



MOTORPOINT
GROUP PLC

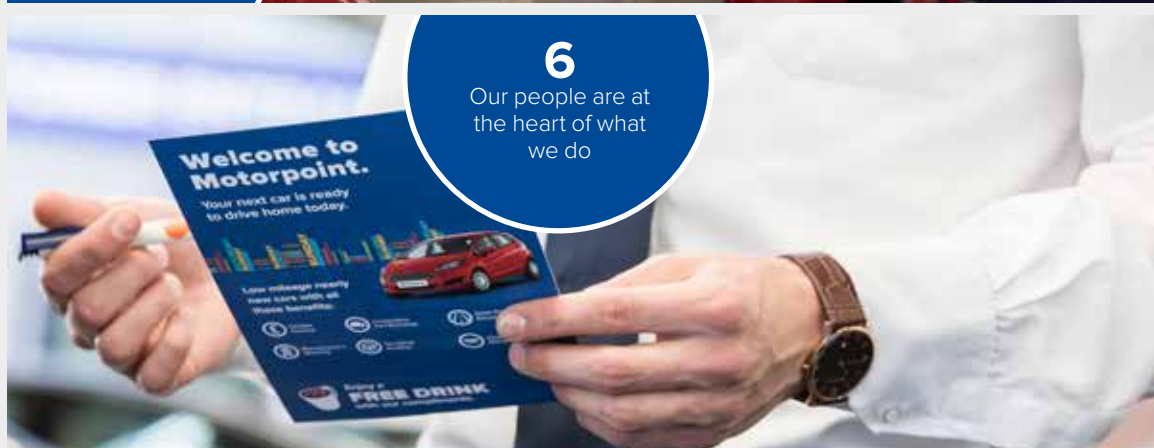


STRENGTH THROUGH INDEPENDENCE

Motorpoint Group Plc
Annual Report and
Accounts 2017



STRENGTH THROUGH INDEPENDENCE



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THE UK'S LARGEST INDEPENDENT VEHICLE RETAILER

Motorpoint sells nearly-new vehicles, most of which are up to two years old and have covered less 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 (11 at 31 March 2017), 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

+12.7%

Revenue increased by 12.7% to £822.0m (FY16: £729.2m)

£15.7m

Profit before taxation and exceptional items (FY16: £18.2m)

12.7p

Adjusted basic earnings per share (FY16: 14.7p)

£13.6m

Cash flow from operations before exceptional items (FY16: £19.5m)

£11.7m

Profit before tax (PBT) (FY16: £16.9m)

4.23p

1.33p interim dividend paid, 2.90p final dividend proposed

OPERATIONAL/STRATEGIC HIGHLIGHTS

Opened our 10th retail site, in Castleford, in April 2016 and 11th retail site, in Oldbury, in July 2016.

Post period end we opened our 12th retail site in Sheffield.

Significant increase in repeat customers to represent 25% of volume in FY17.

Net Promoter Score (NPS) performance improved at every site with a Group average of 77%.

Floated on the premium listing of the London Stock Exchange on 18 May 2016.







STRENGTH THROUGH INDEPENDENCE

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.

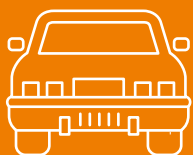
We aren't a franchise operation, so are free from the influence that the franchised dealers may feel from their manufacturer partners. This allows us to take market opportunities where available and operate without brand restriction.

WHAT MAKES US DIFFERENT?

	Franchised dealer	Motorpoint
 New sites and growth opportunity	<p>Can only expand with agreement of the manufacturer.</p> <p>Typically has to acquire an existing dealer, often paying significant goodwill.</p>	<p>We can open wherever we see a market opportunity; speed and scale are in our control.</p> <p>We can choose to buy an existing dealer, or develop a new operation, avoiding the need for goodwill payments.</p>
 Product offer	<p>The only retailer in the local market selling brand new cars from that manufacturer.</p> <p>Supplemented by used cars, parts and servicing.</p>	<p>100% dedicated to nearly-new car sales.</p>
 Brand and reputation	<p>Customer perception of the dealer's brand is substantially dictated by their perception of that manufacturer.</p>	<p>We build our own brand independently; our reputation is formed purely by how our team and customers feel about us.</p>
 Breadth of stock	<p>Typically only one or two brands available on a single site.</p> <p>Stock substantially secured from the tied OEM.</p>	<p>On average 33 brands available on site or online, spanning all of the leading makes and models, sourced from multiple channels.</p> <p>All stock is available nationally and can be moved to a customer's local site for a maximum of £99.</p>
 Operational control	<p>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.</p>	<p>No external restrictions or controls.</p> <p>Proprietary systems can be built; bespoke values-led development and staff engagement programme; marketing can be via any channel or into any geography; showroom fit-out costs support Motorpoint's value proposition.</p>
 Financing	<p>Typically provided on standard terms by the manufacturer.</p>	<p>Free to negotiate for the most competitive terms on the external market.</p>

“ The service was excellent from start to finish, all the staff were very helpful, no pushy salesman, left to look around without being pestered. ”

Customer quote from Feefo



6,916

average number of cars available each day during Q4 FY17

4.6★

average site Google review rating

£8,547

average savings to list price in FY17

12

sites from May 2017

40

different brands sold in the year

STRENGTH THROUGH INDEPENDENCE

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 new and 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	<p>A broad range of vehicles always available, from different manufacturers and across a spectrum of price points.</p> <p>Customers can choose to buy online or at any one of our 12 sites.</p>	<p>Being the biggest allows us to command competitive prices when we source stock and we pass those savings on to our customers.</p> <p>Modest capital investment in new sites and no requirement to pay for goodwill helps manage the overhead base.</p>	<p>100% stock mobility across the UK between any of our sites.</p> <p>Convenience-led initiatives, such as Same Day Driveaway, and a range of financing and ancillary products available.</p> <p>Part-exchanges competitively priced and managed through Auction4cars.com.</p>
Strategic developments in FY17	<p>New site openings.</p> <p>New buying relationships and expanding stock profile.</p> <p>Growth in online team.</p>	<p>Market data (pricing) and staying ahead of market.</p> <p>New site terms and absence of goodwill payments.</p> <p>New lower finance rate.</p>	<p>Paperless collections.</p> <p>New warranty product.</p> <p>New Auction4cars.com locations.</p>
Highlighted measures	<p>Number of sites:</p> <p>12</p>	<p>GP to overheads ratio:</p> <p>137%</p>	<p>NPS of 77%</p>





“ Every one of my site management team have been promoted internally which means that they live and breathe Motorpoint core values and team commitments. ”

JON GRACE
BURNLEY GENERAL MANAGER

STRENGTH THROUGH INDEPENDENCE

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.

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

[Read more p9](#)

Strategic developments in FY17

[Read more p11](#)

Highlighted measures

Core Values and overview of virtuous circle.

Free share award and launch of SAYE.
Training and development progress.
New sites support.

SAYE take-up.
Employee engagement.
Jobs created.



74

new jobs created

49%

of employees participated in our first SAYE



Top 100

Best Mid-Sized Companies to Work For, three years running

CHAIRMAN'S STATEMENT



The Company's dedication to offering Choice, Value and Service will ensure that Motorpoint remains the Car Buyer's Champion.

MARK MORRIS
NON-EXECUTIVE CHAIRMAN

Trading and Financial Performance

Following our successful admission to the London Stock Exchange in May 2016, our trading and financial performance in the weeks around the UK Referendum on EU membership and in the months that followed was undoubtedly disappointing and affected the whole year's performance. Whilst there are always lessons to be learned, I believe that management made appropriate decisions in this period of uncertainty and reduced demand. The impact of these external factors was also exacerbated by our accelerated site opening programme, which, although it bodes well for long term value creation, did stretch management resources, an issue which we have addressed.

The second half of the financial year was much more promising, and there were some notable achievements during the year, including the opening of our 10th and 11th sites, and securing a site for our 12th business which opened in Sheffield in late April 2017. Our management team has been strengthened and broadened.

Our Market

We have seen the market continue to grow this year, a demand that we are ideally positioned to deliver. The franchised dealer groups have stated their ambition to grow their used car revenue as the outlook for the new car market loses momentum. But our business model is built on a unique customer proposition based on Choice, Value and Service, a commitment to getting a highly engaged team and the flexibility that independence from the manufacturers gives. We will continue to prove our ability to win the admiration and loyalty of our customers and take market share.

Dividend

I am pleased to announce that the Directors have recommended a final dividend of 2.90 pence per share, which would give a total for the year of 4.23 pence per share. This represents dividend cover of 3 times of adjusted EPS.

Your Board

I am delighted to be working with our independent non-executives with each of Mary McNamara, Gordon Hurst and Steve Weller joining on our flotation in May 2016. They bring a wealth of experience and independence, and already the Board is working very effectively. I look forward to their support over the years ahead.

David Shelton, co-founder of Motorpoint and an Executive Director, will be making a phased shift from being executive to non-executive over the next nine months. We are glad to be able to retain David's passion, experience and knowledge of the motor industry within Motorpoint.

Reaching our first year end as a public company I am proud to have overseen the smooth transition from private ownership. This year we have invested significant time in building our governance structure, including developing our risk appetite and setting this in context of our long term strategy.

The Year Ahead

Everyone at Motorpoint knows that to stay ahead we need deliver better, faster and more simply for our customers. There remain dampening external factors on consumer confidence in the UK, but if we pursue with relentless energy our core retail proposition of Choice, Value and Service we will continue to grow market share: through our like for like estate, our leading online offer and our new sites as they mature.

Mark Morris
Chairman

12 June 2017

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

- We deliver happiness and inspire all around us.
- We create team spirit through positivity, support, feedback and fun.
- We actively communicate by listening and sharing information with others.
- We are adventurous by embracing change and challenging the status quo.
- We take responsibility and act with honesty and integrity.
- We are passionate, determined and proud of what we do.

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.

CHIEF EXECUTIVE'S STATEMENT



“The Group continued to make progress during the year, particularly in the second half and I am encouraged by the performance of our two new sites opened during the year.”

MARK CARPENTER
CHIEF EXECUTIVE OFFICER

KEY ACHIEVEMENTS OVER THE LAST 12 MONTHS

Q1

Castleford opening

On 1 April 2016 our 10th site in Castleford opened, serving the Yorkshire market.

Market listing

On 13 May 2016 the Company was listed on the London Stock Exchange.



London
Stock Exchange

Q2

Oldbury opening

On 1 July 2016 our second site in the West Midlands opened, our 11th site to open.



New website launched

Our new website was launched in the period, improving our natural search positions and enhancing user experience.



Overview

I am pleased to report our first full year results following our listing on the premium segment of the London Stock Exchange in May 2016.

Despite a challenging first half of the year, the Group delivered an improved trading performance in the second half and Group revenue for the year increased by 12.7% to £822.0m (FY16: £729.2m).

During the year, we opened two new retail sites, Castleford in April 2016 and Oldbury in July 2016, increasing our number of sites to 11. These sites are trading on plan and complement the Group's existing footprint. During Q4, we completed the substantial preparation work for our 12th site, in Sheffield, which opened in April 2017.

Customer satisfaction remains a key priority for the Group and we measure this using NPS. I am pleased that this has increased during FY17 from 72% to 77%, reflecting the continued hard work of our colleagues.

Our Focus on Team

Our passionate focus on developing our team is the driving force of our long term success with a high proportion of our team internally promoted. We are constantly developing our talent with several Talent Management and Leadership programmes running at one time. We listen to our people through surveys and forums and we communicate openly and honestly with our team. Our team is the best source for new ideas that lead to new initiatives and fuel our future growth.

We are leaders in people development and we 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.

Talent Management Programme

Our Talent Management programme is available to all of our team who show leadership potential and ambition. Now in its third year, the programme supports our focus on putting the team first by developing those high potential employees into future Senior Managers. The programme is designed to identify and develop key talent, who are then able to take key roles across the business and encourage an ever-rising bar of leadership behaviours. Our business relies on having the right person in the right role at the right time; by building a pool of talented employees we are able to offer new

opportunities and career progression. We are also better placed to retain our most talented employees and thereby reduce staff turnover.

In the three and a half years since the programme's inception, it has seen 38 of our team attend, with 22 of those having been promoted into a new position once involved in the programme. We are proud of our culture and commitment to developing our existing people.

Investing to Support our Growth

To support our strategic vision for growth, we are continuing to invest in better use of data across the business. We are building our capability in stock, marketing and customer relationship management, with new initiatives underway to prepare for the next phase of growth.

We remain objective in our new site approach, balancing the growth opportunity with the need to ensure that new sites are given enough support to build their teams and customer offer.

For the year ahead we will continue to support the most recent site openings in order to build the strong foundation that will position us well in the future and at the same time ensure that we continue our growth from existing sites.

Q3

FCA permissions for warranty

We were fully authorised and regulated by the FCA for the sale of general insurance products from 1 December 2016.



New lower finance rate

Our finance offering to our customers was made more competitive in the period, which has increased customer take-up.



Q4

Sunday Times Top 100 Employer

The business was included in the Sunday Times 100 Best Companies for the third year in a row.



NextGear partnership for A4C

Our online auction platform to dispose of non-retail cars is now supported by NextGear.



CHIEF EXECUTIVE'S STATEMENT CONTINUED

Customers

Our strategy of delivering unrivalled Choice, Value and Service to all our customers has been our vision since we opened 19 years ago and continues to be our core focus. We find a strong correlation between our team engagement levels and a high level of customer service delivery.

Reflecting changes in customers' research and buying journeys, we are increasingly recognising the value of peer recommendations and customer reviews. These reviews are an honest and unbiased view of our team, our proposition and our company values; I am delighted to see that our continued focus and passion on championing the customer is recognised in these ratings that our customers give us. On one of the leading review sites, Google, for example, we have seen our rating rise to 4.6 stars over the year.

Our NPS, for the year increased from 72% to 77%, and increased from 59% in FY14, something of which we are very proud. Our repeat customers continue to grow, allowing our marketing costs to remain low in established sites.

Financial Strength

Our balance sheet strength, and the flexibility of having no fixed term debt, give us great confidence.

Our financial returns and enviable cash generation allow us to simultaneously invest in the growth of the business and return cash to shareholders. We take a disciplined approach to capital allocation, which drove our strong 112% return on capital employed.

In FY17, we generated £13.6m in cash from operations prior to exceptionals, raised our stock levels by £23.5m and invested a total of £1.1m in new sites.

In June 2017, our Board of Directors recommended Motorpoint Group Plc's first full year dividend, of 2.90 pence per share, which would take the total dividend for the year to 4.23 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

Our recent openings have built up a considerable growth opportunity for the year ahead; by building volumes in this third of our estate that is under two years old, we will achieve a rapid cash return on these investments. Supported by an expanded and strengthened management team, we are well positioned to deliver the Motorpoint model across the estate.

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.

We have many new initiatives underway to drive increased levels of customer traffic to both our physical sites and online, and improved systems and processes in place to support our teams in delivering outstanding customer satisfaction.

Economic and political uncertainty remains apparent in the near term, which may adversely impact customer confidence. We remain confident that our focus on Choice, Value and Service remains relevant in the face of any fall in customer confidence.

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

Mark Carpenter
Chief Executive Officer
12 June 2017

MARKET REPORT

The UK new car market continued to grow throughout FY17 and we are well positioned to benefit from it.

New Car Market

The number of new vehicles registered remained strong throughout the year with FY17 ending with both a record month and a record quarter for new registrations. This was due in no small part to the VED tax changes effect on registrations from 1 April 2017 onwards which is likely to have pulled forward some volume into the first calendar quarter of 2017.

One persistent theme through the year has been the growing disparity between private demand and fleet demand, with the latter growing with substantially more vigour. For Motorpoint this represents an opportunity in the near term, as a significant proportion of our supply is sourced from the fleet operators and so is likely to form a broad and competitive supply environment for us over the coming six to 12 months.

Alongside the growing volumes there has been some shift in manufacturer and model preferences in the new registrations data. In particular there has been impressive expansion within the premium market, not least from BMW, Audi, Mercedes-Benz, Jaguar and Land Rover. Motorpoint's sales and stock mix broadly represents the shape of the new car market, albeit with a modest delay, so we have seen a gradual movement in our sales mix along similar lines.

Used Car Market

Following closely on the trends of the new car market, used volumes in 2016 set new record highs. The calendar year saw a year on year growth in excess of 7%, with the final quarter being the strongest on record. This encouraging strength has continued into the first quarter of calendar year 2017, which has seen volumes up again on the same period in 2016.

Brexit

The UK voted to leave the EU on 23 June 2016, six weeks after the IPO of Motorpoint Group Plc. Because of the uncertainty around the result of the EU referendum, management reduced prices in late June to protect the Group's good level of stock turn, and reduced stockholding levels. Accordingly, the volume and margin performance in the first half was behind management expectations.

Whilst the footfall levels in the period around the vote and for a few months afterwards were subdued, this has not continued as a sustained change in customer behaviour in the second half of the year. Equally, whilst Sterling remains well below the levels seen in early June, we have not seen any material changes in manufacturer pricing or behaviour to lead us to believe that the referendum's result will necessitate a change in our operating model.

The uncertainty around future implications of Brexit could lead to some volatility in consumer confidence, which could impact on footfall levels.

Digital

Online retail sales across the UK continue to grow at double-digit rates, representing an ever-increasing proportion of total sales, and are now estimated to constitute over 15%. Motorpoint has seen the effects of this developing customer preference, with the volume of vehicles sold through the Group's website increasing to record levels.

Customers are increasingly comfortable to commit to a purchase without having first inspected the car, but rather trusting the brand and transacting with the dedicated contact centre.

We have seen a migration of research journeys also move to online channels, with customers spending time preparing and comparing, and consequently visiting fewer dealerships. As such we continue to allocate a growing proportion of our marketing spend to digital channels, such as paid search and the digital classified providers.



OUR STRATEGY

New Sites and Growth Opportunity

During the year we continued to deliver on our strategy to open at least one new site per year, with a medium term target of at least 20 sites in the UK. Two new sites opened successfully in the year and are trading in line with our new site roll-out model. The Sheffield site was secured and prepared in the year, and launched successfully post year end.

Product Offer

Our focus continues to be 100% on nearly-new cars; we have expanded into new sites, and have seen a substantial increase in sales via our digital channel. Following award of full FCA permissions for regulated insurance products we have launched a new extended warranty product which is fully underwritten by a specialist insurer. We have also launched our partnership with NextGear, a funding platform for our Auction4Cars.com customers.

Brand and Reputation

Through a relentless focus on customer satisfaction, we have driven our key reporting metric to new record levels, with an NPS of 77%, and seen the level of loyal customers coming back to us jump to represent 25% of our total sales volume.

Breadth of Stock

We have grown our stock levels to new highs, reflecting our expanded site footprint and increased customer demand. Stock available on the website averaged 6,916 units over the final quarter of the year. We continued to work with our long-standing and trusted suppliers, as well as expanding relationships into new supply channels to ensure that we maintained a broad and relevant mix.

Operational Control

Our site operations continued to evolve to make our processes faster for customers and simpler for our teams. We launched our "collections hub", which allows our customer services team to deliver a seamless, paper-free handover experience to customers.

Team

Our proven talent programmes continue to succeed, with ongoing training and support growing our next generation of Senior Managers.

We have achieved a Sunday Times Top 100 Employer recognition for the third consecutive year.

Financing

We have lowered our customer finance rate to a competitive 12.9%, the same rate across both PCP and hire purchase. We have also taken the logical step to state each car's monthly finance cost on the windscreen, granting customers all the information they need to make a purchase decision without the pressure of feeling obligated to ask a salesperson.

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 operates a retail website (www.motorpoint.co.uk) which 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; with sales staff who 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.

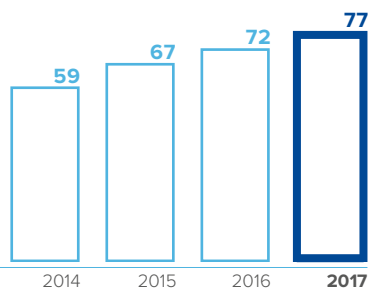
Management is focused on generating efficient returns for the business and the diligent and efficient employment of capital resources. Through a cost-effective opening and operating programme and a relentless drive on stock turn, management has been able to generate strong, recurring levels of return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



KEY PERFORMANCE INDICATORS

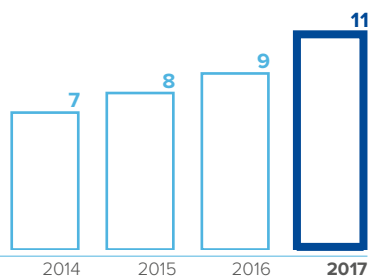
NON-FINANCIAL KPIs

Net Promoter Score (%)



Customer satisfaction has continued to strengthen, with new record levels of NPS achieved.

Sites as at 31 March (Number)



Castleford and Oldbury openings in the year bolstered the estate to 11 sites as at 31 March 2017, with the opening of our Sheffield site on 28 April 2017.

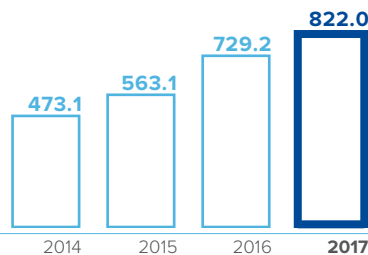
Engagement



Staff engagement levels have continued to impress. We were first named in the 100 Best Companies in 2015 and have held on to this accolade for three years.

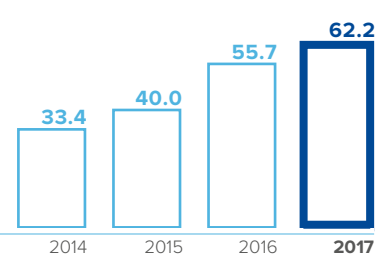
FINANCIAL KPIs

Revenue (£m)



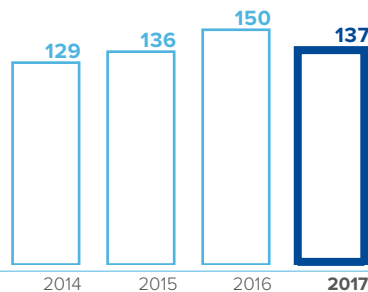
A year on year increase of £92.8m saw full year revenue grow to £822.0m, delivering a CAGR of 20% since 2014.

Gross Profit (£m)



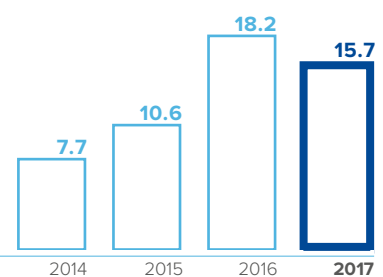
GP growth narrowly trailed the revenue performance, with a year on year climb of 11.7%, substantially supported by an improved performance in the second half.

GP/Overheads (%)



Reflecting the expanded site estate and thereby the greater proportion of immature sites, the overhead base grew faster than gross profit, lowering the GP/Overheads ratio.

Adjusted PBT¹ (£m)



The growth in overheads moved the PBT performance back year on year to £15.7m, a three year CAGR of over 25%.

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

FINANCIAL REVIEW



“

Our unique proposition, combined with our unabated focus on team and customers, have allowed us to deliver double-digit sales growth.

JAMES GILMOUR
CHIEF FINANCIAL OFFICER

”

Overview

I am pleased to present our maiden full year Financial Review for Motorpoint Group Plc which was incorporated in April 2016 ahead of the Group's admission to trading on the London Stock Exchange in May 2016.

Despite a challenging H1, the Group achieved double-digit revenue and gross profit growth for the year. We have laid significant foundations for medium term growth through the opening of our 10th and 11th sites during the year and completing the substantial preparation work for our 12th site, in Sheffield, which opened on 28 April 2017.

We remain cautiously optimistic about the FY18 trading conditions and expect the Group to perform in line with market expectations.

KEY FINANCIAL METRICS

	FY17	FY16	Change
Revenue	£822.0m	£729.2m	12.7%
Gross Profit	£62.2m	£55.7m	11.7%
GP/Overheads Ratio	137.3%	150.1%	(12.8%)
Operating Profit before Exceptional Items	£16.9m	£18.6m	(9.1%)
Profit Before Exceptional Items and Tax	£15.7m	£18.2m	(13.7%)
Profit Before Tax	£11.7m	£16.9m	(30.1%)
Adjusted Basic Earnings per Share	12.7p	14.7p	(13.6%)
Basic Earnings per Share	8.7p	13.4p	(35.1%)
Cash Generated from Operations Before Exceptional Items	£13.6m	£19.5m	(30.3%)

Dividend

In June 2017 the Board of Motorpoint Group Plc proposed a final dividend of 2.90 pence per share in respect of FY17. This will be tabled for approval at the forthcoming AGM on 26 July 2017, with an anticipated payment date during September 2017.

Together with the interim dividend of 1.33 pence per share that was paid on 17 March 2017, this will deliver a total dividend for the year of 4.23 pence per share.

Capital Structure and Basis of Preparation

Motorpoint Group Plc was incorporated on 12 April 2016, and on 9 May 2016 the Company obtained control of the entire share capital of Motorpoint Limited via a share for share exchange. To ensure that the most appropriate view of the Group's results is presented, the current year and comparative information disclosed in this Financial Review reflects the continuation of the pre-existing group headed by Motorpoint Limited and has been prepared applying the principle of predecessor accounting. Further information around the basis of preparation is included in note 2a to the Consolidated Financial Statements and an explanation of the capital structure of the Group both pre and post IPO is included in note 26 to the Consolidated Financial Statements.

Revenue and Gross Margin

Revenue for the year increased by 12.7% to £822.0m with revenue from sale of motor vehicles growing by 12.4% to £789.0m (FY16: £702.0m) and revenue from motor related services and commissions growing by 21.3% to £33.0m (FY16: £27.2m).

Gross profit for the year increased by 11.7% to £62.2m, so the gross margin growth narrowly trailed revenue growth. The difference substantially reflects management's decision in H1 to take a more cautious view on both stock holding and stock pricing over the summer months, to reduce the level of asset risk in the face of anticipated low consumer confidence following the EU referendum result. The Group's "metal margin" recovered to normalised levels in H2.

To support the maiden Motorpoint Group Plc Annual Report, four year trends for both revenue and gross profit are shown below, all reported under IFRS.

Adjusted Operating Profit

Adjusted operating profit is reported excluding costs related to the Motorpoint Group Plc IPO but including £0.4m of charges incurred in association with Share Based Compensation plans which have been put in place following IPO.

Adjusted operating profit for the year decreased by 9.1% to £16.9m (FY16: £18.6m). This was most significantly as a result of the increased adjusted operating expenses, which rose from £37.1m to £45.3m.

The adjusted operating costs were most substantially increased by the new site openings; a total of £5.2m (excluding marketing costs) which represents the net impact of increased operating expenses for Birtley, Castleford, Oldbury and Sheffield, the four sites that have opened since November 2015.

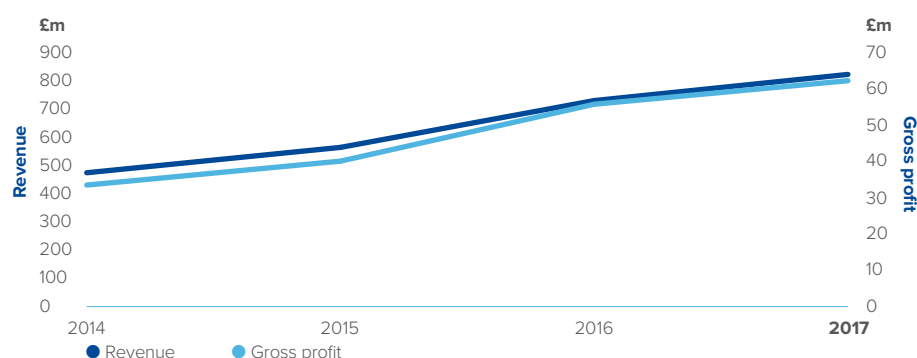
Marketing spend for the year increased by £1.0m, both to maintain support of the established sites, and to drive brand awareness in the new regions opened during the year.

We were also impacted in the year by the change in interchange fees pricing, which were implemented by Visa and removed the erstwhile capping of debit card acquisition fees. This led to additional costs of £0.4m being incurred during the year.

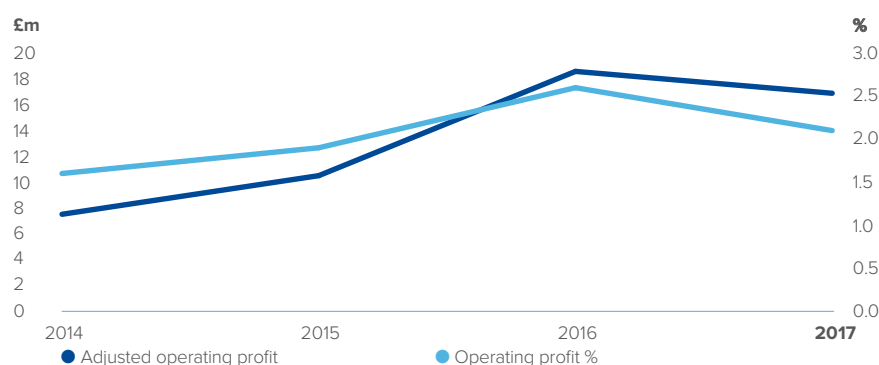
In addition to the £0.4m of Share Based Compensation charges as set out in more detail below, the Head Office costs grew as we implemented the strong governance structure and corresponding senior expertise appropriate for our listed status.

The Group's depreciation charge remained relatively stable during the year; the business model is such that all retail sites are leased, so the growing site estate footprint has not led to a significant increase in depreciation.

REVENUE AND GROSS PROFIT



ADJUSTED OPERATING PROFIT



FINANCIAL REVIEW CONTINUED

Share Based Compensation

The Share Based Compensation schemes are included in arriving at adjusted operating profit. There are three schemes which have been launched in the year which are the Share Incentive Plan (SIP), Performance Share Plan (PSP) and Save As You Earn (SAYE) scheme.

The SIP constituted an award of £1,000 for all employees with at least one year of continuous service as at the award announcement date, 24 May 2016. The SIP was made as recognition of our team who have been 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. There will be one further award made for those employees who were not part of the first award, but who joined the business on or before 4 October 2016 and become eligible on providing one year of continuous service. This award will be made during FY18.

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 will 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, again for the Executive Directors and key Senior Management.

The SAYE scheme was launched by Motorpoint in December 2016, and it is anticipated that a further scheme will be launched in each future year, subject to Board approval. The scheme is open to all employees, inviting them to save directly from their salary for a three year period and with the option to purchase shares at a discounted price at the end of the three year period or take their savings back in a lump sum. We were delighted that 49% of our employees chose to join the scheme and invest personally in Motorpoint.

Further information on Share Based Compensation schemes is included in note 29 to the Consolidated Financial Statements.

Exceptional Items

The exceptional costs recognised in FY17 of £4.0m were solely in relation to the Motorpoint Group Plc IPO. The costs incurred relate to corporate restructuring, legal and professional costs, broker and accounting services.

Operating Profit

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

Net Finance Cost

The net finance cost of £1.2m represents the Group's interest costs, net of interest income. The interest income of £0.1m in the year and £0.5m in the prior year represents interest paid by related parties on amounts owed. These balances were settled on IPO and so the interest income will not recur.

During the year and ahead of the IPO the Group renegotiated its stocking finance facility with Black Horse Limited and arranged a new £20m credit facility with Santander UK Plc.

The stocking finance facility is a £65m facility secured against the vehicle against which the stocking finance facility is drawn down. £1m of cost has been incurred during the year under this facility. The Black Horse agreement provided a £55m facility at the point of IPO and has been increased by £5m on two occasions during the year as new sites opened.

The £20m facility with Santander UK Plc is split between £6m available as an overdraft and £14m available as a revolving credit facility. At 31 March 2017 there were no drawings under the facility. The facility has been partly drawn at points during the year and the interest expense of £0.1m represents the cost involved in this. The facility is available for a fixed term of five years from commencement, which was 10 May 2016.

The Group was previously incurring interest on an amount owed to HMRC for the repayment of a legacy EBT scheme. The amount outstanding was settled in full during the year and there will be no future interest expense for this scheme.

Taxation

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

Exceptional items in relation to the IPO of Motorpoint Group Plc have been prudently treated as non-deductible for tax purposes.

A deferred tax asset arose on the sale and leaseback of the Oldbury site as proceeds in excess of the fair value of the assets sold are deferred for accounting purposes but are taxed during the year they arose.

OPERATING PROFIT

	FY17 £m	FY16 £m
Operating Profit Before Exceptional Items	16.9	18.6
Exceptional Items	(4.0)	(1.3)
Operating Profit	12.9	17.3
Net Finance Cost	(1.2)	(0.4)
Profit Before Tax	11.7	16.9
Taxation	(3.0)	(3.5)
Profit After Tax	8.7	13.4

Earnings per Share

Earnings per Share for the period are shown below. 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.

	2017	2016
Profit Attributable to Ordinary Shareholders (£m)	8.7	13.4
Exceptional Items (£m)	4.0	1.3
Adjusted Profit Attributable to Ordinary Shareholders (£m)	12.7	14.7
Number of Shares in Issue ('000)	100,194	100,194 ¹
Adjusted Basic Earnings per Share (pence)	12.7	14.7

¹ Number of shares in issue for 2016 has been based on the number of shares in issue during 2017. This is only for comparative purposes and is not the actual number of shares. Please refer to note 26 to the Consolidated Financial Statements for share capital details.

The dilutive impact of shares issued in relation to Motorpoint shares in issue is shown in note 11 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.

Financial Position

The financial position of the Group remains strong with the post IPO balance sheet reflecting the settlement of all but one related party balance. The only amount outstanding to related parties which is not in the ordinary course of business is a £0.4m liability, payment of which is expected to be made within FY18.

Property, plant and equipment in both years represent leasehold improvements, office equipment and fixtures and fittings. In the current year this category also includes £1.7m of land which was acquired during the year in Peterborough near to the existing retail site to support storage and preparation activities.

There has been a significant increase in the level of inventory held at the end of March 2017 to £98.4m (FY16: £74.9m) which reflects the increased size of the business and thereby a deeper stock holding to support increased customer demand. Inventory provisions total £0.8m (FY16: £0.7m) and are calculated on a basis consistent with prior years.

Stocking finance facilities drawn at 31 March 2017 total £64.9m (2016: £51.0m), near full utilisation of the £65.0m (2016: £55.0m) facility that we have available.

Trade receivable represents amounts due in the short term from vehicle finance providers.

Prepayments comprise amounts paid out by the business which have future benefits, predominantly rent and rates associated with retail premises but also include deferred costs in relation to extended guarantee products.

Accrued income relates to rebates and commissions from vehicle suppliers and finance houses.

Trade creditors and accruals represent amounts owed to suppliers for vehicles and goods and services, amounts drawn under the stocking finance facility, as well as any amounts owed to employees for commissions and bonuses. The increase from the prior year represents the increased size of the business as well as the £1.8m of deferred sale proceeds arising from the Oldbury sale and leaseback which will be released over the period of the lease.

Deferred extended guarantees, both less than and over one year, relate to the extended guarantee products which were sold prior to Motorpoint receiving FCA regulated status in 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 with 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 released substantially over the next three years.

Cash and cash equivalents of £7.3m (FY16: £11.6m) relate to amounts held on deposit account.

FINANCIAL REVIEW CONTINUED

FINANCIAL POSITION

	2017 £m	2016 £m
Assets		
Non-current assets		
Property, plant and equipment	5.4	3.2
Deferred tax asset	0.4	—
Total non-current assets	5.8	3.2
Current assets		
Inventories	98.4	74.9
Trade receivables	2.6	1.7
Amounts owed by related parties	—	14.2
Other receivables	0.2	0.2
VAT recoverable	0.2	—
Prepayments	5.3	4.5
Accrued income	1.1	0.9
Cash and cash equivalents	7.3	11.6
Total current assets	115.1	108.0
Total assets	120.9	111.2
Liabilities		
Current liabilities		
Trade creditors	(18.8)	(14.5)
Stocking finance facilities	(64.9)	(51.0)
Other taxes and social security	(0.7)	(0.6)
Accruals	(11.2)	(7.4)
Deferred extended guarantee income	(3.2)	(2.2)
Amounts due to related parties	(0.4)	(1.0)
Other creditors	—	(1.7)
Current tax liabilities	(1.8)	(0.7)
Current liabilities	(101.0)	(79.1)
Deferred extended guarantee over one year	(5.2)	(6.4)
Total non-current liabilities	(5.2)	(6.4)
Total liabilities	(106.2)	(85.5)
Net assets	14.7	25.7

Cash Flow and Working Capital

Cash flow from operations represents the cash generated from operations prior to exceptional items and adjusting for non-cash transactions such as Share Based Compensation charges. The slight decrease in the year corresponds to the operating profit performance.

The net working capital outflow in the year represents an increase in inventory paid from cash reserves. This £9.6m increase in cash funded inventory has been partly offset by an increase in the level of stock finance, trade creditors and accruals which has increased in line with the size of the business.

Payments in respect of exceptional items represent the cash outflow of expenditure in relation to both the Motorpoint IPO and the settlement of the legacy EBT scheme as outlined above.

Purchases of property, plant and equipment include the purchase of the Oldbury site for consideration of £3.9m and the purchase of land at Peterborough for £1.7m. The remaining expenditure in the year relates to acquisition of leasehold improvements, office equipment and fixtures and fittings.

The sale of the Oldbury site as part of a sale and leaseback agreement generated £5.8m of cash in the year. The lease period agreed as a result of the transactions is for a period of 15 years with an option to extend for a further 10 years.

Cash outflows for pre IPO transactions and dividends totalled £5.2m which were all concluded prior to the listing of Motorpoint Group Plc.

Cash outflows for post IPO dividends were the interim dividend announced of 1.33 pence per share, approved and paid during the year.

CASH FLOW AND WORKING CAPITAL

	2017 £m	2016 £m
Cash flow from operations before movements in working capital and cash flow on exceptional items	18.3	19.6
Net Working Capital Movement	(4.7)	(0.1)
Cash flow from operations before exceptional items	13.6	19.5
Payments in respect of exceptional items	(6.2)	(1.6)
Cash generated from operations	7.4	17.9
Interest paid	(1.3)	(0.9)
Income tax paid	(2.9)	(2.8)
Net cash generated from operating activities	3.2	14.2
Cash flows from investing activities		
Purchases of property, plant and equipment	(6.9)	(1.3)
Proceeds from sale of property, plant and equipment	5.8	0.1
Interest received	0.1	0.6
Pre IPO transactions with related parties	(0.8)	4.3
Net cash (used in)/from investing activities	(1.8)	3.7
Cash flows from financing activities		
Pre IPO dividends	(4.4)	(9.9)
Post IPO dividends	(1.3)	—
Net used in from financing activities	(5.7)	(9.9)
Net (decrease)/increase in cash and cash equivalents	(4.3)	8.0

James Gilmour
Chief Financial Officer
12 June 2017

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 Company which could threaten its future performance or business model. On behalf of the Board, the Audit Committee reviews the effectiveness of the Company'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 below) 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.

Key Areas of Focus

This year the Board has placed significant focus on defining our risk appetite. At the highest level, this is an expression of the types and amount of risk we are willing to take or accept to achieve our strategic and operational objectives. It is a key consideration in decision-making across the Group and helps us define the mitigating activities required to manage our risks.

During the year, the Directors also assessed the long term viability of the Company in the context of its principal risks. In accordance

with the UK Corporate Governance Code, our Viability Statement is included on page 24 and is designed to strengthen stewardship and to encourage Directors to focus on the longer term.

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.

From time to time the Group has made changes to historical business and commercial practices where such activities did not meet, or may not have met, applicable laws or regulations (whether civil, criminal, regulatory or other) or the commercial and ethical values of the Group. Notwithstanding their discontinuation, certain aspects of these historical business and commercial practices could result in administrative, criminal, financial, regulatory or other action or proceedings and such actions or proceedings could have an adverse effect on the Group's reputation, business, financial condition and operating results.

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 from 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.

Risk management framework

1st line Business units	Involved in day-to-day risk management Follow a risk process Apply internal controls and risk responses
2nd line Risk and compliance	Oversee and challenge risk management Provide guidance and direction Develop risk management framework
3rd line Management oversight	Review 1st and 2nd lines Consider and challenge the process Be objective and offer assurance

PRINCIPAL RISKS AND UNCERTAINTIES

RISK AND IMPACT	MITIGATING CONTROLS
<p>Competition</p> <p>The UK vehicle market is highly competitive and customers have a broad choice of retailers, some of which offer comparable products. Over the last year the market has seen a period of consolidation and innovation, through which our competitors have progressed their propositions.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>Brand and reputation</p> <p>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.</p> <p>Failure to maintain these would rapidly result in a loss of customer confidence and impact levels of business.</p> <p>Unfavourable publicity concerning the Company or the industry in which it operates could also have an adverse impact.</p>	<p>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.</p> <p>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.</p> <p>We closely monitor customer perceptions using both qualitative and quantitative feedback, and respond quickly where possible.</p>
<p>Availability and terms of customer finance</p> <p>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.</p> <p>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 and amount of commissions earned is altered.</p>	<p>The risk is spread by way of customer finance being offered through a panel of key relationship partners.</p> <p>We constantly monitor the market and emerging trends, working in conjunction with our partners to keep our consumer credit offer relevant, competitive and viable.</p> <p>Where possible we reinvest in the quality of the customer offer, preferring to build its appeal rather than maximise our commission rates.</p>
<p>Availability of supply</p> <p>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.</p>	<p>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.</p> <p>We employ an experienced buying team which is responsible for maintaining an efficient and effective supply chain.</p> <p>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.</p>
<p>Regulation</p> <p>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.</p> <p>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 the 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 authorisation could be material.</p>	<p>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.</p> <p>We have a Compliance Committee which conducts regular reviews of the key regulatory risk areas, allocating control environment improvement objectives to relevant owners.</p> <p>We also operate a whistle blowing hotline which allows colleagues or suppliers to confidentially report any concerns or inappropriate behaviour within the business.</p>

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK AND IMPACT

MITIGATING CONTROLS

Economic conditions

The Company operates entirely in Great Britain 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.

Such factors can be significantly impacted by external factors such as the EU referendum.

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.

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.

We have an extensive forecasting process that enables actions to be taken in the medium term in response to evolving economic conditions.

Credit, liquidity and financing

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.

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.

Forward-looking cash flow forecasts and covenant tests are prepared to ensure that sufficient liquidity and covenant headroom exists.

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.

IT systems and business continuity

The Group is reliant on key IT systems, and disruption to these would adversely impact business operations.

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.

We utilise the services of an expert third party IT company to ensure that any investments made in technology are fit for purpose.

We have a disaster recovery strategy including an approved Business Continuity Plan and an ongoing PCI compliance strategy.

Key management reliance

The Group is reliant on the high quality and ethos of the executive team as well as strong management and operational teams.

The loss of one or more of these leaders could predicate poor implementation of the strategy or loss of operational oversight.

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.

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.

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.

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 FY21 which takes into account the Group's current position and the potential impact of the principal risks and uncertainties as set out on pages 23 and 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 2021.

The Board has determined that the period constitutes an appropriate period over which to provide its Viability Statement. This is the period detailed in our Strategic Plan which we approve each year as part of the strategic review. 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

Our CEO explains our passionate focus on developing our team on page 11.

Our Talent Management and Leadership programmes focus on self awareness and emotional intelligence and are set up to:

- develop people ready to take up Management and Senior Management roles in the future;
- have sufficient trained and talented individuals ready to manage new sites;
- provide career paths to motivate and develop capable, talented individuals who aspire to management roles; and
- retain talent where possible within Motorpoint.

We are delighted 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

Six members of our Operational Board have been promoted from within, as have eight of our twelve General Managers.

A testament to our commitment to growing our own talent is the middle management population, eight of whom have been with us since we opened in 1998 and 47 of whom have been internally promoted.

Employee engagement

To recognise the work of our teams in building Motorpoint to the size and success appropriate for IPO, we announced a free share award of £1,000 to employees in May 2016. The award was granted to all employees who had been with the business for at least one year in May – a second and final award will be made in FY18 to include those remaining eligible employees who joined the business before 4 October 2016.

In December 2016 we launched our first SAYE Scheme and are encouraged that nearly half of the team elected to join.

We are proud that as at 31 March 2017 over 70% of the Motorpoint team has shares or options in the Company and is thereby aligned to the long term interests of the Company.

More detail on our share schemes is set out in the Financial Review on page 18.

For the third year running, Motorpoint is in the Sunday Times 100 Best Companies to Work For list, reflecting our ongoing investment in our people and their development.

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 2016. For this first year's report no comparator period is presented. Emission factors used are from UK government (DEFRA) conversion factor guidance current for the year reported for carbon dioxide equivalent (CO₂e).

Equivalent CO ₂ emissions	2.2t
Number of sites at 31 Dec 2016	11
Equivalent CO ₂ per site	0.2t

Our Community

Each of our sites is encouraged and committed to supporting their local communities. We are delighted to have supported local charities at each of our sites during the year (see table overleaf).

Employee profile by gender

Total employees



14%
1

Board level



86%
6

40%
4

Senior management

60%
6

29%
28

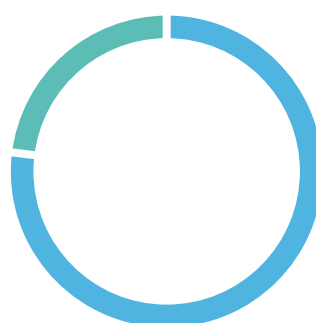
Line manager

71%
70

21%
131

Other employees

79%
482



23%
164



77%
564

Data above correct as at 17 May 2017.

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

SUSTAINABILITY CONTINUED

Charities supported during the year

Glasgow	St Andrew's Hospice
Birtley	Solan Connor Fawcett Family Cancer Trust
Castleford	The Prince of Wales Hospice
Burnley	Pendleside Hospice
Widnes	Zoe's Place
Derby	Nottingham School of Boxing
Peterborough	Amazon Children's Ward at Peterborough City Hospital
Chingford	Teens Unite Fighting Cancer
Newport	Dreams & Wishes
Birmingham / Oldbury	Birmingham Children's Hospital

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 adopted in the year a "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 & 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 have taken steps to address the risks of modern slavery and human trafficking in response to the recently introduced 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 from which are independently collated and submitted to the Compliance Committee. We also have an Anti-Corruption and Anti-Bribery policy in place which is reviewed and recommunicated 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
CEO
12 June 2017

James Gilmour
CFO
12 June 2017

CHAIRMAN'S INTRODUCTION TO GOVERNANCE



“

We strive to be a good investment, a great employer and a valued contributor to our communities, year after year.

MARK MORRIS
NON-EXECUTIVE CHAIRMAN

”

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 complies with the September 2014 UK Corporate Governance Code (the Code), being the Code applicable for the relevant period. The Code is available on the Financial Reporting Council's (FRC) website (www.frc.org.uk). On Admission, Motorpoint was compliant with all relevant provisions of the Code except the appointment of a Senior Independent Non-Executive Director (SID). As noted in the Prospectus this action was deferred until December 2016 to assess the performance of the new Non-Executive Directors. Ahead of this deadline in October 2016 Mary McNamara was elected as SID by the Board.

Governance Framework

In preparation for Admission, we carried out a review of the existing governance structure in conjunction with our external advisers, in order to identify any measures that would need to be implemented prior to Admission. The review also enabled the Directors to provide the confirmation that was required on Admission 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 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 Wednesday 26 July 2017 at 10.00 am at 200 Aldersgate, London EC1A 4HD. This is a good opportunity for you to meet the Executive and Non-Executive Directors, and notice of the AGM will be sent separately to shareholders along with this Report.

Mark Morris
Non-Executive Chairman
12 June 2017

BOARD OF DIRECTORS AND COMPANY SECRETARY

CHAIRMAN



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 19 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
HomeServe Plc – SID and Chair of Audit & Risk Committee

EXECUTIVE DIRECTORS



Mark Carpenter
Chief Executive Officer

Date of appointment
12 April 2016

Committee memberships
Compliance

Background and career
Mark was appointed CEO of Motorpoint Limited in May 2013 following two years as CFO. He has 15 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' 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



David Shelton
Executive Director

Date of appointment
12 April 2016

Committee memberships
None

Background and career
David co-founded Motorpoint in March 1998 following a 10 year career as buying director for Motorhouse.

Areas of expertise
Motor retail

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

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
Featurespace Limited – SID
Marston Holdings – SID



Mary McNamara
Senior Independent
Non-Executive Director

Date of appointment
13 May 2016
(SID from 21 October 2016)

Committee memberships
Remuneration (Chair),
Audit, Nomination

Background and career
Mary was CEO of the Commercial Division and board director of the Banking Division at 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



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

COMPANY SECRETARY



Manjit Virk
Company Secretary

Date of appointment
11 May 2016

Committee memberships
Compliance, Secretary to Audit,
Remuneration, 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

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, who was deemed independent at the time of appointment, chairs the meeting and promotes a culture of openness and debate, including inviting the Executive Directors and the NEDs to debate Motorpoint's strategic matters which are new to the NEDs in their first term with the business. 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 adopted on flotation. 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 FY17

The table below sets out the Directors attendance to meetings of the Board and Committees from admission on 18 May 2016 to 31 March 2017:

Director	Scheduled Board	Audit Committee	Remuneration Committee	Nomination Committee
Mark Morris	8/8	–	–	1/1
Mark Carpenter	8/8	–	–	–
James Gilmour	8/8	–	–	–
David Shelton	8/8	–	–	–
Mary McNamara	8/8	2/2	3/3	1/1
Gordon Hurst	6/8 ¹	2/2	3/3	1/1
Steve Weller	8/8	2/2	3/3	1/1

¹ Gordon Hurst did not attend two of the scheduled Board meetings due to a family bereavement. He 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 on 12 May 2016.

David Shelton sits on the Board as an Executive Director, 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, in accordance with the terms of the Relationship Agreement.

Roles and Responsibilities

The Chairman's role

- Chair the Board, the Annual General Meeting 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 key performance indicators, 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 received by the Company.
- 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, 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.
- 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 executive 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.
- 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Effectiveness

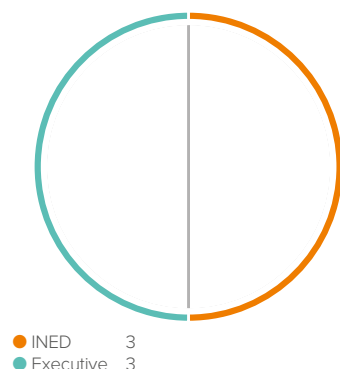
Composition of the Board

The Board comprises four NEDs and three Executive Directors which is considered to be an adequate size to meet the requirements of the business.

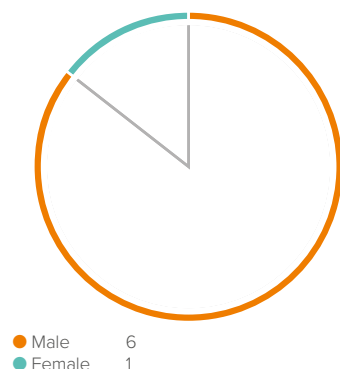
Excluding the Chairman, half of the Board comprises NEDs who are considered by the Board to be independent:

- Mary McNamara
- Gordon Hurst
- Steve Weller

INED/Executive split



Male/female split



Details of the NEDs' letters of appointment are set out on page 43 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

Post year end, the Chairman led the first 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.

All of the existing Directors will be up for election at Motorpoint's first 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 23 and 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 independent 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 26 July 2017, 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 new Board has made a good start and the executives and non-executives are working well together.

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 first year as a new Board following Admission, the Committee's role has been fairly limited in that the members of the Board are adjusting to the Plc status and the Directors having been appointed in April and May 2016 have just completed a full year in office.

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 the appointment of Mary McNamara as the SID. Details of the Committee attendance is included on page 30.

Our Priorities for the Year Ahead

The Committee shall be looking closely at the results of the Board evaluation process which has been undertaken and will look to see what changes may be required as a result of the Board evaluation findings. The Committee will also commence a more formal review of Board succession during the year as well as taking into account the planned phasing of David Shelton's role from executive to non-executive.

Mark Morris
Nomination Committee Chair
12 June 2017

AUDIT COMMITTEE REPORT



“

The Audit Committee plays a crucial role in assisting the Board by monitoring, reviewing and challenging the effectiveness of the Group's systems of control and processes.

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 two 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 2017 and half year results to 30 September 2016;
- 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 2017:

- **Share option schemes:** due to the complexity of IFRS 2 "Share-based Payment", and the introduction of a number of new schemes to Motorpoint employees and additional grants under the Long Term Incentive Plan in the year, there is a heightened risk of error from incorrect accounting treatment;

- **Exceptional items:** due to the complexity of the IPO process and its associated costs, there is a risk that the exceptional items identified as relating to the process are not complete or valid.
- **Acquisition of Oldbury site:** due to the accounting judgements required in assessing the appropriate accounting treatments, there was a heightened risk of incorrectly recording the transaction.

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 2017 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.

Our Priorities for the Year Ahead

During FY18, the Committee will continue to focus on the integrity of the financial controls, risk management systems, particularly through the work of the Compliance Committee, and the robustness of the Company's IT security arrangements to ensure that they reflect the changing risks of our high growth business.

Gordon Hurst
Audit Committee Chairman
12 June 2017

REMUNERATION COMMITTEE REPORT



“The Remuneration Committee has worked to ensure that, during this first challenging year, remuneration has appropriately reflected business performance. The policy supports future growth and profitability and aligns executive and Shareholder interests.”

MARY MCNAMARA
REMUNERATION COMMITTEE CHAIR

I am pleased to present the Company's first Directors' Remuneration Report for the financial year ending 31 March 2017.

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 from Admission. As this is our first financial year as a listed company, the policy will be put to a binding shareholder vote at the 2017 AGM.
- The Annual Report on Remuneration, which sets out in detail how the remuneration policy has been applied in the year to 31 March 2017, 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 2017 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. The goals of the policy are to ensure the retention of key employees; provide appropriate reward for strong performance and quality leadership; 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, 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.

Summary of Remuneration Policy

Element	Description	Opportunity
Fixed	Salary (full time equivalent (FTE))	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 2017: CEO: £250,000 CFO: £180,000 Executive Director: £210,000
	Benefits	Family private medical insurance, company car, fuel allowance and participation in the Company's all employee SAYE Scheme.
	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 profit before tax, customer satisfaction and employee metrics. 100% of salary.
	Performance Share Plan	Annual awards of performance shares, vesting subject to challenging Earnings Per Share (EPS) growth targets, measured over a period of three financial years. 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). 100% of salary. In addition, any vested awards must be retained (net of any taxes due) until the shareholding guidelines have been met.

Remuneration in FY17

Base salaries were set on Admission and will be reviewed annually, normally effective from 1 July of each year.

Pension and other benefits were provided in line with the remuneration policy.

Annual bonuses for 2016/17 were based on adjusted operating profit targets, customer satisfaction (Net Promoter Scores and Feefo ratings) and employee engagement (measured through participation in The Sunday Times 100 Best Companies to Work For survey). Notwithstanding good performance under the customer and employee engagement measures, since adjusted operating profit performance did not meet the threshold level of performance required, no bonuses were awarded for performance in the year. The first award under the PSP was granted in June 2016, and will be eligible to vest in June 2019, subject to a minimum of 12% p.a. EPS growth over the three financial years to 31 March 2019.

The table below provides a summary of total remuneration for the Executive Directors from 9 May 2016 to the year end.

£'000	Salary	Benefits	Pension	Bonus	LTIP	Total
Mark Carpenter	£224	£16	£22	—	—	£262
James Gilmour	£161	£19	£16	—	—	£196
David Shelton	£183	£41	£18	—	—	£242

Application of the Policy for FY18

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 FY18.

No salary increases are proposed for FY18. However, 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. The remuneration policy therefore allows us the flexibility to provide larger increases in future years, to bring executive pay closer to market level, should the Committee feel that it is appropriate to do so, and supportive of the wider Company strategy, at that point.

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 2017

REMUNERATION POLICY

This section of the report sets out the remuneration policy for the Directors of Motorpoint Group Plc. The report is subject to approval by shareholders at our forthcoming AGM on 26 July 2017 and will be effective from that date. The policy is consistent with that set out in the Company's Prospectus issued at IPO.

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 LTIP 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 Remuneration 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.	<p>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.</p> <p>Increases to base salary will reflect the performance of the individual and Company and external indicators such as inflation.</p>	<p>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.</p> <p>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.</p> <p>For details of the current base salary levels for the Executive Directors see page 48.</p>

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.	<p>The benefits offered to Executive Directors comprise family medical insurance, company car and fuel allowance.</p> <p>The Committee may offer an equivalent cash allowance instead if it feels it is more suitable.</p> <p>Other reasonable benefits may be offered as appropriate (including, in exceptional circumstances, relocation and/or disturbance allowances).</p> <p>Executive Directors may also be reimbursed for any reasonable expenses incurred in performing their duties, and any income tax payable thereon.</p>	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 and to aid recruitment and retention.	<p>Executive Directors are eligible for a contribution to the Group personal pension plan, or any other nominated personal pension fund.</p> <p>Where appropriate, Executive Directors may instead receive a cash allowance in lieu of formal pension contributions, or a combination of both.</p>	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.	<p>Executive Directors are eligible for bonuses, payable in cash, on an annual basis. Bonus payments are subject to the achievement of annual performance targets.</p> <p>Annual bonuses are payable at the sole discretion of the Committee.</p> <p>All bonus payments are subject to appropriate recovery and withholding arrangements.</p>	<p>Performance will normally be based on a mix of financial and operational measures aligned with the strategic objectives of the business.</p> <p>Financial performance will usually be represented by adjusted operating profit targets, although the Committee reserves the right to use other measures in support of the Company strategy as it sees fit.</p> <p>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 considered to still be commercially sensitive.</p>	100% of salary.

REMUNERATION POLICY CONTINUED

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.	<p>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.</p> <p>Awards will normally be granted following the publication of the Company's annual results each year.</p> <p>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.</p> <p>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.</p> <p>The Committee may determine that dividend equivalents will accrue over the vesting/holding period.</p> <p>Vesting of awards is at the sole discretion of the Committee. All payments are subject to recovery and withholding arrangements.</p>	<p>Stretching performance targets will be set for each award cycle.</p> <p>Vesting will normally be based on three year EPS growth targets but, for Senior Managers, vesting may include an element dependent upon site performance. The Committee reserves the right to use other measures in support of the Company strategy as it sees fit.</p> <p>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.</p>	<p>Normally 100% of salary.</p> <p>However, an individual maximum of 150% of salary may apply in exceptional circumstances.</p>
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 two all employee share plans in which the Executive Directors are eligible to participate on the same terms as all other employees. These are an SAYE Scheme and a SIP.	Not applicable.	The maximum limits under the plans are as set by HMRC.
SHAREHOLDING GUIDELINES			
To align the interests of Directors with those of the shareholders through share ownership.	<p>All Executive Directors are required to build and maintain a shareholding equivalent in value to 200% of their annual base salary.</p> <p>Until this guideline is met, Directors must retain all shares vesting under the PSP (after payment of tax and national insurance contributions).</p>	Not applicable.	Not applicable.

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
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.	<p>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.</p> <p>The Non-Executive Chairman receives a fixed fee only, and is not eligible for any additional responsibility fees.</p> <p>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.</p> <p>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.</p> <p>Where there has been a material increase in time commitment in the year fees may be temporarily increased to reflect this.</p>	Not applicable.	<p>Current fee levels are set out in the Annual Report on Remuneration.</p> <p>Aggregate fee levels are subject to the maximum limit set out in the Articles of Association.</p>
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.

REMUNERATION POLICY CONTINUED

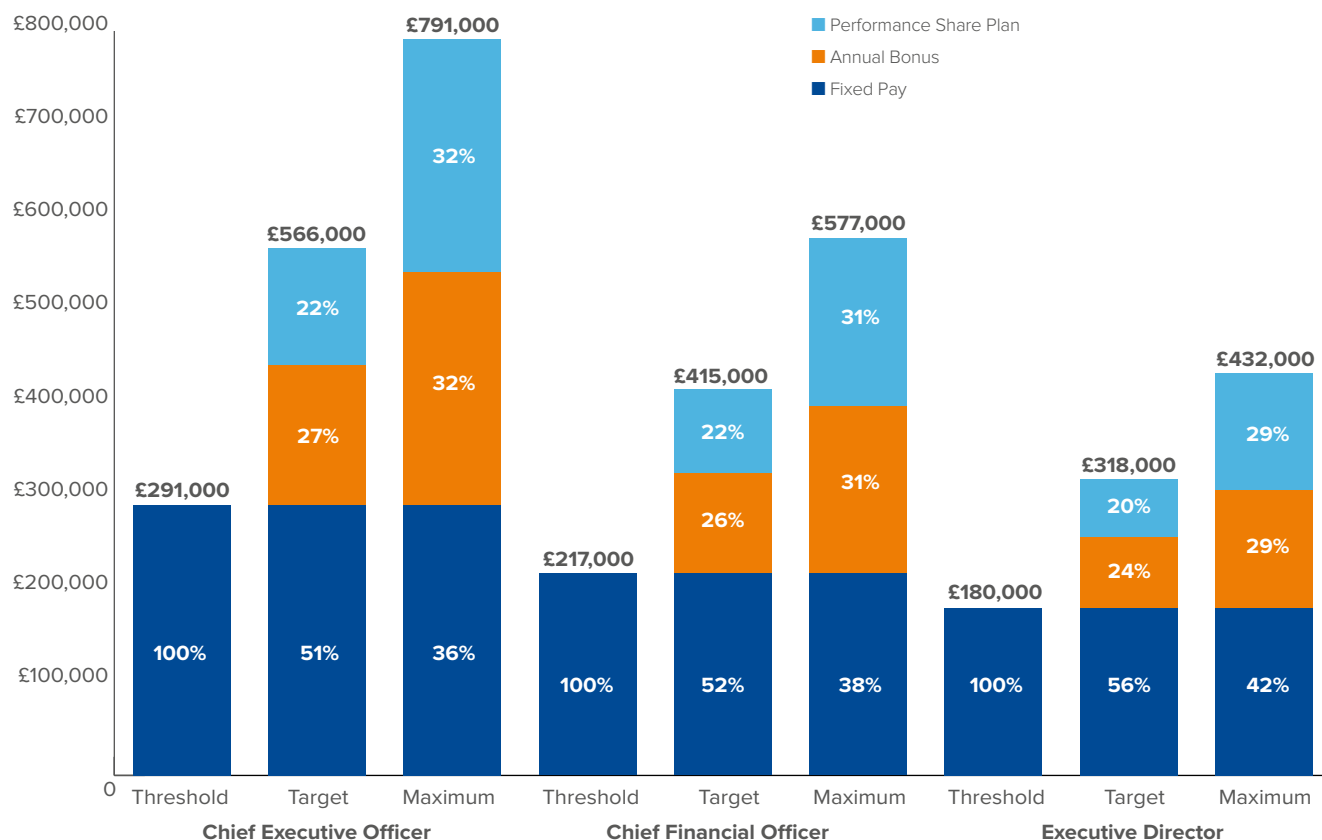
Reward Scenarios

The bar charts 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 2017, and the value for benefits is the cost of providing those benefits in the year ended 31 March 2017.

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



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 Remuneration 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	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
David Shelton	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

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	<p>The default treatment, under the PSP rules, is for all unvested awards to lapse in full on cessation.</p> <p>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).</p> <p>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.</p>
Change of control	<p>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.</p> <p>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.</p> <p>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.</p>
Other	<p>Outstanding shares under an all employee share plan will vest in accordance with the terms of the plan and HMRC legislation.</p> <p>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.</p> <p>Outplacement services and reimbursement of legal costs may also be provided.</p>

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 first 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 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 £22,206 plus VAT. NBS is a signatory to the Remuneration Consultants' 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 FY17

Directors' single figure of remuneration (audited)

The table below shows the aggregate emoluments earned by the Directors of the Company from the date Motorpoint Group Plc acquired Motorpoint Limited (9 May 2016). The Executive Directors and Chairman were appointed to the Board of Motorpoint Group Plc on 12 May 2016.

As this is the first year of incorporation of Motorpoint Group Plc this is the most appropriate period to present. Prior year information has not been presented as such comparison would not be appropriate due to differences in structure, status and complexity.

£'000	Salary/ fees	Benefits ¹	Pension	Bonus	LTIP ²	Total
Name	FY17	FY17	FY17	FY17	FY17	FY17
Mark Carpenter ³	£224	£16	£22	–	–	£262
James Gilmour ³	£161	£19	£16	–	–	£196
David Shelton ³	£183	£41	£18	–	–	£242
Mark Morris ³	£88	–	–	–	–	£88
Gordon Hurst ⁴	£42	–	–	–	–	£42
Mary McNamara ⁴	£45	–	–	–	–	£45
Steve Weller ⁴	£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 Previously held contracts with Motorpoint Limited. 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 Appointed 12 May 2016.

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 salary, subject to the performance and measures set out in the table below. 60% of salary is payable at target performance, based on operating profit, customer and employee targets. The remaining 40% of salary, payable for above-target performance, is linked to adjusted operating profit performance only.

Performance measure	Performance required ¹			% salary payable at target performance	% salary payable at stretch performance	Outcome FY17	Total payable (% of salary)
	Threshold	Target	Stretch				
Adjusted Operating Profit	£22m	£26m	£28m	45%	85%	£16.9m	0%
Customer – average Net Promoter Score ²	–	≥73%	–	4.5%	4.5%	77%	–
Customer – average Feefo service rating ²	–	≥95% ⁴	–	4.5%	4.5%	4.6/5	–
Employee engagement ²	–	In Sunday Times 100 Best Companies to Work For ³	–	6%	6%	Achieved	–
Total				60%	100%		0%

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 The measurement methodology was changed by Feefo during the year. 4.6/5 represents 92%.

As the minimum adjusted operating profit target was not achieved, the Remuneration Committee determined that no bonuses should be awarded for FY17.

Long term incentives vesting in relation to performance ending in FY17

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

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	Awards at 12 May 2016	Awards granted during the period	Awards vesting during the period	Awards lapsed during the period	At 31 March 2017	Date from which exercisable	Exercise price	Notes
Mark Carpenter	2016	PSP	–	125,000	–	–	125,000	23 June 2019	–	(a)
	2016	SAYE	–	3,203	–	–	3,203	1 February 2020	112.3875p	(b)
James Gilmour	2016	PSP	–	90,000	–	–	90,000	23 June 2019	–	(a)
	2016	SAYE	–	3,203	–	–	3,203	1 February 2020	112.3875p	(b)
David Shelton	2016	PSP	–	105,000	–	–	105,000	23 June 2019	–	(a)

(a) Performance Share Plan

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.

ANNUAL REPORT ON REMUNERATION CONTINUED

(b) SAYE Scheme

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 112.3875p, 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 128.2p.

(c) 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.

Table of Directors' share interests (audited)

The share interests of each Director as at 31 March 2017 (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 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.

Name	Beneficially owned shares	Unvested PSP awards	Unexercised SAYE options	Total	Percentage of salary/fees ¹
				At 31 March 2017	At 31 March 2017
Executive Directors					
Mark Carpenter	8,874,556	125,000	3,203	9,002,759	4,717%
James Gilmour	175,317	90,000	3,203	268,520	195%
David Shelton	23,396,726 ²	105,000		23,501,726	14,661%
Non-Executive Directors					
Mark Morris	8,614,556			8,614,556	11,285%
Gordon Hurst	65,000			65,000	179%
Mary McNamara	65,500			65,500	163%
Steve Weller	50,000			50,000	164%

¹ Calculated as the value of all fully-owned shares held at 31 March 2017, valued using the three month average share price over the period to 31 March 2017 (131p), divided by base salary as at 31 March 2017.

² Shares held by Shoby Investments Limited, an entity of which David Shelton owns and controls with his spouse.

During the period from 31 March 2017 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.

Payments to former Directors and for loss of office (audited)

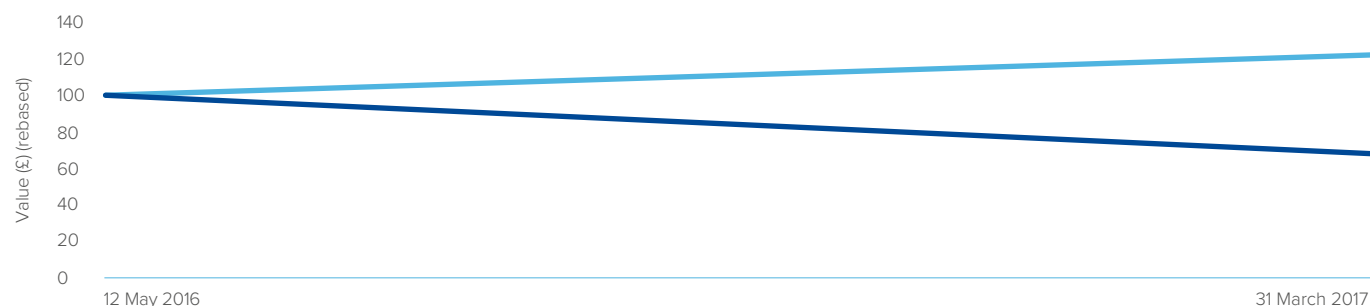
No payments were made to former Directors of the Company or in relation to loss of office during the year.

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 2017. 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 2017, of £100 invested in Motorpoint on 12 May 2016, compared with the value of £100 invested in the FTSE SmallCap on the same date.

Source: Datastream (Thomson Reuters)

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.

	2016/17
Total remuneration (£'000)	£262
Annual bonus (% of maximum)	0%
LTIP vesting (% of maximum)	N/A ¹

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

Change in remuneration of the CEO

Prior to the IPO the CEO was employed by Motorpoint Limited. From 9 May 2016 the CEO was employed by Motorpoint Group Plc. As this is the first period reported since incorporation there has been no change in remuneration of the CEO. It is therefore not possible to provide meaningful comparative data. However, full disclosure of the year on year movement will be provided in future remuneration reports.

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 FY17 compared with the prior year. Prior year information relates to Motorpoint Limited; dividends disclosed relate to pre and post IPO.

	FY16	FY17	Percentage change
Total employee remuneration	£19.7m	£24.4	23.9%
Dividends paid	£12.5m	£20.1	60.8%
Profit before tax	£16.9m	£11.7	(30.8%)

Statement of Shareholder Voting

The first AGM since the Company's IPO will be held on 26 July 2017, at which the remuneration policy and Annual Report on Remuneration will be subject to a binding and advisory vote respectively. The results of these votes will be made available online and will be disclosed in next year's Annual Report.

ANNUAL REPORT ON REMUNERATION CONTINUED

Implementation of the Policy in FY18

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. Salaries were set at IPO and no increase was made in July 2016. No increase is proposed for FY18. Base salaries effective from 1 July 2017 are set out below.

	1 July 2016	1 July 2017	Percentage change
Mark Carpenter	£250,000	£250,000	–
James Gilmour	£180,000	£180,000	–
David Shelton	£210,000	£126,000 ¹	–

¹ FY17 salary pro-rated to reflect reduced time commitment as part of David Shelton's phased transition to Non-Executive Director.

Benefits and pension

No changes are proposed to the provision of pension and benefits for FY18. Executive Directors will continue to receive family private medical insurance and a company car and fuel allowance. Pension contributions will amount to 10% of salary in line with the remuneration policy, and are payable into their nominated personal pension plans.

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 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 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 FY18 awards is contingent on the Group's EPS growth performance, measured as the three year from FY17 to FY20.

The required growth rates for the FY18 award have been set at a higher level than for the FY17 scheme, reflecting that the financial performance for the FY18 base calculation year was lower. For future schemes the Committee will review the required growth rates and may reduce these to the previous target rates if again considered appropriately challenging yet achievable.

	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.

Chairman and Non-Executive Directors' fees

The fees payable to the NEDs of the Company remain unchanged for FY18, 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 2017 and is signed on its behalf by:

Mary McNamara

Remuneration Committee Chair

DIRECTORS' REPORT

The Directors present their Report, together with the audited financial statements of Group and the Company, for the year ended 31 March 2017.

This Director's 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 since Admission and their full biographies.
Dividends	8, 16	Details of the final dividend recommended by the Board.
Future developments	1 to 26	
The Code	27	We are compliant with the September 2014 UK Corporate Governance Code.
Employee engagement	11, 25	Provision of information to employees. Details of our employee share schemes.
Going concern	24, 60, 83	
Greenhouse gas emissions	25	
Important post year end events	11	Opening of Sheffield site. Change to David Shelton's role.
Share capital	74	Note 26 Share Capital.
Directors' interests	43	Table of Directors' share interests.
AGM	27	
Directors' service contracts	46	Details of unexpired term of Directors' service contract.
Restrictions on transfer of securities	30	Details of David Shelton's Relationship Agreement. Details of Lock-in and Orderly Marketing Agreements are overleaf.
Financial instruments	72 to 74	Note 24 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 from Admission.

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.

Going Concern

When considering the going concern principle for the Company 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 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 liability position as a risk when considering the going concern of the Company.

Political Donations

The Company has not made any political donations in FY17.

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 aim for people to reflect the diverse customer base that we enjoy.

Motorpoint gives full and fair consideration to applications for employment made by disabled persons and reasonable adjustments are made for new and existing team members to accommodate their needs.

Disclosable Share Interests

As at 31 March 2017, 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	No. of 1 penny Ordinary Shares	% of issued shares
Vidacos Nominees/HSBC	6,030,000	6.030%
The Independent Investment Trust Plc	5,000,000	4.99%
Merrill Lynch International	5,819,630	5.808%

As at 8 June 2017 the Company had been notified that Merrill Lynch International's interest had changed to 5,959,241 shares and 5.948%.

DIRECTORS' REPORT CONTINUED

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 more 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 allotted Ordinary Shares without reference to pre-emption rights under its SIP and in accordance with Section 566 of the Companies Act 2006.

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 prohibit 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.

Authority to allot shares

The Directors have authority to allot shares under Section 551 of the Companies Act 2006 pursuant to its Articles of Association which were adopted prior to the IPO. The Directors are proposing to renew that authority at the forthcoming AGM, and will be seeking 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. The Directors intend to exercise this authority to satisfy the SIP award which is proposed to take place later in FY18.

Authority to purchase own shares

The Directors are seeking authority to make market purchases of up to 10% of the Company's issued Ordinary Share capital but do not presently have any intention of exercising this authority.

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.

Motorpoint is seeking authority under Section 701 of the Companies Act 2006 to make market purchases of its shares at the AGM with the maximum shares to buy back capped at 10% of the ordinary share capital, being 10,194,402 Ordinary Shares. The Directors do not presently have any intention of exercising this authority.

Directors' Responsibilities Statement

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 (IFRSs) 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 IFRSs 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 on pages 28 and 29, 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 IFRSs 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 Strategic 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 on behalf of the Board of Directors.

Manjit Virk
Company Secretary
12 June 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOTORPOINT GROUP PLC

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What We Have Audited

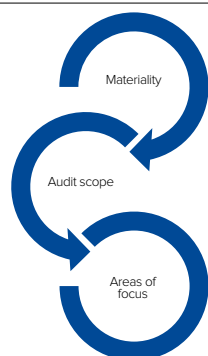
The financial statements, included within the Annual Report, comprise:

- the consolidated balance sheet as at 31 March 2017;
- the consolidated income statement for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our Audit Approach



Overview

- Overall Group materiality: £4.1 million which represents 0.5% of revenue.
- We conducted audit work over Motorpoint Limited (the Group's trading company) and Motorpoint Group Plc (the Parent Company) which together accounted for 100% of the Group's revenue and profit before tax.
- Acquisition of Oldbury site land and buildings.
- Share-based compensation expense.
- Classification of exceptional costs.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing 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. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

Area of focus	How our audit addressed the area of focus
<p>Acquisition of Oldbury site land and buildings</p> <p>Refer to page 35 (Audit Committee Report) and page 69 (note 16: Property, Plant and Equipment) for further information.</p> <p>During the year, the Group acquired the land and buildings of the Lex Autolease site in Oldbury, together with other liabilities. This transaction has been treated as the acquisition of assets under IAS 16 "Property, Plant and Equipment" rather than a business combination under IFRS 3 "Business combinations". Other liabilities of £0.5m were included as part of the £3.9m fair value of the net assets acquired. The Group also used an independent valuation expert to confirm the fair value of the land and buildings at the acquisition date.</p> <p>We have focused on this area as there is judgement surrounding whether the initial acquisition meets the definition of a business combination and the determination of the fair value of the assets acquired.</p>	<p>We have examined the sale and purchase agreement in order to determine the substance of the acquisition. We also verified land registry documentation for title transfer.</p> <p>We have obtained the Directors' calculation of the fair value of the acquisition and agreed the value of various components to cash payments, the sale and purchase agreement and other supporting documentation.</p> <p>We have reviewed the valuation report produced by the valuation expert and considered their competence.</p> <p>We found the accounting treatment of the acquisition supported by the evidence we obtained.</p>
<p>Share Based Compensation expense</p> <p>Refer to page 35 (Audit Committee Report), page 64 (note 4: Critical Accounting Estimates and Judgements), page 75 (note 29: Share Based Compensation).</p> <p>The Group has introduced three share based payment schemes during the year which have been accounted for under IFRS 2 "Share-based Payment". A share based payment compensation charge of £0.4m has been recognised in the year.</p> <p>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. In addition, given this is the first year of the arrangements, any incorrect assumptions adopted in this period may result in errors in future periods.</p>	<p>We have agreed the factual inputs to the share based payment calculations to scheme rules and other supporting documentation. 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.</p> <p>We found that the assumptions and methodology used in the calculation of share based compensation expense were supported by audit evidence we have obtained.</p>
<p>Classification of exceptional costs</p> <p>Refer to page 35 (Audit Committee Report), page 64 (note 4: Critical Accounting Estimates and Judgements) and page 65 (note 8: Exceptional Items) for further information.</p> <p>The Group incurred £4.0m of costs in relation to the initial public offering which have been classified as exceptional items.</p> <p>We have focused on this area due to the inherent judgement involved in the classification of costs as exceptional and the impact on adjusted EBITDA.</p>	<p>We have agreed a sample of exceptional costs back to supporting documentation, including invoices, bank statements and settlement agreements and considered whether the sampled costs had appropriately been classified as exceptional.</p> <p>No material errors were noted from this testing.</p>

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 geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group and all its entities are based in the UK. There is one trading entity, Motorpoint Limited, which has 11 retail sites spread across the UK.

Motorpoint Limited and Motorpoint Group Plc, the Parent 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 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	£4.1m.
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.

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

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 49, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of Other Information and Compliance with Applicable Requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Corporate Governance Statement set out on pages 30 to 32 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on pages 30 to 32 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

INDEPENDENT AUDITORS' REPORT CONTINUED

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and the Company acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report.
<ul style="list-style-type: none"> the statement given by the Directors on page 32, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. 	We have no exceptions to report.
<ul style="list-style-type: none"> the section of the Annual Report on pages 34 and 35, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report.

The Directors' Assessment of the Prospects of the Group and of the Principal Risks that would Threaten the Solvency or Liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

<ul style="list-style-type: none"> the Directors' confirmation on page 22 of the Annual Report, in accordance with provision C.2.1 of the Code, 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. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> the Directors' explanation on page 24 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of Information and Explanations Received

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. We have no exceptions to report arising from this responsibility.

Directors' Remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a Corporate Governance Statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our Responsibilities and Those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent 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.

What an Audit of Financial Statements Involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Motorpoint Group Plc for the year ended 31 March 2017 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 2017

The maintenance and integrity of the Motorpoint Group Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £m	2016 £m
Revenue	5	822.0	729.2
Cost of sales	6	(759.8)	(673.5)
Gross profit		62.2	55.7
Operating expenses	6	(49.3)	(38.4)
Operating profit	6	12.9	17.3
<i>Operating profit before exceptional items</i>		16.9	18.6
<i>Exceptional items</i>	8	(4.0)	(1.3)
Finance income	12	0.1	0.5
Finance costs	13	(1.3)	(0.9)
<i>Net finance cost</i>		(1.2)	(0.4)
Profit before taxation		11.7	16.9
Taxation	14	(3.0)	(3.5)
Profit and total comprehensive income for the year attributable to equity holders of the parent		8.7	13.4
Earnings per share			
Basic	11	8.7p	13.4p
Diluted	11	8.7p	13.4p
Adjusted Earnings per share			
Basic	11	12.7p	14.7p
Diluted	11	12.7p	14.7p

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 60 to 78 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Property, plant and equipment	16	5.4	3.2
Deferred Tax Asset	17	0.4	–
Total non-current assets		5.8	3.2
Current assets			
Inventories	18	98.4	74.9
Trade and other receivables	19	9.4	21.5
Cash and cash equivalents	20	7.3	11.6
Total current assets		115.1	108.0
Total assets		120.9	111.2
Liabilities			
Current liabilities			
Trade and other payables	22	(99.2)	(78.4)
Current tax liabilities		(1.8)	(0.7)
Total current liabilities		(101.0)	(79.1)
Net current assets		14.1	28.9
Non-current liabilities			
Trade and other payables	23	(5.2)	(6.4)
Total non-current liabilities		(5.2)	(6.4)
Total liabilities		(106.2)	(85.5)
Net assets		14.7	25.7
Equity			
Share capital	26	1.0	0.2
Capital Reorganisation Reserve		(0.8)	–
Retained earnings		14.5	25.5
Total equity		14.7	25.7

The consolidated financial statements on pages 56 to 78 were approved by the Board of Directors on 12 June 2017 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 2017

	Note	Share capital £m	Retained earnings £m	Capital Reorganisation Reserve	Total equity £m
Balance at 1 April 2015		0.2	24.6	—	24.8
Profit and total comprehensive income for the year		—	13.4	—	13.4
Dividends paid prior to Group restructure	15	—	(12.5)	—	(12.5)
Balance at 31 March 2016		0.2	25.5	—	25.7
Profit and total comprehensive income for the year		—	8.7	—	8.7
IFRS 2 – Share Based Compensation		—	0.4	—	0.4
Issue of share capital	26	0.8	—	(0.8)	—
Dividends paid prior to Group restructure	15	—	(18.8)	—	(18.8)
Interim dividend	15	—	(1.3)	—	(1.3)
Balance at 31 March 2017		1.0	14.5	(0.8)	14.7

The capital reorganisation reserve arises on consolidation as a result of the share-for-share exchange in May 2016. It represents the difference between the nominal value of shares issued by Motorpoint Group Plc in this transaction, reduced by the capital reduction as outlined in note 26, and the share capital and reserves of Motorpoint Limited. Further information of the steps in the Motorpoint IPO and the share capital structure is outlined in note 26 to the accounts.

The notes on pages 60 to 78 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items	28	13.6	19.5
Cash flows from exceptional items	28	(6.2)	(1.6)
Cash generated from operations		7.4	17.9
Interest paid		(1.3)	(0.9)
Income tax paid		(2.9)	(2.8)
Net cash generated from operating activities		3.2	14.2
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(6.9)	(1.3)
Proceeds from sale of property, plant and equipment	16	5.8	0.1
Interest received		0.1	0.6
Pre IPO cash outflows to related parties		(0.8)	(11.4)
Pre IPO cash inflows from related parties		–	15.7
Net cash (used in) / from investing activities		(1.8)	3.7
Cash flows from financing activities			
Pre IPO Dividends	15	(4.4)	(9.9)
Post IPO Dividends	15	(1.3)	–
Net cash used in financing activities		(5.7)	(9.9)
Net (decrease) / increase in cash and cash equivalents		(4.3)	8.0
Cash and cash equivalents at the beginning of the year		11.6	3.6
Cash and cash equivalents at end of year		7.3	11.6
Net cash and cash equivalents comprises:			
Cash at bank		7.3	11.6

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, DE21 6BZ. The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2017 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.

On 9 May 2016, the Company obtained control of the entire share capital of Motorpoint Limited via a share for share exchange. There were no changes in rights or proportion of control exercised as a result of the transaction. Although the share for share exchange resulted in a change of legal ownership this was a common control transaction and therefore outside the scope of IFRS 3. The current period and comparative information disclosed in these Consolidated Financial Statements reflect the continuation of the pre-existing Group headed by Motorpoint Limited and have been prepared applying the principle of predecessor accounting ownership. The consolidated balance sheet as at all periods presents the legal change in ownership of the Group, including the share capital of Motorpoint Group Plc and the capital reorganisation reserve arising as a result of the share for share exchange transaction.

(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

In the current year the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period beginning on or after 1 April 2016. Their adoption has not had any material impact on the disclosures or the amounts reported in these Financial Statements.

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 2017. The Group has commenced its assessment of the impact of these standards. It is considered that none of these, with the exception of those noted below, would have a significant impact on its results of operations and financial position.

- IFRS 9 Financial instruments, (effective date 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 does not believe that there will be any impact from this standard.
- IFRS 15 Revenue from contracts with customers, (effective date 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 is assessing the impact of the standard. The Group does not believe that there will be any material impact from this standard.
- IFRS 16 Leases, (effective date 1 January 2019 or when apply 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 27 which discloses current operating lease obligations.

(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

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 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 by the Group’s shareholders.

(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.

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of Significant Accounting Policies continued

(j) Property, plant & equipment continued

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 the 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.

(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.

(o) Inventory

Inventory is valued at the lower of cost and net realisable value, after due regard for slow moving vehicles. Cost includes the original purchase cost of vehicles and the specifically identified costs incurred in bringing each vehicle to its current location and condition.

Net realisable value is based on selling price less anticipated costs to 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.

2. Summary of Significant Accounting Policies continued

(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 profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

(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 29.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of Significant Accounting Policies continued

(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 period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

As explained in the basis of preparation accounting policy, the Group's financial statements reflect the continuation of the pre existing Group headed by Motorpoint Limited. The 2016 weighted average number of shares has been stated as the weighted average number of shares in the period from the date of the Group capital reorganisation to the balance sheet date. A reconciliation of the adjusted and alternative measures to the statutory measure required by IFRS is given in note 11.

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.

(i) Significant judgements

Accounting for Oldbury Acquisition

The Group acquired the land and buildings of its Oldbury site from Lex Autolease during the year. As part of the acquisition other liabilities were also acquired. This significant judgement was whether this transaction should be treated as an acquisition of assets under IAS 16 'Property, plant and equipment' or a business combination under IFRS 3 'Business combinations'. Following review of both standards the judgement was made that the IAS 16 'Property, Plant and equipment' is the appropriate standard. As such total acquisition costs of the property have been included as additions to property, plant and equipment during the year.

Classification of Exceptional items

Non-recurring income and expenses are disclosed as exceptional items. These items derive from events or transactions that are outside the normal course of business, and do not directly relate to the on-going operations, therefore have been separately disclosed in order for the financial statements to present a true and fair view. There is judgement involved in determining whether items of income and expense should be classified as exceptional items.

(ii) Accounting estimates

Share Based Compensation

The Group's share based compensation schemes have been valued based on application of IFRS2 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.

5. Revenue

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

	2017 £m	2016 £m
Revenue analysis		
Revenue from sale of motor vehicles	789.0	702.0
Revenue from motor related services and commissions	33.0	27.2
Total Revenue	822.0	729.2

6. Operating Profit

Analysed as:

	2017 £m	2016 £m
Operating profit include the effect of (crediting) / charging:		
Changes in inventories of finished goods	(23.5)	(5.0)
Finished goods purchases	776.3	666.8
Movement in provision against inventory	0.1	–
Employee benefit expense (note 9)	24.4	19.7
Depreciation of property plant and equipment (note 16)	1.0	1.0
Exceptional Items (note 8)	4.0	1.3
Operating lease payments – property	4.1	3.1
Other operating expenses	22.7	25.0
	809.1	711.9
Cost of sales	759.8	673.5
Operating expenses		
– Selling and distribution expenses	17.3	14.4
– Administrative expenses	32.0	24.0
	809.1	711.9

7. Auditors' Remuneration:

	2017 £'000	2016 £'000
Auditors' remuneration:		
Fees payable for the audit of the parent Company and consolidated financial statements	81	35
Fees payable for the Audit of the Company's subsidiaries	10	–
Fees payable to Group's auditors and its associates for other services:	–	–
Audit-related assurance services	28	–
Tax advisory services	8	142
Accounting advisory	108	258
Total	235	435

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:

	2017 £m	2016 £m
Exceptional items: Operating profit		
IPO listing and professional fees ⁽ⁱ⁾	4.0	0.6
Employee related obligations ⁽ⁱⁱ⁾	–	0.7
	4.0	1.3

(i) IPO listing and professional fees

Fees and costs relate to, corporate restructuring, legal and professional costs, broker and accounting services.

(ii) Employee related obligations

Employee related obligations are liabilities arising in the year which relate to previous periods, were expected to be settled within the next financial year and are not expected to reoccur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Employees and Directors

The aggregate employee benefit expenses were as follows:

	2017 £m	2016 £m
Employee benefit expenses:		
Wages and salaries	21.5	17.7
Social security costs	2.1	1.7
Pension costs – defined contribution plan	0.4	0.3
Share Based Compensation Charge	0.4	–
	24.4	19.7

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

	2017 No.	2016 No.
Average number of people employed:		
– Sales and operations	447	385
– Administration and support	238	196
	685	581

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.

	2017 £m	2016 £m
Remuneration (including benefits in kind)	1.2	1.1
Employer contributions paid to money purchase schemes	0.1	0.1
	1.3	1.2

During the year the number of key management who were receiving benefits was nine (FY16: six).

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

In respect of the highest paid Director:

	2017 £m	2016 £m
Aggregate remuneration	0.3	0.4
Employer contributions paid to money purchase schemes	–	–
	0.3	0.4

During the year one (FY16: two) Director had an outstanding loan. All loans were repaid at the time of the Motorpoint IPO and since IPO there have been no further loans to Directors.

	2017				2016			
	Balance at 1/04/16 £m	Advance / credit £m	Repaid £m	Balance at 31/03/17 £m	Balance at 1/04/15	Advance / credit £m	Repaid £m	Balance at 31/03/16 £m
Mr D E Shelton								
Interest free loan	–	–	–	–	2.8	0.7	2.1	–
Mr M G Carpenter								
Interest free loan	0.1	–	0.1	–	0.2	0.1	0.2	0.1

11. Earnings per Share

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

	2017	2016
Profit Attributable to Ordinary Shareholders (£m)	8.7	13.4
Exceptional Items (£m)	4.0	1.3
Adjusted Profit Attributable to Ordinary Shareholders (£m)	12.7	14.7
Weighted average number of ordinary shares in Issue ('000)	100,194	100,194
Earnings per share (pence)	8.68	13.37
Adjusted Earnings per share (pence)	12.68	14.67
Diluted Number of Shares in Issue ('000)	100,360	100,194 ¹
Diluted Earnings per share (pence)	8.67	13.37
Adjusted Diluted Earnings per share (pence)	12.65	14.67

¹ Number of shares in issue for 2016 has been based on the number of shares in issue during 2017. This is only for comparative purposes and is not the actual number of shares. Please refer to note 26 of the Consolidated Financial Statements for share capital details.

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

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

	2017	2016
Weighted average number of ordinary shares in Issue ('000)	100,194	100,194
Adjustment for share options ('000)	166	–
Weighted average number of ordinary shares for diluted earnings per share	100,360	100,194

12. Finance Income

	2017 £m	2016 £m
Other interest receivable on amounts owed by related parties	0.1	0.5
Total finance income	0.1	0.5

13. Finance Cost

	2017 £m	2016 £m
Interest on bank borrowings	0.1	–
Interest on stocking finance facilities	1.0	0.8
Other interest payable	0.2	0.1
Total finance costs	1.3	0.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Taxation

The tax charge in the income statement represents:

	2017 £m	2016 £m
Current tax:		
UK corporation tax	3.6	3.7
Adjustment in respect of prior years	(0.2)	(0.2)
Total current tax	3.4	3.5
Deferred tax:		
Origination and reversal of temporary differences	(0.4)	–
Total deferred tax	(0.4)	–
Total tax charge in the income statement	3.0	3.5

Reconciliation of the total tax charge

The tax charge in the income statement in the year differs from the charge which would result from the standard rate of corporation tax in the UK of 20% (FY16: 20%).

	2017 £m	2016 £m
Profit before taxation	11.7	16.9
Profit before taxation at the standard rate of corporation tax of 20% (FY16: 20%)	2.3	3.4
Tax effect of:		
– Expenses not deductible for tax purposes	0.9	0.3
– Adjustment in respect of prior years	(0.2)	(0.2)
Tax charge in the income statement	3.0	3.5

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.

Exceptional costs have been treated as non-deductible for tax purposes as they relate to IPO related expenditure.

15. Dividends

During the year the following dividends were paid.

	2017 £m	2016 £m
Pre IPO Dividend in specie	14.4	2.6
Pre IPO Cash Dividends	4.4	9.9
Post IPO Cash Dividends	1.3	–
Total dividends	20.1	12.5

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.

15. Dividends continued

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

	2017 £m	2016 £m
Amounts recognised as distributions to ordinary shareholders in the year comprise		
Interim dividend for the year ended 31 March of 1.33p per ordinary share	1.3	—
Proposed final dividend for the year ended 31 March of 2.90p per ordinary share	2.9	—

The proposed final dividend for the year ended 31 March 2017 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 2017.

16. Property, Plant and Equipment

	Land and Buildings £m	Leasehold Improvement £m	Plant and machinery £m	Fixtures and fittings £m	Motor vehicles £m	Office equipment £m	Total £m
Cost							
At 1 April 2015	—	3.2	0.7	0.4	0.3	1.3	5.9
Additions	—	0.5	0.1	0.2	—	0.5	1.3
Disposals	—	(0.2)	—	—	—	—	(0.2)
At 31 March 2016	—	3.5	0.8	0.6	0.3	1.8	7.0
Additions	5.6	1.1	0.1	0.3	—	0.3	7.4
Disposals	(3.9)	(0.1)	—	—	(0.3)	—	(4.3)
At 31 March 2017	1.7	4.5	0.9	0.9	—	2.1	10.1
Accumulated depreciation							
At 1 April 2015	—	1.1	0.5	0.2	0.1	1.0	2.9
Provided during the year	—	0.5	0.1	0.1	—	0.3	1.0
Disposals	—	(0.1)	—	—	—	—	(0.1)
At 31 March 2016	—	1.5	0.6	0.3	0.1	1.3	3.8
Provided during the year	—	0.5	0.1	0.1	—	0.3	1.0
Disposals	—	—	—	—	(0.1)	—	(0.1)
At 31 March 2017	—	2.0	0.7	0.4	—	1.6	4.7
Net book value							
At 31 March 2017	1.7	2.5	0.2	0.5	—	0.5	5.4
At 31 March 2016	—	2.0	0.2	0.3	0.2	0.5	3.2
At 31 March 2015	—	2.1	0.2	0.2	0.2	0.3	3.0

The depreciation expense of £1.0m (FY16: £1.0m) has been recorded in operating expenses.

During the year the Group acquired certain freehold land and buildings of the Oldbury site for consideration of £3.9m which has been shown within additions. These assets were then the subject of a sale and leaseback transaction with the net proceeds of the sale amounting to £5.8m. The disposal of these assets has been accounted for at their net book value, which is deemed to be the fair value of the assets, at the date of the transaction with the sales proceeds in excess of the fair value being deferred over the life of the lease. The fair value of the property was determined by Colliers International Specialist and Consulting UK LLP, property advisers, in May 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. 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:

	Accelerated Capital Allowances £m	Other Timing Differences £m	Total £m
Other Temporary Differences			
At 1 April 2015 and 31 March 2016	—	—	—
Charged to the Income Statement	0.3	0.1	0.4
At 31 March 2017	0.3	0.1	0.4

18. Inventories

	2017 £m	2016 £m
Finished goods: New and used vehicles for resale	98.4	74.9

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

Provisions against inventory total £0.8m (FY16: £0.7m).

19. Trade and Other Receivables

	2017 £m	2016 £m
Due within one year		
Trade receivables ⁽ⁱ⁾	2.6	1.7
Amounts owed by related parties ⁽ⁱⁱ⁾	—	14.2
Other receivables	0.2	0.2
VAT Recoverable	0.2	—
Prepayments	5.3	4.5
Accrued income ⁽ⁱⁱⁱ⁾	1.1	0.9
	9.4	21.5

(i) 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 (FY16: None).

(ii) Amounts owed by related parties in 2016 were repayable on demand and non-interest bearing.

(iii) Accrued income relates to commissions earned from finance companies.

None of the Group's trade receivables, amounts owed by related parties or other receivables were past due or impaired (FY16: None). Amounts owed by related parties and other receivables are valued at their book value which is equivalent to fair value.

20. Cash and Cash Equivalents

	2017 £m	2016 £m
Cash at bank and in hand	7.3	11.6

21. Borrowings

The Group's potential borrowings consist of an unsecured £20m facility provided by Santander UK Plc which was undrawn as at the reporting date. The facility 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 year ended 31 March 2017 interest was charged at 1.4% per annum. The interest charged for the year of £0.1m has been expensed as a finance cost. There was no facility available in the prior year.

22. Trade and Other Payables: Amounts Due Within One Year

	2017 £m	2016 £m
Trade payables		
– Trade creditors	18.8	14.5
– Stocking finance facilities ⁽ⁱ⁾	64.9	51.0
Other taxes and social security	0.7	0.6
Accruals	11.2	7.4
Deferred extended guarantee income	3.2	2.2
Amounts due to related parties ⁽ⁱⁱ⁾	0.4	1.0
Other creditors ⁽ⁱⁱⁱ⁾	–	1.7
	99.2	78.4

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

(i) Stocking finance facilities are provided from Black Horse Limited. At 31 March 2017 the Group had £65m (FY16: £55m) of stocking finance facilities available of which £64.9m (FY16: £51.0m) was drawn.

Since the stocking finance facility 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. Prior to that and for the duration of 2016 the facility in place was at an interest rate 2% above the Finance House Base Rate. An interest expense in the year of £1.0m (FY16: £0.8m) has been recognised as a Finance cost.

(ii) Amounts due to related parties are repayable on demand, unsecured and non-interest bearing.

(iii) Included in 'Other creditors' in 2016 was £1.7m that represented the amounts due in the current year in respect of the settlement with HMRC relating to employee benefit trusts. The amount was bearing interest at 4% per annum. In 2016 the amounts due over one year of £0.9m shown within other creditors over 1 year. This liability was settled early during the year, full payment is presented as part of the exceptional cash flow items.

Due to their short maturities, the fair value of current liabilities approximates to their book value.

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

	2017 £m	2016 £m
Deferred extended guarantee income	5.2	5.5
Other creditors (see note 22 (iii))	–	0.9
	5.2	6.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. 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.

(b) Foreign exchange risk

The Group is exposed to foreign exchange risk on the purchase of inventory from various European countries. In the 2017 financial year the Group managed the foreign exchange risk by hedging certain anticipated foreign cash flows by the use of forward exchange contracts. The Group did not apply hedge accounting to these transactions in either 2016 or 2017.

At 31 March 2017 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 (FY16: £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 21 and note 22.

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.

	Within 180 days £m	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Total £m
2017					
Stocking finance facilities	64.9	—	—	—	64.9
Trade Creditors and accruals	30.0	—	—	—	30.0
Amounts due to related parties	0.4	—	—	—	0.4
Other creditors	—	—	—	—	—
	95.3	—	—	—	95.3
	Within 180 days £m	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Total £m
2016					
Stocking finance facilities	51.0	—	—	—	51.0
Trade Creditors and accruals	21.9	—	—	—	21.9
Amounts due to related parties	—	1.0	—	—	1.0
Other creditors	0.8	0.9	0.9	—	2.6
	73.7	1.9	0.9	—	76.5

24. 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:

	2017			2016		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling denominated	64.9	–	64.9	51.0	2.6	53.6
Total	64.9	–	64.9	51.0	2.6	53.6

At 31 March 2016 the Group's fixed rate financial liabilities comprised amounts payable in respect of the Employee Benefit Trust settlement. This was repaid during 2017.

At 31 March 2017 and 2016 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, this facility was undrawn at 31 March 2017.

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	2017 £m	2016 £m
Sterling	+50	0.4	0.2
Sterling	–50	(0.4)	(0.2)

(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 2017 the Group had undrawn stocking finance facilities of approximately £0.1m (FY16: £4.0m) and undrawn revolving credit facilities of £20m (FY16: £Nil).

(f) Fair Value Estimation

With the exception of forward foreign exchange contracts, the Group has no financial assets or liabilities carried at fair value.

At 31 March 2017 the notional principal amounts of the outstanding forward foreign exchange contracts was £Nil (FY16: £3.9m). The fair values are determined using valuation techniques based on observable market data, such as forward exchange rates and are considered Level 2 transactions. All gains and losses are included in the income statement in cost of goods sold.

(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:

	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
2017				
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 CONTINUED

24. Financial Instruments and Risk Management continued

2016	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	–	14.5	–	14.5
Stocking finance facilities	–	51.0	–	51.0
Other taxes and social security	–	–	0.6	0.6
Accruals	–	7.4	–	7.4
Deferred guarantee income	–	–	7.7	7.7
Amounts due to related parties	–	1.0	–	1.0
Other creditors	–	2.6	–	2.6
	–	76.5	8.3	84.8

(h) Credit quality of financial assets

As disclosed in note 19 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.

25. 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 10.

Contributions totalling £0.1m (FY16: £0.1m), were payable to the scheme at the end of the year and are included in other creditors.

26. Share Capital

	2017		2016	
	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid				
Ordinary shares of 1p each	100,194	1.0	200	0.2
Total	100,194	1.0	200	0.2

The share capital of the Group in 2017 is represented by the share capital of the parent Company Motorpoint Group Plc. In 2016, the share capital is made of the share capital from the pre-existing Group headed by Motorpoint Limited.

Motorpoint Group Plc was incorporated with the name Motorpoint Group Limited on 12th April 2016 with one ordinary share of £1.

On 9th May 2016 all the shares of Motorpoint Limited were acquired by Motorpoint Group Limited by way of a share for share exchange. This resulted in the issuing of 99,999,999 shares of £1.

On 10th May 2016 Motorpoint Group Limited undertook a capital reduction via the Directors solvency statement process which resulted in a reduction in the nominal value of shares from £1 to 1p and as a result a £99 million increase in the retained earnings of Motorpoint Group Limited was recognised.

On 10th May 2016 Motorpoint Group Limited was re-registered as a Plc and changed its name to Motorpoint Group Plc.

On the 4th July 2016 the Company issued and allotted 194,023 shares of 0.01p each in connection with the Motorpoint Group Plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 6th July 2016. The total number of shares in issue at 31 March 2017 was 100,194,023.

27. 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:

	2017 £m	2016 £m
No later than a year	4.7	3.2
Later than a year and no later than 5 years	18.7	9.2
Later than 5 years	42.6	12.8
Total	66.0	25.2

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

(b) Capital commitments

The Group had capital commitments of £0.3m at 31 March 2017 (FY16: £nil).

28. Cash Flow from Operations

	2017 £m	2016 £m
Profit for the year, attributable to equity shareholders	8.7	13.4
Adjustments for:		
Taxation charge	3.0	3.5
Finance income	(0.1)	(0.5)
Finance costs	1.3	0.9
Operating profit	12.9	17.3
Share Based Compensation Charge	0.4	–
Exceptional items charged to operating profit	4.0	1.3
Depreciation charge	1.0	1.0
<i>Cash flow from operations before movements in working capital and cash flow on exceptional items</i>	18.3	19.6
Increase in inventory	(23.5)	(5.0)
(Increase)/decrease in trade and other receivables	(2.0)	0.2
Increase in trade and other payables	20.8	4.7
<i>Cash flow from operations before exceptional items</i>	13.6	19.5
Payments in respect of exceptional items	(6.2)	(1.6)
Cash generated from operations	7.4	17.9

Non-cash transactions

In the financial years to 31 March 2017 and 31 March 2016 the Group declared dividends in specie, which are disclosed in note 15.

29. 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 £0.4m (FY16: £Nil).

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 2017 relating to all awards was a charge of £0.1m (FY16: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. 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 2016. There will be two tranches of awards made under this scheme. The first of these was made on the 4th July 2016 and the second will be made in December 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 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.

	Number
Outstanding at 1 April 2016	–
Awarded	194,023
Forfeited	(11,720)
Vested	–
Vested and Outstanding at 31 March 2017	182,303

The total charge in the year, included in administration expenses, in relation to these awards was £0.1m (FY16: £Nil).

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 569,659 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.

	Number
Outstanding at 1 April 2016	–
Awarded	569,659
Forfeited	(82,498)
Vested	–
Vested and Outstanding at 31 March 2017	487,161

The total charge in the year, included in exceptional expenses, in relation to these awards was £0.3m (FY16: £Nil).

Save as You Earn Share Scheme

The Group operates a 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 plan 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 (£)
27th December 2016	1.28	1.124	33.0	3.0	2.5	3.1	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.

29. Share Based Compensation continued

	Number	Weighted Average Exercise Price £
Outstanding at 1 April 2016	–	–
Awarded	770,041	1.124
Forfeited	(19,537)	–
Vested	–	–
Vested and Outstanding at 31 March 2017	750,504	1.124

The total charge in the year, included in operating expenses, in relation to these awards was £Nil (FY16:£Nil).

30. Contingent Liabilities and Guarantees

A number of the Group's entities provide guarantees under the Group's stocking facilities and revolving credit facility. At 31 March 2017 the amount borrowed under the Stocking facility was £64.9m (FY16: £51.0m), there were no outstanding borrowings under the Revolving Credit Facility. During the year and the prior year Motorpoint Limited had cross guarantees in respect of mortgage loans by third parties to Motorpoint 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.

31. Transactions and Balances with Related Parties

During the year the Group had transactions with the following companies. Except for JTL Limited which was 50% owned by D E Shelton, these entities were 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 and IPO listing.

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

		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	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. Transactions and Balances with Related Parties continued

	2016 £m				
	Balance as at 31/3/2015	Loans Made / (received)	Loans Repayments (paid) / received	Other Transactions	Balance as at 31/3/2016
Motorpoint Holdings Limited	4.4	–	–	–	4.4
Shoby Properties Limited	3.2	9.3	(2.9)	0.1	9.7
ADE Limited					
– Loans	–	1.5	–	(1.7)	(0.2)
– Vehicle purchases	–	–	9.4	(9.4)	–
JTL Limited					
– Loans	(0.1)	–	–	–	(0.1)
Shelton Park Properties 12 Western Terrace Limited	0.5	–	–	(0.5)	–
Shelton Park Properties 10 Western Terrace Limited	0.4	–	–	(0.4)	–
Shelton Park Properties 11 Western Terrace Limited	1.2	–	–	(1.2)	–
Shelton Park Properties 8/9 Western Terrace Limited	1.1	–	–	(1.1)	–
Shelton Park Properties 7 Western Terrace Limited	0.3	–	–	(0.3)	–
Tarry Boutique Hotels and Serviced Apartments Limited	1.2	–	–	(1.2)	–
Shoby Property Unit Trust	1.4	–	–	(1.4)	–
Spring Rental Limited	4.2	1.1	0.2	(5.9)	(0.4)
Shoby Investments Limited	–	(2.7)	(0.3)	2.7	(0.3)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOTORPOINT GROUP PLC

REPORT ON THE COMPANY FINANCIAL STATEMENTS

Our 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 2017 and of its cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What We Have Audited

The financial statements, included within the Annual Report, comprise:

- the company balance sheet as at 31 March 2017;
- the company statement of cashflows for the year then ended;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

OTHER REQUIRED REPORTING

Consistency of Other Information and Compliance with Applicable Requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of Accounting Records and Information and Explanations Received

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
- 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.

Directors' Remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

INDEPENDENT AUDITORS' REPORT CONTINUED

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our Responsibilities and Those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an Audit of Financial Statements Involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Group financial statements of Motorpoint Group Plc for the year ended 31 March 2017.

Christopher Hibbs

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
12 June 2017

The maintenance and integrity of the Motorpoint Group Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMPANY BALANCE SHEET

AT 31 MARCH 2017

	Note	2017 £m
Assets		
Non-current assets		
Investments	4	100.3
Total non-current assets		100.3
Total assets		100.3
Liabilities		
Current liabilities		
Creditors: Amounts falling due in one year	5	(4.1)
Total current liabilities		(4.1)
Net current liabilities		(4.1)
Total liabilities		(4.1)
Net assets		96.2
Equity		
Share capital	7	1.0
Retained earnings		
On incorporation		–
Capital reorganisation		99.0
Loss for the period		(2.9)
IFRS 2- share-based payments		0.4
Dividends		(1.3)
		95.2
Total equity		96.2

The financial statements on pages 81 to 86 were approved by the Board of Directors on 12 June 2017 and were signed on its behalf by:
The notes on pages 83 to 86 are an integral part of these financial statements.

M Carpenter
Chief Executive Officer

J Gilmour
Chief Financial Officer

Motorpoint Group Plc
Registered number 10119755

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Share capital £m	Retained earnings £m	Total equity £m
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		—	0.4	0.4
Interim dividend	8	—	(1.3)	(1.3)
At 31 March 2017		1.0	95.2	96.2

COMPANY STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2017

	Note	2017 £m
Cash flows from operating activities		
Cash generated from operations		1.4
Interest paid		(0.1)
Net cash generated from operating activities		1.3
Cash flows from financing activities		
Dividends		(1.3)
Net cash used in financing activities		(1.3)
Net increase in cash and cash equivalents		—
Cash and cash equivalents at the beginning of the period		—
Cash and cash equivalents at end of period		—
Cash and cash equivalents comprises:		
Cash at bank		—

The notes on pages 83 to 86 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. The Company was incorporated on 12 April 2016 and adopted Financial Reporting Standard 102 (FRS 102) from that date.

(a) Basis of preparation

These Company financial statements for the period ended 31 March 2017 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.

No comparative information has been included in these accounts as the Company was incorporated in April 2016. Further information in respect of the incorporation and ownership of the Company is outlined in note 26 to the Consolidated Financial Statements.

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 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 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 accounts. The judgement around Classification of Exceptional items and the estimates involved in accounting for share based compensation are relevant for the Company accounts.

(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.

(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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Summary of Significant Accounting Policies continued

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.

(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

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

3. Employees and Directors

The Company has no employees other than Directors. Full details of the Directors' remuneration and interests are set out in the Annual Report on Remuneration report on pages 44 to 48.

There were no other transactions with Directors by the Company.

4. Investments in Subsidiaries

	2017 £m
Cost as at 12 April 2016	–
Additions in period	100.3
At 31 March 2017	100.3

£100m of the addition in the period relates to the acquisition of Motorpoint Limited as part of the restructuring of the Company ahead of the Motorpoint IPO and £0.3m of the addition relates to share based payments. At 31 March 2017 the Company continues to own 100% of this entity.

At 31 March 2017 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, Derby, DE21 6BZ	Motor vehicle retail
Chartwell Leasing Limited	80 Mount Street, Nottingham, NG1 6HH	Motor vehicle procurement
Auction 4 Cars Limited	Northgate House, New Basford, Nottingham, NG7 7BQ	Dormant

5. Creditors: Amounts Falling Due Within One Year

	2017 £m
Amounts owed to Group Undertakings	4.1
	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 2017 may be analysed as follows

	2017 £m
Financial Liabilities measured at amortised cost	4.1
	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

	2017 Number '000	2017 Amount £m
Allotted, called-up and fully paid		
Ordinary shares of 1p each	100,194	1.0
Total	100,194	1.0

Motorpoint Group Plc was incorporated with the name Motorpoint Group Limited on 12th April 2016 with one ordinary share of £1.

On 9th May 2016 all the shares of Motorpoint Limited were acquired by Motorpoint Group Limited by way of a share for share exchange. This resulted in the issuing of 99,999,999 shares of £1.

On 10th May 2016 Motorpoint Group Limited undertook a capital reduction via the Directors solvency statement process which resulted in a reduction in the nominal value of shares from £1 to 1p and as a result a £99 million increase in the retained earnings of Motorpoint Group Limited was recognised.

On 10th May 2016 Motorpoint Group Limited was re-registered as a Plc and changed its name to Motorpoint Group Plc.

On the 4th July 2016 the Company issued and allotted 194,023 shares of 0.01p each in connection with the Motorpoint Group Plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 6th July 2016. The total number of shares in issue at 31 March 2017 was 100,194,023.

8. Dividends

During the period the following dividends were paid.

	2017 £m
Interim Cash Dividends	1.3
Total dividends	1.3

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

	2017 £m
Amounts recognised as distributions to ordinary shareholders in the period comprise	
Interim dividend for the period ended 31 March 2017 of 1.33p per ordinary share	1.3
Proposed final dividend for the period ended 31 March of 2.90 pence per ordinary share	2.9

The proposed final dividend for the period ended 31 March 2017 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 2017.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

9. Borrowings

The Company's potential 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 2017 interest was charged at 1.4% per annum. The interest charged cost for the period of £0.1m has been expensed as a finance cost.

10. Commitments and Contingencies

Capital Commitments

The Company had no capital commitments at 31 March 2017.

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 £65m stocking finance facility with Black Horse Limited.

11. Cash Flow from Operations

	2017 £m
Loss for the period, attributable to equity shareholders	(2.9)
Adjustments for:	
Finance costs	0.1
Operating Loss	(2.8)
Share Based Compensation Charge	0.1
Exceptional items charged to operating profit	2.7
<i>Cash flow from operations before movements in working capital and cash flow on exceptional items</i>	–
Increase in trade and other payables	4.1
<i>Cash flow from operations before exceptional items</i>	4.1
Payments in respect of exceptional items	(2.7)
Cash generated from operations	1.4

12. Related Parties

During the period, a management charge of £0.9m was received from Motorpoint Limited in respect of services rendered.

At the period end balance outstanding due to Motorpoint Limited totalled £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
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

ADVISERS AND SHAREHOLDER INFORMATION

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
Castle Donington
East Midlands DE74 2U2

Shareholder Enquiries

Our registrars will be pleased to deal with any questions regarding your shareholdings (see contact details above). 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 law, regulation or accounting standard, 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.

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Email: shareholder.enquiries@capita.co.uk

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

26 July 2017	Annual General Meeting
3 August 2017	Ex-Dividend Date
4 August 2017	Final Dividend Record Date
8 August 2017	DRIP Election Deadline
1 September 2017	Final Dividend Payment Date
6 October 2017	Half Year Trading Update
29 November 2017	Interim Results Announcement

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