14 December 2012

Cambria Automobiles plc

Preliminary results

for the year to 31 August 2012

Cambria Automobiles plc, the UK motor dealer group, today announces its full year results for the financial year ending 31st August 2012.

Financial Highlights

- Total revenue for the year of £352.5m, down from £373.3m in prior year
- Underlying Profit before tax of £3.1m, versus £4.9m in prior year, in line with the Board's expectation, reflecting weaker new car volume and profitability particularly in the first half of the year
- Continuing businesses made an underlying Profit before tax of £3.5m with the acquired dealership making a loss of £0.22m and disposed dealership making a loss of £0.14m
- Rationalisation programme implemented in the first quarter with a one off cost of £0.3m significantly reduced ongoing cost structure in like for like businesses
- Strong cash flows resulting in net cash of £0.1m, net gearing nil
- Group net assets at £21.5m
- Robust balance sheet position with only £0.3m of goodwill
- Underlying return on shareholders' funds of 13.5 %
- Announcement of dividend for the year of 0.3p per share

Operational Highlights

- Total new vehicle unit sales decreased 5.4% year on year to 7,718 from 8,155 in 2011 against the Group's Brand portfolio partners decrease in registrations of 4.1%. The total new car market registrations increased 1.6% year on year
- New vehicle gross profit reduced by £1.5m with margin reducing 0.4% impacted by effect of multiple pressures facing vehicle manufacturer partners, particularly during the first half
- Used vehicle gross profit up £1.1m, and a 1% point margin improvement to 9.2%, against unit sales decrease of 2.7% year on year
- Acquisition of the Group's maiden Vauxhall business completed in September 2011, with integration progressing well, although the business made losses of £0.22m

Commenting on the results, Mark Lavery, Chief Executive said:

"Cambria has performed in line with our expectations and, after a particularly difficult first half, has produced a far better second half. The cost rationalisation programme carried out in the first half is now broadly completed and while we continue to look at areas where cost saving can be made, we are in a leaner position than at the same point last year.

During the course of the year we completed the purchase of our first Vauxhall business with the addition of Doves Vauxhall Southampton to the portfolio, refurbishing the facility in line with manufacturer standards. We also purchased the freehold of our Blackburn Volvo and Renault facility and disposed of our loss making Birmingham Pure Triumph business. The balance sheet and liquidity continue to improve and we have significant facilities available for continued expansion.

It is critical that the Group protects its balanced Brand portfolio with significant interests in high luxury, premium and volume brands and we hope to be in a position to announce further acquisitions in the near future. There has been a positive change in new car market conditions since the beginning of the 2012 Calendar year. With the pressure on the mainland European car markets, the UK appears to be performing well in comparison.

The Group has had a strong start to the current financial year, ahead of business plan and significantly ahead of previous year. New car volumes are 8.6% ahead of last year with improved margin. I am pleased to report that our Guest Connect programme is in its second year of operation and it is having a significant effect on aftersales profit contribution. I remain confident that the Group will deliver an improved performance in our 2013 financial year. "

For further information please contact:

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Notes to editors:

Cambria is a franchised motor retail group formed in 2006 and developed through a buy-and-build strategy. We have completed 8 corporate acquisitions to date and now represent 16 different brands from 26 locations encompassing 39 new car and motorcycle franchises. The Group focuses on acquiring and improving under-performing businesses where it believes the best shareholder returns can be achieved.

Prestige		**Volume**		**Motorcycle**	
Aston Martin	3	Abarth	1	Triumph	**2**
Alfa Romeo	1	Citroen	1		
Honda	2	Dacia	1		
Jaguar	5	Fiat	5		
Volvo	5	Ford	5		
	16	Mazda	4		
		Nissan	1		
		Renault	1		
		Seat	1		
		Vauxhall	1		
			21		

Chairman's Statement

Our financial year 2011/12 coincided with a challenging period for our industry, which saw Cambria Automobiles plc ("Cambria") achieve revenues of £352.5 million and an underlying profit before tax of £3.1 million.

Group Overview

It is now six years since Cambria was established and two and a half years since it was admitted to the London Stock Exchange AIM market. The management, under the leadership our Chief Executive Mark Lavery, has sought to create a top 20 UK dealership group with a balanced portfolio of manufacturer brands spanning the high luxury, premium and volume segments.

Much has been achieved towards reaching this target and Cambria now comprises a stable of 39 franchised dealerships spanning 16 brands, with Vauxhall, Dacia and Abarth being new additions in the year under review. A key feature of our development has been to build the business organically from our own resources, together with the close cooperation of our manufacturer partners, with due consideration to our geographical focus and range of brand representation.

Crucially we have continued to remain faithful to our objective to minimise the creation of goodwill on acquisitions, but recognise that we may pay goodwill for the right opportunity. To date the Group has focussed its acquisition and growth strategy through acquiring businesses and assets that are underperforming. Indeed, in many cases the business has been in a distressed situation from a trading point of view. The Group's management have done an exceptional job in producing strong returns from distressed businesses. This now puts the Group in a position where the Board can consider adding earnings enhancing acquisitions to the portfolio.

Our positive operational cash generation provides us with a strong ungeared balance sheet, a foundation for the development of the business and we have a number of significant opportunities under review in the current year. We, of course, remain focussed on providing superior returns on shareholders' funds, which reached 13.5% in the year reported.

The year to 31st August 2012 was a challenging one, although I am pleased to report that the second half was considerably stronger and in line with our record second half performance achieved in 2011. Your board took action during the first half to ameliorate the worst effects of the testing UK car market, resulting in a significant reduction in our ongoing operational cost base. These measures are now largely complete but the discipline to seek efficiencies in our operations wherever we can find them remains ingrained in our culture.

I am confident that these results further underline the robustness of our business model and the effectiveness of our senior management team in driving its implementation and that our continual focus upon tight management of costs, coupled with our lean operating procedures, will further contribute to our future performance.

The improvement in our performance in the second half of the year continues into the opening months of our 12/13 financial year, with signs that the UK car market is performing more strongly as vehicle manufacturers face increasing challenges in continental European markets.

Financial Management

The Board places great importance on the prudent management of the Group's finances. Our balance sheet has been further strengthened by these results and for the first time we are in a position of closing the year with net cash and the balance sheet further underpinned by our ownership of freehold properties and by minimal goodwill. Liquidity remains high thanks to our banking facilities with Lloyds Banking Group. This strong financial position enables us to take advantage of acquisition opportunities as they arise.

Promethean

We announced in July that Promethean, a significant founding shareholder in the Group, intended to distribute its shareholding, which amounted to 33.32% of Cambria's shares, to its own shareholders *in specie*. This distribution took place on 7 September 2012. Our broker Canaccord Genuity supported us in managing the aftermarket of the transaction and we now have a strengthened institutional shareholder base and considerably greater liquidity in our shares.

Key Relationships

Our lending bank Lloyds Banking Group and our other credit institutions have continued to support the Group and in particular have been responsive to our acquisition programme recognising our strategy of prudent financial management. Notwithstanding the continued criticism to which UK lending banks are subjected, we are grateful for this continued strong support which will be 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 where Cambria is seen as an effective and valued business partner. We were pleased to add Vauxhall, Dacia and Abarth as brand partners in the year and expect to expand further our brand representation during the course of the current year as negotiations currently underway are concluded.

As announced in November 2011, Rodney Smith, one of the founding Directors, retired and in February 2012, Warren Scott, my predecessor stepped down from the Board. On behalf of the Board and shareholders I would like to thank Rodney and Warren for their valued contribution to the Group.

I would also like to thank the Cambria Associates who continue to demonstrate commitment through these challenging times.

Dividend
The Board is pleased to announce a 0.3p per share dividend for the year. It is the intention of the Board to maintain a progressive dividend policy.

Outlook
There has been a positive change in the new car market conditions since the beginning of the 2012 Calendar year and with the pressure on the mainland European car markets, the UK appears to be performing well in comparison.

I am pleased to report that Cambria continues to maintain the momentum gained in the second half, and we enter the current financial year with confidence, having produced a strong first quarter, ahead of business plan and significantly ahead of previous year.

Philip Swatman
Non-Executive Chairman

Chief Executive's Review

Cambria Automobiles plc announces its full year results for the financial year ending 31st August 2012. Cambria is a franchised motor retail group formed in 2006 and developed through a buy-and-build strategy. We have completed 8 corporate acquisitions to date and now represent 16 different brands from 26 locations encompassing 39 new car and motorcycle franchises. The Group focuses on acquiring and improving under-performing businesses where it believes the best shareholder returns can be achieved.

	12 months Ended 31-Aug 2012 £m	***12 months Ended 31-Aug 2011 £m***
Revenue	352.5	373.3
Underlying EBITDA*	5.4	7.2
Underlying operating profit*	3.9	5.7
Underlying profit before tax*	3.1	4.9
Underlying net profit margin*	0.9%	1.3%
EBITDA	5.0	6.9
Operating profit	3.5	5.5
Profit before tax	2.7	4.7
Non-recurring expenses	0.4	0.2
Net Assets	21.5	19.5
Net profit margin	0.78%	1.25%
Underlying earnings per share*	2.64p	3.63p
Earnings per share	2.34p	3.47p

* these items exclude the non-recurring expenses of £0.39m (2011: £0.23m)

In presenting the financial statements for the year to 31 August 2012, there has been a fall in our underlying pre-tax profits to £3.1m against a previous year outcome of £4.9m. This result has been achieved in a period of significant economic uncertainty and poor consumer confidence and during the first half of the year we undertook a significant cost rationalisation programme.

The underlying pre-tax profit from the continuing operations was £3.5m, with the newly acquired Vauxhall business in Southampton making a £0.22m loss and the Pure Triumph motorcycle dealership in Birmingham making a £0.14m loss before its disposal during the year.

During the first half of the financial year, the Group made an underlying pre-tax profit of £1.1m, and £2m in the second half which, for the continuing businesses, was broadly in line with the second half achieved in 2011, our record financial year.

Operating Review

Group Strategy

Since our incorporation in March 2006, we have continued to apply our focussed "buy-and-build" strategy of acquiring under-performing motor dealership assets from 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 eight separate transactions since our incorporation.

We continue with our three step approach to purchasing a new business – acquisition, integration, operation, as laid out below:

Acquisition

When acquiring new businesses we are diligent in ensuring that none of the contractual obligations that are taken on pursuant to the acquisition 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 to ensure that we avoid any legacy costs. Our Group balance sheet shows that on consolidation we have only £0.3m of goodwill which has been generated across the eight 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 and will continue to be funded from our own cash resources and credit facility unless there is a large and supremely compelling acquisition opportunity that requires additional 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 i.e. FSA, Health & Safety etc. Newly acquired Associates are transferred to Cambria employment contracts with the 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.

Cambria is currently investing in the Cambria Academy which will develop and establish a training Academy for the Groups Associates, this is critically important as the Group embarks on its next exciting period of expansion.

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, and (ii) in aftersales we implement the "Duty of Care Gearbox" which is designed to supply our guests with a one stop solution for all their vehicle maintenance needs.

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

Brand Partnerships

In line with our "buy-and-build" strategy, we have continued to work with existing Brand Partners and new potential Brand Partners with whom we can develop Primary Brand Partner relationships (more than three franchises). During the year we have worked hard to improve those businesses acquired previous financial years, and to integrate and develop the businesses that we have acquired and set up in the year making significant investment in the management of those businesses as well as in the property infrastructure.

During the year we have acquired our first Vauxhall business and have refurbished the facility to align the site with Vauxhall requirements and to make it a positive Guest experience when visiting the site. We continue to work with Vauxhall to identify acquisition opportunities to ensure that the partnership develops, and that it becomes a Primary Brand partner.

We have added the Abarth franchise into our Preston facility, alongside its sister brand Fiat and have added Dacia as a value proposition into the Renault showroom in Blackburn.

During the course of the year we worked with a number of new potential Brand Partners to identify acquisition opportunities within their networks. We entered into a number of acquisition target negotiations, none of which concluded during the period under review.

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

Cambria's balanced brand portfolio has seen us benefit from the relative stability of the prestige/high luxury market.

When making acquisitions, the Board understands that the integration and maturing of the dealerships takes time and management investment. Where we acquire 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 where a local management team are empowered via our "four pillar strategy" to run a local business unit. Cambria dealerships do not trade under the "Cambria" name but prefer to focus on local branding. Cambria's dealerships trade as "Grange", "Doves", "Dees", "Invicta Motors", "Pure Triumph" or "Motorparks" depending on the franchise and the name in the local area. When acquiring a business, the Board consider the geographical location of the franchise and then chooses to either adopt a new trading style or retain the existing business name.

<u>New Car Sales</u>

New vehicles - new vehicle revenue was down from £146.5m to £133.7m, with total new car and motorcycle sales down 5.4% from 7,718 units compared with 8,155 in 2011. The new vehicle department gross profit margin was 6.8% against 7.2% in 2011 and there was a £1.5m reduction in Gross profit. The reduced margin partly reflecting the increased pressure that we experienced on margin retention as our manufacturer partners experienced exchange rate pressure and a tougher consumer climate across Europe particularly in the back quarter of 2011. The European market has seen significant declines with European new car sales falling 7.3% in the 10 months to October 2012, and this has put increased pressure on our manufacturer brand partners.

The new car performance of the Group was delivered against a backdrop of a 1.6% year on year increase in new vehicle registrations in the UK for the period 1 September 2011 to 31 August 2012. The private registrations element of the new car market increased 2.3% year on year which was a stark change in the market during the second half of the year. The Group's Brand partners saw a combined 4.1% reduction in their total registrations during the course of the year with some of our partners experiencing significant volume reductions. The Group's sale of new cars to private individuals was flat year on year. The sale of commercial and fleet vehicles by the Group reduced 28% and 40% respectively compared with prior year. The reduction was primarily the result of reduced supply terms between one of our manufacturer brand partners and a number of commercial and fleet customers during the period. This reduction in commercial and fleet vehicles impacted new car gross profit by only £0.08m.

<u>Used Car Sales</u>

Used vehicles – we have seen another strong performance in our used vehicle departments, although revenues decreased from £184.0m to £176.5m, and the number of units sold decreased 2.7% from 14,217 to 13,826. The gross profit generated increased by £1.1m to £16.2m with the margin increasing from 8.2% to 9.2%. The major driver of the increased margin and profitability was derived from the focus on sale of Finance and Insurance products. The Group has also focussed on the tight management of its used vehicle inventories. Close control of the total level of inventory as well as stock profile and age has shown some benefits but the Board believes that there is still opportunity to improve further.

Aftersales

Aftersales – aftersales revenue decreased 0.7% year on year from £51.4m to £51.0m. Aftersales gross profit decreased by 3.2% year on year to £21.3m, in part reflecting the short term impact of the cost reduction programme implemented towards the end of 2011 and in part reflecting the reduced 0-3 year old car parc. 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 which 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.

Outlook

There has been a positive change in new car market conditions since the beginning of the 2012 Calendar year and with the pressure on the mainland European car markets, the UK appears to be performing well in comparison.

Whilst mindful of continued global economic uncertainty I am pleased to report that Cambria continues to maintain the momentum gained in the second half of 2012. We enter the current financial year with confidence, having produced a strong first quarter, exceeding management expectations and significantly ahead of previous year.

Our continued strong cash generation coupled by a net ungeared balance sheet and minimal goodwill continues to place us well to develop and protect our balanced Brand portfolio. We continue to focus upon the development of our high luxury, premium and near premium brands and we hope to be in a position to announce further acquisitions in the near future.

Operating and Financial Review *(continued)*

	2012 Revenue	2012 Revenue mix	2012 Gross Profit	2012 Margin	2011 Revenue	2011 Revenue mix	2011 Gross Profit	2011 Margin
	£m	%	£m	%	£m	%	£m	%
New Car	**133.7**	**37.9**	**9.0**	**6.8**	146.5	39.2	10.5	7.2
Used Car	**176.5**	**50.1**	**16.2**	**9.2**	184.0	49.3	15.1	8.2
Aftersales	**51.0**	**14.5**	**21.3**	**41.8**	51.4	13.8	22.0	42.8
Internal sales	**(8.7)**	**(2.5)**			(8.6)	(2.3)		
Total	**352.5**	**100.0**	**46.5**	**13.2**	**373.3**	**100.0**	**47.6**	**12.7**
Operating expenses			**(42.6)**				(41.9)	
Operating profit before non-recurring expenses			**3.9**				5.7	
Non-recurring expenses			**(0.4)**				(0.2)	
Operating profit			**3.5**	**1.0**			**5.5**	**1.5**

	2012 total	2011 total	Year on year growth
New units	**7,718**	8,155	(5.4%)
Used units	**13,826**	14,217	(2.7%)
Service hours	**288,114**	279,523	3.1%

Mark Lavery
Chief Executive Officer

Finance Director's Report

Overview

Total revenues in the period decreased 5.6% to £352.5m from £373.3m in the prior year. The majority of the reduction came from new vehicle sales where unit volumes were down 5.4% and revenues down 8.7%. Used car unit sales decreased 2.7% and overall revenues reduced by 4%. Revenues from the aftersales businesses declined by 0.07% compared with the previous year.

Total gross profit decreased by £1.1m (2.3%) from £47.6m to £46.5m in the year following the reduced new car volumes which accounted for £1.5m of the reduction. Gross profit margin across the Group improved from 12.7% to 13.2% reflecting the change in revenue mix with the reduction in new car sales. The used vehicle margin improved as a result of stronger profit per unit at 9.2%. The aftersales operations contributed 45.8% of the total gross profit for the Group compared to 46.2% in the previous period, at a gross profit margin of 41.8%.

Underlying operating expenses for the continuing businesses were reduced by £1.1m year on year, although following the addition of Southampton the Group's underlying administrative expenses, increased to £42.6m from £41.8m.

During the financial year, the Group incurred non-underlying expenses of £0.1m in relation to transaction costs and opening new franchises, and £0.3m in relation to redundancy costs associated with the cost rationalisation initiatives.

The underlying EBITDA in the period was £5.4m from £7.2m in the previous year. Underlying operating profit was £3.9m compared to £5.7m in the previous year, resulting in an operating margin of 1.1% (2011: 1.5%).

Net finance expenses remained at £0.8m.

The Group's underlying profit before tax was £3.1m in comparison with £4.9m in the previous year. The acquisitions and disposals accounted for losses of £0.4m in the year.

The underlying earnings per share were 2.64p (2011: 3.63p). Basic earnings per share were 2.34p (2011: 3.47p), and the Group's underlying return on shareholders' funds for the year was 13.5% (2011: 22.7%).

Taxation

The Group tax charge was £0.4m (2011: £1.2m) representing an effective rate of tax of 14.3% (2011: 25.6%) on the profit before tax of £2.7m (2011: £4.7m). The tax rate is low in the reporting period as a result of the recognition of a deferred tax asset and an element of a specific capital allowances claim. The anticipated tax charge for 2013 is dependent on the outcome of the capital allowances claim, in the event no further capital allowances are recognised, the effective tax rate will increase in 2013 back to 2011 levels.

Financial Position

The Group has a robust balance sheet with a net asset position of £21.5m under-pinned by £23.1m 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 £11.4m, each of the loans have 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 2012 was £0.1m (2011: net debt £1.0m), reflecting a cash position of £11.5m (2011: £11.7m). The Group's gearing at 31 August 2012 was (0.6%), reduced from 5.2% in 2011.

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 2013. 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 £20.5m.

Cash flow and Capital Expenditure

The Group generated an operating cash inflow of £3m with working capital increasing by £0.5m as a result of the acquired business and a total of £1.4m in capital expenditure.

Capital expenditure included the acquisition of the freehold property in Blackburn for £0.9m, the refurbishment of the Vauxhall site in Southampton, the development of the Abarth showroom in Preston, and the acquisition of the Southampton business.

During the year capital repayments of £1.34m were made against the total term loans outstanding. The capital repayments due in the financial year to 31 August 2013 are £1.35m.

As a result of the net cash outflow of £0.2m, the cash position was £11.5m, with gross debt decreasing by £1.34m to £11.4m and overall net debt reduced from £1m to net cash of £0.1m.

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 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.

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 dividend payment in respect of the financial year to 31 August 2012 of 0.3p per share as a full and final dividend payment. If approved by the shareholders at the Annual General Meeting to be held on 21 January 2013, the dividend will be payable on 25 January 2013 to those shareholders registered on 28 December 2012. The Board aims to maintain a progressive dividend policy but intends to ensure that the payment of dividend does not detract from its primary strategy to continue to "buy-and-build" and to grow the Group using existing resources.

James Mullins
Finance Director

Consolidated statement of comprehensive income

for year ended 31 August 2012

	Note	**2012**	2011
		£000	£000
Revenue	*3*	**352,535**	373,303
Cost of sales		**(306,017)**	(325,748)
Gross Profit	*4*	**46,518**	47,555
Administrative expenses		**(43,019)**	(42,055)
Results from operating activities	*4*	**3,499**	5,500
Finance income	*9*	**54**	38
Finance expenses	*9*	**(820)**	(882)
Net finance expenses		**(766)**	(844)
Profit before tax from operations before non-recurring expenses, acquisitions and disposals		**3,486**	4,974
Trading loss from branch acquired in year		**(217)**	-
Trading loss from branch disposed in year		**(142)**	(87)
		3,127	4,887
Non-recurring expenses	*5*	**(394)**	(231)
Profit before tax	*4*	**2,733**	4,656
Taxation	*10*	**(393)**	(1,190)
Profit and total comprehensive income for the period		**2,340**	3,466
Basic and diluted earnings per share	*8*	**2.34p**	3.47p

All comprehensive income is attributable to owners of the parent company

Consolidated statement of changes in equity
for year ended 31 August 2012

	Note	**Share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total equity £000**
Balance at 31August 2010		10,000	799	5,236	16,035
Profit for the year		-	-	3,466	3,466
Balance at 31 August 2011		10,000	799	8,702	19,501
Profit for the year		-	-	2,340	2,340
Dividend paid	21	-	-	(300)	(300)
Balance at 31 August 2012		**10,000**	**799**	**10,742**	**21,541**

Consolidated statement of financial position

at 31 August 2012

	Note	2012	2011
		£000	£000
Non-current assets			
Property, plant and equipment	*11*	**25,751**	25,676
Intangible assets	*12*	**391**	470
Deferred tax asset	*13*	**626**	356
		26,768	26,502
Current assets			
Inventories	*14*	**56,342**	57,460
Trade and other receivables	*15*	**7,123**	6,905
Cash and cash equivalents	*16*	**11,503**	11,702
		74,968	76,067
Total assets		**101,736**	102,569
Current liabilities			
Other interest-bearing loans and borrowings	*17*	**(1,352)**	(1,352)
Trade and other payables	*18*	**(67,829)**	(69,109)
Taxation		**(460)**	(652)
Provisions	*20*	**(41)**	(41)
		(69,682)	(71,154)
Non-current liabilities			
Other interest-bearing loans and borrowings	*17*	**(10,020)**	(11,358)
Provisions	*20*	**(54)**	(95)
Other payables	*13*	**(439)**	(461)
		(10,513)	(11,914)
Total liabilities		**(80,195)**	(83,068)
Net assets		**21,541**	19,501
Equity attributable to equity holders of the parent			
Share capital	*21*	**10,000**	10,000
Share premium		**799**	799
Retained earnings		**10,742**	8,702
Total equity		**21,541**	19,501

These financial statements were approved by the board of directors on 13 December 2012 and were signed on its behalf by:

M J J Lavery
Director

Company registered number: 02043

Consolidated cash flow statement

for year ended 31 August 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Profit for the year		**2,340**	3,466
Adjustments for:			
Depreciation, amortisation and impairment	*11/12*	**1,479**	1,422
Financial income	*9*	**(54)**	(38)
Financial expense	*9*	**820**	882
Loss on sale of property, plant and equipment		**-**	1
Profit on disposal of branch	*2*	**(81)**	-
Taxation	*10*	**393**	1,190
Non recurring expenses	*5*	**394**	231
		5,291	7,154
Decrease/(increase) in trade and other receivables		**(218)**	1,033
Decrease/(increase) in inventories		**1,002**	4,975
(Decrease)/increase in trade and other payables		**(1,289)**	(5,787)
Decrease in provisions		**(41)**	(357)
		4,745	7,018
Interest paid		**(493)**	(531)
Tax paid		**(877)**	(952)
Non recurring expenses	*5*	**(394)**	(231)
Net cash from operating activities		**2,981**	5,304
Cash flows from investing activities			
Interest received		**54**	38
Acquisition of branch by trade and assets purchase	*2*	**(313)**	-
Acquisition of property, plant and equipment		**(1,437)**	(1,495)
Acquisition of other intangible assets		**-**	(74)
Disposal of branch by trade and assets sale	*2*	**481**	-
Net cash from investing activities		**(1,215)**	(1,531)
Cash flows from financing activities			
Interest paid		**(327)**	(351)
Repayment of borrowings		**(1,338)**	(986)
Dividend paid		**(300)**	-
Net cash from financing activities		**(1,965)**	(1,337)
Net increase in cash and cash equivalents		**(199)**	2,436
Cash and cash equivalents at 1 September	*16*	**11,702**	9,266
Cash and cash equivalents at 31 August	*16*	**11,503**	11,702

Notes
(forming part of the financial statements)

1 Note

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 August 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 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 and disposal in 2012 *(There were no acquisitions or disposals in 2011)*

Acquisition of trading branch

On 1 September 2011, the Group completed the acquisition of the Vauxhall dealership in Southampton from Hartwell Group plc. It is the Group's intention to expand its relationship with Vauxhall as other opportunities arise.

	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 operating expenses in 2012), satisfied in cash	313

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

	2012 **£000**	2011 £000
Revenue	**12,692**	-
Loss before tax	**(217)**	-

Disposal of trading branch

The decision was made during the year 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 operating expenses in 2012), satisfied in cash	481

2 Acquisitions and disposals of trading branches *(continued)*

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

	2012 £000	2011 £000
Revenue	**1,368**	2,717
Loss before tax	**(142)**	(87)

3 Revenue

	2012 £000	2011 £000
Sale of goods	**310,249**	330,945
Aftersales services	**42,286**	42,358
Total revenues	**352,535**	373,303

4 Segmental reporting

The Group has adopted IFRS 8 'Operating Segments' which determines and presents operating segments based on information presented to the Groups 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.

	2012 Revenue	**2012 Revenue mix**	**2012 Gross Profit**	**2012 Margin**	**2011 Revenue**	**2011 Revenue mix**	**2011 Gross Profit**	**2011 Margin**
	£m	%	£m	%	£m	%	£m	%
New Car	**133.7**	**37.9**	**9.0**	**6.8**	146.5	39.2	10.5	7.2
Used Car	**176.5**	**50.1**	**16.2**	**9.2**	184.0	49.3	15.1	8.2
Aftersales	**51.0**	**14.5**	**21.3**	**41.8**	51.4	13.8	22.0	42.8
Internal sales	**(8.7)**	**(2.5)**	**-**	**-**	(8.6)	(2.3)	-	-
Total	**352.5**	**100.0**	**46.5**	**13.2**	373.3	100.0	47.6	12.7
Operating expenses			**(42.6)**				(41.9)	
Operating profit before non recurring expenses			**3.9**				5.7	
Non recurring expenses			**(0.4)**				(0.2)	

Operating profit	**3.5**	**1.0**	5.5	1.5

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.

4 Segmental reporting *(continued)*

	2012	2011
	£000	£000
Profit Before Tax	**2,733**	4,656
Non recurring expenses *(note 5)*	**394**	231
Underlying Profit Before Tax	**3,127**	4,887
Net finance expense	**766**	844
Depreciation and amortization	**1,479**	1,422
Underlying EBITDA	**5,372**	7,153
Non recurring expenses	**(394)**	(231)
EBITDA	**4,978**	6,922

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

5 Non recurring expenses

	2012 **£000**	2011 £000
Transaction and new franchising costs	**101**	169
Cost rationalisation programme	**293**	62
	394	231

6 Expenses and auditors' remuneration

The result from operating activities is stated after charging/(crediting) the following:

	2012 **£000**	2011 £000
Impairment loss recognised/(reversed) on other trade receivables and prepayments (note 22(b))	**18**	(89)

Auditors' remuneration:

	2012 **£000**	2011 £000
Audit of these financial statements	**25**	20
Audit of financial statements of subsidiaries pursuant to legislation	**91**	90
Other services relating to taxation	**29**	29
All other services	**19**	23

7 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	
	2012	2011
Sales	**309**	299
Service	**355**	382
Parts	**110**	107
Administration	**174**	172
	948	960

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**25,259**	25,796
Social security costs	**2,790**	2,748
Expenses related to defined contribution plans	**151**	154
	28,200	28,698

8 Earnings per share

Basic earnings per share is 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.

	2012 **£000**	2011 £000
Profit attributable to shareholders	**2,340**	3,466
Non underlying costs (Note 5)	**394**	231
Tax on adjustments (at 25.16 % (2011:27.16%))	**(99)**	(63)
Adjusted profit attributable to equity shareholders	**2,635**	3,634
Number of shares in issue (‘000)	**100,000**	100,000
Basic earnings per share	**2.34p**	3.47p
Adjusted earnings per share	**2.64p**	3.63p

9 Finance income and expense

Recognised in the income statement

	2012	2011
	£000	£000
Finance income		
Rent deposit interest	**16**	8
Interest receivable	**38**	30
Total finance income	**54**	38
Finance expense		
Interest payable on bank borrowings	**327**	351
Consignment and used stocking interest	**493**	531
Total finance expense	**820**	882
Total interest expense on financial liabilities held at amortised cost	**327**	351
Total other interest expense	**493**	531
	820	882

10 Taxation

Recognised in the income statement

	2012	2011
	£000	£000
Current tax expense		
Current year	**773**	1,040
Adjustment in respect of prior years	**(12)**	-
Adjustment in respect of prior years – capital allowances claim	**(76)**	-
	685	1,040
Deferred tax		
Utilisation of tax losses paid to previous owner of subsidiary undertaking	**34**	150
Adjustment in respect of prior years	**(161)**	-
Origination and reversal of temporary differences	**(161)**	(45)
Change in tax rate in current year	**(4)**	45
	(292)	150
Total tax expense	**393**	1,190

10 Taxation *(continued)*

Reconciliation of total tax

	2012	2011
	£000	£000
Profit for the year	**2,340**	3,466
Total tax expense	**393**	1,190

Profit excluding taxation	**2,733**	4,656
Tax using the UK corporation tax rate of 25.16 % (2011: 27.16%)	**688**	1,265
Non-deductible expenses	**45**	25
Accounting deprecation for which no tax relief is due	**114**	156
Depreciation in excess of capital allowances	**4**	-
Utilisation of brought forward losses	**(32)**	-
Tax payment due to previous owners of subsidiary in relation to utilisation of pre-acquisition losses	**34**	150
Change in tax rate in respect of deferred tax on utilisation of pre-acquisition losses due to previous owner of subsidiary	**2**	45
Change in tax rate	**143**	216
Adjustments in respect of prior years	**(249)**	(667)
Change in deferred tax in respect of property	**(356)**	-
Total tax expense	**393**	1,190

The applicable tax rate for the current year is 25.16% *(2011: 27.16%)* following the reduction in the main rate of UK corporation tax from 26% to 24% with effect from 1 April 2012.

The Chancellors Autumn Statement issued on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by April 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 August 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

11 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 2010	18,924	5,058	3,736	2,699	6,114	36,531
Additions	463	-	320	186	526	1,495
Disposals	-	-	(161)	(284)	(172)	(617)
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 31 August 2012	20,287	5,058	3,931	2,709	6,485	38,470
Depreciation						
Balance at 1 September 2010	1,092	401	2,714	2,195	4,609	11,011
Charge for the year	241	75	268	239	515	1,338
Disposals	-	-	(161)	(284)	(171)	(616)
Balance at 1 September 2011	1,333	476	2,821	2,150	4,953	11,733
Depreciation charge for the year	280	81	274	222	543	1,400
Disposals	-	-	-	(65)	(334)	(399)
Branch disposals	-		-	(7)	(8)	(15)

	Freehold land & buildings £000	Long leasehold land & buildings £000	Short leasehold improvements £000	Plant & equipment £000	Fixtures, fittings & computer equipment £000	Total £000
Balance at 31 August 2012	1,613	557	3,095	2,300	5,154	12,719
Net book value						
At 31 August 2011	18,054	4,582	1,074	451	1,515	25,676
At 31 August 2012	**18,674**	**4,501**	**836**	**409**	**1,331**	**25,751**

As at 31 August 2012 there was a capital commitment to complete the refurbishment of the dealership in Swindon. The amount committed was £328,000 as at 31 August 2012 *(2011: £nil)*

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 17.

Property, plant and equipment under construction

At 31 August 2012 there were no assets in the course of construction *(2011: £nil)*.

12 Intangible assets

	Goodwill £000	Software £000	Other £000	Total £000
Cost				
Balance at 1 September 2010	346	646	176	1,168
Other acquisitions – externally purchased	-	74	-	74
Balance at 1 September 2011	346	720	176	1,242
Balance at 31 August 2012	**346**	**720**	**176**	**1,242**
Amortisation and impairment				
Balance at 1 September 2010	-	512	176	688
Amortisation	-	84	-	84
Balance at 1 September 2011	-	596	176	772
Amortisation for the year		79	-	79
Balance at 31 August 2012	-	675	176	851
At 31 August 2011 and 1 September 2011	346	124	-	470
At 31 August 2012	**346**	**45**	**-**	**391**

The undertakings included in the consolidated Group accounts are as follows:

* Owned directly by Cambria Automobiles Acquisitions Limited

** Owned directly by Cambria Automobiles Group Limited

*** Owned directly by Cambria Automobiles (South East) Limited

	Country of incorporation	Principal Activity	Class and percentage of shares held
Subsidiary undertakings			
Cambria Automobiles Group Limited	England and Wales	Holding Company	100% Ordinary
Cambria Automobiles Acquisitions Limited **	England and Wales	Investment Company	100% Ordinary
Cambria Automobiles Property Limited **	England and Wales	Property Company	100% Ordinary
Cambria Automobiles (Swindon) Limited *	England and Wales	Motor retailer	100% Ordinary & Preference
Grange Motors (Swindon) Limited *	England and Wales	Motor retailer	100% Ordinary
Thoranmart Limited *	England and Wales	Motor retailer	100% Ordinary
Cambria Vehicle Services Limited*	England and Wales	Motor retailer	100% Ordinary
Cambria Automobiles (South East) Limited*	England and Wales	Motor retailer	100% Ordinary
Grange Motors (Brentwood) Limited***	England and Wales	Motor retailer	100% Ordinary
Invicta Motors Limited***	England and Wales	Motor retailer	100% Ordinary & Preference
Invicta Motors (Maidstone) Limited*	England and Wales	Motor retailer	100% Ordinary
Deeslease Limited***	England and Wales	Dormant	100% Ordinary
Dove Group Limited***	England and Wales	Dormant	100% Ordinary
Translease Vehicle Management Limited***	England and Wales	Dormant	100% Ordinary

12 Intangible assets *(continued)*

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	2012	2011
	£000	£000
Administrative expenses	**79**	84

Impairment loss and subsequent reversal

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	
	2012	2011
	£000	£000
Grange Motors (Swindon) Ltd and Cambria Automobiles (Swindon) Ltd	**261**	261
Thoranmart Ltd	**85**	85
	346	346

The recoverable amount of each CGU has been calculated with reference to its value in use. The key assumptions of this calculation are a review of one year's EBITDA.

The value in use exceeds the above carrying values for each CGU, therefore no impairment is considered necessary.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

The amount of temporary differences, unused tax losses and tax credits for which a deferred tax asset is recognised is set out below. The asset would be recovered if offset against future taxable profits of the group.

	Assets	
	2012	2011
	£000	£000
Tax value of losses carry-forwards (pre-acquisition losses)	**257**	311
Property, plant and equipment	**344**	(846)
Provisions	**2**	19
Tax value of loss carry-forwards	**23**	872
Recognised net deferred tax assets	**626**	356

The Group has an arrangement with the vendors of Cambria Automobiles (South East) Limited, which was acquired in the year ended 31 August 2008, under which an amount equal to any tax benefit received by the Group in relation to tax losses that existed at the date of acquisition must be paid to the vendors as additional consideration. At the date of acquisition, the utilisation of tax losses was not probable and therefore no deferred tax asset was recognised as part of the acquisition accounting, and the fair value of the liability for contingent consideration was immaterial. Subsequent to the acquisition the utilisation of pre-acquisition losses became probable and, as a result, a deferred tax asset has been recognised. A liability for the contingent consideration payable to the vendors has been recognised at its fair value.

	2012	2011
	£000	£000
Amount payable to previous owner of subsidiary	**439**	461

Unrecognised deferred tax assets and liabilities

The deferred tax asset in relation to loss carried forward within a subsidiary has not been recognised due to uncertainty over the future profitability of the subsidiary, these losses are locked in to this particular subsidiary and cannot be utilised in the wider Group.

	Assets	
	2012	2011
	£000	£000
Tax value of loss carry-forwards	**755**	-
Unrecognised net tax assets	**755**	-

The Chancellors Autumn Statement issued on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by April 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 August 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

14 Inventories

	2012 £000	2011 £000
Vehicle consignment stock	**32,900**	33,747
Motor vehicles	**21,154**	21,621
Parts and other stock	**2,288**	2,092
	56,342	57,460

Included within inventories is £nil *(2011: £nil)* expected to be recovered in more than 12 months.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £302 million (*2011: £321 million)*.

15 Trade and other receivables

	2012 £000	2011 £000
Trade receivables	**5,462**	5,134
Prepayments and other receivables	**1,661**	1,771
	7,123	6,905

Included within trade and other receivables is £nil *(2010: £nil)* expected to be recovered in more than 12 months.

16 Cash and cash equivalents

	2012 £000	2011 £000
Cash and cash equivalents per balance sheet	**11,503**	11,702
Cash and cash equivalents per cash flow statement	**11,503**	11,702

17 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.

	2012	2011
	£000	£000
Non-current liabilities		
Secured bank loans	**10,020**	11,358
Current liabilities		
Secured bank loans	**1,352**	1,352

Terms and debt repayment schedule

All debt is in GBP currency

	Nominal interest rate	**Year of Maturity**	**Face Value and Carrying Amount 2012 £000**	Face Value and Carrying Amount 2011 £000
Loan 31/07/06	Bank of England Base Rate +1.25%	2019	**2,009**	2,281
Loan 01/08/07	Bank of England Base Rate +1.25%	2020	**580**	653
Loan 31/12/2007	LIBOR +1.75%	2020	**6,620**	7,407
Loan 01/03/2011	LIBOR +3.00%	2017	**2,163**	2,369
			11,372	12,710

18 Trade and other payables

	2012	2011
	£000	£000
Current		
Vehicle consignment creditor	**38,498**	39,644
Other trade payables	**6,903**	8,350
Non-trade payables and accrued expenses	**6,540**	7,159
Vehicle funding	**15,888**	13,956
	67,829	69,109

Included within trade and other payables is £nil *(2011: £nil)* expected to be settled in more than 12 months.

19 Employee benefits

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £151,000 (*2011: £154,000).*

20 Provisions

	Onerous Leases £000

Balance at 1 September 2011	136
Provisions used during the year	(41)
Balance at 31 August 2012	**95**
Current	41
Non current	95
Balance at 31 August 2011	136
Current	41
Non current	54
Balance at 31 August 2012	**95**

The onerous lease provision is being released against the costs incurred on the relevant lease. The provision will be fully released by 2015.

21 Capital and reserves

Share capital

	2012	2011
	£000	£000
Authorised		
Ordinary shares of 10 pence each	**10,000**	10,000
	10,000	10,000
Allotted, called up and fully paid		
Ordinary shares of 10 pence each	**10,000**	10,000
	10,000	10,000
Shares classified in shareholders funds	**10,000**	10,000
	10,000	10,000

All of the shares rank pari passu, and no shareholder enjoys different or enhanced voting rights from any other shareholder. All shares are eligible for dividends and rank equally for dividend payments.

Dividends

The following dividends were declared and paid by the company in the year ended 31 August.

	2012	2011
	£000	£000
0.3p per ordinary share *(2011: nil)*	**300**	-

After the end of the reporting period, the following dividends were proposed by the directors. The dividends have not been provided for and there are no tax consequences.

	2012	2011
	£000	£000
0.3p per ordinary share *(2011: 0.3p)*	**300**	300

22 Financial instruments

22 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

The interest rates used to discount estimated cash flows, where applicable are based on the weighted cost of capital and were as follows:

	2012	2011
	%	%
Loans and borrowings	**2.5**	2.6

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	As at 31 August 2012	As at 31 August 2011
	£000	£000
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents		
Trade receivables(net) (note 15)	**5,462**	5,134
Other receivables (note 15)	**1,661**	1,771
Cash and cash equivalents	**11,503**	11,702
Total Financial assets	**18,626**	18,607
Financial liabilities		
Financial liabilities at amortised cost		
Other interest-bearing loans and borrowings (note 17)	**11,372**	12,710
Trade and other payables (note 18)	**67,829**	69,109
Total Financial liabilities	**79,201**	81,819

The Directors consider the carrying amount of the Group's financial assets and financial liabilities, as detailed above, approximate their fair value.

22 Financial instruments (*continued)*

22 (b) Credit risk

Credit risk management

The Group is exposed to credit risk primarily in respect of its trade receivables and financial assets. Trade receivables are stated net of provision for estimated impairment losses. Exposure to credit risk in respect of trade receivables is mitigated by the Group's policy of only granting credit to certain customers after an appropriate evaluation of risk coupled with the findings from external reference agencies. Credit risk arises in respect of amounts due from vehicle manufacturers in relation to bonuses and warranty receivables. This risk is mitigated by the number of manufacturers for which the group holds franchises, procedures to ensure timely collection of debts and management's belief that it does not expect any manufacturer to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Exposure to credit risk

The carrying amount of trade receivables represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £5,462,000 (*2011: £5,134,000)* being the total of the carrying amount of financial assets, excluding equity investments, shown in the table below.

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	2012	2011
	£000	£000
United Kingdom	**5,462**	5,134

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was:

	2012	2011
	£000	£000
Vehicle debtors	**1,690**	1,999
Non vehicle debtors	**2,678**	2,246
Manufacturer debtors	**1,094**	889
	5,462	5,134

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date is given below. The Group's policy is to provide for all debts which are past due. The directors consider the balance to be recoverable based on credit terms and post balance sheet receipts.

	Gross	**Impairment**	Gross	Impairment
	2012	**2012**	2011	2011
	£000	**£000**	£000	£000
Trade receivables not past due	**5,462**	**-**	5,134	-
Trade receivables past due	**64**	**64**	46	46
	5,526	**64**	5,180	46

22 Financial instruments (*continued)*

22 (b) Credit risk *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	£000
Balance at 31 August 2011	46
Impairment loss recognised	19
Allowance for impairment utilised	(1)
Balance at 31 August 2012	**64**

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

22 (c) Liquidity risk

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed by the Group's central treasury function within policy guidelines set by the Board with prime areas of focus being liquidity and interest rate exposure. The Group is financed primarily by bank loans, vehicle stocking credit lines and operating cash flow. The directors have assessed the future funding requirements of the Group and compared them to the level of committed available borrowing facilities. These committed facilities are maintained at levels in excess of planned requirements and are in addition to short term uncommitted facilities that are also available to the Group. The assessment included a review of financial forecasts, financial instruments and cash flow projections. These forecasts and projections show that the Group, taking account of reasonably possible scenarios, should be able to operate within the level of its borrowing facilities for the foreseeable future.

22 Financial instruments *(continued)*

22 (c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements: Interest is payable on loans of £2,589,000 (*2011: £2,934,000*) at Bank of England base rate plus 1.25%, loans of £6,620,000 (*2011: £7,407,000*) at LIBOR plus 1.75% and on loans of £2,163,000 *(2011: £2,369,000)* at LIBOR plus 3%.

2011

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Secured bank loans	12,710	14,251	1,671	1,636	4,702	6,242

2012

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Secured bank loans	**11,372**	12, 480	1,625	1,591	5,686	3,578

22 Financial instruments *(continued)*

22 (d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments

Market risk - Foreign currency risk

The Group does not have any exposure to foreign currency risk

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2012	2011
	£000	£000
Variable rate instruments		
Cash and cash equivalents	**11,503**	11,702
Vehicle funding	**(15,888)**	(13,956)
Loans and overdrafts	**(11,372)**	(12,710)
	(15,757)	(14,964)

The objectives of the Group's interest rate policy are to minimise interest costs. The Group does not actively manage cash flow interest risk as the directors believe that the retail sector in which the Group operates provides a natural hedge against interest rate movements. Consequently, it is Group policy to borrow on a floating rate basis.

Whilst there are no hedging instruments, the Board reviews its hedging policy on a regular basis.

Sensitivity analysis

An increase of 0.5 basis points in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for comparative periods.

	2012	2011
	£000	£000
Equity		
Decrease	**135**	133
Profit or loss		
Decrease	**135**	133

22 Financial instruments *(continued)*

22 (e) Capital management

Prior to each acquisition, the Board considers its funding options and the appropriate mix of secured debt and equity.

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders. The Group must ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payment obligations as they fall due.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total shareholders' equity.

The gearing ratios for each year are as follows:

	As at 31 August 2012 £000	As at 31 August 2011 £000
Total borrowings	**11,372**	12,710
Less: cash and cash equivalents	**(11,503)**	(11,702)
Net (surplus)/debt	**(131)**	1,008
Total equity	**21,541**	19,501
Gearing ratio	**(0.6%)**	5.2%

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2012 £000	2011 £000
Less than one year	**2,640**	2,533
Between one and five years	**8,297**	7,885
More than five years	**23,321**	24,769
	34,258	35,187

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 £ 2,674,000 was recognised as an expense in the income statement in respect of operating leases *(2011: £2,434,000).*

24 Contingencies

The Group is jointly and severally liable in respect of value added tax liabilities arising in other group undertakings. The related fellow subsidiary undertakings and the parent company were is a repayment situation at 31 August 2011 and 2012.

In recognition of the Cambria Automobiles plc group bank and used vehicle funding facilities, the following companies have entered into a joint agreement to guarantee liabilities with banks and finance houses of the motor manufacturers that provide new and used vehicles to the group:

Cambria Automobiles plc, Cambria Automobiles Property Limited, Cambria Automobiles Group Limited, Cambria Automobiles Acquisitions Limited, Cambria Automobiles (Swindon) Limited, Grange Motors (Swindon) Limited, Thoranmart Limited, Cambria Automobiles (South East) Limited, Grange Motors (Brentwood) Limited, Invicta Motors Limited, Invicta Motors (Maidstone) Limited and Cambria Vehicle Services Limited.

Intra-group guarantees are accounted for as insurance contracts.

25 Related parties

Identity of related parties with which the Group has transacted

Key management personnel are considered to be the board of directors for the purposes of this disclosure.

Transactions with key management personnel

At the year end, the Directors of the Company and their immediate relatives controlled 45.4% *(2011: 49.1%)* per cent of the voting shares of the Company.

The compensation of key management personnel is as follows:

	2012	2011
	£000	£000
Directors' emoluments		
Salaries and consultancy fees	**525**	587
Annual bonus	**213**	463
	738	1,050

The emoluments consist of:

Directors' emoluments	**Salaries 2012 £000**	**Consultancy fees 2012 £000**	**Bonus 2012 £000**	**Total 2012 £000**	Total 2011 £000
Philip Swatman (appointed 3/4/2012)	**13**	**-**	**-**	**13**	-
James Mullins	**125**	**-**	**63**	**188**	213
Rodney Smith (resigned 30/11/2011)	**13**	**9**	**-**	**22**	87
Mark Lavery	**300**	**-**	**150**	**450**	675
Warren Scott (resigned 3/4/2012)	**15**	**-**	**-**	**15**	25
Sir Peter Burt	**25**	**-**	**-**	**25**	25
Michael Burt	**25**	**-**	**-**	**25**	25
	516	**9**	**213**	**738**	1,050

All directors benefited from qualifying third party indemnity provisions during the financial period.

25 Related parties *(continued)*

During the year Mark Lavery and James Mullins (both Directors) each bought 4 vehicles from the Group and each sold 4 vehicles back to the Group. Rodney Smith and Warren Scott (whilst they were Directors during the year) each bought 1 vehicle from the Group and each sold 1 vehicle back to the Group. Sir Peter Burt bought 2 vehicles from the Group and sold 1 vehicle back to the Group. All transactions were carried out at arm's length and there were no outstanding balances due to the Group at the year end.

26 Ultimate parent company and parent company of larger group

In the opinion of the directors, the distribution of the ordinary shares and the rights attributing themselves to them means that there is no overall controlling party of the company.

27 Post balance sheet events

Dividend

The Board is pleased to announce that it will make a dividend payment in respect of the financial year to 31 August 2012 of 0.3p *(2011: 0.3p)* per share as a full and final dividend payment.