.8) |
| **Total current liabilities** | | **(110.4)** | (101.0) |
| **Net current assets** | | **22.1** | 14.1 |
| **Non-current liabilities** | | | |
| Trade and other payables | 22 | **(1.6)** | (5.2) |
| **Total non-current liabilities** | | **(1.6)** | (5.2) |
| **Total liabilities** | | **(112.0)** | (106.2) |
| **Net assets** | | **26.4** | 14.7 |
| **Equity** | | | |
| Share capital | 25 | **1.0** | 1.0 |
| Capital reorganisation reserve | | **(0.8)** | (0.8) |
| Retained earnings | | **26.2** | 14.5 |
| **Total equity** | | **26.4** | 14.7 |

The consolidated financial statements on pages 62 to 84 were approved by the Board of Directors on 12 June 2018 and were signed on its behalf by:

**M Carpenter**
Chief Executive Officer

**J Gilmour**
Chief Financial Officer

Motorpoint Group Plc
Registered number 10119755

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Note | Share capital £m | Retained earnings £m | Capital reorganisation reserve £m | Total equity £m |
|---|---|---|---|---|---|
| Balance at 1 April 2016 | | 0.2 | 25.5 | – | 25.7 |
| Profit and total comprehensive income for the year | | – | 8.7 | – | 8.7 |
| IFRS 2 – Share based compensation | 28 | – | 0.4 | – | 0.4 |
| Issue of share capital | 25 | 0.8 | – | (0.8) | – |
| Dividends paid prior to Group restructure | 14 | – | (18.8) | – | (18.8) |
| Interim dividend for the year ended 31 March 2017 | 14 | – | (1.3) | – | (1.3) |
| Balance at 31 March 2017 | | 1.0 | 14.5 | (0.8) | 14.7 |
| Profit and total comprehensive income for the year | | **–** | **16.0** | **–** | **16.0** |
| IFRS 2 – Share based compensation | 28 | **–** | **0.7** | **–** | **0.7** |
| Buyback and cancellation of shares | 25 | **–** | **(0.1)** | **–** | **(0.1)** |
| Final dividend for the year ended 31 March 2017 | 14 | **–** | **(2.9)** | **–** | **(2.9)** |
| Interim dividend for the year ended 31 March 2018 | 14 | **–** | **(2.0)** | **–** | **(2.0)** |
| **Balance at 31 March 2018** | | **1.0** | **26.2** | **(0.8)** | **26.4** |

The notes on pages 66 to 84 are an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

| | Note | **2018 £m** | 2017 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| *Cash generated from operations before exceptional items* | 27 | **21.0** | 13.6 |
| *Cash flows from exceptional items* | 27 | **(0.8)** | (6.2) |
| Cash generated from operations | | **20.2** | 7.4 |
| Interest paid | | **(1.3)** | (1.3) |
| Income tax paid | | **(3.9)** | (2.9) |
| **Net cash generated from operating activities** | | **15.0** | 3.2 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 15 | **(1.3)** | (6.9) |
| Proceeds from sale of property, plant and equipment | 15 | **–** | 5.8 |
| Interest received | | **–** | 0.1 |
| Cash outflows to related parties | | **(0.4)** | (0.8) |
| **Net cash used in investing activities** | | **(1.7)** | (1.8) |
| **Cash flows from financing activities** | | | |
| Pre IPO dividends | 14 | **–** | (4.4) |
| Interim dividend for the year ended 31 March 2017 | 14 | **–** | (1.3) |
| Final dividend for the year ended 31 March 2017 | 14 | **(2.9)** | – |
| Interim dividend for the year ended 31 March 2018 | 14 | **(2.0)** | – |
| Payments to acquire own shares | 25 | **(0.1)** | – |
| **Net cash used in financing activities** | | **(5.0)** | (5.7) |
| **Net increase / (decrease) in cash and cash equivalents** | | **8.3** | (4.3) |
| Cash and cash equivalents at the beginning of the year | | **7.3** | 11.6 |
| **Cash and cash equivalents at end of year** | | **15.6** | 7.3 |
| Net cash and cash equivalents comprises: | | | |
| Cash at bank | | **15.6** | 7.3 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. 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 Company as at and for the year ended 31 March 2018 comprise the Company and all of its subsidiaries, together referred to as the Group. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The principal activities of the Group and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 26.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union ("adopted IFRS"), and with those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

### (b) 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 it believes its trading performance will demonstrate continued improvement in the coming periods, and that liquidity will remain strong.

The Board has reviewed the latest forecasts of the Group and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Group the Board has concluded 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 Consolidated Financial Statements.

### (c) New standards, amendments and interpretations

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective, based on European Union endorsement, for periods commencing after 31 March 2018. The Group has commenced its assessment of the impact of these standards. It is considered that none of these, with the exception of IFRS 16 Leases as noted below, would have a significant impact on its results of operations and financial position.

- IFRS 16 Leases, (effective date for periods commencing after 1 January 2019 or when applying IFRS 15), deals with the accounting for leases. This standard requires a lessee to recognise almost all lease contracts on the balance sheet with lease rental costs being replaced by depreciation and interest in the income statement. The Group is assessing the impact of the standard, but also refers to note 26 which discloses current operating lease obligations. This standard amendment will have a significant impact on the Financial Statements of the Group and further disclosure will be made in next years' Annual Report ahead of implementation. The Group will adopt the new standard in the financial year ending 31 March 2020.
- IFRS 9 Financial instruments, (effective date for periods commencing after 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard addresses impairments and also considers hedge accounting. The Group has assessed the criteria of the new standard and no material impact from this standard has arisen. The Group will adopt the new standard in the financial year ending 31 March 2019.
- IFRS 15 Revenue from contracts with customers, (effective date for periods commencing 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 no material impact from this standard has arisen. The Group will adopt the new standard in the financial year ending 31 March 2019.

### (d) Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to 31 March each year.

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. Summary of Significant Accounting Policies continued

### (e) Segmental reporting

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

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

The Group operates through a branch network and separate financial information is prepared for these individual branch operations. These branches are considered separate 'cash-generating units' for impairment purposes. However it is considered that the nature of the operations and products is similar and they all have similar long-term economic characteristics, as they are all based within the UK. Accordingly 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.

### (f) 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 have been met.

#### (i) 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.

#### (ii) Sales of motor related services and commissions

These motor related services sales include extended guarantees, paint protection and vehicle asset protection (gap insurance). Sales of related services excluding vehicle asset protection (gap insurance) 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 other 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.

### (g) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period which the dividends are approved.

### (h) Exceptional items

Material non-recurring items of income and expense are disclosed as 'exceptional items'. Examples of items that may give rise to disclosure as exceptional items include costs of major restructuring and reorganisation of the business, corporate refinancing and restructuring costs. A full analysis of exceptional items is provided in note 8.

### (i) Foreign currency

The Group's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. Summary of Significant Accounting Policies continued

### (j) Property, plant & equipment

Property, plant and equipment is stated at the cost less depreciation. The cost of property, plant and equipment includes directly attributable costs. Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Land | Nil |
| Short term leasehold improvements | Lower of 20% straight line or remaining lease term |
| Plant and machinery | 20% straight line |
| Fixtures and fittings | 20% straight line |
| Motor vehicles | 20% straight line |
| Office equipment | 20% – 33.3% straight line |

Assets in the course of construction are recorded separately within property, plant and equipment and are transferred to the appropriate classification when complete and depreciated from the date they are bought into use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of assets is reviewed for impairment if events or changes in circumstances suggest that the carrying value may not be recoverable. Assets will be written down to their recoverable amount if lower than the carrying value, and any impairment is charged to the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within "administrative expenses".

### (k) Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

The Group classifies financial instruments, or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### (l) Financial assets

Financial assets are classified on initial recognition in the following categories: loans and receivables; held at fair value through profit and loss and available for sale. The classification depends upon the nature and purpose for which the assets were acquired.

Financial assets at fair value through the profit and loss include derivatives classified as held for trading. Derivatives, which can be a financial asset or financial liability are initially recognised at fair value and are subsequently re-measured at fair value. The method of recognising the gain or loss depends upon whether the derivative is designated as a hedging instrument and the nature of the hedge arrangement. The Group currently has no hedge arrangements and no gain or loss is recognised in profit or loss in administrative expenses.

Loans and receivables are non-derivative financial assets with fixed and determinable payments. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. At the balance sheet date (31 March 2017: none) no available-for-sale financial assets were held.

### (m) Financial liabilities

Financial liabilities are classified on initial recognition as either other financial liabilities measured at amortised cost or at fair value through profit or loss.

### (n) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 2. Summary of Significant Accounting Policies continued

### (o) Inventory

Inventory is valued at the lower of cost and net realisable value, after due regard for slow moving vehicles.

Net realisable value is based on selling price less anticipated costs of completion and selling costs. When calculating an inventory provision management considers the nature and condition of the inventory as well as applying assumptions around expected saleability, determined on historic trading patterns.

### (p) Trade receivables

Trade receivables represent the principal amounts outstanding from finance companies in respect of the financed element of sales to customers for motor vehicle and related products. Trade receivables are recognised net of any provision for impairment.

### (q) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank and deposits held at call with banks. Where applicable, bank overdrafts are shown within borrowings in current liabilities.

### (r) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In these cases it is recognised in other comprehensive income or equity respectively.

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all temporary differences arising between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date. Deferred tax is measured at the rates, based on the tax rates and law enacted or substantively enacted at the balance sheet date, that are expected to apply in the periods when the timing differences are expected to reverse.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

### (s) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect is immaterial.

### (t) Stocking finance facilities

Stocking finance facilities, included within trade payables, are borrowings secured against the vehicle against which the facility is drawn down. These are short term liabilities which are settled on the sale of a vehicle or a fixed maturity not greater than 150 days and as a result form part of the normal business operating cycle. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect is immaterial.

### (u) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised over the period of the lease.

### (v) Share capital

Ordinary shares are classified as equity. Costs incurred in issuing equity are deducted from the equity instrument.

### (w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost and allocating the interest cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

### (x) Employee benefits

#### (i) Pensions

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions are charged in the income statement in the year in which they become payable in accordance with the rules of the scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. Summary of Significant Accounting Policies continued

### (x) Employee benefits continued

#### (ii) Other employee benefits

The Group recognises an expense for other short-term employee benefits, primarily holiday pay and employee commissions and bonuses on an accruals basis.

#### (iii) Share Based Compensation

Equity-settled Share Based Compensation to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transaction are set out in note 28.

The fair value determined at the grant date of the equity settled Share Based Compensation is expensed on a straight-line basis over the vesting period, based on the Group's estimates of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to equity reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Equity-settled Share Based Compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

A liability is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

### (y) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

A reconciliation of the adjusted and alternative measures to the statutory measure required by IFRS is given in note 13.

## 3. Underlying Profit Measures

The Group's chief operating decision maker is considered to be the Board of Directors. The Board of Directors measure the overall performance of the Group by reference to the following non-GAAP measures:

- operating profit before exceptional items (adjusted operating profit)
- profit before tax before exceptional items (adjusted profit before tax)

The adjusted measures are applied by the Board of Directors to understand the earning trends of the Group and are considered the most meaningful measures by which to assess the true operating performance of the Group.

## 4. Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense. Further information about these areas of judgement is contained below. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

Share option schemes: due to the complexity of IFRS 2 "Share-based Payment", and the continued growth in number of active schemes to Motorpoint employees and of grants under the Long Term Incentive Plan in the year, there is a heightened risk of error from the accounting for share based payments as they involve complex calculations with multiple assumptions relating to volatility, risk free rate, dividend yield and non-vesting rate. The Group's share based compensation schemes have been valued based on application of IFRS 2 and using the Black Scholes model where appropriate. The key estimates used in calculating the fair value of the options are the fair value of the Company's shares at the grant date, the expected share price volatility, the risk-free interest rate, the expected life of the instrument and the number of shares expected to vest.

Property Related Provisions: We operate across a number of locations and if there is clear indication that a property will no longer be used for its intended operation, a provision may be required based on an estimate of potential liabilities for periods of lease where the property will not be used, together with costs associated with the leases for items such as dilapidations and other associated costs. Due to the judgement involved in determining these potential costs this is deemed a heightened risk.

VAT margin scheme treatment: due to the complexity of the VAT legislation in relation to applying the VAT margin scheme on the sale of used vehicles and industry practice of making rebate payments which are an area of contention with HMRC, there is a heightened risk of error from incorrect accounting treatment.

## 5. Revenue

Revenue has been analysed between the sale of goods and the sale of services below.

| | 2018 £m | 2017 £m |
|---|---|---|
| **Revenue analysis** | | |
| Revenue from sale of motor vehicles | **945.6** | 789.0 |
| Revenue from motor related services and commissions | **45.6** | 33.0 |
| **Total Revenue** | **991.2** | 822.0 |

## 6. Operating Profit

Analysed as:

| Operating profit include the effect of (crediting)/charging: | 2018 £m | 2017 £m |
|---|---|---|
| Changes in inventories of finished goods | **(5.6)** | (23.5) |
| Finished goods purchases | **913.9** | 776.3 |
| Movement in provision against inventory | **0.6** | 0.1 |
| Employee benefit expense (note 9) | **27.1** | 24.4 |
| Depreciation of property plant and equipment (note 15) | **1.3** | 1.0 |
| Exceptional Items (note 8) | **0.8** | 4.0 |
| Operating lease payments – property | **4.7** | 4.1 |
| Other operating expenses | **27.1** | 22.7 |
| | **969.9** | 809.1 |
| Cost of sales | **914.8** | 759.8 |
| Operating expenses: | | |
| – Selling and distribution expenses | **18.2** | 17.3 |
| – Administrative expenses | **36.9** | 32.0 |
| | **969.9** | 809.1 |

## 7. Auditors' Remuneration:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Auditors' remuneration:** | | |
| Fees payable for the audit of the parent Company and consolidated financial statements | **80** | 81 |
| Fees payable for the Audit of the Company's subsidiaries | **10** | 10 |
| Fees payable to Group's auditors and its associates for other services: | | |
| Audit-related assurance services | **20** | 28 |
| Tax advisory services | **–** | 8 |
| Accounting advisory | **–** | 108 |
| **Total** | **110** | 235 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. Exceptional Items

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

| | 2018 £m | 2017 £m |
|---|---|---|
| **Exceptional items: Operating profit** | | |
| IPO listing and professional fees[1] | – | 4.0 |
| VAT liability[2] | 0.8 | – |
| | 0.8 | 4.0 |

1 IPO listing and professional fees
Fees and costs relate to, corporate restructuring, legal and professional costs, broker and accounting services.

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

## 9. Employees and Directors

The aggregate employee benefit expenses were as follows:

| | 2018 £m | 2017 £m |
|---|---|---|
| **Employee benefit expenses:** | | |
| Wages and salaries | 24.5 | 21.5 |
| Social security costs | 2.4 | 2.1 |
| Other pension costs | 0.4 | 0.4 |
| Share based compensation charge (note 28) | 0.7 | 0.4 |
| | 28.0 | 24.4 |

The average monthly number of employees (including Directors but excluding third-party contractors) employed by the Group was as follows:

| | 2018 No. | 2017 No. |
|---|---|---|
| **Average number of people employed:** | | |
| – Sales and operations | 474 | 447 |
| – Administration and support | 281 | 238 |
| | 755 | 685 |

## 10. Directors' and Key Management Remuneration

Key management have been identified as the Directors of Motorpoint Group Plc, including non executive Directors and the Directors of Motorpoint Limited, the main trading subsidiary.

| | 2018 £m | 2017 £m |
|---|---|---|
| Remuneration (including benefits in kind) | 1.4 | 1.2 |
| Employer contributions paid to money purchase schemes | 0.1 | 0.1 |
| | 1.5 | 1.3 |

During the year the number of key management who were receiving benefits was eight (FY17: nine).

Further information on Directors' remuneration for the Directors of Motorpoint Group Plc is included in the Remuneration Committee Report on page 36.

### 10. Directors' and Key Management Remuneration continued

In respect of the highest paid Director:

| | 2018 £m | 2017 £m |
|---|---|---|
| Aggregate remuneration | **0.4** | 0.3 |
| Employer contributions paid to money purchase schemes | **–** | – |
| | **0.4** | 0.3 |

During FY17 ahead of the IPO, a repayment to Motorpoint of £0.1m was made by M Carpenter resulting in no (FY17: none) outstanding loans with Directors at the balance sheet dates.

### 11. Finance Income

| | 2018 £m | 2017 £m |
|---|---|---|
| Other interest receivable on amounts owed by related parties | **–** | 0.1 |
| **Total finance income** | **–** | 0.1 |

### Finance Cost

| | 2018 £m | 2017 £m |
|---|---|---|
| Interest on bank borrowings | **0.1** | 0.1 |
| Interest on stocking finance facilities | **1.1** | 1.0 |
| Other interest payable | **0.1** | 0.2 |
| **Total finance costs** | **1.3** | 1.3 |

### Net Finance Costs

| | 2018 £m | 2017 £m |
|---|---|---|
| **Net finance costs** | **1.3** | 1.2 |

### 12. Income Tax Expense

The tax charge in the income statement represents:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. Income Tax Expense continued

### Reconciliation of the total tax charge

The tax charge in the income statement in the year differs from (FY17: differs from) the charge which would result from the standard rate of corporation tax in the UK of 19% (FY17: 20%).

| | 2018 £m | 2017 £m |
|---|---|---|
| Profit before taxation | **20.0** | 11.7 |
| Profit before taxation at the standard rate of corporation tax of 19% (FY17: 20%) | **3.8** | 2.3 |
| Tax effect of: | | |
| – Expenses not deductible for tax purposes | **0.2** | 0.9 |
| – Adjustment in respect of prior years | **–** | (0.2) |
| Tax charge in the income statement | **4.0** | 3.0 |

### Factors affecting current and future tax charges

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

## 13. Earnings per Share

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

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

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

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

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

### 14. Dividends

During the year the following dividends were paid.

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

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

Dividends were paid and have been declared as set out below.

| | 2018 £m | 2017 £m |
|---|---|---|
| **Amounts recognised as distributions to ordinary shareholders in the year comprise** | | |
| Interim dividend for the year ended 31 March 2018 of 2.00 pence per ordinary share | **2.0** | – |
| Proposed final dividend for the year ended 31 March 2018 of 4.6 pence per ordinary share | **4.6** | – |
| Interim dividend for the year ended 31 March 2017 of 1.33 pence per ordinary share | – | 1.3 |
| Final dividend for the year ended 31 March 2017 of 2.90 pence per ordinary share | – | 2.9 |

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

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

### 15. Property, Plant and Equipment

| | Land £m | Short term leasehold Improvement £m | Plant and machinery £m | Fixtures and fittings £m | Office equipment £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2017 | 1.7 | 4.5 | 0.9 | 0.9 | 2.1 | 10.1 |
| Additions | – | **0.7** | **0.1** | **0.1** | **0.4** | **1.3** |
| Disposals | – | – | – | – | – | – |
| **At 31 March 2018** | **1.7** | **5.2** | **1.0** | **1.0** | **2.5** | **11.4** |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2017 | – | 2.0 | 0.7 | 0.4 | 1.6 | 4.7 |
| Provided during the year | – | **0.7** | **0.1** | **0.2** | **0.3** | **1.3** |
| Disposals | – | – | – | – | – | – |
| **At 31 March 2018** | – | **2.7** | **0.8** | **0.6** | **1.9** | **6.0** |
| **Net book value** | | | | | | |
| **At 31 March 2018** | **1.7** | **2.5** | **0.2** | **0.4** | **0.6** | **5.4** |
| At 31 March 2017 | 1.7 | 2.5 | 0.2 | 0.5 | 0.5 | 5.4 |

The depreciation expense of £1.3m (FY17: £1.0m) has been recorded in operating expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. Deferred Tax Asset

The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Other Temporary Differences | Accelerated Capital Allowances £m | Other Timing Differences £m | Total £m |
|---|---|---|---|
| At 1 April 2017 | 0.3 | 0.1 | 0.4 |
| Charged to the Income Statement | 0.1 | – | 0.1 |
| **At 31 March 2018** | 0.4 | 0.1 | 0.5 |

## 17. Inventories

| | **2018 £m** | 2017 £m |
|---|---|---|
| Finished goods: New and used vehicles for resale | **104.0** | 98.4 |

The replacement cost of inventories is not considered to be materially different from the above values.

Provisions against inventory total £1.4m (FY17: £0.8m).

## 18. Trade and Other Receivables

| Due within one year | **2018 £m** | 2017 £m |
|---|---|---|
| Trade receivables[1] | **6.5** | 2.6 |
| Other receivables | **0.8** | 0.2 |
| VAT recoverable | **–** | 0.2 |
| Prepayments | **4.4** | 5.3 |
| Accrued income[2] | **1.2** | 1.1 |
| | **12.9** | 9.4 |

1 Trade receivables are non-interest bearing and generally have a term of less than 7 days. Due to their short maturities, the fair value of current trade and other receivables approximates to their book value. Trade receivables represent amounts due from financial institutions on the financed element of vehicle sales to customers. The maximum exposure to credit risk is the carrying amount. The Group has no provisions against trade receivables (FY17: None).

2 Accrued income relates to commissions earned from finance companies.

None of the Group's trade receivables or other receivables were past due or impaired (FY17: None). Trade and other receivables are valued at their book value which is equivalent to fair value and all are in sterling.

## 19. Cash and Cash Equivalents

| | **2018 £m** | 2017 £m |
|---|---|---|
| Cash at bank and in hand | **15.6** | 7.3 |

## 20. Borrowings

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

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

## 21. Trade and Other Payables: Amounts Due Within One Year

| | 2018 £m | 2017 £m |
|---|---|---|
| Trade payables | | |
| – Trade creditors | **13.8** | 18.8 |
| – Stocking finance facilities[1] | **69.0** | 64.9 |
| Other taxes and social security | | |
| – VAT payable | **4.5** | – |
| – PAYE/NI payable | **0.6** | 0.7 |
| Accruals | **17.0** | 11.2 |
| Deferred extended guarantee income | **3.5** | 3.2 |
| Amounts due to related parties[2] | **–** | 0.4 |
| | **108.4** | 99.2 |

1 Stocking finance facilities are provided from Black Horse Limited and Lombard North Central PLC. At 31 March 2018 the Group had £90m (FY17: £65m) of stocking finance facilities available of which £69.0m (FY17: £64.9m) was drawn.

Since the stocking finance facility with Black Horse Limited was renegotiated in May 2017 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 sale of the respective vehicle or a latest date of between 90 and 150 days from date of drawdown of the facility amount. Since renegotiation the facility bears interest at the rate of 1% over Finance House Base Rate.

The stocking finance facility with Lombard North Central PLC was negotiated in March 2018 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 sale of the respective vehicle or a latest date of between 90 and 120 days from date of drawdown of the facility amount. The facility bears interest at the rate of 1.35% over Finance House Base Rate.

An interest expense in the year of £1.1m (FY17: £1.0m) has been recognised as a Finance cost.

2 Amounts due to related parties were repayable on demand, unsecured and non-interest bearing.

Other than the stocking finance facilities payable, trade and other payables are all non-interest bearing.

Due to their short maturities, the fair value of current liabilities approximates to their book value and all are in sterling.

## 22. Trade and Other Payables: Amounts Falling Due in Greater Than One Year

| | 2018 £m | 2017 £m |
|---|---|---|
| Deferred extended guarantee income | **1.6** | 5.2 |

## 23. Financial Instruments and Risk Management

The principal financial liabilities comprise inventory finance facilities and trade and other payables. The main purpose of these financial liabilities is to provide working capital funding for the Group. The main risks arising from financial liabilities are discussed further below. The principal financial assets comprise trade and other receivables and cash at bank and in hand. The maximum exposure at the balance sheet date is the carrying value of the financial assets as disclosed in this note.

### (a) Credit risk

The Group trades predominantly with retail customers. Sales to such customers are for cash and/or part exchange, often with finance provided by a selected panel of financial institutions. The majority of the Group's sales are thus for cash or the remittances of funds from financial institutions, which is achieved in a short period after the sale. As such the Group does not consider that it is exposed to credit risk from retail customers. Receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not considered to be significant. The maximum exposure is the carrying value amount as disclosed below. There is no significant concentration of credit risk within the Group. As a consequence, the Directors are satisfied that the Group's exposure to credit risk is acceptable.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and loans to related parties, the Group's exposure to credit risk arises from the default of counterparties, with a maximum exposure equal to the carrying amount of these instruments. Counterparty credit risk is managed through the monitoring and active management of counterparty balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. Financial Instruments and Risk Management continued

### (b) Foreign exchange risk

The Group is exposed to foreign exchange risk on the purchase of inventory from various European countries. In FY17 the Group managed the foreign exchange risk by hedging certain anticipated foreign cash flows by the use of forward exchange contracts, there were no significant purchases from EU countries in FY18 and therefore no hedging contracts entered. The Group did not apply hedge accounting to these transactions in FY17.

At 31 March 2018 if sterling had weakened/strengthened by 10% against the Euro, with all other variables held constant, the recalculated post-tax profit for the year would have been £Nil (FY17: £Nil) lower/higher as a result of foreign exchange losses/gains on the translation of euro-denominated trade payables.

### (c) Funding and liquidity risk

The current funding arrangements of the Group consist primarily of the stocking finance facilities, trade and other payables as well as a £20m revolving credit facility which includes £6m of the facility available as an overdraft. Further information regarding these arrangements is included in note 20 and note 21.

The Group monitors its risk to a shortage of funds using a long term business plan that considers the maturity of all of its financial liabilities and the projected cash flows from operations. The Group aims to have sufficient committed borrowing facilities and operating cash flows to cover the core long term requirements of the Group.

The maturity table below details the contractual, undiscounted cash flows (both principal and interest) for the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. Interest payments have been calculated using the LIBOR rates at the period end, except where rates had already been contracted.

| **2018** | **Within 180 days £m** | **Within 1 year £m** | **Between 1 and 2 years £m** | **Between 2 and 5 years £m** | **Total £m** |
|---|---|---|---|---|---|
| Stocking finance facilities | **69.0** | **–** | **–** | **–** | **69.0** |
| Trade creditors and accruals | **30.8** | **–** | **–** | **–** | **30.8** |
| | **99.8** | **–** | **–** | **–** | **99.8** |

| 2017 | Within 180 days £m | Within 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Total £m |
|---|---|---|---|---|---|
| Stocking finance facilities | 64.9 | – | – | – | 64.9 |
| Trade creditors and accruals | 30.0 | – | – | – | 30.0 |
| Amounts due to related parties | 0.4 | – | – | – | 0.4 |
| | 95.3 | – | – | – | 95.3 |

## 23. Financial Instruments and Risk Management continued

### (d) Capital market risk

The Group is subject to capital market risk, primarily in relation to changes in interest rates.

The Group's interest bearing financial liabilities are analysed as follows:

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Floating £m** | **Fixed £m** | **Total £m** | Floating £m | Fixed £m | Total £m |
| Sterling denominated | **69.0** | **–** | **69.0** | 64.9 | – | 64.9 |
| Total | **69.0** | **–** | **69.0** | 64.9 | – | 64.9 |

At 31 March 2018 and 2017 the floating rate financial liabilities comprise stocking finance facilities that bear interest at rates based on Finance House Base Rate (FHBR). The Group also has a revolving credit facility which bears interest based on the LIBOR rate.

### 23. Financial Instruments and Risk Management continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's results before tax. There is no direct impact on the Group's equity.

| | Increase/ decrease in basis points | **2018 £m** | 2017 £m |
|---|---|---|---|
| Sterling | +50 | **0.4** | 0.4 |
| Sterling | 50 | **(0.4)** | (0.4) |

#### (e) Capital management

The Group's objective when managing capital is to ensure adequate working capital for operating needs and an efficient capital structure to achieve the business plan and returns for shareholders. For these purposes the Group considers that shareholders' equity comprises capital.

The Group funds its inventory and other working capital through trade creditors, stocking finance facilities and a £20m revolving credit facility. There are certain covenants relating to a maximum debt to equity and interest rate cover in respect of the Group Consolidated Financial Statements. The Group reviews covenant compliance on a monthly basis, both retrospectively and prospectively.

At 31 March 2018 the Group had undrawn stocking finance facilities of approximately £21m (FY17: £0.1m) and undrawn revolving credit facilities of £20m (FY17: £20m).

#### (f) Fair value estimation

The Group has no financial assets or liabilities carried at fair value.

#### (g) Financial instruments by category

The Group's financial assets are all classified as 'Loans and receivables'. The Group's liabilities are classified as follows:

| **2018** | **Financial liabilities at fair value through profit and loss £m** | **Other financial liabilities at amortised cost £m** | **Liabilities not within the scope of IAS 39 £m** | **Total £m** |
|---|---|---|---|---|
| Trade creditors | **–** | **13.8** | **–** | **13.8** |
| Stocking finance facilities | **–** | **69.0** | **–** | **69.0** |
| Other taxes and social security | **–** | **–** | **5.1** | **5.1** |
| Accruals | **–** | **17.0** | **–** | **17.0** |
| Deferred guarantee income | **–** | **–** | **5.1** | **5.1** |
| | **–** | **99.8** | **10.2** | **110.0** |

| 2017 | Financial liabilities at fair value through profit and loss £m | Other financial liabilities at amortised cost £m | Liabilities not within the scope of IAS 39 £m | Total £m |
|---|---|---|---|---|
| Trade creditors | – | 18.8 | – | 18.8 |
| Stocking finance facilities | – | 64.9 | – | 64.9 |
| Other taxes and social security | – | – | 0.7 | 0.7 |
| Accruals | – | 11.2 | – | 11.2 |
| Deferred guarantee income | – | – | 8.4 | 8.4 |
| Amounts due to related parties | – | 0.4 | – | 0.4 |
| | – | 95.3 | 9.1 | 104.4 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. Financial Instruments and Risk Management continued

### (h) Credit quality of financial assets

As disclosed in note 18 the Group has no financial assets that are past due or impaired. The Group's financial assets represent balances due from a selected panel of financial institutions that provide finance to the Group's retail customers. The Group does not obtain credit ratings for its customers.

## 24. Post-employment Benefit Obligations

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and is disclosed in note 9.

Contributions totalling £0.1m (FY17: £0.1m) were payable to the scheme at the end of the year and are included in accruals.

## 25. Share Capital

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Number '000** | **Amount £m** | Number '000 | Amount £m |
| **Allotted, called-up and fully paid** | | | | |
| Balance at the beginning of the period | **100,194** | **1.0** | – | – |
| Issued during the period | **–** | **–** | 100,194 | 1.0 |
| Bought back and cancelled during the period[1] | **(40)** | **–** | – | – |
| Balance at the end of the period | **100,154** | **1.0** | 100,194 | 1.0 |

1 Share buy-back
During March 2018 the company purchased and cancelled 40,000 ordinary shares on-market in order to reduce the share capital of the Company and return funds to shareholders who sell their shares.
Purchases of ordinary shares pursuant to the Programme will fall within the maximum of 10,019,402 ordinary shares that the Company was authorised to purchase under the general authority granted by shareholders at the Company's most recent annual general meeting held on 26 July 2017.
The shares were acquired at an average price of £2.11 per share, with prices ranging from £2.08 to £2.14. The total cost of £0.1m, including after tax transaction costs, was deducted from retained earnings. The total reduction in paid up capital was £nil.

## 26. Operating Leases and Other Commitments

### (a) Lease obligations

As at 31 March the future aggregate minimum lease payment under non-cancellable operating leases are as follows:

| | **2018 £m** | 2017 £m |
|---|---|---|
| No later than a year | **4.4** | 4.7 |
| Later than a year and no later than five years | **17.4** | 18.7 |
| Later than five years | **36.7** | 42.6 |
| Total | **58.5** | 66.0 |

The Group has no leases with contingent rents nor any sub-leases.

### (b) Capital commitments

The Group had capital commitments of £1.5m at 31 March 2018 (FY17: £0.3m).

## 27. Cash Flow from Operations

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

### Non-cash transactions

In the financial year to 31 March 2017 the Group declared dividends in specie, which are disclosed in note 14.

## 28. Share Based Compensation

Share options are granted to Senior Executives and other individuals throughout the organisation. The Group currently operates three share schemes and these are the Performance Share Plan, Share Incentive Plan and the Sharesave scheme. The total charge in the year relating to the three schemes including associated national insurance (NI) charges was £0.7m (FY17: £0.4m).

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share based incentives is measured by reference to the fair value of share based incentives granted. The estimate of the fair value of the share based incentives is measured using the Black-Scholes pricing model as is most appropriate for each scheme.

NI is being accrued, where applicable, at a rate of 13.8% which management expects to be the prevailing rate when the awards are exercised, based on the share price at the reporting date. NI for the year ended 31 March 2018 relating to all awards was a charge of £0.1m (FY17: £0.1m).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28. Share Based Compensation continued

### Share Incentive Plan

The Group operates a Share Incentive Plan scheme that was made available to all eligible employees following admission to the London Stock Exchange in May 2017.

On 4 July 2016, all eligible employees were awarded free shares valued at £1,000 each based on a share price of £1.877. A total of 194,023 shares were awarded under the scheme, subject to a three year service period (Vesting Period).

As the July 16 tranche of the SIP awards will be equity settled they have been valued based on the grant price at the date of issue with an appropriate adjustment for expected leavers. The resulting share-based payments charge is spread evenly over the Vesting Period. The SIP shareholders are entitled to dividends over the Vesting Period. No performance criteria are applied to the vesting of the SIP shares. Fair value at the grant date was measured at £1.877.

In December 2017 a total of 118,716 cash settled awards were granted to eligible employees under the Share Incentive Plan based on an expected share price of £2.21 at the grant date. The fair value of the shares will be recalculated at each year end with changes in the share price and leaver assumptions reflected in the charge recognised within the accounts for each year to the grant date. Cash is payable at the end of three years based on the share price on 1 December 2020. No performance criteria are applied to the vesting of the SIP shares.

| | Number |
|---|---|
| Outstanding at 1 April 2017 | 182,303 |
| Awarded | – |
| Forfeited | (25,000) |
| Vested | – |
| **Vested and outstanding at 31 March 2018** | 157,303 |

The total charge in the year, included in administration expenses, in relation to these awards was £nil (FY17: £0.1m).

### Performance Share Plan

The Group operates a Performance Share Plan for Executive Directors and certain key senior executives. On 23rd June 2016 the Group awarded 596,659 nil cost options under the PSP scheme. The extent to which such awards vest will depend upon the Group's performance over a three-year period following the award date. The vesting in April 2019 (Vesting Date) will be dependent on whether relevant performance criteria have been met. Performance criteria is based on both individual unit performances where relevant and overall Earnings Per Share performance.

As the PSP awards will be equity settled they have been valued based on the grant price at the date of issue with an appropriate adjustment for expected leavers and expected performance against the relevant criteria. The resulting share-based payments charge has been spread evenly over the Vesting Period. The PSP shareholders are entitled to dividends over the Vesting Period. Fair value at the grant date was measured at £2.30. The Options vesting will be communicated as soon as reasonably practical after the vesting date.

| | Number |
|---|---|
| Outstanding at 1 April 2017 | 514,161 |
| Awarded | – |
| Forfeited | (64,833) |
| Vested | – |
| **Vested and outstanding at 31 March 2018** | 449,328 |

On 21st July 2017 the Group awarded 830,267 nil cost options under the PSP scheme. The extent to which such awards vest will depend upon the Group's performance over a three-year period following the award date. The vesting in April 2020 (Vesting Date) will be dependent on whether relevant performance criteria have been met. Performance criteria is based on both individual unit performances where relevant and overall Earnings Per Share performance.

### 28. Share Based Compensation continued

As the PSP awards will be equity settled they have been valued based on the grant price at the date of issue with an appropriate adjustment for expected leavers and expected performance against the relevant criteria. The resulting share-based payments charge has been spread evenly over the Vesting Period. The PSP shareholders are entitled to dividends over the Vesting Period. Fair value at the grant date was measured at £1.385. The Options vesting will be communicated as soon as reasonably practical after the vesting date.

| | Number |
|---|---|
| Outstanding at 1 April 2017 | – |
| Awarded | 830,267 |
| Forfeited | (108,603) |
| Vested | – |
| **Vested and outstanding at 31 March 2018** | 721,664 |

The total charge in the year, included in administration expenses, in relation to these awards was £0.6m (FY17: £0.3m).

#### Save as You Earn Share Scheme

The Group operates two Save as you Earn share Scheme (SAYE) for all employees under which employees are granted an option to purchase ordinary shares in the Group at 10% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. The assumptions used in the measurement of the fair value at grant date of the Sharesave plans are as follows.

| | Share price at grant date (£) | Exercise Price at grant date (£) | Expected volatility (%) | Option life (years) | Risk free rate (%) | Dividend yield (%) | Non-vesting condition (%) | Fair value per option (£) |
|---|---|---|---|---|---|---|---|---|
| 27 December 2017 | 1.97 | 1.773 | 34.3 | 3.0 | 2.5 | 2.85 | 27.1 | 0.4901 |
| 27 December 2016 | 1.28 | 1.124 | 33.0 | 3.0 | 2.5 | 3.10 | 27.1 | 0.3165 |

Expected volatility is estimated by considering historic average share price volatility at the grant date. As there was not significant history of Motorpoint Group Plc share price at the point of issue volatility based on the historic share price movement of a selection of comparative companies was used. The requirement that an employee has to save in order to purchase shares under the SAYE is a non vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained from the Black-Scholes pricing model.

The Options issued in 2017 are exercisable between 1 February 2021 and 31 July 2021. The Options issued in 2016 are exercisable between 1 February 2020 and 31 July 2020.

| | FY18 SAYE Number | FY18 SAYE Average Exercise Price £ | FY17 SAYE Number | FY17 SAYE Average Exercise Price £ |
|---|---|---|---|---|
| Outstanding at 1 April 2017 | – | 1.773 | 750,504 | 1.124 |
| Awarded | 417,765 | – | – | – |
| Forfeited | (20,909) | – | (149,902) | – |
| Vested | – | – | – | – |
| **Vested and outstanding at 31 March 2018** | **396,856** | | **600,602** | |

The total charge in the year, included in administration expenses, in relation to these awards was £0.1 (FY17: £Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. Contingent Liabilities and Guarantees

One (Motorpoint Limited) of the Group's entities provide guarantees under the Group's stocking facilities and revolving credit facility. At 31 March 2018 the amount borrowed under the Stocking facility was £69.0m (FY17: £64.9m), there were no outstanding borrowings under the Revolving Credit Facility. During the prior year Motorpoint Limited had cross guarantees in respect of mortgage loans by third parties to Shoby Properties Limited (a related party) and Spring Rental Limited (a related party). Motorpoint Limited was released from all of these contingent liabilities ahead of the Motorpoint IPO.

## 30. Transactions and Balances with Related Parties

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

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

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

Remuneration of key management personnel including shared based payments and loans to key management personnel have been detailed within note 10 to the Financial Statements.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOTORPOINT GROUP PLC

**Report on the audit of the company financial statements**

## Opinion

In our opinion, Motorpoint Group Plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts, which comprise: the company balance sheet as at 31 March 2018; the company statement of changes in equity, and the company statement of cash flows; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

We have provided no non-audit services to the group and its subsidiaries in the period from 1 April 2017 to 31 March 2018.

## Our audit approach

### Overview


- Overall materiality: £1 million (2017: £1 million), based on 1% of total assets.
- We have audited all material balances and transactions in the Company.
- We have no key audit matters to report.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOTORPOINT GROUP PLC

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, Companies Act 2006, the Listing Rules and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We determined that there were no key audit matters applicable to the company to communicate in our report.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is the investment vehicle for the Group and does not undertake any trading activities. The Group audit team has performed audit work over all material balances and transactions in the Company

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall materiality** | £1 million (2017: £1 million). |
| **How we determined it** | 1% of total assets. |
| **Rationale for benchmark applied** | Motorpoint Group Plc (the Company) is the investment vehicle for the Group and therefore total assets is a generally accepted auditing benchmark. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2017: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. |
| We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (*CA06*)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (*CA06*)

### The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 24 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the company and statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. (*Listing Rules*)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 56, that they consider the Annual Report and Accounts taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report on pages 34 and 35 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

# INDEPENDENT AUDITORS' REPORT

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 56, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 28 September 2016 to audit the financial statements for the period ended 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 March 2017 to 31 March 2018.

## Other matter

We have reported separately on the group financial statements of Motorpoint Group Plc for the year ended 31 March 2018.

**Christopher Hibbs (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
12 June 2018

# COMPANY BALANCE SHEET

AT 31 MARCH 2018

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 4 | 100.7 | 100.3 |
| **Total non-current assets** | | **100.7** | **100.3** |
| **Total assets** | | **100.7** | **100.3** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Creditors: amounts falling due in one year | 5 | (9.2) | (4.1) |
| **Total current liabilities** | | **(9.2)** | **(4.1)** |
| **Net current liabilities** | | **(9.2)** | **(4.1)** |
| **Total liabilities** | | **(9.2)** | **(4.1)** |
| **Net assets** | | **91.5** | **96.2** |
| **Equity** | | | |
| Share capital | 7 | 1.0 | 1.0 |
| Retained earnings | | | |
| At 1 April/on incorporation | | 95.2 | – |
| Capital reorganisation | | – | 99.0 |
| Buyback and cancellation of shares | | (0.1) | – |
| Loss for the year/period | | (0.4) | (2.9) |
| IFRS 2 – Share based compensation charge | | 0.7 | 0.4 |
| Dividends | | (4.9) | (1.3) |
| | | 90.5 | 95.2 |
| **Total equity** | | **91.5** | **96.2** |

The notes on pages 91 to 94 are an integral part of these financial statements.

The financial statements on pages 89 and 94 were approved by the Board of Directors on 12 June 2018 and were signed on its behalf by:

**M Carpenter**
Chief Executive Officer

**J Gilmour**
Chief Financial Officer

Motorpoint Group Plc
Registered number 10119755

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Note | Share capital £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|
| **At 1 April 2016** | | **–** | **–** | **–** |
| Issue of share capital | 7 | 100.0 | – | 100.0 |
| Capital reorganisation | 7 | (99.0) | 99.0 | – |
| Loss for the period | | – | (2.9) | (2.9) |
| IFRS 2 – Share based compensation charge | | – | 0.4 | 0.4 |
| Interim dividend for the period ended 31 March 2017 | 8 | – | (1.3) | (1.3) |
| **At 31 March 2017** | | **1.0** | **95.2** | **96.2** |
| Loss for the year | | – | (0.4) | (0.4) |
| IFRS 2 – Share based compensation charge | | – | 0.7 | 0.7 |
| Buyback and cancellation of shares | | – | (0.1) | (0.1) |
| Final dividend for the period ended 31 March 2017 | 8 | – | (2.9) | (2.9) |
| Interim dividend for the year ended 31 March 2018 | 8 | – | (2.0) | (2.0) |
| **At 31 March 2018** | | **1.0** | **90.5** | **91.5** |

# COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

| | Note | **2018 £m** | 2017 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 11 | **5.1** | 1.4 |
| Interest paid | | **(0.2)** | (0.1) |
| **Net cash generated from operating activities** | | **4.9** | 1.3 |
| **Cash flows from financing activities** | | | |
| Dividends | 8 | **(4.9)** | (1.3) |
| **Net cash used in financing activities** | | **(4.9)** | (1.3) |
| **Net increase in cash and cash equivalents** | | **–** | – |
| Cash and cash equivalents at the beginning of the year/period | | **–** | – |
| **Cash and cash equivalents at end of year/period** | | **–** | – |
| Cash and cash equivalents comprises: | | | |
| Cash at bank | | **–** | – |

The notes on pages 91 to 94 are an integral part of these financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

Motorpoint Group Plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006.

### (a) Basis of preparation

These Company financial statements for the year ended 31 March 2018 have been prepared in accordance with United Kingdom accounting standards including FRS 102 and the Companies Act 2006. These financial statements are prepared on a going concern basis, under the historical cost convention. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation for a period not less than 12 months from the date of this report. The Company is in a net current liability position, however this wholly as a result of amounts owed to Motorpoint Limited, a subsidiary company. As such the Directors do not see the net current liability position as a risk when considering the going concern of the Company.

The Company financial statements have been prepared in sterling which is the functional and presentational currency of the Company and have been presented in round £m.

As permitted under section 408 of the Companies Act 2006 an entity profit and loss is not included as part of the published consolidated financial statements of Motorpoint Group Plc. The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

### (b) Critical Accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 to the Consolidated Financial Statements. The judgement around Classification of Exceptional items and the estimates involved in accounting for share based compensation are relevant for the Company Financial Statements.

### (c) Investment in Subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amounts exceed the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment. Where equity-settled Share Based Compensation is granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and investments in subsidiaries are adjusted to reflect this capital contribution.

### (d) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period which the dividends are approved by the Company's shareholders.

### (e) Foreign currency

The Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### (f) Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

The Company classifies financial instruments, or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments according to the substance of the contractual arrangements entered into.

### (g) Financial equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (h) Financial liabilities

Financial liabilities are classified on initial recognition as either other financial liabilities measured at amortised cost or at fair value through profit or loss.

### (i) Share Capital

Ordinary shares are classified as equity. Costs incurred in issuing equity are deducted from the equity instrument.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies continued

#### (j) Employee benefits

(a) Other employee benefits

The Company recognises an expense for other short-term employee benefits, primarily holiday pay and employee commissions and bonuses on an accruals basis.

(b) Share Based Compensation

Equity-settled Share Based Compensation payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions.

The fair value determined at the grant date of the equity-settled share based compensation is expensed on a straight-line basis over the vesting period, based on the Group's estimates of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to equity reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Equity-settled Share Based Compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

A liability is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

#### (k) Exemptions for qualifying entities under FRS 102

FRS 102 allows certain disclosure exemptions. The Company has taken the exemptions under FRS 102 paragraphs 1.12 (d) and (e) from including disclosure in relation to Share Based Compensation and key management compensation, since equivalent disclosures are included in the consolidated financial statements of the Group headed by Motorpoint Group Plc.

### 2. Auditors' Remuneration

| | **2018 £'000** | 2017 £'000 |
|---|---|---|
| **Auditors' remuneration:** | | |
| Fees payable for the audit | **80** | 81 |
| Fees payable to Company's auditor and its associates for other services: | | |
| Audit-related assurance services | **20** | 28 |
| Tax advisory services | **–** | 8 |
| Accounting advisory | **–** | 108 |
| **Total** | **100** | 225 |

### 3. Employees and Directors

The Company has no employees other than Directors (FY17: none). Full details of the Directors' remuneration and interests are set out in the Annual Report on Remuneration report on pages 46 to 52.

There were no other transactions with Directors by the Company (FY17: none).

### 4. Investments in Subsidiaries

| | **2018 £m** | 2017 £m |
|---|---|---|
| At 31 March 2017 and 31 March 2018 | **100.7** | 100.3 |

At 31 March 2018 the Company had the following 100% owned subsidiary companies all of whom are registered in England and Wales. Motorpoint Limited is the only direct subsidiary.

| Subsidiary Undertaking | Registered Address | Principal Activity |
|---|---|---|
| Motorpoint Limited | Chartwell Drive, West Meadows Industrial Estate, Derby, England, DE21 6BZ | Motor vehicle retail |
| Chartwell Leasing Limited | 80 Mount Street, Nottingham, England, NG1 6HH | Motor vehicle procurement |
| Auction 4 Cars Limited | Chartwell Drive, West Meadows Industrial Estate, Derby, England, DE21 6BZ | Dormant |

## 5. Creditors: Amounts Falling Due Within One Year

| | 2018 £m | 2017 £m |
|---|---|---|
| Amounts owed to Group undertakings | **9.2** | 4.1 |
| | **9.2** | 4.1 |

Amounts due to Group undertakings are repayable on demand, unsecured and non-interest bearing.

## 6. Financial Instruments

Financial instruments utilised by the Company during the year ended 31 March 2018 may be analysed as follows:

| | 2018 £m | 2017 £m |
|---|---|---|
| Financial Liabilities measured at amortised cost | **9.2** | 4.1 |
| | **9.2** | 4.1 |

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

The Company's financial liabilities are repayable on demand and therefore their fair value is equal to their book value.

## 7. Called Up Share Capital

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number '000 | Amount £m | Number '000 | Amount £m |
| **Allotted, called-up and fully paid** | | | | |
| Balance at the beginning of the period | **100,194** | **1.0** | – | – |
| Issued during the period | **–** | **–** | 100,194 | 1.0 |
| Bought back and cancelled during the period[1] | **(40)** | **–** | – | – |
| **Balance at the end of the period** | **100,154** | **1.0** | 100,194 | 1.0 |

1 Share buy-back
During March 2018 the company purchased and cancelled 40,000 ordinary shares on-market in order to reduce the share capital of the Company and return funds to shareholders who sell their shares.
Purchases of ordinary shares pursuant to the Programme will fall within the maximum of 10,019,402 ordinary shares that the Company was authorised to purchase under the general authority granted by shareholders at the Company's most recent annual general meeting held on 26 July 2017.
The shares were acquired at an average price of £2.11 per share, with prices ranging from £2.08 to £2.14. The total cost of £0.1m, including after tax transaction costs, was deducted from retained earnings. The total reduction in paid up capital was £nil.

## 8. Dividends

During the period the following dividends were paid:

| | 2018 £m | 2017 £m |
|---|---|---|
| Interim dividend for the year ended 31 March 2018 | **2.0** | – |
| Interim dividend for the period ended 31 March 2017 | | 1.3 |
| Final dividend for the period ended 31 March 2017 | **2.9** | – |
| **Total dividends** | **4.9** | 1.3 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 8. Dividends continued
Full details of the proposed Dividends for the period are set out below.

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

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

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

### 9. Borrowings
The Company's available borrowings consist of an unsecured £20m facility provided by Santander UK Plc which was undrawn as at the reporting date. The facility was negotiated in May 2016 ahead of the Motorpoint Group IPO Listing. 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 period ended 31 March 2018 interest was charged at 1.4% per annum. The interest charged cost for the period of £0.2m (FY17: £0.1m) has been expensed as a finance cost.

### 10. Commitments and Contingencies
#### Capital Commitments
The Company had no capital commitments at 31 March 2018 (FY17: £Nil).

#### Contingencies
There are no disputes with any third parties that would result in a material liability for the Company.

The Company acts as guarantor over the Group's £70m (FY17: £65m) stocking finance facility with Black Horse Limited.

### 11. Cash Flow from Operations

| | 2018 £m | 2017 £m |
|---|---|---|
| **Loss for the period, attributable to equity shareholders** | **(0.4)** | (2.9) |
| Adjustments for: | | |
| Finance costs | **0.2** | 0.1 |
| **Operating Loss** | **(0.2)** | (2.8) |
| Share based compensation charge | **0.2** | 0.1 |
| Exceptional items charged to operating profit | **–** | 2.7 |
| Cash flow from operations before movements in working capital and cash flow on exceptional items | **–** | – |
| Increase in trade and other payables | **5.1** | 4.1 |
| Cash flow from operations before exceptional items | **5.1** | 4.1 |
| Payments in respect of exceptional items | **–** | (2.7) |
| **Cash generated from operations** | **5.1** | 1.4 |

### 12. Related Parties
During the year, a management charge of £0.9m (FY17: £0.9m) was received from Motorpoint Limited in respect of services rendered.

At the year end the balance outstanding due to Motorpoint Limited totalled £9.2m (FY17: £4.1m).

# GLOSSARY

| Term | Meaning |
|---|---|
| **Adjusted Operating Costs** | Operating Expenses before Exceptionals |
| **Adjusted Operating Profit** | Operating Profit before Exceptionals |
| **AGM** | Annual General Meeting |
| **CAGR** | Compound Annual Growth Rate |
| **Capital Employed** | Average of the opening and closing position of the year for Net Assets adjusted for related party balances and legacy EBT liability |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **DEFRA** | Department for Environment, Food and Rural Affairs |
| **DTR** | Disclosure Guidance and Transparency Rules |
| **EBITDA** | Earnings Before Interest, Depreciation and Amortisation |
| **EBT** | Earnings Before Tax |
| **EPS** | Earnings per Share |
| **FCA** | Financial Conduct Authority |
| **FRC** | Financial Reporting Council |
| **FTE** | Full Time Equivalent |
| **GAAP** | Generally Accepted Accounting Practice |
| **GP** | Gross Profit |
| **HMRC** | HM Revenue and Customs |
| **IAS** | International Accounting Standards |
| **IFRS** | International Financial Reporting Standards |
| **INED** | Independent Non-executive Director |
| **IPO** | Initial Public Offering |
| **LIBOR** | London Interbank Offered Rate |
| **LTIP** | Long Term Incentive Plan |
| **NBS** | New Bridge Street |
| **NED** | Non-Executive Director |
| **NI** | National Insurance |
| **NPS** | Net Promotor Score |
| **Operating Cash Conversion** | Cash generated from operations/operating profit |
| **OEM** | Original Equipment Manufacturer |
| **PBT** | Profit Before Tax |
| **PCI** | Payment Card Industry |
| **PCP** | Personal Contract Purchase |
| **PSP** | Performance Share Plan |
| **PwC** | PricewaterhouseCoopers LLP |
| **ROCE** | Return On Capital Employed, being Operating Profit before Exceptional Items/Capital Employed |
| **SAYE** | Save As You Earn |
| **SID** | Senior Independent Non-Executive Director |
| **SIP** | Share Incentive Plan |
| **VED** | Vehicle Excise Duty |

# SHAREHOLDER INFORMATION & ADVISERS

**Registered Office**
Motorpoint
Chartwell Drive
West Meadows Industrial Estate
Derby DE21 6BZ
United Kingdom

**Company Number**
10119755

**Company Secretary**
Ms Manjit Kaur Virk

**Joint Stock Brokers**
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

**Share Listing**
MOTR.L 1 pence Ordinary Shares are listed on the London Stock Exchange and are the only class of shares in issue

**Independent Auditors**
PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Herald Way
East Midlands DE74 2UZ

**Legal Advisers**
Pinsent Masons
30 Crown Place
London EC2A 4ES

**Registrar**
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

**Financial PR**
FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD
Tel: +44 20 3727 1000

**Bankers**
Santander UK Plc
2 Clumber Street
Nottingham NG1 3GA

**Financial Calendar**

| | |
|---|---|
| 24 July 2018 | Annual General Meeting |
| 2 August 2018 | Ex-Dividend Date |
| 3 August 2018 | Final Dividend Record Date |
| 20 August 2018 | DRIP Election Deadline |
| 14 September 2018 | Final Dividend Payment Date |
| 5 October 2018 | Half Year Trading Update |
| 29 November 2018 | Interim Results Announcement |

**Shareholder Enquiries**
Our registrars will be pleased to deal with any questions regarding your shareholdings on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge) or email enquiries@linkgroup.co.uk. Alternatively, you can access www.signalshares.com where you can view and manage all aspects of your shareholding securely including electronic communications, account enquiries or amendment to address.

**Investor Relations Website**
The investor relations section of our website, www.motorpointplc.com, provides further information for anyone interested in Motorpoint. In addition to the Annual Report and Financial Statements, and share price, Company announcements including the full year results announcements are also published there.

**Cautionary Note Regarding Forward-looking Statements**
Certain statements made in this Report are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this Report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this Report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable laws, regulations or accounting standards, Motorpoint Group Plc does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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