20 November 2019

Cambria Automobiles plc
("Cambria" or the "Group")
AIM: CAMB

FINAL RESULTS 2018/19 AND NOTICE OF AGM

Significant portfolio changes resulting in improved trading performance despite challenging market headwinds

Cambria, the franchised motor retailer, announces its final results for the year to 31 August 2019.

Financial Highlights

Year ended 31 August	2019 £m	2018 £m	Change
Revenue	**657.8**	630.0	4.4%
Underlying EBITDA*	**17.1**	13.3	28.6%
Underlying operating profit*	**13.6**	10.9	24.8%
Underlying profit before tax*	**12.3**	9.8	25.5%
Underlying profit before tax margin*	**1.87%**	1.55%	32bps
Underlying earnings per share*	**9.78p**	7.84p	24.7%
Operating profit	**13.9**	10.2	36.3%
Profit before tax	**12.5**	9.1	37.4%
Earnings per share (basic)	**9.95p**	7.27p	36.9%
Dividend per share	**1.1p**	1.0p	

** These items exclude net non-recurring income of £0.4m relating to the profit on disposal of property assets held for resale and £0.2m on closure costs (2018: closure costs £0.7m)*

- Strong balance sheet – net assets £65.6m (2017/18: £56.6m)
- Strong operational cash flows, cash balance at 31 August 2019 of £26.3m (2017/18: £15.5m)
- Net debt of £3.8m (31 August 2018: net debt £5.5m)
- Continued investment in freehold property portfolio during year deploying £17.6m in capital expenditure
- Underlying Return on Equity at 16.0% (2017/18: 14.7%)
- Proposed final dividend of 0.85p, increasing the full year dividend by 10% to 1.1p per share (2017/18: 1.0p)

Franchising Highlights

Over the past two financial years, the Group has undertaken major changes in its franchise representation, delivering enhanced opportunities as follows:

2017/18 changes:

- Addition of two Bentley dealerships
- Addition of one Lamborghini dealership
- Addition of one McLaren dealership
- To make way for the refranchising of the facilities, the Group closed the operations that previously occupied these premises
- The Group closed the loss-making Blackburn site which previously represented Alfa Romeo, Fiat, Renault and Volvo
- The franchise changes outlined above have positively impacted the dynamics of the earnings streams given the value of the new cars being sold in the High Luxury Segment ("HLS") dealerships in 2018/19

2018/19 changes:

- September 2018: Opening of Peugeot dealership in Warrington
- November 2018: Opening of the Group's second Lamborghini dealership, in Tunbridge Wells, further enhancing its HLS representation
- December 2018: Occupation of the newly completed Hatfield Jaguar Land Rover Arch Concept dealership
- December 2018: Disposal of Royal Wootton Bassett freehold following the relocation of Jaguar Land Rover to Swindon in the previous year
- April 2019: Opening of Suzuki dealership in Maidstone
- April 2019: Acquisition of land in Brentwood for development of dealership facilities
- May 2019: Opening of Citroen dealership in Oldham
- May 2019: Occupation of Hatfield Aston Martin and McLaren dealership
- June 2019: Opening of Vauxhall dealership in Warrington alongside Peugeot, enhancing PSA relationship

Operational Highlights

- New unit sales to retail customers reduced 11.8% (like-for-like down 8.1%), although gross profit improved as a result of the 31.8% (like-for-like up 11.1%) increase in profit per unit following the improvement in the franchise portfolio mix
- Lower margin Fleet and Commercial units reduced 36.3% and 59.8% respectively
- Overall unit sales of new vehicles reduced by 18% (like-for-like down 15.3%). The unit impact was more than offset by the increase of 40.3% in average profit per unit resulting from the combination of the like-for-like profit improvement, the improved franchise portfolio mix and the reduction in lower margin fleet and commercial units. New car gross profit increased by £2.7m
- Used vehicle unit sales down 4.9% following site closures (like-for like up 1.4%), offset by an 8.7% (like-for like 7.0%) improvement in profit per unit which reflects the Group's portfolio changes and the additional new HLS brands. Used car gross profit increased by £0.8m
- Aftersales Revenue increased 4.3% (like-for-like increase 5.1%). Gross profit increased by £0.5m

Mark Lavery, Chief Executive Officer of Cambria said:

"We are pleased to have delivered a strong performance in the 2018/19 financial year. The strategic refranchising and property development activity that started during the previous financial year delivered a positive impact despite the significant headwinds in the industry and broader economy. Our greater exposure to the High Luxury Segment has driven the earnings capacity of the Group and the increased new car department profit is a reflection of our significantly enhanced property portfolio and diversified brand mix.

On a general note and in line with my commentary last year, the year has seen a difficult new car market that has been impacted by weakening consumer demand in the face of the uncertainty around the Brexit negotiations, inconsistent messaging around the future of diesel engines and the impact on car supply from the change in emissions testing. The challenges facing vehicle manufacturers in achieving compliance with the 2020 and 2021 CO2 emissions targets will impact the new car market over the next two years. Like our peer group, we are also having to cope with Government driven central cost increases including but not limited to the National Minimum Wage increases, Apprenticeship Levy, pension contributions, increases in debit and credit card charges and increased property rating costs. Regrettably we have no control over these factors.

That being said, our teams have worked incredibly hard and delivered a strong result at both the revenue and profit levels, which significantly outperformed market expectations. Our strong new car profitability, improved used car profit performance, combined with growth in aftersales have all been significant contributors. I would like to thank our Associates for their contributions throughout the year.

Trading in the current financial year has started in line with the Board's expectations. The Board remains confident that Cambria's resilient business model, enhanced franchise portfolio, focus on delivering a superior Guest experience and financing arrangements leave it well positioned to take advantage of any opportunities that the current economic uncertainty will provide."

Notice of AGM and posting of report and accounts

The Company also gives notice that the Annual General Meeting of the Company will be held at 10am on 9 January 2020 at Grange Jaguar Land Rover, Hatfield, AL10 9US (the "AGM").

The annual report and financial statement for the year ended 31 August 2019 (the "Report and Accounts") will shortly be posted to shareholders together with a notice of its AGM.

Copies of the Reports and Accounts and the AGM notice will be made available shortly from the Company's website, www.cambriaautomobilesplc.com, in accordance with AIM Rule 20.

Enquiries:

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Chairman's statement

I am pleased to report that Cambria has delivered another strong set of results for the year ended 31 August 2019. The Group has delivered a number of strategic franchising and property investment objectives and has still been able to demonstrate improved profitability whilst absorbing those changes.

The results are even more favourable against a challenging consumer backdrop and significant uncertainty caused by the ongoing Brexit negotiations. The results show significant upside in the new car department, continued improvement in the Group's used car and aftersales operations and a clear focus on maintaining cost discipline despite some unavoidable headwinds.

The Group has managed its cashflow well while delivering significant capital investment projects and now has a well invested property portfolio, strong net asset position and low level of gearing.

The Group, in its 13th year of trading, delivered £17.1m of underlying EBITDA and £12.3m of underlying pre-tax profit.

Since its inception in 2006, the Group has only raised a total of £10.8m in capital and continues to maintain an excellent return on shareholders' funds which this year reached 16%.

The strategic acquisitions, franchise changes and greenfield developments which the Group has delivered over the past five financial years have accelerated the Group's growth and created a solid foundation in the Premium and High Luxury Segment giving Cambria a broader and enhanced franchised dealership portfolio mix and bolstering its underlying earnings capacity.

The new car market in the UK continues to come under pressure. The overall market is forecast to end 2019 at 2.3m registrations and the current forecast is set to see registrations continue to fall in 2020 to 2.2m new car registrations, these are against the record 2.69m registrations in 2016. The biggest change in the market remains the diesel segment which is down 24% in the year. The new car market will be further disrupted as the plethora of different technologies hit the car market over the coming years ranging from basic 48 volt electrical systems to mild hybrid, plug in hybrid and full battery electric vehicles. The manufacturers are being forced, through legislation, to accelerate technology development to avoid the punitive fines system that will be imposed in 2021 if they do not achieve CO2 target compliance at the end of 2020. The scramble towards this compliance in meeting challenging CO2 targets requires unprecedented levels of investment from the OEMs and by default is taking margin out of the distribution chain.

Focusing on the Group's 2018/19 results, the Group has delivered a financial performance that is ahead of both the Board's and market's expectations despite two upgrades to market expectations during the course of the financial year. The Group generated gross profit growth across all its segments, with new cars growing particularly as a result of the recently added High Luxury franchises. On a like for like basis, Cambria generated gross profit growth across the used car and aftersales departments, with the new car department only marginally behind despite the unit volume reduction.

Group revenue increased by 4.4% to £657.8m (2017/18: £630.0m). Underlying profit before tax increased by 25.5% to £12.3m (2017/18: £9.8m) and the Group delivered underlying earnings per share of 9.78p (2017/18: 7.84p) - an increase of 24.7%.

The Group closed the year with net debt of £3.8m (2017/18: net debt £5.5m) after significant capital investments of £21.9m of which £17.6m was invested into the Group's freehold property portfolio. The Group has net assets of £65.6m (2017/18: £56.6m), underpinned by the ownership of £78.4m (2017/18: £64.3m) of freehold properties.

Group overview

Cambria was established in 2006 with a strategy to build a balanced motor retail group to deliver the self-funded acquisition and turnaround of underperforming businesses. The strategy evolved in 2013 to encompass the acquisition of Premium and High Luxury businesses, located in geographically strategic locations. It has made good progress over the past five years in delivering on this strategy by acquiring businesses and opening dealerships as follows:

- Barnet Jaguar Land Rover in July 2014
- Swindon Land Rover in April 2015
- Welwyn Garden City Land Rover in January 2016
- Aston Martin Birmingham in May 2016
- Woodford Jaguar Land Rover in July 2016
- Bentley in Essex and Kent in January 2018
- McLaren in Hatfield in January 2018
- Lamborghini in Chelmsford in April 2018
- Lamborghini in Tunbridge Wells in November 2018
- Refranchising Vauxhall and Peugeot into Warrington
- Refranchising Citroen into Oldham
- Refranchising Suzuki into Maidstone

Following the refranchising activity outlined above, the Group now comprises 27 locations, representing 41 franchises and 16 brands, a well-balanced brand portfolio spanning the High Luxury, Premium and Volume segments.

These new franchising and property developments are exciting for the Group and demonstrate its commitment to developing the Premium and High Luxury Segment franchises in geographically strategic locations.

Dividend

The Board is pleased to propose a final dividend of 0.85p per share (2017/18: 0.75p), subject to shareholder approval, resulting in a total dividend for the year of 1.1p per share, an increase of 10% (2017/18: 1.0p).

Outlook

The UK economy remains in a period of significant uncertainty while the ramifications of leaving the EU are worked through. There is little clarity on how or if any free trade agreements will be negotiated and there continue to be major implications for the Sterling exchange rate and other fiscal levers. We are unclear as to how these factors will impact the UK motor trade although without stating the obvious, both a weaker Sterling and any tariffs would undoubtedly have a detrimental effect on the new car market.

The team has done a good job in delivering the changes to our property portfolio and franchise mix which have enhanced the Group's performance, developed the balance sheet and enhanced the brand mix. The changes made over the past two years have started to contribute positively and the Board believes that they have further potential.

Cambria's robust balance sheet, industry leading return on investment and proven management team leave it well positioned to manage any uncertainty that the broader market creates. We are actively looking to deliver on our commitments to the brand partners that we represent with our investment programme to enhance our property portfolio and the developments delivered over the past 24 months are first class, enhancing the retail environment for our Associates, Guests and OEM partners.

The Board is pleased with the progress that has been made and intends to continue to exploit selective growth opportunities while driving the core operation of the existing businesses.

Philip Swatman
Chairman

Operating and financial review

Chief Executive Officer's review

Introduction

I am pleased to report that the Group has delivered a strong set of results for the 2018/19 financial year, ahead of market expectations after two earnings upgrades during the course of the year. The performance was delivered alongside significant franchising additions, changes, closures and site developments. The year on year comparatives look favourable as a result of the disruption encountered in the prior year whilst the franchise and property changes were being delivered.

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

Year ended 31 August	**2019 £m**	2018 £m	Change
Revenue	**657.8**	630.0	4.4%
Underlying EBITDA*	**17.1**	13.3	28.6%
Underlying operating profit*	**13.6**	10.9	24.8%
Underlying profit before tax*	**12.3**	9.8	25.5%
Underlying profit before tax margin*	**1.87%**	1.55%	32bps
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Operating profit	**13.9**	10.2	36.3%
Profit before tax	**12.5**	9.1	37.4%
Earnings per share (basic)	**9.95p**	7.27p	36.9%
Dividend per share	**1.1p**	1.0p	

**These items exclude net non-recurring income of £0.4m relating to the profit on disposal of property assets held for resale and £0.2m on closure costs (2018: closure costs £0.7m)*

The Group celebrated its 13th anniversary in July 2019. During those 13 years the Group has grown from one site with three new car franchises to 27 locations representing 41 new car franchises and 16 different brand partners. The Group has utilised a total of £10.8m of Share Capital to grow and has delivered an underlying Profit before Tax of £12.3m in 2018/19. During the year, the Group delivered a return on shareholder funds of 16%. The Group has consistently delivered strong operational cash flows and has built a net asset position of £65.6m underpinned by £78.4m of freehold property. The Group has developed an exceptional franchise portfolio which has been enhanced further during 2018 and 2019 through delivery of our property investments and the addition of Bentley, Lamborghini, McLaren, Citroen, Peugeot and Suzuki to the Group's brand partnerships.

Brand partnerships

Management has continued to work hard to improve the businesses acquired in previous years and to integrate and develop those acquired and established in the previous year, making significant investment in the management of those businesses. The core like-for-like businesses have shown continued improvements during the year and we are pleased with the performances delivered.

Our current portfolio of brand partners and dealerships comprises:

High Luxury / Premium		**Volume**		**Motorcycle**	
Aston Martin	3	Abarth	2	Triumph	2
Bentley	2	Citroen	1		
Jaguar	5	Fiat	2		
Lamborghini	2	Ford	5		
Land Rover	4	Mazda	3		
McLaren	1	Peugeot	1		
Volvo	4	Suzuki	1		
		Vauxhall	3		
Total	**21**		**18**		**2**

A significant period of refranchising activity began during the 2017/18 financial year which demonstrated delivery of the Group's acquisition strategy which evolved in 2013 to enhance our Premium and High Luxury brand representation.

The period 2014 through 2016 saw a significant number of acquisitions and disposals that were focused on the Group's desire to participate in the Jaguar Land Rover ("JLR") network restructuring. Along with the need to deliver on business transactions to secure the franchise opportunity in the given territories, the Group committed to deliver permanent property solutions in line with the JLR Arch Concept for its distribution network. Subsequent to the business acquisitions, the Group has delivered on the Arch developments in Barnet, Swindon and Hatfield. The land has been acquired for the Brentwood development which is currently in the very early stages to secure planning permission. The Group continues to work towards securing a suitable facility for the relocation of its Woodford Jaguar Land Rover dealership.

In May 2016, the Group opened its Aston Martin dealership in Solihull. In order to secure the franchise for the territory, the Group acquired a freehold property and invested in a refurbishment of the facility to accommodate the Aston Martin franchise while the permanent location is procured and built. The temporary facility has enabled the Group to establish a representation point, build a database and serve the Aston Martin car parc for the territory. The Group has secured a new development site on the A34 in Solihull on a business park named "The Green" for a permanent facility in line with Aston Martin franchise standards. The Group has exchanged contracts and completion is subject to planning permission and the conclusion of extensive highways works to define the site and the new estate road. It is anticipated that the total freehold investment in the permanent facility will be c.£5m, and again will be funded through the Group's existing cash and RCF facility. Due to delays in the highways works being completed, it is now anticipated that work on the dealership will begin in Q2 2020.

The Group was given the opportunity to establish two new Bentley dealerships and two new Lamborghini dealerships in Essex and Kent in 2018. During the 2017/18 financial year the Group delivered a permanent property solution for the Kent territory with a major refurbishment of its freehold property in Tunbridge Wells. The Group was also able to deliver a temporary solution for the Essex territory by refurbishing a freehold building in Chelmsford. The permanent solution for the Bentley and Lamborghini operations in Essex is intended to be a full relocation of the businesses to Brentwood when the Group is able to deliver the significant development housing Jaguar Land Rover, Aston Martin, Bentley and Lamborghini which will be a flagship development in a very prominent location.

The Group has also continued its refranchising efforts to maximise the opportunity in other territories where the Group has property solutions. The refranchising of Warrington to add Vauxhall and Peugeot and Oldham to add Citroen has expanded the Group's relationship with PSA to five franchises. The Group was also pleased to add its first Suzuki business in Maidstone during the year.

Operations

Year to 31 August	**2019**				**2018**			
	Revenue	**Revenue mix**	**Gross Profit**	**Margin**	**Revenue**	**Revenue mix**	**Gross Profit**	**Margin**
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
New vehicles	**293.8**	**44.7**	**20.6**	**7.0**	**290.6**	**46.1**	**17.9**	**6.2**

Used vehicles	**302.8**	**46.0**	**25.1**	**8.3**	**279.1**	**44.3**	**24.3**	**8.7**
Aftersales	**76.9**	**11.7**	**29.4**	**38.2**	**73.7**	**11.7**	**28.9**	**39.1**
Internal sales	**(15.7)**	**(2.4)**	**-**	**-**	**(13.4)**	**(2.1)**	**-**	**-**
Total	**657.8**	**100**	**75.1**	**11.4**	**630.0**	**100.0**	**71.1**	**11.3**
Administrative expenses			(61.4)				(60.2)	
Operating profit before non-recurring expenses			13.7				10.9	
Non-recurring income / (expenses)			0.2				(0.7)	
Operating profit			**13.9**				**10.2**	

New vehicle sales

	2019	2018	Year on year growth
New units	**7,509**	9,158	**(18%)**

New vehicle revenue increased from £290.6m to £293.8m (1.1%) despite total new vehicle sales volumes being down 18%, illustrating the significant increase in average transaction price of the units sold. Gross profit increased by £2.7m (15%) in total. The reduced new vehicle volumes were more than offset by the significant improvement in the gross profit per unit sold which increased by 40.3% in total. The significant increase was a result of the combination of like-for-like increase in the profit of the retail units sold, a reduction in the sales volume of low margin commercial and fleet units and strengthening mix from the businesses.

The new car business has gone through a significant period of disruption with the site closures in the previous year and franchise changes in the current year. The addition of two Lamborghini, two Bentley and one McLaren franchise in the HLS segment have made a marked difference to the new car department profitability.

On a like-for-like basis, excluding the impact of the additions and closures, our new volumes reduced by 15.3% with gross profit reducing by £0.2m as profit per unit increased 19.7% on a like for like basis. The like-for-like volume reduction was attributable to reductions in unit sales from certain Volume manufacturer partners who have experienced a significant reduction in national registrations.

The Group's sale of new vehicles to private individuals was 11.8% lower year-on-year at 6,843 units (like-for-like down 8.1%), the profit per unit for these vehicles improved 31.8% (like-for-like 11.1%). New commercial vehicle sales transacted at low profit per unit were significantly down by 59.8% to 390 units in the period. Commercial vehicle sales concluded in the prior year had a dilutive effect on the Group's average profit per unit in the prior year. New fleet unit vehicle sales decreased by 36.3% to 276 units but the average profit per unit improved by 43.9%.

The new vehicle registration data from the Society of Motor Manufacturers & Traders showed total registrations were down 6.4% in the rolling 12 month period to August 2018. The registration of cars to private individuals was also down 6.4% for the rolling 12 months. The sale of diesel engine vehicles has been hardest hit as a result of the negative media coverage around diesel engine emissions, and in the period, sales of diesel vehicles were down 24%.

Used vehicle sales

	2019	2018	Year on year growth
Used units	**13,072**	13,739	**(4.9%)**

We have delivered another good performance in used vehicle sales. Revenues increased from £279.1m to £302.8m whilst the number of units sold declined by 4.9%, partly driven by the site closures and shift in mix to more Premium and High Luxury cars. The gross profit on used vehicles increased by £0.8m to £25.1m, with profit per unit sold increasing 8.7%.

On a like-for-like basis, volumes were up 1.4% while the gross profit generated increased by £1.2m (6.1%) with profit per unit increasing by 7%.

We have continued our focused strategy in the used car department to increase the efficiency with which we source, prepare and market our used vehicles in order to drive our Velocity trading principles. This has produced strong results, increasing the like-for-like profitability of the used car department. During the period, this strategy continued to deliver a strong 12 month rolling return on used car investment* of 117%. This level was reduced from the 125% achieved last year but reflects the increase in the average carrying value of the stock following the higher representation of Premium and High Luxury vehicles that are sold through the new businesses and removal of the high volume, lower value product sold from the closed businesses. The ROI performance at 117% remains significantly ahead of the industry average of 77.2%.

** gross profit from used car operation over 12 months as a proportion of average stock levels for the year*

Aftersales

	2019	2018	**Year on year growth**
Aftersales Revenue	**£76.9m**	£73.7m	**4.3%**

Combined aftersales revenue increased 4.3% year on year from £73.7m to £76.9m and related gross profit increased to £29.4m from £28.9m. Like-for-like aftersales revenues were 5.1% higher year on year, with gross profit improving 3% to £27.9m, up £0.8m.

The aftersales departments contributed 11.7% of the Group's revenue, and 39.1% of the Group's overall gross profit. The aftersales margin was slightly diluted in the year.

The Group continues to review its processes for ensuring that we engage with all of our Guests to maximise the opportunity to interact with them through our Guest Relationship Management Programme. This is our contact strategy involving the sale of service plans and delivery of service and MOT reminders in a structured manner, utilising all forms of digital media as well as traditional communication methods. The Group continues to focus on the sale of service plans and its unique warranty-4-life product to enhance Guest retention.

Total underlying administrative expenses remained well controlled during the year and as a percentage of revenue were 9.3% (2017/18: £9.7%), demonstrating good overhead recovery and strong capital disciplines as the Group continues to grow despite significant pressures on cost resulting from central government initiatives.

Group strategy

Since the Group's incorporation in March 2006, we have continued to apply our focused buy-and-build strategy of acquiring motor dealership assets using internally generated funds and bank facilities. The earnings enhancing acquisitions and new franchise openings are firmly in line with this strategy.

We have now completed 15 separate transactions since our incorporation. Following any acquisition, the Cambria management team implements new financial and operational controls and processes in order to rationalise, restructure and develop each individual dealership. A culture of delivering a world class Guest experience is ingrained into the business through the Cambria Academy training programme. 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 will continue with our three step approach to purchasing a new business - acquisition, integration and operation, as outlined below:

Acquisition

When acquiring new businesses, we are diligent in ensuring that none of the contractual obligations taken on upset the integrity of our balance sheet. This includes ensuring that leases reflect market value and that any unusual contractual obligations are addressed prior to acquisition in order to avoid taking on any legacy costs. 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 been funded from our own cash resources and banking facilities. All acquisitions and any related funding requirements are assessed on their individual merits. For compelling acquisition targets, where a premium may need to be paid, we will still focus on ensuring that the Group delivers strong returns on equity.

Integration

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

Operation

With any new acquisition, the standard financial controls are implemented immediately, ranging from individual cheque signatories to daily reporting of vehicle sales and aftersales revenues, margins and other performance figures. We then implement our two growth strategies "Cambria Digital", which is our internet social networking strategy for vehicle sales coupled with our "Guest Connect" support centre.

Cambria Academy

The Group has continued to develop the Cambria Academy, a training Academy for the Group's Associates. The Academy is evolving consistently to support the business and development needs of the Group. The initial training programmes for the sales teams have been supplemented with induction programmes and specific telephone handling courses to ensure that we increase the competency of all our Associates in dealing with Guest enquiries effectively.

The Academy was established to enhance the Cambria Guest Experience with the key strategic objective: "To deliver an outstanding experience making it easy for our Guests to buy, own and maintain their vehicle, ensuring that they will want to do so again and recommend us to others."

We will continue to enhance and refine the Academy to help develop our own talent pool, promote Associate retention and to create our own future management with the overriding objective of enhancing the Guest Experience when interacting with Cambria.

Outlook

The new car market in 2019 will see a further 2.8% reduction on 2018, with current SMMT forecasts at 2.30m from 2.37m in 2018. The 2019 forecast is 14.5% down on the record 2.69m registrations of 2016.

There is no doubt that consumer confidence, general economic and political uncertainty have all impacted market sentiment since the EU referendum vote in 2016 and the constant unrest being created as we have moved closer to the previously set deadline of 31 October 2019 to exit the European Union.

Sterling remains weak and there is ongoing downward pressure on the number of cars registered in the UK as the manufacturer landed cost of imported cars and components increases. Diesel engine vehicles have received the largest impact with a significant amount of negative media coverage and clear political positioning in relation to diesel vehicle emissions.

The manufacturers that we represent are in an unparalleled period of capital investment to sustain the developments that they need in order to meet the extremely challenging CO2 targets by the end of 2020 and 2021 to avoid the draconian fines that the European Commission will levy for non-compliance. If the technology advances are not achieved to meet the targets then the OEMs may be forced to significantly restrict their vehicle mix. The solution is not clear as there are a number of challenges to delivering the right technology, sustainably and at a price point that consumers can afford. The 2021 challenge is driving pressure into the vehicle supply chain.

Looking forward, the Board remains cautious as a result of the uncertain political and economic environment as the UK exits the European union and is monitoring the challenges that the OEMs will continue to face towards 2021 CO2 emission compliance which will undoubtedly have an impact on the new car market.

Despite the significant external challenges, the 2018/19 financial year delivered a good set of results and post the period end, September and October trading were in line with the Board's expectations. We have continued to make significant achievements in progressing both our property portfolio and franchising strategy and believe that current market conditions could lead to further opportunities to develop the Group.

Mark Lavery
Chief Executive

Finance Director's report

Overview

Total revenues in the period increased 4.4% to £657.8m from £630.0m in the prior year. New vehicle unit volumes were down 18% but new vehicle revenues were up 1.1% as a result of the mix shift. Used car revenue increased by 8.9% although units reduced by 4.9%. Revenues from the aftersales businesses increased by 4.5%, compared with the previous year.

Total gross profit increased by £4.0m (5.6%) from £71.1m to £75.1m in the year. Gross profit margin across the Group improved 0.1% to 11.4%. The revenue mix saw an increase in used cars with new cars reducing and aftersales remaining static as a proportion of revenue. The average selling price of both new and used cars increased year on year, as did the average profit per new and used units that we sold. There was an improvement in the new car margin to 7%, a reduction in used car margin to 8.3% and margin reduction in aftersales to 38.2%. The aftersales operations contributed 39.1% of the total gross profit for the Group. The gross profit contribution made by the used car and aftersales components of the business accounted for 72.6% of the Group's total gross profit mix.

During the year, the Group has non-recurring net income of £0.2m (2017/18 – net expense £0.7m). These related to the £0.4m profit on sale of the Group's freehold in Royal Wootton Bassett and £0.2m of one off closure costs relating Blackburn and Welwyn Garden City relocation.

Underlying EBITDA was £17.1m in the period, up from £13.3m in the previous year. Underlying operating profit was £13.6m, compared with £10.9m in the previous year, resulting in an underlying operating margin of 2.1% (2017/18: 1.7%).

Net finance expenses increased to £1.4m (2017/18: £1m) as a result of the increased borrowing to fund the freehold property investments and increased vehicle stocking charges.

The Group's underlying profit before tax increased by 25.5% to £12.3m, compared with £9.8m in the previous year.

Underlying earnings per share were 9.78p (2017/18: 7.84p). Basic earnings per share were 9.95p (2017/18: 7.27p) and the Group's underlying return on shareholders' funds for the year was 16% (2017/18: 14.7%).

Taxation

The Group tax charge was £2.5m (2017/18: £1.9m) representing an effective rate of tax of 20.3% (2017/18: 20.3%) on a profit before tax of £12.5m (2017/18: £9.1m). As outlined in last year's report, it is anticipated that the tax rate will continue at a substantially normal effective tax

Financial position

The Group has a robust balance sheet with a net asset position of £65.6m underpinned by £78.4m of freehold property (fixed assets and assets held for resale) which are held on a historic cost basis.

In November 2017, the Group entered into revised Banking facilities and as a result, the £40m Revolving Credit Facility has no fixed capital repayment profile throughout its 5 year term. There is a £20m accordion agreement available in the facility if the Group seeks to enhance its borrowing capacity.

The cost of the facilities is LIBOR plus a margin. The margin attributable to the term loans will be set each quarter and is dependent on the net debt: EBITDA ratio for the Group. The spread of margin chargeable against the facility ranges from 1.2% where the net debt is less than 1 times EBITDA, up to 2% where the net debt is greater than 2.5 times EBITDA.

The net debt position of the Group as at 31 August 2019 was £3.8m (2017/18: net debt £5.5m), reflecting a cash position of £26.3m (31 August 2018: £15.5m). This is after the £21.9m investment in Capital Expenditure.

The Group typically uses bank 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 £10m overdraft facility which is available to manage seasonal fluctuations in working capital. The overdraft facilities are renewable annually and are next due on 31 December 2019.

Cash flow and capital expenditure

The Group generated an operating cash inflow of £22.2m with working capital reducing by £7.9m through efficient management of the vehicle inventory and the stocking lines associated with that inventory together with higher levels of new vehicle deposits for new car orders for September delivery and higher levels of service plan and warranty funds. Total funds invested in capital expenditure were £21.9m.

During the year the material projects that incurred capital expenditure were:

- Hatfield Jaguar Land Rover, Aston Martin and McLaren build completion and fit out - £8.1m
- Hatfield PDI centre land acquisition for storage and preparation - £3.7m
- Warrington refurbishment for Peugeot and Vauxhall - £0.4m
- Oldham refurbishment for Citroen - £0.2m
- Swindon Freehold land purchase and completion of development - £2.7m
- Brentwood Land purchase - £5.4m
- Wellingborough Triumph refurbishment - £0.2m
- Tunbridge Wells fit out - £0.2m

To fund some of the Capital Expenditure outlined above there was a has been a draw down of £9m against the Revolving Credit Facility. There were no capital repayments.

As a result of the net cash inflow of £10.8m, the gross cash position was £26.3m with gross debt of £30.1m and overall net debt of £3.8m after significant investment, compared with net debt at 31 August 2018 of £5.5m.

Capital expenditure commitments

As outlined in the Chief Executive's report, the Group has committed to delivering property solutions to ensure the acquired businesses comply with the franchise standards for its brand partners. The significant investments in the 2018 and 2019 financial year delivered on some of the committed projects. Over the coming 24 months the Group intends to complete the following major freehold investments; Solihull Aston Martin at c.£5m, Brentwood Jaguar Land Rover, Aston Martin, Bentley and Lamborghini c.£16m. The developments will be funded through a drawdown of RCF and existing cash.

The Board is committed to these investments and anticipates that by making the investments it will position the Group well for realising the full operational potential of the businesses.

IFRS 16 Impact

IFRS 16 is due to take effect from accounting periods commencing from 1 January 2019 and replaces IAS17. The new standard requires lessees to recognise an asset (a Right of Use asset ("RoU")) and lease liability for all leases (subject to certain exemptions) based on the discounted future lease payments. Exemptions exist for certain short-term leases and leases with a low asset value at inception of the lease.

The Directors anticipate that the significant impact of the standard on the Group will be the recognition of a RoU asset and a corresponding lease liability in respect of the Group's property portfolio which are presently accounted for as an operating lease under IAS 17. In addition, this will result in an increase in depreciation and finance charges which will replace the operating lease rentals currently recognised in the Statement of Comprehensive Income.

IFRS 16 provides a significant number of options on transition including a retrospective approach whereby comparative amounts are restated or a modified retrospective approach whereby the cumulative effect of transition is recognised on the opening balance of retained earnings (at 1 September 2019) and comparative amounts are not restated. The Directors have reviewed the options available and expect to apply the modified retrospective approach with additional disclosures to increase comparability with the comparative period.

On transition the Group will recognise a RoU asset of approximately £5.9m, a receivable of £0.2m and a corresponding lease liability of approximately £8.4m. Following adjustments to remove rent prepayments (£0.2m) and onerous lease provisions (£1m), then a restatement of opening reserves of approximately £1.4m is anticipated. Whilst cash flows will remain unchanged, property rent charges under IAS 17 will be replaced by depreciation and finance charges.

In respect of the Group's present lease commitments, for the period to 31 August 2020, the profit before tax is expected to increase by approximately £0.2m.

Shareholders' funds

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

Pension schemes

The Group does not operate any defined benefit pension schemes and has no liability arising from any such scheme. The Group made contributions amounting to £0.6m (2017/18: £0.4m) 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 propose a final dividend payment in respect of the financial year to 31 August 2019 of 0.85p per share in addition to the interim dividend of 0.25p per share paid in May 2019. If approved by the shareholders at the Annual General Meeting to be held on 9 January 2020, the dividend will be payable on 17 January 2020 to those shareholders registered on 19 December 2019, with an ex-dividend date of 20 December 2019. The Board aims to maintain a dividend policy that grows with the Group's earnings but intends to ensure that the payment of dividend does not detract from its primary strategy to continue to buy-and-build and grow the Group.

James Mullins

Finance Director

Consolidated statement of comprehensive income

for year ended 31 August 2019

	Note	**2019 £000**	2018 £000
Revenue	*2,3*	**657,777**	630,065
Cost of sales		**(582,723)**	(558,944)
Gross profit	*3*	**75,054**	71,121
Administrative expenses		**(61,188)**	(60,969)
Results from operating activities	*3*	**13,866**	10,152
Finance income	*7*	**64**	74
Finance expenses	*7*	**(1,435)**	(1,102)
Net finance expenses		**(1,371)**	(1,028)
Profit before tax from operations before non-recurring income/ (expenses)		**12,276**	9,827
Net non-recurring income and expenses	*4*	**219**	(703)
Profit before tax		**12,495**	9,124
Taxation	*8*	**(2,542)**	(1,853)

Profit and total comprehensive income for the period		**9,953**	7,721
Basic earnings per share	*6*	**9.95p**	7.27p
Diluted earnings per share	*6*	**9.93p**	N/a

All comprehensive income is attributable to owners of the Parent Company.

Consolidated statement of changes in equity

for year ended 31 August 2019

	Note	**Share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total equity £000**
Balance at 31 August 2017		10,000	799	39,557	50,356
Profit for the year		-	-	7,271	7,271
Dividend paid		-	-	(1,000)	(1,000)
Balance at 31 August 2018		10,000	799	45,828	56,627
Profit for the year		-	-	9,953	9,953
Dividend paid		-	-	(1,000)	(1,000)
Balance at 31 August 2019		**10,000**	**799**	**54,781**	**65,580**

Consolidated statement of financial position

at 31 August 2019

	Note	**2019 £000**	2018 £000
Non-current assets			
Property, plant and equipment	*9*	**85,336**	67,050
Intangible assets	*10*	**21,478**	21,501
		106,814	88,551
Current assets			
Inventories	*12*	**112,804**	89,675
Trade and other receivables	*13*	**12,051**	11,442
Cash and cash equivalents		**26,299**	15,517
Property assets classified as held for resale	*14*	**899**	3,195
		152,053	119,829
Total assets		**258,867**	208,380
Current liabilities			
Trade and other payables	*16*	**(160,129)**	(128,794)
Current tax liability		**(1,297)**	(721)

Provision		**(459)**	-
		(161,885)	(129,515)
Non-current liabilities			
Borrowings	*15*	**(30,088)**	(21,053)
Provisions	*17*	**(877)**	(1,000)
Deferred tax liability	*11*	**(437)**	(185)
		(31,402)	(22,238)
Total liabilities		**(193,287)**	(151,753)
Net assets		**65,580**	56,627
Equity attributable to equity holders of the parent			
Share capital		**10,000**	10,000
Share premium		**799**	799
Retained earnings		**54,781**	45,828
Shareholders' equity		**65,580**	56,627

Consolidated cash flow statement

for year ended 31 August 2019

	Notes	**2019 £000**	2018 £000
Cash flows from operating activities			
Profit for the year		**9,953**	7,271
Adjustments for:			
Depreciation, amortisation and impairment	*9/10*	**3,437**	2,481
Financial income		**(64)**	(74)
Financial expense		**1,435**	1,102
Profit/(loss) on disposal of fixed assets		**(414)**	74
Taxation	*8*	**2,542**	1,853
Non-recurring (income)/expenses	*4*	**(219)**	703
		16,670	13,410
Change in trade and other receivables		**(609)**	986
Change in inventories		**(23,129)**	15,744
Change in payables, deferred income and provisions		**31,607**	(13,704)
		24,539	16,436
Interest paid		**(841)**	(785)
Tax paid		**(1,714)**	(1,790)
Non-recurring income / expenses	*4*	**219**	(703)
Net cash from operating activities		**22,203**	13,158
Cash flows from investing activities			
Interest received		**64**	74
Proceeds from sale of plant and equipment		**2,917**	136
Purchase of property, plant and equipment and software		**(21,907)**	(23,750)
Net cash from investing activities		**(18,926)**	(23,540)

Cash flows from financing activities		
Proceeds from new loan	**9,000**	4,500
Interest paid	**(495)**	(317)
Repayment of borrowings	**-**	(330)
Dividend paid	**(1,000)**	(1,000)
Net cash from financing activities	**7,505**	2,853
Net increase/(decrease) in cash and cash equivalents	**10,782**	(7,529)
Cash and cash equivalents at 1 September 2018	**15,517**	23,046
Cash and cash equivalents at 31 August 2019	**26,299**	15,517

Notes to the consolidated accounts

(forming part of the financial statements)

1 Accounting policies

These financial statements as at 31 August 2019 consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

2 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 3)

	2019	2018
	£000	£000
Sale of new cars	**293,805**	290,653
Sale of used cars	**302,749**	279,123
Aftersales services	**76,944**	73,662
Internal sales	**(15,721)**	(13,373)
Total revenues	**657,777**	630,065

Timing of revenue recognition

The Group recognises all income at a point in time when the performance obligations are satisfied and has not identified any significant income recognised over time or received in advance of performance obligations.

3 Segmental reporting

The Group has adopted IFRS 8 'Operating Segments' which determines and presents operating segments based on information presented to the Group's Chief Operating Decision Maker ("CODM"), the Chief Executive Officer. The Group is operated and managed on a Dealership by Dealership basis. Dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and after sales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams. Dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. As such the results of each dealership have been aggregated to form one reportable operating segment.

All segment revenue, profit before tax, assets and liabilities are attributable to the principal activity of the Group being the provision of car vehicle sales, vehicle servicing and related services. Therefore to increase transparency, the Group has included below additional voluntary disclosure analysing revenue and gross margins within the reportable segment.

	2019	**2019**	**2019**	**2019**	2018	2018	2018	2018
	Revenue	**Revenue mix**	**Gross profit**	**Margin**	Revenue	Revenue mix	Gross profit	Margin
	£m	**%**	**£m**	**%**	£m	%	£m	%
New Car	293.8	44.7	20.6	7.0	290.6	46.1	17.9	6.2
Used Car	302.8	46.0	25.1	8.3	279.1	44.3	24.3	8.7
Aftersales	76.9	11.7	29.3	38.1	73.7	11.7	28.9	39.1
Internal sales	(15.7)	(2.4)	-	-	(13.4)	(2.1)	-	-
Total	657.8	100.0	75.1	11.4	630.0	100.0	71.1	11.3
Administrative expenses			(61.4)				(60.2)	
Operating profit before non-recurring expenses			13.7				10.9	
Non-recurring income/ (expenses)			0.2				(0.7)	
Operating profit			13.9				10.2	

From 1 September 2018, the Group analysed certain revenue and gross profit within the aftersales department rather than the used car department. The prior year comparatives have been adjusted to reflect the same treatment, the impact is a reclassification in the allocation between used car and aftersales is £1.2m of Revenue and £0.3m of Gross Profit.

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.

	2019	2018
	£000	£000
Profit Before Tax	**12,495**	9,124
Non-recurring (income) expenses *(note 4)*	**(219)**	703
Underlying Profit Before Tax	**12,276**	9,827
Net finance expense	**1,371**	1,028
Depreciation and amortisation	**3,437**	2,481
Underlying EBITDA	**17,084**	13,336
Non-recurring income (expenses)	**219**	(703)
EBITDA	**17,303**	12,633

4 Non-recurring Income/ (expenses)

Non-recurring income and expenses are items which derive from events or transactions that are outside the normal course of business, and do not directly relate to the on-going operations, therefore have been separately disclosed in order for the financial statements to present a true and fair view.

	2019	2018
	£000	£000
Profit on disposal of property held for re-sale	**414**	-
Site closures costs	**(195)**	(703)
	219	(703)

5 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	
	2019	2018
Sales	**338**	368
Service	**424**	449
Parts	**79**	96
Administration	**235**	247
	1,076	1,160

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**34,996**	35,199
Social security costs	**3,433**	3,815
Expenses related to defined contribution plans	**558**	397
Share based payments expense	**32**	32
	39,019	39,443

6 Earnings per share

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

The Underlying Return on Equity number has been calculated as the adjusted profit attributable to equity shareholders divided by the unweighted average shareholder funds taking the average of the opening and closing shareholders equity from the statement of financial position. The calculation is therefore £9,775,000 divided by £61,104,000 giving 16.0%.

Basic earnings per share

	2019	2018
	£000	£000
Profit attributable to shareholders	**9,953**	7,271
Non-recurring (income)/ expenses (Note 4)	**(219)**	703
Tax on adjustments (at 19% *(2018: 19%)*)	**41**	(134)

Adjusted profit attributable to equity shareholders	**9,775**	7,840
Number of shares in issue ('000)	**100,000**	100,000
Basic earnings per share	**9.95p**	7.27p
Adjusted basic earnings per share	**9.78p**	7.84p

Diluted earnings per share

During the period the performance conditions relating to certain share options were satisfied and therefore 1,050,000 of the remaining 4,500,000 share options are considered dilutive at the year-end.

	2019 **£000**	2018 £000
Profit attributable to shareholders	**9,953**	7,271
Number of shares in issue ('000)	**100,000**	100,000
Effect of dilutive share options ('000)	**189**	-
	100,189	100,000
Diluted earnings per share	**9.93p**	7.27p

7 Finance income and expense

Recognised in the income statement

	2019 **£000**	2018 £000
Finance income		
Interest receivable	**64**	74
Total finance income	**64**	74
Finance expense		
Interest payable on bank borrowings	**594**	317
Consignment and vehicle stocking interest	**841**	785
Total finance expense	**1,435**	1,102
Total interest expense on financial liabilities held at amortised cost	**594**	317
Total other interest expense	**841**	785
	1,435	1,102

8 Taxation

Recognised in the income statement

	2019 £000	2018 £000
Current tax expense		
Current year	**2,289**	1,767
Adjustment in respect of prior years	**1**	(58)
	2,290	1,709
Deferred tax		
Adjustment in respect of prior years	**79**	48
Origination and reversal of temporary differences	**173**	96
	252	144
Total tax expense	**2,542**	1,853

Reconciliation of total tax

	2019 £000	2018 £000
Profit for the year	**9.953**	7,271
Total tax expense	**2,542**	1,853
Profit excluding taxation	**12,495**	9,124
Tax using the UK corporation tax rate of 19% (*2018: 19%)*	**2,374**	1,734
Non-deductible expenses	**15**	35
Accounting deprecation for which no tax relief is due	**210**	218
Tax losses brought forward utilised	**(63)**	(113)
Change in tax rate	**(24)**	(11)
On capital disposals	**33**	(10)
Other differences	**(3)**	-
Total tax expense	**2,542**	1,853

The applicable tax rate for the current year is 19% *(2018: 19%)*. Reductions to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future current tax charge accordingly.

9 Property, plant and equipment

	Freehold land & buildings £000	Assets under construction £000	Long leasehold land & buildings £000	Short leasehold improvements £000	Plant & equipme nt £000	Fixtures, fittings & computer equipment £000	Total £000
Cost							
Balance at 1 September 2017	45,890	-	4,117	2,484	3,356	8,201	64,048
Additions	7,958	5,392	6,662	96	1,357	2,097	23,562
Disposals	-	-	-	(353)	(294)	(882)	(1,529)
Reclassification	-	-	-	(45)	-	45	-
Transfer to current assets held for resale	(3,258)	-	-	-	-	-	(3,258)
Balance at 1 September 2018	50,590	5,392	10,779	2,182	4,419	9,461	82,823
Additions	17,376	194	-	23	1,316	2,956	21,865
Disposals	-	-	-	(661)	(442)	(814)	(1,917)

	Freehold land & buildings £000	Assets under construction £000	Long leasehold land & buildings £000	Short leasehold improvements £000	Plant & equipment £000	Fixtures, fittings & computer equipment £000	Total £000
Reclassification	16,171	(5,392)	(10,779)	-	-	-	-
Balance at 31 August 2019	84,137	194	-	1,544	5,293	11,603	102,771
Depreciation							
Balance at 1 September 2017	4,018	-	811	2,328	2,252	5,318	14,727
Charge for the year	815	-	106	44	487	977	2,429
Disposals	-	-	-	(264)	(271)	(785)	(1,320)
Reclassification	-	-	-	(1)	-	1	-
Transfer to current assets held for resale	(63)	-	-	-	-	-	(63)
Balance at 1 September 2018	4,770	-	917	2,107	2,468	5,511	15,773
Charge for the year	1,108	-	74	81	503	1,606	3,372
Disposals	-	-	-	(661)	(322)	(727)	(1,710)
Reclassification	991	-	(991)	-	-	-	-
Balance at 31 August 2019	6,869	-	-	1,527	2,649	6,390	17,435
Net book value							
At 31 August 2018	45,820	5,392	9,862	75	1,951	3,950	67,050
At 31 August 2019	**77,268**	**194**	**-**	**17**	**2,644**	**5,213**	**85,336**

As at 31 August 2019 the Group was working towards planning applications for both the Solihull Aston Martin Dealership and the Brentwood development. There were no committed contracts in place at the balance sheet date. *(2018: £4.9m relating to Hatfield).*

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 properties have been pledged as security to the Revolving Credit Facility disclosed in note 15.

10 Intangible assets

	Goodwill £000	Software £000	Other £000	Total £000
Cost				
Balance at 1 September 2017	21,346	800	176	22,322
Additions	-	188	-	188
Balance at 1 September 2018	21,346	988	176	22,510
Additions	-	42		42
Disposals	-	(180)	-	(180)
Balance at 31 August 2019	21,346	850	176	22,372
Amortisation and impairment				
Balance at 1 September 2017	-	781	176	957
Amortisation for the year	-	52	-	52
Balance at 1 September 2018	-	833	176	1,009
Amortisation for the year	-	65	-	65

Disposals	-	(180)	-	(180)
Balance at 31 August 2019	-	718	176	894
Net book value				
At 31 August 2018	21,346	155	-	21,501
At 31 August 2019	**21,346**	**132**	**-**	**21,478**

Amortisation charge

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

	2019	2018
	£000	£000
Administrative expenses	**65**	52

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. For the purpose of impairment testing of goodwill and other indefinite life assets, the Directors recognise the Group's cash generating units ("CGU") to be connected groupings of dealerships. The identified CGUs, grouped for allocation of goodwill are as follows:

	Goodwill	
	2019	2018
	£000	£000
Multiple units without significant goodwill	**346**	346
Jaguar Land Rover ("JLR")	**21,000**	21,000
	21,346	21,346

The recoverable amount of the JLR CGU has been calculated with reference to its value in use. These calculations use projections based on financial budgets approved by the Board of Directors which are extrapolated using an estimated growth rate. The budgets were prepared to 31 August 2020 and then projected for a further 4 years. The underlying expected performance of the CGU gives sufficient headroom using conservative assumptions, a growth rate of 0% was applied, and a terminal value was included with a 0% growth rate in perpetuity. The discount rate used is 8%.

Management has also performed a review of forecast EBITDA for the CGU for a number of years based on the EBITDA multiples being paid for equivalent businesses in the marketplace. The Board reviews transactional information and assesses the businesses earnings capacity in order to ensure that the recoverable amount is in excess of the carrying amount.

Sensitivity to changes in assumptions

The estimated recoverable amounts for the JLR CGU exceeds the carrying amounts by approximately £73m (2018: £47m). The Group has conducted sensitivity analysis on the impairment testing. Management believe no significant change in the key assumptions would cause the carrying amount to exceed the recoverable amount for the CGU.

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

11 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, along with the movement in the balance in the year. The asset would be recovered if offset against future taxable profits of the Group.

	1 September 2018 £000	**Recognised in income £000**	**Net 31 August 2019 £000**	**Deferred tax liabilities £000**	**Deferred tax assets £000**
Property, plant and equipment	(213)	(254)	**(467)**	**(890)**	**423**
Provisions	10	15	**25**	**-**	**25**
Share options	18	(13)	**5**	**-**	**5**
	(185)	(252)	**(437)**	**(890)**	**453**

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	
	2019 £000	2018 £000
Tax value of loss carry-forwards	**167**	229
Unrecognised net tax assets	**167**	229

12 Inventories

	2019 £000	2018 £000
Vehicle consignment stock	**63,628**	43,453
Motor vehicles	**46,327**	43,117
Parts and other stock	**2,849**	3,105
	112,804	89,675

Included within inventories is £nil (*2018: £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 £581million (*2018: £555 million)*.

Details of stock held as security is given in note 12.

13 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	**8,864**	8,026
Prepayments and other receivables	**3,187**	3,416
	12,051	11,442

Included within trade and other receivables is £nil (*2018: £nil)* expected to be recovered in more than 12 months.

14 Property Assets Classified as held for resale

On closure of the Blackburn dealership, the Freehold property has been transferred to assets held for resale at its net book value.

In the prior period, the Royal Wootton Bassett freehold property was vacated following the transfer of the Land Rover business to the newly developed JLR site in Swindon. The Freehold was transferred at its net book value to assets classified and held for resale and has been sold in the current period resulting in a gain on disposal of £414,000 which is disclosed as non-recurring income.

15 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019	2018
	£000	£000
Non-current liabilities		
Revolving Credit Facility	**30,088**	21,053
Current liabilities		
Revolving Credit Facility	**-**	-

Terms and debt repayment schedule

All debt is in GBP currency

	Nominal interest rate	**Year of Maturity**	**Value and Carrying Amount 2019 £000**	Value and Carrying Amount 2018 £000
Revolving Credit Facility	LIBOR +1.20%*	2022	**30,088**	21,053
			30,088	21,053

*The Facilities arranged in November 2017 have different margin bandings that are dependent on the net debt: EBITDA ratio for the previous quarter. The margin is 1.2% where the ratio is below 1 times, increasing to 2% where the ratio is in excess of 2.5 times.

16 Trade and other payables

	2019	2018
	£000	£000
Current		
Vehicle consignment creditor	**75,863**	51,899
Other trade payables	**10,099**	10,785
Non-trade payables and accrued expenses	**28,407**	24,368
Vehicle funding	**45,760**	41,742
	160,129	128,794

Included within trade and other payables is £nil *(2018: £nil)* expected to be settled in more than 12 months.

Both the consignment and vehicle funding creditors are secured on the stock to which they relate.

17 Provisions

	Leases £000
Balance at 1 September 2018	1,000
Provisions used during the year	-
Provisions made in year	336
Balance at 31 August 2019	**1,336**
Current	-
Non-current	1,000
Balance at 31 August 2018	1,000
Current	**459**
Non-current	**877**
Balance at 31 August 2019	**1,336**

Of the provision, £1m represents a lease acquired on unfavourable terms and will be released against the costs incurred on the relevant lease. The unfavourable nature of the lease taken on as part of the acquisition of Woodford Jaguar Land Rover will be realised at the point that the Group vacates the Woodford showroom and will need to sublet the premises for uses other than its existing use. It is anticipated that at the point of vacation of the premises there will be approximately 6 years of the lease remaining. The provision made during the year relates to the vacant properties at Welwyn Garden City following the occupation of the Hatfield development and the vacant Blackburn freehold property that is held as an Asset for Resale

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	**2,381**	2,679
Between one and five years	**6,196**	9,118
More than five years	**648**	10,142
	9,225	21,939

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 £2,815,000 was recognised as an expense in the income statement in respect of operating leases *(2018: £3,391,000*.

19 Post balance sheet events

Dividend

The Board is pleased to announce that it will make a final dividend payment in respect of the financial year to 31 August 2019 of 0.85p *(2018: 0.75p)* per share in addition to the interim payment of 0.25p per share (*2018: 0.25p*).