Cambria Automobiles plc

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Cambria Automobiles plc
("Cambria" or the "Group")

Audited Preliminary Results 2013

Cambria Automobiles plc (AIM: CAMB), the franchised motor retailer, is pleased to announce its audited preliminary results for the year ended 31 August 2013.

Financial highlights:

- Revenue increased to £395.8m (2012: £352.5m) - up 12%
- Underlying profit before tax ahead of Board's expectations at £4.1m (2012: £3.1m) - up 32%
- Earnings per share increased to 3.49p (2012: 2.34p) - up 49%
- Strong operational cash flows resulting in a cash position of £14.8m (2012: £11.5m) and net cash of £2.9m (2012: £0.1m)
- Balance sheet strengthened further - no net gearing
- Proposed final dividend of 0.4p per share plus maiden interim dividend of 0.1p, giving total dividend per share of 0.5p (2012: 0.3p) - up 67%
- Underlying return on shareholders' funds of 16.6% (2012: 13.5%)

Operational Highlights:

- Growth in new vehicle sales of 16.1% - ahead of the market at 9.8%
- Modest increase in used vehicle sales with 6.5% improvement in profit per unit
- Aftersales revenue and gross profit accounted for 14.3% and 45.1% of Group revenue and gross profit respectively
- Acquisition of County Motor Works and freehold property, adding a further Vauxhall and Alfa Romeo dealership and the Group's first Chrysler Jeep dealership
- Brand standards refurbishment of Swindon Motor Park facility completed - cost of £0.5m
- Post year end acquisition of freehold interest in Fiat and Nissan dealership in Warrington for £2.2m, reducing annual rental costs by £0.2m

Mark Lavery, Chief Executive of Cambria, said:

"Our buy-and-build strategy to turn around underperforming businesses, executed under exceptionally tough trading conditions, has proved very successful. From a standing start in 2006, the Group now has 27 dealerships, representing 42 franchises and 17 brands. Our strong cash generation provides us with the balance sheet to acquire instantly earnings enhancing businesses, which will strengthen our portfolio mix and help to fulfil our national ambitions to create a Group with annual revenues of over £1 billion.

The Group's performance in the first two months of the new financial year was ahead of plan, as well as the year under review, and we are confident of maintaining this momentum."

- End -

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About Cambria - www.cambriaautomobilesplc.com

Cambria was established in 2006 with a strategy to build a balanced motor retail group, through close cooperation with its manufacturer partners and the acquisition and turnaround of underperforming businesses.

Following the acquisition of County Motor Works in January 2013, the Group now comprises 27 dealerships, representing 42 franchises and 17 brands, in a balanced portfolio spanning the high luxury, premium and volume segments.

The Group operates dealerships across England with a geographical spread from the North West through the Midlands, down to Kent in the South East and across as far as Exeter in the South West, trading under local brand names, including, Dees, Doves, Grange, Invicta, Motorparks and Pure Triumph.

Cambria's brand portfolio currently comprises Abarth, Alfa Romeo, Aston Martin, Chrysler Jeep, Citroen, Dacia, Ford, Fiat, Honda, Jaguar, Mazda, Nissan, Renault, Seat, Triumph, Vauxhall and Volvo.

The Group's success in turning around underperforming dealerships has enabled Cambria to build a strong balance sheet. As a result, the Group is now in a position to consider acquisitions which are earnings enhancing from the outset, strengthening Cambria's brand portfolio mix further and fulfilling its national ambitions to create a Group with annual revenues of over £1 billion.

CHAIRMAN'S STATEMENT

I am very pleased to report that Cambria has delivered a strong set of results for the year ended 31 August 2013. Unlike the prior year, the Group's financial year coincided with a full 12 months of buoyant trading in the industry. We increased revenues to £395.8m (2012: £352.5m), improved underlying profit before tax by 32% to £4.1m (2012: £3.1m) and earnings per share by 49% to 3.49p (2012: 2.34p). Importantly, performance improvements were generated across all core elements of the business - New Vehicles, Used Vehicles and Aftersales.

Group Overview

Cambria was established in 2006 with a strategy to build a balanced motor retail group, through close cooperation with our manufacturer partners and the self funded acquisition and turnaround of underperforming businesses. Following the acquisition of County Motor Works, located in Chelmsford in January 2013, the Group has grown to comprise 27 dealerships, representing 42 franchises and 17 brands, and has a balanced portfolio spanning the high luxury, premium and volume segments.

With a continual focus on tight management of costs, coupled with lean operating procedures, our management has done an exceptional job in producing strong returns from these underperforming businesses. We paid a minimal amount for goodwill in these acquisitions and the strength of our balance sheet has grown accordingly. The Group closed the year under review with net cash of £2.9m and net assets of £24.6m underpinned by the ownership of freehold properties and minimal goodwill. Resources also remain high, thanks to our facilities with Lloyds Banking Group. The total facilities available to the Group, including cash reserves, equate to £23.8m.

This strong financial position now enables us to take advantage of acquisition opportunities as they arise and to consider adding businesses that are immediately earnings enhancing, but may require a greater payment for goodwill, provided they fit our brand balance and financial return criteria. As we enter the new financial year, the Board is putting an even greater effort into the process of identifying, screening and developing more significant acquisitions. We have a number of opportunities under review and remain mindful of maintaining superior returns on shareholders' funds, which reached 16.6% in the year under review (2012: 13.5%).

Key Relationships

Our lending bank, Lloyds Banking Group, and our other credit institutions have continued to support Cambria and have been particularly responsive to our acquisition programme, recognising our prudent financial management. We are grateful for this strong support which will be both important and a key differentiator in capitalising on future acquisition opportunities.

Our relationship with the manufacturers that we represent is a core pillar of our business approach. The management team continues to develop and maintain strong working relationships, in which Cambria is seen as an effective and valued business partner. We were pleased to have added a further Vauxhall and Alfa Romeo site and our first Chrysler Jeep site in the year and expect to expand our brand representation further during the current year, as the negotiations we have underway are concluded.

I would also like to thank the Cambria Associates (our employees), who continue to demonstrate commitment to the Group. We believe that our investment in their development, through the foundation of our Cambria Academy, will increase skill levels throughout our Guest (customer) facing sales force and their ability to provide a world class Guest service.

Dividend

The Board is pleased to announce a 0.4p per share final dividend for the year in addition to the maiden interim dividend of 0.1p per share paid in May 2013, giving a total of 0.5p for the year, a significant increase on the 0.3p per share paid in the previous year. The Board's intention remains to grow dividends in line with earnings.

Outlook

Since the industry lows experienced in Q4 2011, the UK market has enjoyed 20 consecutive months of continued year-on-year growth in new car registrations. The economic pressures affecting the mainland European new car markets remain and the UK appears well placed to continue with the current positive new car market for the foreseeable future.

Cambria has maintained its growth momentum in the first two months of the new financial year, delivering results ahead of our business plan and the year under review. The Board believes that there are significant opportunities for further growth and is confident of making strong progress in 2013/14.

Philip Swatman
Chairman

CHIEF EXECUTIVE'S REVIEW

Introduction

Cambria's financial year 2012/13 dovetailed with 12 months of strong trading in the industry and the Group's operating and financial performance improvements, reported in H1, continued into the second half at an accelerated pace. This pleasing performance was delivered in an increasingly buoyant UK new car market and a consumer environment showing real signs of recovery.

During the year, we completed the purchase of County Motor Works in Chelmsford which represents Vauxhall, Alfa Romeo and Chrysler Jeep. The integration of this business has progressed well, producing a small contribution to Group profits in the first seven months of ownership.

The table below summarises our financial performance, which is detailed in the Finance Director's Report:

Year ended 31 August	**2013**	**2012**
	£m	**£m**
Revenue	**395.8**	352.5
Underlying EBITDA*	**6.1**	5.4
Underlying operating profit*	**4.6**	3.9
Underlying profit before tax*	**4.1**	3.1
Underlying net profit margin*	**1.0%**	0.9%
EBITDA	**6.0**	5.0
Operating profit	**4.5**	3.5
Profit before tax	**4.0**	2.7
Non-recurring expenses	**0.1**	0.4
Net Assets	**24.6**	21.5
Net profit margin	**1.0%**	0.78%
Underlying earnings per share*	**3.57p**	2.64p
Earnings per share	**3.49p**	2.34p

** These items exclude non-recurring expenses of £0.1m (2012: £0.39m)*

I am pleased to report that the Group has again generated strong cash during the year, improving Cambria's net cash position and we have significant facilities available for continued expansion. Accordingly, we have been able to invest more resource in identifying acquisition opportunities. It is very important for Cambria to build on the favourable mix of its portfolio, maintaining a good balance of high luxury, premium and volume brands as the Group grows.

Brand Partnerships

In line with our buy-and-build strategy, our management has continued to work with both existing and potential Brand Partners (manufacturers) with whom the Group may develop Primary Brand Partner relationships (i.e. three or more franchised dealerships). We have worked hard to improve the businesses acquired in previous years and to integrate and develop the ones acquired and established in the year under review, making significant investment in the management of those businesses as well as in the property infrastructure.

Our current portfolio of Brand Partners and dealerships comprises:

High Luxury / Premium		**Volume**		**Motorcycle**	
Aston Martin	3	Abarth	1	Triumph	2
Alfa Romeo	2	Citroen	1		
Honda	2	Chrysler Jeep	1		
Jaguar	5	Dacia	1		
Volvo	5	Fiat	5		
		Ford	5		
		Mazda	4		
		Nissan	1		
		Renault	1		
		Seat	1		
		Vauxhall	2		
Total	**17**		**23**		**2**

During the year, we invested in the re-development of our Swindon Motor Park site to bring it up to current franchise standards for Citroen and Seat. The significant modernisation of the showroom significantly enhances the Guest experience at this facility.

In addition to the acquisition of County Motor Works, we worked with a number of existing and potential new Brand Partners to identify acquisition opportunities within their networks. We entered into a number of acquisition target negotiations, some of which are ongoing.

Cambria has enjoyed the benefits of a strategically balanced brand portfolio with a strong mix of high luxury, premium and volume businesses and we intend to continue our buy-and-build strategy acquiring businesses that represent good value for our shareholders.

When making acquisitions, the Board understands that the integration and maturing of the dealerships takes time and management investment. After acquiring businesses from distressed sales, the integration process typically takes longer and we have to be conscious of the potential dilution in earnings while we restructure and invest in these businesses.

We continue to promote the philosophy of stand-alone autonomous business units, in which local management teams are empowered via our “four pillar strategy” to run their own business units. Cambria dealerships do not trade under the “Cambria” name but focus on local branding. Our dealerships trade as “Grange”, “Doves”, “Dees”, “Invicta Motors”, “County Motor Works”, “Pure Triumph” or “Motorparks”, depending on the franchise and the name in the local area. When acquiring a business, the Board considers the geographical location of the franchise and then chooses to either adopt a new trading style or retain the existing business name.

Operations

	2013				2012			
	Revenue	**Revenue mix**	**Gross Profit**	**Margin**	Revenue	Revenue mix	Gross Profit	Margin
	£m	**%**	**£m**	**%**	£m	%	£m	%
New Vehicles	**159.8**	**40.4**	**10.6**	**6.7**	133.7	37.9	9.0	6.8
Used Vehicles	**188.8**	**47.7**	**17.5**	**9.3**	176.5	50.1	16.2	9.2
Aftersales	**56.6**	**14.3**	**23.1**	**40.8**	51.0	14.5	21.3	41.8
Internal sales	**(9.4)**	**(2.4)**	**-**	**-**	(8.7)	(2.5)	-	-
Total	**395.8**	**100.0**	**51.2**	**12.9**	352.5	100.0	46.5	13.2
Operating expenses			**(46.6)**				(42.6)	
Operating profit before non-recurring expenses			**4.6**				3.9	
Non-recurring expenses			**(0.1)**				(0.4)	
Operating profit			**4.5**	**1.1**			3.5	1.0

New Vehicle Sales

	2013	2012	**Year-on-year growth**
New units	**8,957**	7,718	16.1%

New vehicle revenue increased from £133.7m to £159.8m with total new car and motorcycle sales volume up 16.1%. The new vehicle gross profit margin was 6.7% against 6.8% in 2012 and there was a £1.6m increase in gross profit. We saw some dilution in new car margin in the second half of the financial year; this has continued into the current trading period. The slightly reduced margin reflects the increased average selling price per unit but was also due to increased numbers of Fleet and Commercial vehicles which sell at lower margins.

The new vehicle performance of the Group was delivered against a backdrop of a 9.8% year-on-year increase in new car registrations in the UK for the period 1 September 2012 to 31 August 2013. The private registrations element of the new car market increased 16.5% year-on-year. The Group's Brand Partners saw a combined 9.1% increase in their total registrations during the course of the year with some of them experiencing significant volume increases, whilst others experienced reductions. The Group's sale of new vehicles to private individuals was 12.8% higher year-on-year at 7,774 units. The sale of commercial and fleet vehicles by the Group increased by 18.8% to 632 units and by 88% to 551 units respectively; these sales are transacted at lower margins hence the dilutive effect on overall new car gross margin.

Used Car Sales

	2013	2012	**Year-on-year growth**
Used units	**14,036**	13,826	**1.5%**

We have delivered another reasonable performance in used vehicle sales. Revenues increased from £176.5m to £188.8m and the number of units sold rose by 1.5%. The gross profit generated increased by £1.3m to £17.5m with the margin improving from 9.2% to 9.3%. The major driver of the increased margin and profitability was our focus on sale of Finance and Insurance products. The Group has also concentrated on tight management of its used vehicle inventories, which has delivered some benefits but the Board believes that there is opportunity for further improvement.

Aftersales

	2013	2012	**Year-on-year growth**
Service hours	**306,611**	288,114	**6.4%**

Aftersales revenue increased 11% year on year from £51.0m to £56.6m and the related gross profit increased by £1.8m year on year to £23.1m. The overall aftersales margin reduced from 41.8% to 40.8%, largely due to a 16% increase in parts sales at lower margin than the service element of the aftersales revenue. The aftersales departments contributed 45.1% of the Group's overall gross profit.

The Group continues to review its processes for ensuring that we engage with all our Guests to maximise the opportunity to interact with them through our Guest Relationship Management programme. This is our contact strategy involving the sale of service plans and delivery of service and MOT reminders in a structured manner utilising all forms of digital media and traditional communication methods.

Group Strategy

Since our incorporation in March 2006, we have continued to apply our focused buy-and-build strategy of acquiring motor dealership assets using internally generated funds. Following any acquisition, the Cambria management team implements new financial, operational controls and processes in order to rationalise, restructure and develop each individual dealership. This tailored approach ensures the changes made to each dealership are sustainable and create shareholder value through achieving an appropriate contribution for the level of investment. We have now completed nine separate transactions since our incorporation.

We will continue with our three step approach to purchasing a new business - acquisition, integration and operation, as outlined below:

Acquisition

When acquiring new businesses, we are diligent in ensuring that none of the contractual obligations taken on upset the integrity of our balance sheet. This includes ensuring that leases reflect market value and that any unusual contractual obligations are addressed prior to acquisition in order to avoid taking on any legacy costs. Our Group balance sheet shows that we have only £0.3m of goodwill which has been generated across the nine acquisitions. We do not have any defined benefit pension schemes. We have always taken the approach that Cambria will not acquire any business unless there is a strong underlying business case to do so and our acquisitions have, to date, been funded from our own cash resources and banking facilities. Maintaining the Group's balanced Brand portfolio will be fundamental to its continued success and development and this will undoubtedly mean that we acquire and develop more Premium and Luxury businesses. All acquisitions and any related funding required are assessed on their individual merits. For compelling acquisition targets, we will undoubtedly have to pay a premium, but will still focus on ensuring that the Group delivers strong and consistent returns on equity.

Integration

The integration process starts with an Associate engagement evening where our senior management present the Cambria “Four Pillar” culture change programme. After this meeting, the Group integration team implements systems, processes and procedures to improve legislator compliance including FCA and Health & Safety. Newly acquired Associates are transferred to Cambria employment contracts with compensation and benefits commensurate with the particular business. A training needs analysis is conducted, followed by the implementation of training programmes for all relevant Associates in the new business.

Operation

With any new acquisition, the standard financial controls are implemented immediately, ranging from individual cheque signatories to daily reporting of vehicle sales and aftersales revenues, margins and other performance figures. We then implement our two growth strategies (i) “Cambria Digital”, which is our internet social networking strategy for vehicle sales coupled with our “Guest Connect” support centre, and (ii) in Aftersales our “Duty of Care Gearbox” which is designed to supply our Guests with a one stop solution for all their vehicle maintenance needs.

We are delighted that the Cambria “Motorparks.co.uk” website has recently been voted the best franchised dealer website in the industry in the Auto Retail Network report 2013, based on its strong performance on mobile devices as well as its consumer focus and engaging design. Our focus on a world class Guest Experience continues with our omni-channel marketing approach.

We believe our three step approach gives us a significant advantage particularly in difficult economic times.

Cambria Academy

The Group has invested in establishing and developing the Cambria Academy during the year. This is a training Academy for the Group’s Associates and is critically important as the Group embarks on its next exciting period of expansion. The Academy has been established to enhance the Cambria Guest Experience with the following key strategic objective:

“To deliver an outstanding experience making it easy for our Guests to buy, own and maintain their vehicle, ensuring that they will want to do so again and recommend us to others.”

We will continue to enhance and refine the Academy to help develop our own talent pool, promote Associate retention and to create our own future management with the overriding objective of enhancing the Guest Experience when interacting with Cambria. In its first six months of operation, the Academy has given initial training to a significant proportion of the Group’s Guest facing sales Associates.

Outlook

There have been 20 consecutive months of year-on-year growth to October 2013 in new car registrations in the UK. Vehicle manufacturers continue to deliver strong consumer offers, which represent attractive propositions for our Guests to acquire new cars. Whilst the manufacturers have both the vehicle availability and these strong consumer offers, we expect the new car market in the UK to remain strong, although maintaining double digit growth is unlikely as the prior year comparison hardens.

Our continued strong cash generation, coupled by a net ungeared balance sheet and minimal goodwill, leaves us well positioned to develop and protect our balanced Brand portfolio. We continue to focus upon the development of our high luxury and premium brands and Cambria is investing more resources in identifying acquisition opportunities. Subsequent to the year end, we have been able to complete the purchase of the freehold interest of our Fiat and Nissan dealership in Warrington for £2.19m, reducing annual rental costs by £0.16m.

As our Chairman has already stated, the Group’s performance in the first two months of the new financial year was both ahead of our business plan and the year under review. I am confident that Cambria will maintain this momentum and continue to deliver improved performances across all it departments in the current financial year.

Mark Lavery
Chief Executive

FINANCE DIRECTOR'S REPORT

Overview

Total revenues in the period increased 12.3% to £395.8m from £352.5m in the prior year. The majority of the increase came from new vehicle sales where unit volumes were up 16.1% and revenues up 19.5%. Used car unit sales and revenues increased by 1.5% and 7% respectively. Revenues from the aftersales businesses increased by 11% compared with the previous year.

Total gross profit increased by £4.7m (10.1%) from £46.5m to £51.2m in the year. Gross profit margin across the Group reduced from 13.2% to 12.9% reflecting the change in revenue mix following the increase in new car sales. The used vehicle margin improved slightly as a result of stronger profit per unit at 9.3%. The aftersales operations contributed 45.1% of the total gross profit for the Group compared to 45.8% in the previous period, at a gross profit margin of 40.8%.

Administrative expenses for the businesses increased by £3.7m year-on-year, including the incremental administrative expenses relating to the additional County Motor Works business for 7 months which accounted for £1.6m of the increase. The other major area of administrative expense increase related to enhanced bonus and commissions for delivery of incremental vehicle sales and profitability.

During the financial year, the Group incurred non-recurring expenses of £0.07m in relation to transaction costs associated with the business acquisition and £0.03m in relation to redundancy costs following some restructuring of the aftersales business.

The underlying EBITDA in the period was £6.1m from £5.4m in the previous year. Underlying operating profit was £4.6m compared to £3.9m in the previous year, resulting in an underlying operating margin of 1.2% (2012: 1.1%).

Net finance expenses were £0.5m, reduced from £0.8m, following lower consignment stock interest charges as a result of the increase in new car sales.

The Group's underlying profit before tax was £4.1m in comparison with £3.1m in the previous year. The acquisitions accounted for a profit of £0.02m in the year.

The underlying earnings per share were 3.57p (2012: 2.64p). Basic earnings per share were 3.49p (2012: 2.34p), and the Group's underlying return on shareholders' funds for the year was 16.6% (2012: 13.5%).

Taxation

The Group tax charge was £0.5m (2012: £0.4m) representing an effective rate of tax of 13.3% (2012: 14.4%) on a profit before tax of £4.0m (2012: £2.7m). The tax rate is lower in the reporting period as a result of a specific capital allowances claim referred to in my report in 2012 and the interim results to February 2013. This claim has now been approved by HMRC and recognised in full in these financial statements. The anticipated tax charge for 2014 is expected to revert back towards a more normal effective tax rate.

Financial Position

The Group has a robust balance sheet with a net asset position of £24.6m underpinned by £25.8m of freehold and long leasehold property. Reflecting our prudent approach to financial management, the Group has only £0.3m of goodwill on the balance sheet. Secured against the freehold and long leasehold property are mortgages amounting to £11.9m. Each of the loans has different repayment profiles between seven and ten years and bear interest at between base plus 1.25% and LIBOR plus 3%. During the financial year the Group comfortably met the bank covenants attaching to these borrowings.

The net cash position of the Group as at 31 August 2013 was £2.9m (2012: net cash £0.1m), reflecting a cash position of £14.8m (2012: £11.5m).

The Group uses term loan facilities to fund the purchase of freehold and long leasehold properties, stocking loans to fund the acquisition of consignment, demonstrator and used vehicles and has a £4m overdraft facility which is used to manage seasonal fluctuations in working capital. The overdraft facilities are renewable annually and are next due in February 2014. The Group has arranged a £5m Revolving Credit Facility which is available for draw down against new business acquisitions and freehold property purchases. This additional funding facility gives us significant liquidity to identify and approach acquisition targets. Total facilities available including cash reserves equate to £23.8m.

Cash Flow and Capital Expenditure

The Group generated an operating cash inflow of £8.4m with working capital reducing by £3.5m through efficient management of the vehicle inventory and the stocking lines associated with that inventory. Total funds invested in business acquisitions and capital expenditure was £5m, of which £1m was working capital and £4m was property plant and equipment, including the acquisition of County Motor Works and the freehold property from which it operates. A new loan of £1.98m was drawn down against the freehold purchase of the property acquired.

During the year capital repayments of £1.49m were made against the total term loans outstanding. The capital repayments due in the financial year to 31 August 2014 total £1.55m.

As a result of the net cash inflow of £3.3m, the gross cash position was £14.8m, with gross debt increasing by £0.5m to £11.9m and overall net cash increased from £0.1m in 2012 to £2.9m.

Subsequent to the year end the Group purchased the freehold interest of the dealership from which it operates the Fiat and Nissan franchises in Warrington for £2.19m. The purchase has been funded from the Group's cash resources and reduces the ongoing external rent charge by £0.16m.

Shareholders' Funds

There are 100,000,000 ordinary shares of 10p each with a resulting share premium of £0.8m. There were no new funds raised during the year; therefore the share capital and share premium account remain at £10.8m consistent with the prior year. All ordinary shares rank pari passu for both voting and dividend rights.

Pension Schemes

The Group does not operate any defined benefit pension schemes, and has no liability arising from any such scheme. The Group made contributions amounting to £0.15m to defined contributions schemes for certain employees. The Group's staging date for Pensions Auto-Enrolment was October 2013 and we anticipate that this will increase the Group's pension costs for the 2014 financial year by £0.2m.

Financial Instruments

The Group does not have any contractual obligation under any financial instruments with respect to the hedging of interest rate risk.

Dividends

The Board is pleased to announce that it will make a final dividend payment in respect of the financial year to 31 August 2013 of 0.4p per share in addition to the interim dividend of 0.1p per share paid in May 2013. If approved by the shareholders at the Annual General Meeting to be held on 16 January 2014, the dividend will be payable on 24 January 2014 to those shareholders registered on 27 December 2013. The Board aims to maintain a dividend policy that grows with the Group's earnings but intends to ensure that the payment of dividend does not detract from its primary strategy to continue to buy and build and grow the Group.

James Mullins
Finance Director

Consolidated statement of comprehensive income

For year ended 31 August 2013

	Note	**2013**	2012
		£000	£000
Revenue	*3*	**395,776**	352,535
Cost of sales		**(344,550)**	(306,017)
Gross Profit	*3*	**51,226**	46,518
Administrative expenses		**(46,680)**	(43,019)
Results from operating activities	*3*	**4,546**	3,499
Finance income	*6*	**60**	54
Finance expenses	*6*	**(580)**	(820)
Net finance expenses		**(520)**	(766)
Profit before tax from operations before non-recurring expenses, acquisitions and disposals		**4,111**	3,486
Trading profit/(loss) from branch acquired in year		**17**	(217)
Trading loss from branch disposed in year		**-**	(142)
		4,128	3,127
Non-recurring expenses		**(102)**	(394)
Profit before tax	*3*	**4,026**	2,733
Taxation	*7*	**(534)**	(393)
Profit and total comprehensive income for the period		**3,492**	2,340
Basic and diluted earnings per share	*5*	**3.49p**	2.34p

All comprehensive income is attributable to owners of the parent company

Consolidated statement of changes in equity
For year ended 31 August 2013

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 31August 2011	10,000	799	8,702	19,501
Profit for the year	-	-	2,340	2,340
Dividend paid	-	-	(300)	(300)
Balance at 31 August 2012	10,000	799	10,742	21,541
Profit for the year	-	-	3,492	3,492
Dividend paid	-	-	(400)	(400)
Balance at 31 August 2013	**10,000**	**799**	**13,834**	**24,633**

Consolidated statement of financial position

At 31 August 2013

	Note	**2013**	2012
		£000	£000
Non-current assets			
Property, plant and equipment	*8*	**28,353**	25,751
Intangible assets		**356**	391
Deferred tax asset		**618**	626
		29,327	26,768
Current assets			
Inventories		**66,248**	56,342
Trade and other receivables		**8,038**	7,123
Cash and cash equivalents		**14,754**	11,503
		89,040	74,968
Total assets		**118,367**	101,736
Current liabilities			
Other interest-bearing loans and borrowings	*9*	**(1,550)**	(1,352)
Trade and other payables		**(81,126)**	(67,829)
Taxation		**(251)**	(460)
Provisions		**(41)**	(41)
		(82,968)	(69,682)
Non-current liabilities			
Other interest-bearing loans and borrowings	*9*	**(10,317)**	(10,020)
Provisions		**(10)**	(54)
Other payables		**(439)**	(439)
		(10,766)	(10,513)
Total liabilities		**(93,734)**	(80,195)
Net assets		**24,633**	21,541
Equity attributable to equity holders of the parent			
Share capital		**10,000**	10,000
Share premium		**799**	799
Retained earnings		**13,834**	10,742
Total equity		**24,633**	21,541

These financial statements were approved by the board of directors on 25 November 2013 and were signed on its behalf by:

M J J Lavery
Director

Consolidated cash flow statement

For year ended 31 August 2013

	Notes	**2013**	2012
		£000	£000
Cash flows from operating activities			
Profit for the year		**3,492**	2,340
Adjustments for:			
Depreciation, amortisation and impairment	*8*	**1,429**	1,479
Financial income	*6*	**(60)**	(54)
Financial expense	*6*	**580**	820
Loss on sale of property, plant and equipment		**1**	-
Profit on disposal of branch		**-**	(81)
Taxation	*7*	**534**	393
Non recurring expenses		**102**	394
		6,078	5,291
Change in trade and other receivables		**(915)**	(218)
Change in inventories		**(8,806)**	1,002
Change in trade and other payables		**13,215**	(1,289)
Change in provisions		**(44)**	(41)
		9,528	4,745
Interest paid	*6*	**(287)**	(493)
Tax paid		**(735)**	(877)
Non recurring expenses		**(102)**	(394)
Net cash from operating activities		**8,404**	2,981
Cash flows from investing activities			
Interest received		**60**	54
Acquisition of branch by trade and assets purchase	*2*	**(1,209)**	(313)
Acquisition of property, plant and equipment	*8*	**(3,806)**	(1,437)
Disposal of branch by trade and assets sale		**-**	481
Net cash from investing activities		**(4,955)**	(1,215)
Cash flows from financing activities			
Proceeds from new loan		**1,980**	-
Interest paid	*6*	**(293)**	(327)
Repayment of borrowings		**(1,485)**	(1,338)
Dividend paid		**(400)**	(300)
Net cash from financing activities		**(198)**	(1,965)
Net increase in cash and cash equivalents		**3,251**	(199)
Cash and cash equivalents at 1 September		**11,503**	11,702
Cash and cash equivalents at 31 August		**14,754**	11,503

Notes to the Accounts

1 Note

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 August 2013 or 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2 Acquisitions and disposals of trading branches

Effect of acquisition in 2013

Acquisition of trading branch

On 31 January 2013, the Group acquired the trade and assets of the Vauxhall, Alfa Romeo, Chrysler and Jeep dealership in Chelmsford from County Holdings (Chelmsford) Limited and its subsidiary companies.

	Pre-acquisition carrying amount and Fair Value **£000**
Acquiree's net assets at the acquisition date:	
Freehold property	**3,017**
Plant and equipment	**191**
Stocks	**1,100**
Trade and other creditors	**(82)**
Net and identifiable assets and liabilities	**4,226**
Goodwill on acquisition	**-**
Consideration paid (note that transaction costs of £67k were written off to administrative expenses in 2013), satisfied in cash	**4,226**

The results attributable to the branch acquired during the financial year were as follows:

	2013 **£000**
Turnover	**11,670**
Profit before tax	**17**

Effect of acquisition and disposal in 2012

Acquisition of trading branch

On 1 September 2011, the Group completed the acquisition of the Vauxhall dealership in Southampton from Hartwell Group plc.

Effect of acquisition and disposal in 2012 *(continued)*

	Pre-acquisition carrying amount and Fair Value **£000**
Acquiree's net assets at the acquisition date:	
Plant and equipment	46
Inventories	277
Trade and other payables	(10)
Net and identifiable assets and liabilities	313
Goodwill on acquisition	-
Consideration paid (note that transaction costs of £77,825 were written off to administrative expenses in 2012), satisfied in cash	313

The results attributable to the branch acquired during 2012 were as follows:

	2012 £000
Revenue	12,692
Loss before tax	(217)

Disposal of trading branch

The decision was made in 2012 to dispose of the Group's Triumph motorcycle branch in Birmingham due to its location and trading prospects. The sale was completed on 14 May 2012 to Ducati Manchester with all employees being transferred.

	Pre-disposal carrying amount and Fair Value **£000**
Net assets at the disposal date:	
Plant and equipment	6
Inventories	394
Net and identifiable assets and liabilities	400
Profit on disposal	81
Consideration received (note that transaction costs of £18,068 were written off to administrative expenses in 2012), satisfied in cash	481

The results attributable to the branch disposed during 2012 were as follows:

	2012 £000
Revenue	1,368
Loss before tax	(142)

3 Segmental reporting

The Group has adopted IFRS 8 'Operating Segments' which determines and presents operating segments based on information presented to the Group's Chief Operating Decision Maker ("CODM"), the Chief Executive Officer. The Group is operated and managed on a Dealership by Dealership basis. The CODM receives information both on a dealership basis and by revenue stream (New, Used, Aftersales). Given the number of dealerships, it was deemed most appropriate to present the information by revenue stream for the purposes of segmental analysis.

	2013	**2013**	**2013**	**2013**	**2012**	**2012**	**2012**	**2012**
	Revenue	**Revenue mix**	**Gross Profit**	**Margin**	**Revenue**	**Revenue mix**	**Gross Profit**	**Margin**
	£m	%	£m	%	£m	%	£m	%
New Vehicles	**159.8**	**40.4**	**10.6**	**6.7**	133.7	37.9	9.0	6.8
Used Vehicles	**188.8**	**47.7**	**17.5**	**9.3**	176.5	50.1	16.2	9.2
Aftersales	**56.6**	**14.3**	**23.1**	**40.8**	51.0	14.5	21.3	41.8
Internal sales	**(9.4)**	**(2.4)**	**-**	**-**	(8.7)	(2.5)	-	-
Total	**395.8**	**100.0**	**51.2**	**12.9**	352.5	100.0	46.5	13.2
Operating expenses			**(46.6)**				(42.6)	
Operating profit before non-recurring expenses			**4.6**				3.9	
Non recurring expenses			**(0.1)**				(0.4)	
Operating profit			**4.5**	**1.1**			3.5	1.0

The CODM reviews the performance of the business in terms of both net profit before tax and EBITDA, as such the following table shows a reconciliation of the Profit before tax to EBITDA.

3 Segmental reporting (continued)

	2013	2012
	£000	£000
Profit Before Tax	**4,026**	2,733
Non recurring expenses	**102**	394
Underlying Profit Before Tax	**4,128**	3,127
Net finance expense	**520**	766
Depreciation and amortization	**1,429**	1,479
Underlying EBITDA	**6,077**	5,372
Non recurring expenses	**(102)**	(394)
EBITDA	**5,975**	4,978

Revenue and non-current assets are attributable to United Kingdom operations only.

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2013	2012
Sales	**317**	309
Service	**378**	355
Parts	**109**	110
Administration	**213**	174
	1,017	948

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**27,047**	25,259
Social security costs	**2,984**	2,790
Expenses related to defined contribution plans	**152**	151
	30,183	28,200

5 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to equity shareholders by the number of ordinary shares in issue in the year. There is one class of ordinary share with 100,000,000 shares in issue.

There are no dilutive share options in issue.

	2013 £000	2012 £000
Profit attributable to shareholders	**3,492**	2,340
Non underlying costs	**102**	394
Tax on adjustments (at 23.58 % (2012:25.16%))	**(24)**	(99)
Adjusted profit attributable to equity shareholders	**3,570**	2,635
Number of shares in issue ('000)	**100,000**	100,000
Basic earnings per share	**3.49p**	2.34p
Adjusted earnings per share	**3.57p**	2.64p

6 Finance income and expense

Recognised in the income statement

	2013 £000	2012 £000
Finance income		
Rent deposit interest	**3**	16
Interest receivable	**57**	38
New vehicle stocking credits	**-**	-
Total finance income	**60**	54
Finance expense		
Interest payable on bank borrowings	**293**	327
Consignment and vehicle stocking interest	**287**	493
Total finance expense	**580**	820
Total interest expense on financial liabilities held at amortised cost	**293**	327
Total other interest expense	**287**	493
	580	820

7 Taxation

Recognised in the income statement

	2013	2012
	£000	£000
Current tax expense		
Current year	**854**	773
Adjustment in respect of prior years	**7**	(12)
Adjustment in respect of prior years – capital allowances claim	**(335)**	(76)
	526	685
Deferred tax		
Utilisation of tax losses paid to previous owner of subsidiary undertaking	**162**	34
Adjustment in respect of prior years	**(257)**	(161)
Origination and reversal of temporary differences	**103**	(161)
Change in tax rate in current year	**-**	(4)
	8	(292)
Total tax expense	**534**	393

Reconciliation of total tax

	2013	2012
	£000	£000
Profit for the year	**3,492**	2,340
Total tax expense	**534**	393
Profit excluding taxation	**4,026**	2,733
Tax using the UK corporation tax rate of 23.58% (2012: 25.16%)	**949**	688
Non-deductible expenses	**35**	45
Accounting deprecation for which no tax relief is due	**125**	114
Depreciation in excess of capital allowances	**-**	4
Utilisation of brought forward losses	**(162)**	(32)
Tax payment due to previous owners of subsidiary in relation to utilisation of pre-acquisition losses	**162**	34
Change in tax rate in respect of deferred tax on utilisation of pre-acquisition losses due to previous owner of subsidiary	**-**	2
Change in tax rate	**68**	143
Adjustments in respect of prior years	**(585)**	(249)
Change in deferred tax in respect of property	**(58)**	(356)
Total tax expense	**534**	393

The applicable tax rate for the current year is 23.58% *(2012: 25.16%)* following the reduction in the main rate of UK corporation tax from 24% to 23% with effect from 1 April 2013.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 August 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

8 Property, plant and equipment

	Freehold land & buildings £000	Long leasehold land & buildings £000	Short leasehold improvements £000	Plant & equipment £000	Fixtures, fittings & computer equipment £000	Total £000
Cost						
Balance at 1 September 2011	19,387	5,058	3,895	2,601	6,468	37,409
Additions	900	-	36	137	364	1,437
Branch acquisitions	-	-	-	46	-	46
Disposals	-	-	-	(65)	(335)	(400)
Branch disposals	-	-	-	(10)	(12)	(22)
Balance at 1 September 2012	20,287	5,058	3,931	2,709	6,485	38,470
Additions	20	-	421	114	234	789
Branch acquisitions	3,017	-	-	105	86	3,208
Disposals	-	-	-	(121)	(239)	(360)
Balance at 31 August 2013	23,324	5,058	4,352	2,807	6,566	42,107
Depreciation						
Balance at 1 September 2011	1,333	476	2,821	2,150	4,953	11,733
Charge for the year	280	81	274	222	543	1,400
Disposals	-	-	-	(65)	(334)	(399)
Branch disposals	-	-	-	(7)	(8)	(15)
Balance at 1 September 2012	1,613	557	3,095	2,300	5,154	12,719
Depreciation charge for the year	300	82	285	207	520	1,394
Disposals	-	-	-	(120)	(239)	(359)
Balance at 31 August 2013	1,913	639	3,380	2,387	5,435	13,754
Net book value						
At 31 August 2012	18,674	4,501	836	409	1,331	25,751
At 31 August 2013	**21,411**	**4,419**	**972**	**420**	**1,131**	**28,353**

As at 31 August 2013 there are no capital commitments *(2012: £328,000).*

The directors have considered the property portfolio for impairment by comparing the carrying amount to the higher of value in use or market value and have concluded that no impairment is required.

Security

The title of all freehold and long leasehold properties have been pledged as security to the bank loans disclosed in note 9.

Property, plant and equipment under construction

At 31 August 2013 there were no assets in the course of construction *(2012: £nil)*.

9 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see note 22.

	2013	2012
	£000	£000
Non-current liabilities		
Secured bank loans	**10,317**	10,020
Current liabilities		
Secured bank loans	**1,550**	1,352

Terms and debt repayment schedule

All debt is in GBP currency

	Nominal interest rate	**Year of Maturity**	**Face Value and Carrying Amount 2013 £000**	Face Value and Carrying Amount 2012 £000
Loan 31/07/2006	Bank of England Base Rate +1.25%	2019	**1,688**	2,009
Loan 01/08/2007	Bank of England Base Rate +1.25%	2020	**507**	580
Loan 31/12/2007	LIBOR +1.75%	2020	**5,834**	6,620
Loan 01/03/2011	LIBOR +3.00%	2017	**1,957**	2,163
Loan 01/02/2013	LIBOR +1.95%	2018	**1,881**	-
			11,867	11,372

10 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2013	2012
	£000	£000
Less than one year	**2,409**	2,640
Between one and five years	**7,491**	8,297
More than five years	**20,193**	23,321
	30,093	34,258

The Group leases a number of motor dealership sites under operating leases. Land and buildings have been considered separately for lease classification.

During the year £2,644,000 was recognised as an expense in the income statement in respect of operating leases *(2012: £2,674,000).*