**21 November 2018**

**Cambria Automobiles plc**
(“Cambria” or the “Group”)
**AIM: CAMB**

# AUDITED PRELIMINARY RESULTS 2017/18 AND NOTICE OF AGM

## Solid results in Group’s 12th year of trading, significant strategic progress, Group well positioned

Cambria, the franchised motor retailer, announces its preliminary results for the year to 31 August 2018.

**Financial Highlights**

| **Year ended 31 August** | **2018** | 2017 | |
|---|---|---|---|
| | **£m** | £m | Change |
| Revenue | **630.0** | 644.3 | -2.2% |
| Underlying EBITDA* | **13.3** | 13.7 | -2.9% |
| Underlying operating profit* | **10.9** | 11.8 | -7.8% |
| Underlying profit before tax* | **9.8** | 11.3 | -13.3% |
| Underlying profit before tax margin* | **1.6%** | 1.8% | -20bps |
| Net Non-recurring income/ (expenses) | **(0.7)** | - | |
| Underlying earnings per share* | **7.84p** | 9.19p | -14.7% |
| Operating profit | **10.2** | 11.8 | -13.6% |
| Profit before tax | **9.1** | 11.3 | -19.3% |
| Earnings per share (basic) | **7.27p** | 9.18p | -20.8% |
| Dividend per share | **1.0p** | 1.0p | |

** These items exclude net non-recurring expenses of £0.7m relating to the refranchising activity and site closures (2017: nil)*

- Strong balance sheet – net assets £56.6m (2016/17: £50.4m)
- Strong operational cash flows, cash position of £15.5m (2016/17: £23.0m)
- Significant investment in property portfolio during year deploying £20m in capex
- Net debt of £5.5m (2016/17: net cash £6.1m)
- Underlying Return on Equity at 14.7% (2016/17: 19.9%)
- Proposed final dividend of 0.75p, maintaining the full year dividend at 1.0p per share (2016/17: 1.0p)
- Refinancing of the Group’s debt facilities to provide a new £40.0m, five year Revolving Credit Facility arranged in November 2017

## Operational Highlights

- The Group has been through a major year of change with eight of the Group’s 42 Franchised outlets either changing franchises or closing during this reporting period
- Significant development of the Group’s franchising strategy with the successful addition of three major High Luxury Segment (HLS) brand partners:
  - McLaren dealership in Hatfield opened in January 2018
  - Two Bentley dealerships in Essex and Kent opened in January 2018
  - Two Lamborghini dealerships in Essex and Kent opened in April and November 2018 respectively
- Addition of Peugeot into Warrington to replace Fiat in September 2018
- Planned closure of the Group’s two bodyshop operations, Alfa Romeo and Jeep in Chelmsford and Mazda and Honda in Tunbridge Wells to facilitate the addition of Bentley and Lamborghini in both locations
- Planned closure of the Group’s loss-making Blackburn site which previously represented Fiat, Alfa Romeo, Renault and Volvo
- New vehicle unit sales were, as expected down 17.2% (like-for-like down 14.8%) given the wider market softening, with the total financial impact slightly offset by a 1.2% increase in profit per unit as a result of the premium mix shift. The like-for-like units saw margin pressure with profit per unit down 2.6%

- Used vehicle unit sales down 6.9% following site closures (like-for like down 2.6%), offset by a 11.6% (like-for like 6.3%) improvement in profit per unit which reflects the Group's portfolio changes and the additional new HLS brands
- Aftersales Revenue increased 1.6% (like-for-like increase 4.1%)
- Continuing investment in the Freehold portfolio; to increase operational capacity and achieve site potentials
- Swindon Jaguar Land Rover "Arch" retail concept development completed in July 2018
- Hatfield Jaguar Land Rover, Aston Martin and McLaren development progressing well for completion of Jaguar Land Rover in December 2018 and Aston Martin and McLaren in January 2019
- Chelmsford and Tunbridge Wells Freeholds completely redeveloped to deliver Bentley and Lamborghini dealerships

## Mark Lavery, Chief Executive Officer of Cambria said:

"The 2017/18 financial year has been a busy period across the Group and I am pleased with the progress that has been made. The changes made in the Brand portfolio have led to significant disruption in our day to day operations as we have closed these businesses and developed the new facilities for the new franchises. We have extended our representation in the High Luxury segment with the addition of one McLaren, two Bentley and two Lamborghini dealerships. All of these brands have been brought into the Group without the payment of goodwill and are exceptional examples of value creation for our shareholders.

The year has also 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 regulations to WLTP (Worldwide Harmonised Light Vehicle Test Procedure) in September. We have also had to cope with Government driven central cost increases including the Apprenticeship Levy, pension contributions, increases in debit and credit card charges and increased property rating costs. Regrettably we have no control over these areas of cost increase.

That being said, our exceptional management team have worked incredibly hard and despite the uncertainty, disruption and brand portfolio changes we have delivered a solid revenue result and profit levels slightly ahead of market expectations. Our strong used car profit performance combined with growth in aftersales has been a significant contributor.

Current financial year trading has been in line with the Board's expectations in September and October and we are excited about the opening of our new Hatfield site which will house Jaguar Land Rover, Aston Martin and McLaren. This state of the art facility will be fully operational in January 2019.

We are very enthusiastic about the potential for growth with our new McLaren, Bentley, Lamborghini and Peugeot businesses.

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 4 January 2019 at Grange Aston Martin, Great North Road, Welwyn Garden City, AL8 7TQ (the "AGM").

The annual report and financial statement for the year ended 31 August 2018 (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:**

**Cambria Automobiles** **Tel: 01707 280 851**
Mark Lavery, Chief Executive
James Mullins, Finance Director
www.cambriaautomobilesplc.com

**N+1 Singer - Nomad & Joint Broker** **Tel: 020 7496 3000**
Mark Taylor / Jen Boorer

**Zeus Capital - Joint Broker** **Tel: 020 7533 7727**
Dominic King

**FTI Consulting** **Tel: 020 3727 1000**
Alex Beagley / James Styles / Fern Duncan

## Chairman's statement

After what has been an incredibly busy year for the management team, I am pleased to report that Cambria has delivered another strong set of results for the full year ended 31 August 2018, against a challenging consumer backdrop and significant uncertainty caused by Brexit. The results show continued improvement in the Group's used car and aftersales operations, along with successful delivery of its stated strategy to enhance the franchise portfolio alongside the property investment programme. The Group, in its 12th year of trading, delivered £9.8m of underlying pre-tax profit after absorbing losses for the site closures, whilst the like-for-like businesses generated £10.9m 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.

The strategic acquisitions which the Group has delivered over the past four 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.

As widely documented, the UK motor retail industry has weakened since March 2017 where it showed record registration figures. The new car market in 2017 saw registrations fall to 2.54m from 2.69m in 2016. In the 10 month period to October 2018, the market is down 7.2% on the 2017 comparative. The biggest change in the market is in the diesel segment which is down 30.7% to October. The new car market has been subject to a high level of disruption with changes to Vehicle Excise Duty, the supply-impacting WLTP regulation changes and diesel demonization all playing a part. The emergence of Alternatively Fuelled Vehicles through battery electric vehicles and plug in hybrid will undoubtedly play a significant role in the future of the new car market to meet stringent EU targets for emissions by 2021 and 2030. How this evolution will manifest itself and which manufacturers will be the winners is uncertain but there is significant capital being invested by the manufacturers.

During the 2018 financial year, the Group has delivered a financial performance with profit slightly ahead of both the Board and market expectations and the expected weakness in the new car sales that was highlighted last year. The Group has reported operational improvements in the past three financial years and, with the exception of new cars, these have continued into the 2017/18 financial year. On a total and like for like basis, Cambria generated gross profit growth across the used car and aftersales departments, with only the new car department experiencing a decline.

Group revenue decreased by 2.2% to £630.0m (2016/17: £644.3m). Underlying profit before tax fell by 13.3% to £9.8m (2016/17: £11.3m) and the Group delivered underlying earnings per share of 7.84p (2016/17: 9.19p) - a decrease of 14.7%.

The Group closed the year with net debt of £5.5m (2016/17: net cash £6.1m) after significant capital investments of £23.8m of which £19.8m was invested into the Group's property portfolio. The Group has net assets of £56.6m (2016/17: £50.4m), underpinned by the ownership of £64.3m (2016/17: £45.2m) of freehold and long leasehold properties.

Our capacity for making acquisitions, alongside the property development programme, was further enhanced in November 2017 with a refinancing and extension of banking facilities to £40m plus a £20m accordion facility. These facilities refinanced the previous £37m of total facilities with a £40m Revolving Credit Facility ("RCF") with a five year term available for acquisitions and property purchase and development.

Sadly, Sir Peter Burt, Non-Executive Director, passed away on 28 November 2017. Sir Peter had been a Non-Executive member of the Cambria board since 2008 and was Chair of the Nomination Committee and a member of the Audit Committee and had made a significant contribution to the Group's creation and development. Sir Peter was a founding partner and formerly the Chairman of Promethean Investments plc, which originally invested a total of £10.66 million in Cambria before the Group's listing on AIM in 2010.

**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 four 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

The Group closed its Swindon Motor Park business in January 2016 in preparation for the development of the Jaguar Land Rover "Arch" retail concept facility on the site.

To facilitate the development of the Chelmsford and Tunbridge Wells Bentley and Lamborghini sites, the Group closed two bodyshops along with an Alfa Romeo and Jeep business in Chelmsford and a Honda and Mazda business in Tunbridge Wells.

The Group took the decision to close its loss-making Blackburn site in July 2018, the site formerly represented Fiat, Alfa Romeo, Renault and Volvo. The site comprised a leasehold showroom for Fiat and Alfa Romeo and the break clause in the lease has been exercised. The Renault and Volvo showrooms are owned freehold and are currently held for sale.

Following the refranchising activity outlined above, the Group now comprises 27 dealerships, representing 42 franchises and 17 brands, a well-balanced brand portfolio spanning the high luxury, premium and volume segments.

The completion of the Swindon Jaguar Land Rover facility in July 2018 on the Group's Long Leasehold premises facilitated the relocation of Swindon Land Rover from the property in Royal Wootton Bassett to the new facility alongside Jaguar. The Royal Wootton Bassett freehold site is now held for sale. Subsequent to the year end, the Group has secured the Freehold title of the land on which the development sits from Swindon Borough Council. In the 2019 financial statements the Long Leasehold property will therefore be transferred to Freehold property.

The major property development at Hatfield which is due to complete in January 2019 will relocate the Group's Jaguar, Land Rover and Aston Martin dealerships in Welwyn Garden City which currently operate in short leasehold facilities into a purpose built freehold property with the addition of the McLaren franchise which will operate on the same site. The facilities will all comply with the manufacturers latest brand standards.

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 0.75p per share (2016/17: 0.75p), subject to shareholder approval, resulting in a total dividend for the year of 1.0p per share (2016/17: 1.0p) – maintaining the prior year level.

**Outlook**

As I stated in my report last year, the UK economy remains in a period of uncertainty while the ramifications of leaving the EU are worked through. There is a lack of clarity on how 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 both a weaker Sterling and any tariffs would undoubtedly have a detrimental effect on the new car market.

The team have done an incredible job by securing the addition of Bentley, Lamborghini, McLaren and Peugeot to the Group's brand portfolio. Whilst these businesses are very much in their infancy, the potential to contribute to the Group's growth as they mature is significant.

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 are excited about the opening of our Hatfield development in the coming months.

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 solid set of results for the 2018 financial year with profit slightly ahead of management and market expectations. The performance was delivered alongside significant franchising additions, changes, closures and site developments. Whilst the results are behind those achieved in 2017, in the context of the weaker new car market and the significant amounts of disruption in the sector and our own business, I am pleased with the performance for the year.

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

| **Year ended 31 August** | **2018** | 2017 | |
|---|---|---|---|
| | **£m** | £m | Change |
| Revenue | **630.0** | 644.3 | -2.2% |
| Underlying EBITDA* | **13.3** | 13.7 | -2.9% |
| Underlying operating profit* | **10.9** | 11.8 | -7.8% |
| Underlying profit before tax* | **9.8** | 11.3 | -13.3% |
| Underlying profit before tax margin* | **1.6%** | 1.8% | -20bps |
| Net Non-recurring income/ (expenses) | **(0.7)** | - | |
| Underlying earnings per share* | **7.84p** | 9.19p | -14.7% |
| Operating profit | **10.2** | 11.8 | -13.6% |
| Profit before tax | **9.1** | 11.3 | -19.3% |
| Earnings per share (basic) | **7.27p** | 9.18p | -20.8% |
| Dividend per share | **1.0p** | 1.0p | |

** These items exclude net non-recurring expenses of £0.7m relating to the refranchising activity and site closures (2017: (nil))*

The Group celebrated its 12th anniversary in July 2018. During those 12 years the Group has grown from one site with three new car franchises to 27 locations representing 42 new car franchises and 17 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 £9.8m in the 2018 financial year. During the year, the Group delivered a return on shareholder funds of 14.7%. The Group has consistently delivered strong operational cash flows and has built a net asset position of £56.6m underpinned by over £64m of freehold and long leasehold property. The Group has developed an exceptional franchise portfolio which has been enhanced further during 2018 through delivery of our property investments and the addition of Bentley, Lamborghini, McLaren and Peugeot to the Group's brand partnerships.

**Brand partnerships**

In line with our buy-and-build strategy, 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 | Fiat | 3 | | |
| Jaguar | 5 | Ford | 5 | | |
| Lamborghini | 2 | Honda | 1 | | |
| Land Rover | 4 | Jeep | 1 | | |
| McLaren | 1 | Mazda | 3 | | |
| Volvo | 4 | Nissan | 1 | | |
| | | Peugeot | 1 | | |
| | | Vauxhall | 2 | | |
| **Total** | **21** | | **19** | | **2** |

The Group's acquisition strategy evolved in 2013 to enhance our Premium and High Luxury brand representation which immediately focused on participating in the Jaguar Land Rover ("JLR") network restructuring. In January 2017 the Group acquired the Welwyn Garden City Land Rover business. The business currently operates from leasehold premises under a short lease agreed with the vendor. The Group's existing Jaguar and Aston Martin businesses in Welwyn Garden City are located two miles from the Land Rover dealership. In line with the strategy to combine the Jaguar and Land Rover dealerships into the new Arch concept facilities, the Group acquired a 4.3 acre development site on Hatfield Business Park. The building work began in January 2018 with the creation of the temporary showroom facility for McLaren to begin its representation on the site. The major building work has been underway through the year and the site will be ready for occupation of the Jaguar Land Rover facility in December 2018 and the Aston Martin and McLaren facilities in January 2019.

The capital cost of the newly developed facility for the four franchises is c.£17.0m. The acquisition and development of the land is being funded through the Group's existing cash and RCF facilities secured against the freehold property.

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 is enabling 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 to the dealership will begin in Q2 2019.

In July 2017, the Group acquired the Jaguar and Land Rover business in Woodford, North London and continues to work towards securing a suitable facility for the relocation of the operation.

During the 2015 financial year the Group acquired the Swindon Land Rover business. During the year the Group has re-developed its Swindon Motor Park, long leasehold location to provide a new JLR facility in line with the new Arch design concept for JLR facilities. Following completion of the development, the Land Rover business has re-located from the previous dealership property in Royal Wootton Bassett. The build cost for the facility was £6.6m, and this was funded from the Group's existing cash and new RCF facility. We are actively selling the Royal Wootton Bassett freehold property at present and have exchanged on the sale of the freehold subject to planning consent and expect to realise £2.75m. Post year end, we have acted on the opportunity to acquire the freehold title of the 3.2 acres of land that we occupied under a long leasehold interest. Given the structure of the rent review clause in the long lease over 3.2 acres and the beneficial impact on site value arising through freehold ownership, we decided to acquire the freehold title and completed on the purchase for £2.3m in October 2018.

The Group was given the opportunity to establish two new Bentley dealerships and two new Lamborghini dealerships in Essex and Kent and during the year we fully redeveloped both our Chelmsford and Tunbridge Wells facilities for these brands. The developments utilised existing Group freehold premises and have enhanced the value of both properties. The total project cost for both developments was £1.94m.

Whilst the investments outlined above are significant, the Board believes that the investment in the facilities for JLR, Aston Martin, Bentley, Lamborghini and McLaren are core to the future potential of the Group. The investment into the property portfolio in strategic, high profile locations will hold the Group in good stead to provide exceptional representation for its brand partners and a world class Guest experience.

**Operations**

| | **2018** | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Revenue** | **Revenue mix** | **Gross Profit** | **Margin** | Revenue | Revenue mix | Gross Profit | Margin |
| | **£m** | **%** | **£m** | **%** | £m | % | £m | % |
| New vehicles | 290.6 | 46.1 | 18.0 | 6.2 | 308.7 | 47.9 | 21.3 | 6.9 |
| Used vehicles | 279.1 | 44.3 | 24.6 | 8.8 | 277.3 | 43.0 | 23.5 | 8.5 |
| Aftersales | 72.5 | 11.5 | 28.5 | 39.4 | 71.4 | 11.1 | 27.8 | 38.9 |
| Internal sales | (12.2) | (1.9) | - | - | (13.1) | (2.0) | - | - |
| **Total** | 630.0 | 100.0 | 71.1 | 11.3 | 644.3 | 100.0 | 72.7 | 11.3 |
| Administrative expenses | | | (60.2) | | | | (60.9) | |
| Operating profit before non-recurring expenses | | | 10.9 | | | | 11.8 | |
| Non-recurring expenses | | | (0.7) | | | | - | |
| **Operating profit** | | | 10.2 | | | | 11.8 | |

***New vehicle sales***

| | **2018** | 2017 | **Year on year growth** |
|---|---|---|---|
| New units | **9,158** | 11,052 | **(17.1)%** |

New vehicle revenue decreased from £308.7m to £290.6m (5.9%) and total new vehicle sales volumes were down 17.1%. Excluding the impact of the acquisitions and disposals, our new volumes reduced by 14.8% on a like-for-like basis. Gross profit decreased by £3.3m (10.4%) in total and by £3.3m on a like-for-like basis. The reduced new vehicle volumes were partially offset by an improvement in the gross profit per unit sold which increased by 1.2%, a direct reflection of strengthening mix from the business additions which sell at higher price points.

The new car business has gone through a significant period of disruption with the closure or development of eight of the Group's franchise outlets; which has caused significant disruption in the day to day operations. However, the addition of two Lamborghini, two Bentley, one McLaren and one Peugeot franchise, will make a major contribution to the Group's growth plans as these new franchises mature.

On a like-for-like basis, excluding the impact of the additions and closures, our new volumes reduced by 14.8% with gross profit reducing by £3.3m as profit per unit also decreased by 2.6%. The like-for-like volume reduction was attributable to reductions in unit sales from certain volume manufacturer partners who have experienced significant reduction in national registrations.

The Group's sale of new vehicles to private individuals was 17.3% lower year-on-year at 7,751 units, reflecting the volume reduction that we anticipated. New commercial vehicle sales improved by 1.8% to 970 units in the period. New fleet unit vehicle sales decreased by 41.5% to 433 units.

The new vehicle registration data from the Society of Motor Manufacturers & Traders showed total registrations were down 6.8% in the rolling 12 month period to August 2018. The registration of cars to private individuals was down 4.7% 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 27.8%.

***Used vehicle sales***

| | **2018** | 2017 | **Year on year growth** |
|---|---|---|---|
| Used units | **13,739** | 14,765 | **(6.9)%** |

We have delivered another good performance in used vehicle sales. Revenues increased from £277.3m to £279.1m whilst the number of units sold declined by 6.9%, partly driven by the site closures. The gross profit on used vehicles increased by £1.1m to £24.6m, with profit per unit sold increasing 11.6%.

On a like-for-like basis, volumes were down 2.6% while the gross profit generated increased by £1m (4.7%) with profit per unit increasing by 6.3%.

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 125%. This level was reduced from the 129% 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 125% remains significantly ahead of the industry average of 85%.

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

***Aftersales***

| | **2018** | 2017 | **Year on year growth** |
|---|---|---|---|
| Aftersales Revenue | 72.5m | £71.4m | **1.5%** |

Combined aftersales revenue increased 1.5% year on year from £71.4m to £72.5m and related gross profit increased to £28.5m from £27.8m. Like-for-like aftersales revenues were 4.1% higher year on year, with gross profit improving 5.7% to £26.8m, up £1.4m.

The aftersales departments contributed 11.5% of the Group's revenue, and 40.1% of the Group's overall gross profit. The aftersales margin was improved in the year as a result of the increase in labour hours sold.

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.

The 0-3 year car parc continues to be replenished, as the increase in new car sales experienced over the previous years produces cars ready for interaction with our aftersales operations.

Total underlying administrative expenses remained well controlled during the year and as a percentage of revenue remained at 9.57%, 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, like the JLR acquisitions, 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 2018 will see a further reduction on 2017, with current SMMT forecasts at 2.38m, 11.5% down on the record 2.69m registrations of 2016.

There is little doubt that market sentiment has been impacted since the EU referendum vote in 2016. With the current weakness in the sterling exchange rate, 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 negative impact with a significant amount of negative media coverage and clear political positioning in relation to diesel vehicle emissions.

Whilst the 2018 financial year delivered a solid set of results, as a result of the uncertainty in the economic outlook, the Board remains cautious about the new car trading environment in 2019. Post the period end, September and October trading were in line with the Board's expectations and the previous year, supported by strong performances in our used car and aftersales operations.

We are enthusiastic about the potential for growth with our new McLaren, Bentley, Lamborghini and Peugeot businesses.

We have continued to make significant achievements in progressing both our property portfolio and franchising strategy are the Board is excited about the opportunities that exist with both our existing and new Brands.

**Mark Lavery**
**Chief Executive**

## Finance Director's report

### Overview

Total revenues in the period decreased 2.2% to £630.0m from £644.3m in the prior year. New vehicle unit volumes were down 17.1% and new vehicle revenues were down 5.8%. Used car sales increased by 1.1% although units reduced by 6.9%. Revenues from the aftersales businesses increased by 1.5%, compared with the previous year.

Total gross profit decreased by £1.6m (2.2%) from £72.7m to £71.1m in the year. Gross profit margin across the Group remained consistent at 11.3%, reflecting the change in revenue mix with improvements in used cars and aftersales margins offsetting a reduction in new car margin. 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. The aftersales operations contributed 40.1% 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 74.7% of the Group's total gross profit mix.

During the year, the Group has non-recurring net expenses of £0.7m. These related to the closure costs of Blackburn, the two bodyshops and the Chelmsford and Tunbridge Wells businesses for the refranchising activity.

Underlying EBITDA was £13.3 in the period from £13.7m in the previous year. Underlying operating profit was £10.9m, compared with £11.8m in the previous year, resulting in an underlying operating margin of 1.6% (2016/17: 1.8%).

Net finance expenses increased to £1m (2016/17: £0.5m) as a result of the increased borrowing to fund the property developments and increased consignment stocking charges.

The Group's underlying profit before tax reduced by 13.3% to £9.8m, compared with £11.3m in the previous year.

Underlying earnings per share were 7.84p (2016/17: 9.19p). Basic earnings per share were 7.27p (2016/17: 9.18p) and the Group's underlying return on shareholders' funds for the year was 14.7% (2016/17: 19.87%).

### Taxation

The Group tax charge was £1.9m (2016/17: £2.1m) representing an effective rate of tax of 20.3% (2016/17: 18.4%) on a profit before tax of £9.1m (2016/17: £11.3m). As outlined in last year's report, it is anticipated that the tax rate will continue at a substantially normal effective tax rate.

### Financial position

The Group has a robust balance sheet with a net asset position of £56.6m underpinned by £64.3m of freehold and long leasehold property which are held on a historic cost basis.

In November 2017, the Group refinanced the Banking facilities and as a result, the revised £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 2018 was £5.5m (2016/17: net cash £6.1m), reflecting a cash position of £15.5m (2016/17: £23m). This is after the £23.8m 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 £5.0m overdraft facility which is used to manage seasonal fluctuations in working capital. The overdraft facilities are renewable annually and are next due in September 2019.

**Cash flow and capital expenditure**

The Group generated an operating cash inflow of £13.2m with working capital reducing by £3.0m 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. Total funds invested in capital expenditure were £23.8m. In the year, the Swindon development incurred £6.6m of capex to complete the project, the Hatfield development incurred £5.7m for the land purchase and £5.4m on the development. The Chelmsford and Tunbridge Wells property developments amounted to £1.9m. Including the fitout cost of Swindon and the Tunbridge Wells and Chelmsford developments, there were fixtures, fittings plant and machinery additions of £3.7m and computer expenditure of £0.2m.

During the year, prior to the refinancing capital repayment of £0.3m were made. There has been a further draw down of £4.5m during the year.

As a result of the net cash outflow of £7.5m, the gross cash position was £15.5m with gross debt of £21m and overall net debt of £5.5m after significant investment, compared with net cash at 31 August 2017 of £6.1m.

**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 financial year delivered on committed projects. Over the coming 24 months the Group intends to complete the following major freehold investments; Swindon land freehold purchase at £2.3m Hatfield JLR, Aston Martin and McLaren completion at c.£6m and Solihull Aston Martin at c.£5m. The developments will be funded through a drawdown of RCF and existing cash. The Board intends to draw down against the RCF normal Loan to Value security against each development which the Board forecasts at 70% of the land purchase and development cost.

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 acquired over the past three years.

**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 £0.4m (2016/17: £0.3m) 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 2018 of 0.75p per share in addition to the interim dividend of 0.25p per share paid in May 2018. If approved by the shareholders at the Annual General Meeting to be held on 4 January 2019, the dividend will be payable on 21 January 2019 to those shareholders registered on 28 December 2018, with an ex-dividend date of 27 December 2018. 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 2018*

| | | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| Revenue | *4* | **630,065** | 644,286 |
| Cost of sales | | **(558,944)** | (571,607) |
| **Gross profit** | *4* | **71,121** | 72,679 |
| Administrative expenses | | **(60,969)** | (60,901) |
| **Results from operating activities** | *4* | **10,152** | 11,778 |
| Finance income | *6* | **74** | 49 |
| Finance expenses | *6* | (1,102) | (576) |
| **Net finance expenses** | | **(1,028)** | (527) |
| **Profit before tax from operations before non-recurring income/ (expenses)** | | **9,827** | 11,265 |
| Net non-recurring income and expenses | *3* | **(703)** | (14) |
| **Profit before tax** | | **9,124** | 11,251 |
| Taxation | *7* | **(1,853)** | (2,071) |
| **Profit and total comprehensive income for the period** | | **7,271** | 9,180 |
| **Basic and diluted earnings per share** | *5* | **7.27p** | 9.18p |

All comprehensive income is attributable to owners of the parent company.

## Consolidated statement of changes in equity

*for year ended 31 August 2018*

| | Share capital<br>£000 | Share premium<br>£000 | Retained earnings<br>£000 | Total equity<br>£000 |
|---|---|---|---|---|
| Balance at 31 August 2016 | 10,000 | 799 | 31,327 | 42,126 |
| Profit for the year | - | - | 9,180 | 9,180 |
| Dividend paid | - | - | (950) | (950) |

| | | | | |
|---|---|---|---|---|
| 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 |

## Consolidated statement of financial position

***at 31 August 2018***

| | | **2018** | 2017 |
|---|---|---|---|
| | | **£000** | £000 |
| **Non-current assets** | | | |
| Property, plant and equipment | *8* | **67,050** | 49,321 |
| Intangible assets | *9* | **21,501** | 21,365 |
| | | **88,551** | 70,686 |
| **Current assets** | | | |
| Inventories | *10* | **89,675** | 105,419 |
| Trade and other receivables | *11* | **11,442** | 12,428 |
| Cash and cash equivalents | | **15,517** | 23,046 |
| Property assets classified as held for resale | *12* | **3,195** | - |
| | | **119,829** | 140,893 |
| **Total assets** | | **208,380** | 211,579 |
| **Current liabilities** | | | |
| Other interest-bearing loans and borrowings | *13* | **-** | (1,000) |
| Trade and other payables | *14* | **(128,794)** | (142,498) |
| Taxation | | **(721)** | (801) |
| | | **(129,515)** | (144,299) |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | *13* | **(21,053)** | (15,883) |
| Provisions | *15* | **(1,000)** | (1,000) |
| Deferred tax liability | | **(185)** | (41) |
| | | **(22,238)** | (16,924) |
| **Total liabilities** | | **(151,753)** | (161,223) |
| **Net assets** | | **56,627** | 50,356 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | | **10,000** | 10,000 |
| Share premium | | **799** | 799 |
| Retained earnings | | **45,828** | 39,557 |
| **Total equity** | | **56,627** | 50,356 |

# Consolidated cash flow statement
*for year ended 31 August 2018*

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **7,271** | 9,180 |
| *Adjustments for:* | | | |
| Depreciation, amortisation and impairment | *8/9* | **2,481** | 2,271 |
| Financial income | *6* | **(74)** | (49) |
| Financial expense | *6* | **1,102** | 576 |
| Loss on disposal of fixed assets | | **74** | 324 |
| Taxation | *7* | **1,853** | 2,071 |
| Non-recurring (income)/expenses | *3* | **703** | (411) |
| | | **13,410** | 13,962 |
| Change in trade and other receivables | | **986** | 886 |
| Change in inventories | | **15,744** | (10,351) |
| Change in trade and other payables | | **(13,704)** | 12,767 |
| | | **16,436** | 17,264 |
| Interest paid | | **(785)** | (350) |
| Tax paid | | **(1,790)** | (2,461) |
| Non-recurring expenses | *3* | **(703)** | - |
| **Net cash from operating activities** | | **13,158** | 14,453 |
| **Cash flows from investing activities** | | | |
| Interest received | | **74** | 49 |
| Proceeds from sale of plant and equipment | | **136** | - |
| Receipt of insurance claim settlement | *3* | **-** | 411 |
| Purchase of property, plant and equipment and software | *8/9* | **(23,750)** | (7,941) |
| **Net cash from investing activities** | | **(23,540)** | (7,481) |
| **Cash flows from financing activities** | | | |
| Proceeds from new loan | | **4,500** | 3,433 |
| Interest paid | | **(317)** | (226) |
| Repayment of borrowings | | **(330)** | (6,000) |
| Dividend paid | | **(1,000)** | (950) |
| **Net cash from financing activities** | | **2,853** | (3,743) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(7,529)** | 3,229 |
| Cash and cash equivalents at 1 September 2017 | | **23,046** | 19,817 |
| **Cash and cash equivalents at 31 August 2018** | | **15,517** | 23,046 |

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

These financial statements as at 31 August 2018 consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its 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"). The Company has elected to prepare its parent company financial statements in accordance with FRS101.

## 2 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.

| | **2018** | **2018** | **2018** | **2018** | 2017 | 2017 | 2017 | 2017 |
|---|---|---|---|---|---|---|---|---|
| | **Revenue** | **Revenue mix** | **Gross profit** | **Margin** | Revenue | Revenue mix | Gross profit | Margin |
| | **£m** | **%** | **£m** | **%** | £m | % | £m | % |
| New Car | 290.6 | 46.1 | 18.0 | 6.2 | 308.7 | 47.9 | 21.3 | 6.9 |
| Used Car | 279.1 | 44.3 | 24.6 | 8.8 | 277.3 | 43.0 | 23.6 | 8.5 |
| Aftersales | 72.5 | 11.5 | 28.5 | 39.4 | 71.4 | 11.1 | 27.8 | 38.9 |
| Internal sales | (12.2) | (1.9) | - | - | (13.1) | (2.0) | - | - |
| **Total** | 630.0 | 100.0 | 71.1 | 11.3 | 644.3 | 100.0 | 72.7 | 11.3 |
| Administrative expenses | | | (60.2) | | | | (60.9) | |
| Operating profit before non-recurring expenses | | | 10.9 | | | | 11.8 | |
| Non-recurring income/ (expenses) | | | (0.7) | | | | - | |
| **Operating profit** | | | 10.2 | | | | 11.8 | |

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.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Profit Before Tax | **9,124** | 11,251 |
| Non-recurring expenses *(note 5)* | **703** | 14 |
| Underlying Profit Before Tax | **9,827** | 11,265 |
| Net finance expense | **1,028** | 527 |

| | | |
|---|---|---|
| Depreciation and amortisation | **2,481** | 1,887 |
| Underlying EBITDA | **13,336** | 13,679 |
| Other operating profit | | - |
| Non-recurring expenses | **(703)** | (14) |
| EBITDA | **12,633** | 13,665 |

### 3 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.

| | **2018** **£000** | 2017 £000 |
|---|---|---|
| Site closures costs | **(703)** | - |
| Welwyn fire insurance claim – replacement of fixed assets | **-** | 411 |
| - impairment for value in use | **-** | (367) |
| - impairment of fixed assets destroyed | **-** | (20) |
| - excess on insurance policy | **-** | (5) |
| -professional fees | **-** | (33) |
| | **(703)** | (14) |

### 4 Staff numbers and costs

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

| | **Number of employees** | |
|---|---|---|
| | **2018** | 2017 |
| Sales | **368** | 385 |
| Service | **449** | 447 |
| Parts | **96** | 113 |
| Administration | **247** | 265 |
| | **1,160** | 1,210 |

The aggregate payroll costs of these persons were as follows:

| | **£000** | £000 |
|---|---|---|
| Wages and salaries | **35,199** | 35,752 |
| Social security costs | **3,815** | 3,843 |
| Expenses related to defined contribution plans | **397** | 338 |
| Share based payments expense | **32** | 32 |
| | **39,443** | 39,965 |

## 5 Earnings per share

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

The share options are not currently dilutive because the performance conditions are not yet met.

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 £7,840,000 divided by £53,491,000 giving 14.7%.

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Profit attributable to shareholders | **7,271** | 9,180 |
| Non recurring (income)/ expenses (Note 3) | **703** | 14 |
| Tax on adjustments (at 19% *(2017: 20%)*) | **(134)** | (3) |
| Adjusted profit attributable to equity shareholders | **7,840** | 9,191 |
| Number of shares in issue ('000) | **100,000** | 100,000 |
| Basic earnings per share | **7.27p** | 9.18p |
| Adjusted earnings per share | **7.84p** | 9.19p |

## 6 Finance income and expense

**Recognised in the income statement**

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| ***Finance income*** | | |
| Rent deposit interest | **-** | 2 |
| Interest receivable | **74** | 47 |
| Total finance income | **74** | 49 |
| ***Finance expense*** | | |
| Interest payable on bank borrowings | **317** | 226 |
| Consignment and vehicle stocking interest | **785** | 350 |
| Total finance expense | **1,102** | 576 |
| Total interest expense on financial liabilities held at amortised cost | **317** | 226 |
| Total other interest expense | **785** | 350 |
| | **1,102** | 576 |

## 7 Taxation

**Recognised in the income statement**

| | **2018** | 2017 |
|---|---|---|

| | £000 | £000 |
|---|---|---|
| *Current tax expense* | | |
| Current year | **1,767** | 2,049 |
| Adjustment in respect of prior years | **(58)** | (32) |
| | **1,709** | 2,017 |
| *Deferred tax* | | |
| Adjustment in respect of prior years | **48** | (80) |
| Origination and reversal of temporary differences | **96** | 134 |
| | **144** | 54 |
| Total tax expense | **1,853** | 2,071 |

**Reconciliation of total tax**

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| Profit for the year | **7,271** | 9,180 |
| Total tax expense | **1,853** | 2,071 |
| Profit excluding taxation | **9,124** | 11,251 |
| Tax using the UK corporation tax rate of 19% (*2017: 19.58%)* | **1,734** | 2,203 |
| Non-deductible expenses | **35** | 34 |
| Accounting deprecation for which no tax relief is due | **218** | 182 |
| Utilisation of brought forward losses | **(113)** | (154) |
| Change in tax rate | **(11)** | (14) |
| Adjustments in respect of prior years | **(10)** | (112) |
| Other fixed asset differences | **-** | (68) |
| Total tax expense | **1,853** | 2,071 |

The applicable tax rate for the current year is 19% *(2017: 19.58%)* following the reduction in the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017.

This will reduce the company's future current tax charge accordingly.

## 8 Property, plant and equipment

| | 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 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 September 2016 | 41,319 | - | 4,117 | 4,544 | 3,161 | 6,439 | 59,580 |
| Additions | 4,571 | - | - | - | 953 | 2,417 | 7,941 |
| Branch acquisitions | - | - | - | - | - | - | - |

| | 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 |
|---|---|---|---|---|---|---|---|
| Disposals | - | - | - | (1,546) | (758) | (1,169) | (3,473) |
| Reclassification | - | - | - | (514) | - | 514 | - |
| 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 31 August 2018** | 50,590 | 5,392 | 10,779 | 2,182 | 4,419 | 9,461 | 82,823 |
| **Depreciation** | | | | | | | |
| Balance at 1 September 2016 | 3,407 | - | 706 | 4,176 | 2,353 | 4,989 | 15,631 |
| Charge for the year | 611 | - | 105 | 120 | 356 | 668 | 1,860 |
| Disposals | - | - | - | (1,275) | (726) | (1,148) | (3,149) |
| Impairment | - | - | - | - | 269 | 116 | 385 |
| Reclassification | - | - | - | (693) | - | 693 | - |
| Balance at 1 September 2017 | 4,018 | - | 811 | 2,328 | 2,252 | 5,318 | 14,727 |
| Depreciation 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 31 August 2018** | 4,770 | - | 917 | 2,107 | 2,468 | 5,511 | 15,773 |
| **Net book value** | | | | | | | |
| At 31 August 2017 | 41,872 | - | 3,306 | 156 | 1,104 | 2,883 | 49,321 |
| **At 31 August 2018** | **45,820** | **5,392** | **9,862** | **75** | **1,951** | **3,950** | **67,050** |

As at 31 August 2018 the Group was partially through the building project relating to its Hatfield dealership development. There was a further £4.9m of contract sum payments to be made under the terms of the agreement with the main contractor *(2017: £6m relating to Swindon).*

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

*Security*
The title of all freehold and long leasehold properties have been pledged as security to the bank loans disclosed in note 13.

*Property, plant and equipment under construction*

At 31 August 2018 the Hatfield Jaguar Land Rover dealership was under construction, included in Freehold land and buildings is an amount of £Nil.

## 9 Intangible assets

| | Goodwill £000 | Software £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 September 2016 | 21,346 | 800 | 176 | 22,322 |

| | | | | |
|---|---|---|---|---|
| Additions | | | | |
| Balance at 1 September 2017 | 21,346 | 800 | 176 | 22,322 |
| Additions | - | 188 | - | 188 |
| Balance at 31 August 2018 | 21,346 | 988 | 176 | 22,510 |
| **Amortisation and impairment** | | | | |
| Balance at 1 September 2016 | - | 755 | 176 | 931 |
| Amortisation | - | 26 | - | 26 |
| Balance at 1 September 2017 | - | 781 | 176 | 957 |
| Amortisation for the year | - | 52 | - | 52 |
| Balance at 31 August 2018 | - | 833 | 176 | 1,009 |
| **Net book value** | | | | |
| At 31 August 2017 | 21,346 | 19 | - | 21,365 |
| **At 31 August 2018** | **21,346** | **155** | **-** | **21,501** |

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

* Owned directly by Cambria Automobiles Acquisitions Limited

** Owned directly by Cambria Automobiles Group Limited

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

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

The registered office of all of the Group Companies is Dorcan Way, Swindon, SN3 3RA.

*Amortisation charge*

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

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Administrative expenses | **51** | 26 |

*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 to be connected groupings of dealerships. The identified CGUs, grouped for allocation of goodwill are as follows:

| | Goodwill | |
|---|---|---|
| | **2018** | 2017 |
| | **£000** | £000 |
| Multiple units without significant goodwill | **346** | 346 |
| Jaguar Land Rover | **21,000** | 21,000 |
| | **21,346** | 21,346 |

The recoverable amount of the Jaguar Land Rover cash generating unit (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 2019 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 £47m (2017: £44m). 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.

## 10 Inventories

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Vehicle consignment stock | **43,453** | 74,682 |
| Motor vehicles | **43,117** | 27,524 |
| Parts and other stock | **3,105** | 3,213 |
| | **89,675** | 105,419 |

Included within inventories is £nil (*2017: £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 £555 million (*2017: £567 million)*.

## 11 Trade and other receivables

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| Trade receivables | **8,026** | 6,588 |
| Prepayments and other receivables | **3,416** | 5,840 |
| | **11,442** | 12,428 |

Included within trade and other receivables is £nil (*2017: £nil)* expected to be recovered in more than 12 months.

## 12 Property Assets Classified as held for resale

During the year 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 has been transferred at its net book value to assets classified and 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.

## 13 Other interest-bearing loans and borrowings

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

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| **Non-current liabilities** | | |
| Secured bank loans | **21,053** | 15,883 |
| **Current liabilities** | | |
| Secured bank loans | **-** | 1,000 |

*Terms and debt repayment schedule*

All debt is in GBP currency

| | Nominal interest rate | Year of Maturity | Face Value and Carrying Amount 2018 £000 | Face Value and Carrying Amount 2017 £000 |
|---|---|---|---|---|
| Loan 31/12/2015 | LIBOR +1.20%* | 2020 | **21,053** | 16,883 |
| | | | **21,053** | 16,883 |

*The Facilities arranged in November 2015 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.

## 14 Trade and other payables

| | **2018** | 2017 |
|---|---|---|
| | **£000** | £000 |
| ***Current*** | | |
| Vehicle consignment creditor | **51,899** | 89,024 |
| Other trade payables | **10,785** | 14,021 |
| Non-trade payables and accrued expenses | **24,368** | 13,539 |
| Vehicle funding | **41,742** | 25,914 |
| | **128,794** | 142,498 |

Included within trade and other payables is £nil *(2017: £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.

## 15 Provisions

| | Leases £000 |
|---|---|
| Balance at 1 September 2017 | 1,000 |
| Provisions used during the year | - |
| Provisions made in year | - |
| **Balance at 31 August 2018** | **1,000** |
| Current | - |
| Non-current | 1,000 |
| Balance at 31 August 2017 | **1,000** |
| Current | - |
| Non-current | 1,000 |
| **Balance at 31 August 2018** | **1,000** |

The provision represents a lease acquired on unfavourable terms and is being 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.

## 16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | **2018 £000** | 2017 £000 |
|---|---|---|
| Less than one year | **2,679** | 2,986 |
| Between one and five years | **9,118** | 9,949 |
| More than five years | **10,142** | 13,314 |
| | **21,939** | 26,249 |

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 £3,391,000 was recognised as an expense in the income statement in respect of operating leases *(2017: £3,141,000).*

## 17 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 2018 of 0.75p *(2017: 0.75p)* per share in addition to the interim payment of 0.25p per share (*2017: 0.25p*).