29 April 2013

# Cambria Automobiles plc
# Unaudited interim results
# for the six months ended 28 February 2013

Cambria Automobiles plc, the franchised motor retailer, announces its interim results for the six months ended 28 February 2013.

**Financial highlights**

- Total revenue for the 6 months of £179.1m, up from £166.9m in corresponding prior year period
- Underlying profit before tax up 27% to £1.4m,versus £1.1m in corresponding prior year period
- Net debt £3.0m following £4.2m of acquisitions
- Group net assets at £22.2m
- Maiden interim dividend of 0.1p per share

**Operating performance highlights**

- New vehicle unit sales increased 13% year on year, against a market increase of 8.8% year on year
- New vehicle gross profit increased by £0.4m but with margin reducing 0.4% arising from increases in fleet and commercial vehicle sales where margins are lower
- Used vehicle unit sales decrease 5.5% year on year
- Aftersales revenues increased by 12.4%,with gross profits increasing £0.8m
- Acquisition of the Group's second Vauxhall business, second Alfa Romeo and first Chrysler Jeep business completed in January 2013. Integration progressing well
- Swindon dealership refurbishment costing £0.5m completed in period

**Mark Lavery, Chief Executive Officer, said:**

*"The Group has seen significant growth year on year in revenue, gross profit and with pre-tax profits 27% ahead of previous year. The new vehicle division has seen growth in unit sales and continues to perform well in an improving retail market. We have seen good improvements in the aftersales division following the implementation of the rationalisation programme and the Guest Connect Centre initiative.*

*The acquisition of County Motor Works in Chelmsford adds our second Vauxhall business, in line with our stated strategy, and also adds a further Alfa Romeo business and our first Chrysler Jeep business; both franchises have new product launches in 2014/15. The County Motor Works business is integrating well and we are confident about its future potential.*

*We are pleased to report that the important March trading period was strong and an improvement on the previous year, and that March's new retail registrations showed continued signs of recovery.*

*The Group's balance sheet and liquidity remains robust and we continue to identify potential acquisition targets that fit with our stated strategy. The Board is confident after a strong March performance that the Group will trade in line with expectations for the full year and is therefore pleased to announce the payment of a maiden interim dividend of 0.1p per share."*

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# Director’s Review of the Period

**Introduction**
The Board is pleased to present the interim financial statements for the six months to 28 February 2013. In an improved trading environment, the Group’s operating and financial performance for the first half of the financial year was in line with the Board’s expectations. The results are significantly ahead of the first half of the prior year with an underlying profit before tax for the half year of £1.4m compared with £1.1m in the corresponding period in 2012.

**Financial Review**

| | ***Six months ended 28 February 2013 £m*** | ***Six months ended 29 February 2012 £m*** |
|---|---|---|
| Revenue | £179.1m | £166.9m |
| Underlying EBITDA* | £2.4m | £2.2m |
| Underlying operating profit* | £1.7m | £1.5m |
| Underlying profit before tax* | £1.4m | £1.1m |
| Underlying net profit margin* | 0.78% | 0.65% |
| EBITDA | £2.3m | £1.9m |
| Operating profit | £1.6m | £1.1m |
| Profit before tax | £1.3m | £0.7m |
| Net profit margin | 0.73% | 0.4% |
| Underlying earnings per share | 1.04p | 0.80p |
| Earnings per share | 0.97p | 0.53p |
| Net Assets | £22.2m | £19.7m |

* *excludes non-recurring expenses of £0.08m (2012:£0.4m)*

Total revenues in the period increased by 7.3% to £179.1m.

Gross profit increased by 4.2% to £23.7m from £22.7m in the period, but the overall gross profit margin across the Group for the period decreased to 13.2% compared to 13.6% in the previous period. This is primarily due to the increased revenue derived from the new vehicle business which operates at lower margins in comparison with both the used car and aftersales departments.

There were two areas totalling £0.08m of expense which the Board considered to be non-recurring. These comprise £0.05m of transaction costs relating to the acquisition of the County Motor Works business in Chelmsford and £0.03m of redundancy costs relating to some restructuring of the aftersales business. In the comparative prior year period, non-recurring expenses amounted to £0.4m.

Underlying EBITDA in the period increased to £2.4m from £2.2m in the comparative period. Underlying operating profit was £1.7m compared with £1.5m, resulting in an operating margin of 0.9%.

Net finance expenses for the period decreased to £0.30m from £0.41m in the previous year.

The Group’s underlying profit before tax increased to £1.4m compared with £1.1m in the prior year as a result of the new car and aftersales improved profitability. The businesses that have been within the Group throughout the 2012 financial year, made a profit before tax of £1.45m, whereas the business acquired during the 2013 financial year, Chelmsford, made a loss before tax of £0.05m.

The tax charge for the period of £0.3m represented an effective tax rate of 25.8%. The underlying earnings per share for the period were 1.04p per share compared with 0.8p per share in the previous period. As identified in the full year financial statements to 31 August 2012, the Group has submitted a Capital Allowances claim to HMRC and is currently awaiting a decision in respect of this. The Board has taken a prudent view on this claim and has not yet reflected the full impact of it in the effective tax rate applied to the interim results. In the event that the full claim was accepted by HMRC in the 2013 financial year, the effective tax rate could be as low as 15%, reverting back to a more normalised tax rate thereafter.

The Group has a robust balance sheet with net assets of £22.2m under-pinned by £25.5m of freehold and long leasehold property. The Group has only £0.3m of goodwill in the balance sheet, the remaining intangible fixed assets related to software and software licences. Mortgages amounting to £12.6m are secured against the freehold and long leasehold properties.

The net debt of the Group as at 28 February 2013 was £3.0m, reflecting the Group's gross debt of £12.64m and the cash position of £9.67m.

During this period the Group generated an operating cash inflow of £2.1m. The Group invested £1.2m in the acquisition of the County Motor Works business, £3m in the acquisition of the Freehold property from which the County Motor Works business operates and £0.6m in other capital expenditure projects including the full refurbishment of the Swindon Motor Parks premises.

The Group drew down £1.96m of new term loan secured against the Freehold property in Chelmsford and serviced debt with £0.7m of mortgage repayments and £0.14m of interest associated with the mortgages. A dividend of £0.3m relating to the 2012 financial year was paid in January 2013 following approval at the AGM. The net cash outflow for the period was £1.8m.

It is the Group's intention to maintain its policy of paying a dividend in respect of the full financial year, and the Board is pleased to announce the payment of a maiden interim dividend of 0.1p per share. The dividend will be payable on 30 May 2013 to those shareholders registered on 10 May 2013.

**Operating Review**

**Group Strategy**
Since its incorporation in March 2006, the Group has followed its focused buy and build strategy of acquiring under-performing motor dealership assets. Following an acquisition the Cambria management team implement new financial and 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.

During the period, the Group continued to invest in the development of its Guest Connect Centre which acts as a support unit for the dealerships to enhance the interaction between the Group's associates and guests. The Guest Connect Centre is creating enhanced transparency for the Group in being able to ensure that Guest enquiries are being handled in a professional manner and that all leads are being followed up with the intention to provide an exceptional guest experience. The Group has also initiated the development of the Cambria Academy, which will serve as a framework for the training and development of all the Group's Associates. The first objective of the Academy is to develop and implement a bespoke sales process across the business to enhance the Guest interaction when dealing with the Group. Whilst the Academy is in its infancy, standardising sales Associate training and development across the Group will undoubtedly help to deliver first class Guest Delight in the dealerships.

The Board believes that it is critical to protect the Group's brand portfolio mix with a balance of Prestige and Volume brands and intends to continue to identify opportunities for growth with existing and new franchise partners with a view to continuing to build primary brand partnerships.

The Board was pleased to announce its 9th corporate acquisition on 31 January 2013 with the acquisition of County Motor Works, a Vauxhall, Alfa Romeo and Chrysler Jeep dealership in Chelmsford. The Group also acquired the Freehold property from which the business operates. It is intended that the Group will work with Vauxhall to add further businesses in due course to make it a Primary brand partnership. The Vauxhall business in Chelmsford has begun its integration into the Group well, and despite the business' historic losses has made trading improvements in all areas. The Alfa Romeo and Chrysler Jeep elements of the business will be more challenging in the short term whilst both manufacturers work towards new product launches in 2014/15 that will help to attract more guests to the dealerships. The Groups systems are on the way to being implemented which will create a sound foundation for the continued recovery of the dealership going forward.

**Trading Performance**

| | **6 months to 28 February 2013 Revenue** | **6 months to 28 February 2013 Revenue mix** | **6 months to 28 February 2013 Gross Profit** | **6 months to 28 February 2013 Margin** | 6 months to 29 February 2012 Revenue | 6 months to 29 February 2012 Revenue mix | 6 months to 29 February 2012 Gross Profit | 6 months to 29 February 2012 Margin |
|---|---|---|---|---|---|---|---|---|
| | **£m** | **%** | **£m** | **%** | £m | % | £m | % |
| New Car | **69.9** | **39.1** | **4.6** | **6.6** | 60.4 | 36.2 | 4.2 | 7.0 |
| Used Car | **85.4** | **47.7** | **7.9** | **9.2** | 85.3 | 51.1 | 8.1 | 9.5 |
| Aftersales | **28.2** | **15.7** | **11.2** | **39.7** | 25.1 | 15.0 | 10.4 | 41.4 |
| Internal sales | **(4.4)** | **(2.5)** | | | (3.9) | (2.3) | - | - |
| Total | **179.1** | **100.0** | **23.7** | **13.2** | 166.9 | 100.0 | 22.7 | 13.6 |

**New vehicles -** new vehicle revenue was up from £60.4m to £69.9m, with total new vehicle sales up13% to 3,961 units compared with 3,502 in 2012. The new vehicle department gross profit increased to £4.6m from £4.2m, whilst the margin was 6.6% against 7.0% in 2012. The reduced margin is a result of the improvement in sales to the Fleet and Commercial vehicle customers where the margins are lower.

The new car performance of the Group was delivered against a backdrop of an 8.8% year on year increase in new vehicle registrations in the UK for the period 1 September 2012 to 28 February 2013. The private registrations element of the new car market increased 17.4% year on year. The Group's Brand partners saw a combined 7.6% increase in their total registrations during the course of the period with some of our partners experiencing significant volume reductions. The Group's sale of new cars to private individuals was up 9% year on year. The sale of commercial and fleet vehicles by the Group increased 67% and 32% respectively compared with prior year. The increases were primarily the result of the renewal of supply terms between one of our manufacturer brand partners and a number of commercial and fleet customers during the period and returned the volumes to those experienced in previous years. This increase in commercial and fleet vehicles did not impact new car gross profit year on year as the margins achieved were reduced from previous year. This additional volume of units at low gross profit led to the reduced overall new car gross margin.

**Used vehicles** – we have seen a reduced performance in our used vehicle departments. Whilst revenues increased from £85.3m to £85.4m, the number of units sold decreased 5.5% from 6,699 to 6,333, and the gross profit generated decreased by £0.2m with the margin decreasing from 9.5% to 9.2%. Appropriate action has been taken by the Board to redress the unit decrease. The average selling price per unit increased 6% compared with the prior year period whilst the average gross profit per unit increased by 2.8%. The profit retained in each vehicle improved, but gross profit was reduced due to the 366 unit reduction year on year.

**Aftersales** – aftersales revenue increased 12.4% year on year from £25.1m to £28.2m. Aftersales gross profit increased by 7.7% year on year from £10.4m to £11.2m. 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.

**Business Development**

As at 28 February 2013 the Group represented 17 separate manufacturers with 42 new car and motorcycle franchises operating from 27 locations across the UK.

| **Prestige** | | **Volume** | | **Motorcycle** | |
|---|---|---|---|---|---|
| Aston Martin | 3 | Abarth | 1 | Triumph | 2 |
| Alfa Romeo | 2 | Citroen | 1 | | |
| Honda | 2 | Chrysler Jeep | 1 | | |
| Jaguar | 5 | Fiat | 5 | | |
| Volvo | 5 | Dacia | 1 | | |
| | | Ford | 5 | | |
| | | Mazda | 4 | | |
| | | Nissan | 1 | | |
| | | Renault | 1 | | |
| | | Seat | 1 | | |
| | | Vauxhall | 2 | | |
| | **17** | | **23** | | **2** |

**Current Trading and Outlook**

The Board is pleased to report that the start to the second half of the year is in line with its expectations and ahead of the previous year.

The Board anticipates that new car demand will continue to be strong as the consumer offers provided by brand partners drive increased volume whilst the European market remains under pressure. The March market for new cars was 5.9% up, with the private registration element 7.8% up year on year.

The Group’s balance sheet and liquidity remains robust and the Group continues to identify acquisition opportunities with premium and volume manufacturers with which it can enhance and extend the Group’s portfolio.

# Consolidated Statement of Comprehensive Income

***for the six months ended 28 February 2013***

| | Notes | **6 months to 28 February 2013 £000** | 6 months to 29 February 2012 £000 | 12 months to 31 August 2012 £000 |
|---|---|---|---|---|
| **Revenue** | | **179,083** | 166,913 | 352,535 |
| **Cost of Sales** | | **(155,385)** | (144,170) | (306,017) |
| **Gross Profit** | | **23,698** | 22,743 | 46,518 |
| **Administrative expenses** | | **(22,087)** | (21,621) | (43,019) |
| **Results from operating activities** | | **1,611** | 1,122 | 3,499 |
| Finance income | | **25** | 34 | 54 |
| Finance expenses | | **(327)** | (449) | (820) |
| **Net finance expenses** | | **(302)** | (415) | (766) |
| **Profit before tax from continuing operations before non-recurring expenses, acquisitions and disposals** | | **1,445** | 1,076 | 3,269 |
| **Trading loss from branch acquired in year** | | **(50)** | - | - |
| **Trading loss from branch disposed in year** | | - | - | (142) |
| | | **1,395** | 1,076 | 3,127 |
| **Non-recurring expenses** | | **(36)** | (291) | (394) |
| **Transaction costs on Business Combinations** | | **(50)** | (78) | - |
| **Profit before tax** | | **1,309** | 707 | 2,733 |
| Taxation | *6* | **(338)** | (181) | (393) |
| **Profit and total comprehensive income for the period** | | **971** | 526 | 2,340 |
| Basic and diluted earnings per share | *4* | **0.97p** | 0.53p | 2.34p |

# Consolidated Statement of Changes in Equity

***for the six months ended 28 February 2013***

| | Share Capital £000s | Share premium £000s | Retained earnings £000s | Total Equity £000s |
|---|---|---|---|---|
| **For the 6 months ended 29 February 2012** | | | | |
| Balance at 31 August 2011 | 10,000 | 799 | 8,702 | 19,501 |
| Profit for the period | - | - | 526 | 526 |
| Dividend paid | - | - | (300) | (300) |
| Balance at 29 February 2012 | 10,000 | 799 | 8,928 | 19,727 |
| **For the 12 months ended 31 August 2012** | | | | |
| Balance at 31 August 2011 | 10,000 | 799 | 8,702 | 19,501 |
| Profit for the period | - | - | 2,340 | 2,340 |
| Dividend paid | - | - | (300) | (300) |
| Balance at 31 August 2012 | 10,000 | 799 | 10,742 | 21,541 |
| **For the 6 months ended 28 February 2013** | | | | |
| Balance at 31 August 2012 | 10,000 | 799 | 10,742 | 21,541 |
| Profit for the period | - | - | 971 | 971 |
| Dividend paid | - | - | (300) | (300) |
| **Balance at 28 February 2013** | **10,000** | **799** | **11,413** | **22,212** |

# Consolidated Statement of Financial Position

***as at 28 February 2013***

| | **As at 28 February 2013 £000** | As at 29 February 2012 £000 | As at 31 August 2012 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant & equipment | **28,860** | 25,159 | 25,751 |
| Intangible assets | **371** | 428 | 391 |
| Deferred tax asset | **626** | 356 | 626 |
| | **29,857** | 25,943 | 26,768 |
| **Current assets** | | | |
| Inventories | **69,059** | 59,942 | 56,342 |
| Trade and other receivables | **8,063** | 7,429 | 7,123 |
| Cash & cash equivalents | **9,668** | 11,002 | 11,503 |
| | **86,790** | 78,373 | 74,968 |
| **Total assets** | **116,647** | 104,316 | 101,736 |
| **Current liabilities** | | | |
| Other interest bearing loans and borrowings | **(1,738)** | (1,352) | (1,352) |
| Trade and other payables | **(80,600)** | (71,748) | (67,829) |
| Taxation | **(683)** | (181) | (460) |
| Provisions | **(41)** | (41) | (41) |
| | **(83,062)** | (73,322) | (69,682) |
| **Non-current liabilities** | | | |
| Other interest bearing loans and borrowings | **(10,900)** | (10,689) | (10,020) |
| Provisions | **(34)** | (71) | (54) |
| Other payables | **(439)** | (507) | (439) |
| | **(11,373)** | (11,267) | (10,513) |
| **Total liabilities** | **(94,435)** | (84,589) | (80,195) |
| **Net assets** | **22,212** | 19,727 | 21,541 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | **10,000** | 10,000 | 10,000 |
| Share premium | **799** | 799 | 799 |
| Retained earnings | **11,413** | 8,928 | 10,742 |
| | **22,212** | 19,727 | 21,541 |

# Consolidated Cash flow statement

***For the six months ended 28 February 2013***

| | **6 months to 28 February 2013 £000** | 6 months to 29 February 2012 £000 | 12 months to 31 August 2012 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | **971** | 526 | 2,340 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | **685** | 754 | 1,479 |
| Finance income | **(25)** | (34) | (54) |
| Finance expense | **327** | 449 | 820 |
| Profit on disposal of branch | **-** | - | (81) |
| Taxation | **338** | 181 | 393 |
| Non recurring expenses | **86** | 369 | 394 |
| | **2,382** | 2,245 | 5,291 |
| (Increase) in trade and other receivables | **(940)** | (524) | (218) |
| (Increase) in inventories | **(11,617)** | (2,481) | 1,002 |
| Increase in trade and other payables | **12,704** | 2,639 | (1,289) |
| (Decrease)/increase in provisions | **(20)** | (24) | (41) |
| | **2,509** | 1,855 | 4,745 |
| Interest paid | **(184)** | (281) | (493) |
| Taxation paid | **(114)** | (607) | (877) |
| Non recurring expenses | **(86)** | (369) | (394) |
| Net cash flow from operating activities | **2,125** | 598 | 2,981 |
| **Cash flows from investing activities** | | | |
| Interest received | **25** | 34 | 54 |
| Acquisition of branch by trade and assets purchase | **(1,210)** | - | (313) |
| Acquisition of freehold property | **(3,017)** | - | - |
| Acquisition of other property, plant and equipment | **(580)** | (195) | (1,437) |
| Disposal of branch by trade and assets sale | **-** | - | 481 |
| Net cash flow from investing activities | **(4,782)** | (161) | (1,215) |
| **Cash flows from financing activities** | | | |
| Proceeds for new loan | **1,960** | - | - |
| Interest paid | **(143)** | (168) | (327) |
| Repayment of borrowings | **(695)** | (669) | (1,338) |
| Dividend paid | **(300)** | (300) | (300) |
| **Net cash inflow/(outflow) from financing activities** | **822** | (1,137) | (1,965) |
| Net (decrease) in cash and cash equivalents | **(1,835)** | (700) | (199) |
| Cash and cash equivalents at start of period | **11,503** | 11,702 | 11,702 |
| **Cash and cash equivalents at end of period** | **9,668** | 11,002 | 11,503 |

# Notes

## 1 General information

Cambria Automobiles plc is a company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the United Kingdom. The address of the registered office is Swindon Motor Park, Dorcan Way, Swindon, SN3 3RA. The registered number of the company is 05754547.

These interim financial statements as at and for the six months ended 28 February 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and have been prepared in accordance with Adopted International Financial Reporting Standards as Adopted by the EU ("Adopted IFRS").

The financial statements for the period ended 28 February 2013 have neither been audited nor reviewed by the auditors. The financial information for the year ended 31 August 2012 has been based on information in the audited financial statements for that period.

This unaudited interim financial report does not comply with IAS 34 'Interim Financial Reporting' which is not required to be applied under the AIM rules.

## 2 Accounting policies

The Group's principal activity is the sale and servicing of motor cars and the provision of ancillary services.

The accounting policies adopted in this interim financial report are consistent with the Group's financial report for the year ended 31 August 2012 and can be found on our website www.cambriaautomobilesplc.com.

# Notes *(continued)*

## 3 Operating Segments

### Segmental reporting

The Group complies with 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. 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.

| | **6 months to 28 February 2013 Revenue** | **6 months to 28 February 2013 Revenue mix** | **6 months to 28 February 2013 Gross Profit** | **6 months to 28 February 2013 Margin** | | **6 months to 29 February 2012 Revenue** | **6 months to 29 February 2012 Revenue mix** | **6 months to 29 February 2012 Gross Profit** | **6 months to 29 February 2012 Margin** |
|---|---|---|---|---|---|---|---|---|---|
| | £m | % | £m | % | | £m | % | £m | % |
| New Car | 69.9 | 39.1 | 4.6 | 6.6 | | 60.4 | 36.2 | 4.2 | 7.0 |
| Used Car | 85.4 | 47.7 | 7.9 | 9.2 | | 85.3 | 51.1 | 8.1 | 9.5 |
| Aftersales | 28.2 | 15.7 | 11.2 | 39.7 | | 25.1 | 15.0 | 10.4 | 41.4 |
| Internal sales | (4.4) | (2.5) | | | | (3.9) | (2.3) | | |
| Total | **179.1** | **100.0** | **23.7** | **13.2** | | **166.9** | **100.0** | **22.7** | **13.6** |
| Administrative expenses | | | **(22.0)** | | | | | **(21.3)** | |
| Operating profit before flotation and transaction expenses | | | **1.7** | | | | | **1.5** | |
| Non-underlying costs | | | **(0.1)** | | | | | **(0.4)** | |
| Operating profit | | | **1.6** | | | | | **1.1** | |

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 EBITDA to the Profit before tax.

# Notes *(continued)*

## 3 Segmental reporting *(continued)*

| | **6 months to 28 February 2013** | 6 months to 29 February 2012 |
|---|---|---|
| | **£000** | £000 |
| Profit Before Tax | **1,309** | 707 |
| Net finance expense | **302** | 415 |
| Depreciation | **685** | 754 |
| EBITDA | **2,296** | 1,876 |
| Non-recurring expenses | **86** | 369 |
| Underlying EBITDA | **2,382** | 2,245 |

## 4 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 period. There is one class of ordinary share with 100,000,000 shares in issue.

There are no dilutive share options in issue.

| | **6 months to 28 February 2013 £'000** | 6 months to 29 February 2012 £'000 | Year ended 31August 2012 £'000 |
|---|---|---|---|
| Profit attributable to shareholders | **971** | 526 | 2,340 |
| Non-recurring expenses | **86** | 369 | 394 |
| Tax on adjustments (at 25.9%) (2012: 25.6%) | **(22)** | (94) | (99) |
| Adjusted profit attributable to equity shareholders | **1,035** | 801 | 2,635 |
| Adjusted number of share in issue ('000s) | **100,000** | 100,000 | 100,000 |
| Basic earnings per share | **0.97p** | 0.53p | 2.34p |
| Adjusted earnings per share | **1.04p** | 0.80p | 2.64p |

# Notes *(continued)*

### 5 Acquisitions

Effect of Acquisitions in the period ended 28 February 2013

On 31 January 2013, the Group acquired the trade and assets of the Vauxhall, Alfa Romeo and Chrysler Jeep dealership in Chelmsford from County Motor Works Limited for total cash consideration of £1,209,689 and £3,017,000 for the Freehold property. Transactions fees of £50,390 have been expensed through operating expenses in the period. No Goodwill arose on this transaction.

| **Acquiree's Net Assets at the acquisition date** | **Recognised values on acquisition £000** |
|---|---|
| Freehold Property | 3,017 |
| Plant and equipment | 192 |
| Inventories | 1,100 |
| Trade and other payables | (82) |
| | 4,227 |
| Goodwill on acquisition | - |
| Consideration Paid (transaction costs of £50,390 have been written off to administrative expenses), satisfied in cash | 4,227 |

### 6 Taxation

The tax charge for the six months ended 28 February 2013 has been provided at the effective rate of 25.9% *(six months ended 29 February 2012: 25.6%).*

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, in the period to 31 August 2009, 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.

The Group has submitted a Capital Allowances claim to HMRC and is currently awaiting a decision in respect of this. The Board has taken a prudent view on this claim and has not yet reflected the full impact of it in the effective tax rate applied to the interim results. In the event that the full claim was accepted by HMRC in the 2013 financial year, the effective tax rate could be as low as 15%, reverting back to a more normalised tax rate thereafter.