

**Cambria Automobiles plc  
Unaudited interim results  
for the six months ended 28 February 2011**

18 April 2011

Cambria Automobiles plc (“Cambria”, or “the Group”) announces its interim results for the six months ended 28 February 2011. Cambria was admitted to AIM on 1 April 2010 and is a franchised motor retailer operating 39 franchised outlets from 26 locations in the UK.

**Financial highlights**

- Total revenue increased 5% year on year to £184.2m including £23.9m from acquisitions made during the previous financial year
- Profit before tax of £2.6m was ahead of the Board’s expectations, and slightly ahead of prior year
- Continuing businesses made a profit before tax of £3m, whilst the acquisitions made in the previous financial year made a loss of £0.4m
- Underlying EBITDA increased 14% to £3.8m from £3.3m
- Underlying EPS increased to 1.89p from 1.85p
- Robust balance sheet position with only £0.3m of goodwill
- Net debt £4.9m down from £9.6m at 28 Feb 2010
- Gearing reduced to 27% from 60%
- £8m of cash plus a new £5m, 3 year revolving credit facility to fund acquisitions
- NAV of £17.9m under-pinned by £22m of freehold and long leasehold property

**Operating performance highlights**

- New vehicle unit sales decreased 10% year on year to 3,882 from 4,290, offset by higher profit per unit
- New car units sales increased 30% adjusted for exclusion of 1,297 scrappage units delivered in the 6 month period to 28 February 2010
- Used vehicle unit sales increased 14% year on year to 7,016 generating a 9% increase in gross profit
- Aftersales revenues increased by 10% and gross profits increased by 11%
- Maidstone freehold property significantly redeveloped during the period for Mazda and Honda
- Blackburn property development completed during the period in order to add Alfa Romeo and a further Renault franchise onto the Blackburn motor park facility alongside Volvo and Fiat

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

*“We are delighted to announce another strong trading performance for the half year, which has seen Cambria deliver growth through the continued integration of the businesses acquired during our 2010 financial year. The performance is all the more pleasing against the backdrop of a new car market that is 13% down (private registrations 26% down) compared with the corresponding period last year.*”

*Cambria’s continuing businesses have shown improved profitability year on year, whilst we have continued to invest in the businesses acquired in 2010 including a major refurbishment of the Maidstone property for Mazda and Honda. These acquisitions now have the foundations to improve their financial performance in line with our strategy. Our prudent approach to balance sheet management and costs places Cambria in a strong position to take advantage of acquisition opportunities as they arise”.*

**For further information please contact:**

**Cambria Automobiles plc**

Mark Lavery, Chief Executive

James Mullins, Finance Director

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## Directors Review of the Period

### Introduction

The Board is pleased to present the interim financial statements for the six months to 28 February 2011. This is the second set of interim results announced since Cambria was admitted to AIM on 1 April 2010. The Directors are delighted with the Group's operating and financial performance for the first half of the financial year which is ahead of the Board's expectations and slightly ahead of the corresponding period in 2010 with a profit before tax for the half year of £2.6m compared with £2.5m.

In the six month period, the UK car market saw new vehicle registrations decrease by 13% year on year with total registrations of 0.92 million against 1.06 million in the previous year (source: SMMT). The private registration segment of the new car market was impacted further, falling by 26% year on year. This decline has in part reflected the withdrawal of the governments' scrappage scheme. The scheme ran from May 2009 to March 2010 and in the six month period from September 2009 to February 2010 accounted for 21% of the market with 0.22 million car registrations.

### Financial Review

	<i>Six months ended 28 February 2011 £m</i>	<i>Six months ended 28 February 2010 £m</i>
Revenue	184.2	175.9
Underlying EBITDA*	3.8	3.3
Underlying operating profit*	3.1	2.7
Underlying profit before tax*	2.6	2.5
Underlying net profit margin*	1.43%	1.45%
EBITDA	3.8	3.2
Operating profit	3.1	2.6
Profit before tax	2.6	2.5
Transaction costs expensed in the period	-	0.07
Net profit margin	1.43%	1.41%
Underlying earnings per share*	1.89p	1.85p
Earnings per share	1.89p	1.78p
Net Assets	17.9	15.9

\*these items are adjusted for the expensing of £0.07m of transaction costs incurred in the period to 28 February 2010 only, there were no adjustments to 28 February 2011

Total revenues in the period increased 5% to £184.2m from £175.9m in the prior year. We have seen growth in the revenue derived from used cars of 10% and aftersales of 10%, but a decline of 3% in the revenue from new cars.

Gross profit increased by 8% to £24.1m from £22.4m in the period reflecting the increases in revenue outlined above and pleasingly, the gross profit margin across the Group for the period increased to 13.1% compared to 12.7% in the previous period due to the reduced revenue mix from the new car business which operates at lower margins to both the used car and aftersales departments.

There were no costs considered to be non-underlying transaction or listing costs incurred in the period, and therefore underlying adjustments relate only to the 2010 comparative numbers where £0.07m of transaction costs were incurred.

Underlying EBITDA in the period rose to £3.8m from £3.3m in the comparative period. Underlying operating profit was £3.1m compared to £2.7m, resulting in operating margins of 1.7%. Administrative expenses rose less than the rise in gross profit, increasing by 6% to £21.1m reflecting a full period of the operating expenses for the sites acquired during financial year 2010.

Net finance expenses for the period increased to £0.4m from £0.1m in the previous year. This increase was primarily the result of two factors; mortgage interest charges and consignment stocking costs. Mortgage interest charges were increased by £0.05m as a result of the additional £2.7m of term debt taken for the acquisition of 2 freehold

properties in February 2010. Consignment stocking costs were £0.26m higher due to the additional new car franchises held for the full period and higher consignment stock holding.

The Group's profit before tax increased to £2.6m compared with £2.5m in the prior year. The continuing businesses made a profit before tax of £3m whereas those businesses acquired during the 2010 financial year made a loss before tax of £0.4m. The tax charge for the period is £0.7m representing an effective tax rate of 28%. The underlying earnings per share for the period were 1.89p per share compared with 1.85p per share in the previous period. The return on shareholders funds for the six month period was 11.8%.

The Group continues to have a robust balance sheet with a net asset position of £17.9m under-pinned by £22m of freehold and long leasehold property. The Group has only £0.3m of goodwill within the balance sheet, the remaining £0.2m of intangible fixed assets related to software and software licenses. Mortgages amounting to £13.37m are secured against the freehold and long leasehold properties.

The net debt of the Group as at 28 February 2011 was £4.9m, reflecting the Group's gross debt of £13.37m and cash position of £8.45m.

During this period the Group generated an operating cash inflow of £0.4m, after allowing for a £3m increase in working capital, the majority of which is increased unfunded vehicle inventory of £2.3m and an increase in debtors and prepayments of £0.9m. During the period, the Group invested £0.8m in capital expenditure projects and made capital repayments of £0.3m and interest payments of £0.2m against the mortgages. The net cash outflow for the period was £0.8m.

The Board outlined in its Report and Financial Statements to 31 August 2010 that subject to the continuation of the strong trading performance of the Group that the Board would consider payment of its maiden dividend for the financial year ending 31 August 2011, and this continues to be the Board's intention.

## **Operating Review**

### **Group Strategy**

Since its incorporation in March 2006, the Group has followed its focused buy and build strategy of acquiring under-performing motor dealership assets. Following an acquisition the Cambria management team implement new financial and operational controls and processes in order to rationalise, restructure and develop each individual dealership. This tailored approach ensures the changes made to each dealership are sustainable and create shareholder value through achieving an appropriate contribution for the level of investment.

The Group has completed 7 separate transactions since its incorporation, 3 of the acquisitions were completed in the 2010 financial year, and the management team has spent time integrating those businesses into the Group ensuring that the systems and processes followed by established businesses are embedded into the new businesses. Of the 10 additional franchises added during 2010, 6 were acquired from administration, such businesses, having gone through a period of severe distress inevitably take greater time and effort to repair. The Group also completed the major redevelopment of its Maidstone freehold property from which it operates Honda and Mazda franchises, in order to bring the facility in line with those franchises' corporate identity requirements. The development process took 16 weeks and had a major impact on the trading performance of the site during this period.

We are pleased to report that the overall trading performance of the Group is ahead of both expectation and the prior year despite the withdrawal of the scrappage scheme. The government scrappage scheme had a positive impact on the Group performance in the previous year, representing 30% of the new car sales in the period, and 15% of the new vehicle department gross profit. The scrappage scheme ended in March 2010 with the last cars delivered in May 2010 and therefore no revenues were generated from the scrappage scheme in the period under review.

## Trading Performance

	6 months to 28 February 2011				6 months to 28 February 2010			
	Revenue	Revenue mix	Gross Profit	Margin	Revenue	Revenue mix	Gross Profit	Margin
	£m	%	£m	%	£m	%	£m	%
New Car	72.5	39.4	5.5	7.6	74.7	42.5	5.6	7.5
Used Car	90.2	49.0	7.8	8.7	81.7	46.4	7.1	8.7
Aftersales	25.6	13.9	10.8	42.1	23.2	13.2	9.7	41.8
Internal sales	(4.1)	(2.2)			(3.7)	(2.1)		
<b>Total</b>	<b>184.2</b>	<b>100.0</b>	<b>24.1</b>	<b>13.1</b>	<b>175.9</b>	<b>100.0</b>	<b>22.4</b>	<b>12.7</b>

**New vehicles** - new vehicle revenue was down 3% from £74.7m to £72.5m, with total new car and motorcycle sales of 3,822 units compared with 4,290 in 2010. The new vehicle department gross profit margin was 7.6% against 7.5% in 2010. The Group's performance should be considered against a backdrop of a 13% year on year decrease in new vehicle registrations in the UK for the period 1 September 2010 to 28 February 2011. The average selling price per unit and profit per unit increased as anticipated with the withdrawal of units delivered under the scrappage scheme.

**Used vehicles** – we have seen another strong performance in our used vehicle departments, with revenue increasing 10% from £81.7m to £90.2m, the number of units sold increased 14% from 6,139 to 7,016. Gross profit margin was maintained at 8.7%.

**Aftersales** – aftersales revenue increased 10% year on year from £23.2m to £25.6m. Aftersales gross profit increased by 11% year on year with an improved 42.1% gross profit margin, representing 45% of the Group's total gross profit.

## Business Development

As at 28 February 2011 the Group represented 13 separate manufacturers with 37 new car and motorcycle franchises operating from 25 locations across the UK. During the course of March 2011, a refurbishment of the property adjacent to the existing Blackburn dealership was complete, adding a further Renault dealership and the Group's first Alfa Romeo franchise to the Group. This now takes the Group to 39 franchises operating from 26 locations as shown below.

<b>Prestige</b>	<b>Volume</b>		<b>Motorcycle</b>		
Aston Martin	3	Citroen	1	Triumph	3
Alfa Romeo	1	Fiat	5		
Honda	2	Ford	5		
Jaguar	5	Mazda	4		
Lotus	1	Nissan	1		
Volvo	5	Renault	2		
		Seat	1		
	<b>17</b>		<b>19</b>		<b>3</b>

**Current Trading and Outlook**

The Board is able to report that the start to the second half of the year is in line with its expectations, and that despite a difficult economic environment the Group's trading performance remains resilient.

The Board has been able to agree a £5 million, 3 year revolving credit facility with its banking partner to provide the Group with further finance which is available to continue its buy and build strategy.

The Group continues to actively seek acquisition opportunities working with existing franchise partners and in conjunction with new potential franchise partners and is currently working on a number of acquisitions which may come to fruition during the course of the second half of the 2011 financial year.

**Consolidated Statement of Comprehensive Income**  
*for the six months ended 28 February 2011*

	<i>Notes</i>	6 months to 28 February 2011 £000	6 months to 28 February 2010 £000	12 months to 31 August 2010 £000
Revenue		184,184	175,947	392,117
Cost of Sales		(160,058)	(153,544)	(344,056)
Gross Profit		24,126	22,403	48,061
Administrative expenses		(21,055)	(19,804)	(44,878)
Results from operating activities		3,071	2,599	3,183
Finance income		12	10	12
Finance expenses		(455)	(135)	(588)
Net finance expenses		(443)	(125)	(576)
<b>Profit before tax from continuing operations</b>		<b>2,628</b>	<b>2,544</b>	<b>4,151</b>
before flotation and transaction costs		2,628	2,544	4,151
Flotation expenses		-	(70)	(1,474)
Transaction costs on business combinations		-	(70)	(70)
Profit before tax from continuing operations		2,628	2,474	2,607
Taxation	6	(736)	(693)	(657)
<b>Total comprehensive income for the period</b>		<b>1,892</b>	<b>1,781</b>	<b>1,950</b>
Basic and diluted earnings per share	4	1.89p	1.78p	1.95p

**Consolidated Statement of Changes in Equity**  
*for period ended 28 February 2011*

	Share Capital £000	Share premium £000	Retained earnings £000	Total Equity £000
<b>For the 6 months ended 28 February 2010</b>				
Balance at 31 August 2009	318	10,481	3,286	14,085
Profit for the period	-	-	1,781	1,781
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 February 2010	318	10,481	5,067	15,866
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>For the 12 months ended 31 August 2010</b>				
Balance at 31 August 2009	318	10,481	3,286	14,085
Restructuring of share capital	9,682	(9,682)	-	-
Profit for the period	-	-	1,950	1,950
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2010	10,000	799	5,236	16,035
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>For the 6 months ended 28 February 2011</b>				
Balance at 31 August 2010	10,000	799	5,236	16,035
Profit for the period	-	-	1,892	1,892
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 February 2011	10,000	799	7,128	17,927
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Consolidated Statement of Financial Position**

*as at 28 February 2011*

	As at 28 February 2011 £000	As at 28 February 2010 £000	As at 31 August 2010 £000
<b>Non-current assets</b>			
Property, Plant & equipment	25,586	24,927	25,520
Intangible assets	505	461	480
Deferred tax asset	508	645	508
	<hr/>	<hr/>	<hr/>
	26,599	26,033	26,508
	<hr/>	<hr/>	<hr/>
<b>Current assets</b>			
Inventories	68,976	58,035	62,435
Trade and other receivables	8,856	11,130	7,938
Cash & Cash equivalents	8,446	4,419	9,266
	<hr/>	<hr/>	<hr/>
	86,278	73,584	79,639
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	112,877	99,617	106,147
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Current liabilities</b>			
Other interest bearing loans and borrowings	(1,352)	(666)	(1,024)
Trade and other payables	(79,357)	(67,778)	(74,896)
Taxation	(1,255)	(693)	(519)
Provisions	(342)	(452)	(342)
	<hr/>	<hr/>	<hr/>
	(82,306)	(69,589)	(76,781)
	<hr/>	<hr/>	<hr/>
<b>Non-current liabilities</b>			
Other Interest Bearing loans and borrowings	(12,021)	(13,301)	(12,672)
Provisions	(115)	(216)	(151)
Other payables	(508)	(645)	(508)
	<hr/>	<hr/>	<hr/>
	(12,644)	(14,162)	(13,331)
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	(94,950)	(83,751)	(90,112)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>	17,927	15,866	16,035
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	10,000	318	10,000
Share premium	799	10,481	799
Retained earnings	7,128	5,067	5,236
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<b>Total equity</b>	17,927	15,866	16,035
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**Consolidated Cash flow statement**  
*for the six months ended 28 February 2011*

	6 months to 28 February 2011 £000	6 months to 28 February 2010 £000	12 months to 31 August 2010 £000
<b>Cash flows from operating activities</b>			
Profit for the period	1,892	1,781	1,950
Adjustments for:			
Depreciation, amortisation and impairment	681	613	1,338
Finance income	(12)	(10)	(12)
Finance expense	455	135	588
Gain on sale of property, plant and equipment	-	-	1
Taxation	736	693	657
Transaction and flotation expenses	-	70	1,544
	<hr/>	<hr/>	<hr/>
	3,752	3,282	6,066
(Increase) in trade and other receivables	(918)	(3,960)	(738)
(Increase) in inventories	(6,541)	(13,209)	(17,609)
Increase in trade and other payables	4,462	15,624	22,388
(Decrease) in provisions	(36)	(20)	(195)
	<hr/>	<hr/>	<hr/>
	719	1,717	9,912
Interest paid	(275)	1	(233)
Transaction and flotation expenses	-	(70)	(1,544)
	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities	444	1,648	8,135
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	-	-	-
Interest received	12	10	12
Acquisition of subsidiary, net of cash acquired	-	(5,082)	(5,082)
Acquisition of property, plant and equipment	(707)	(334)	(1,429)
Acquisition of other intangible assets	(66)	-	(57)
	<hr/>	<hr/>	<hr/>
Net cash flow from investing activities	(761)	(5,406)	(6,556)
<b>Cash flows from financing activities</b>			
Proceeds from new loan	-	2,678	2,655
Interest paid	(180)	(135)	(355)
Repayment of borrowings	(323)	(143)	(390)
	<hr/>	<hr/>	<hr/>
Net cash (outflow)/inflow from financing activities	(503)	2,400	1,910
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(820)	(1,358)	3,489
Cash and cash equivalents at start of period	9,266	5,777	5,777
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>8,446</b>	<b>4,419</b>	<b>9,266</b>
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## Notes

### 1 General information

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

These interim financial statements as at and for the six months ended 28 February 2011 comprise the Company and its subsidiaries (together referred to as the “Group”) and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRS”)

The financial statements for the period ended 28 February 2011 have neither been audited nor reviewed by the auditors. The financial information for the year ended 31 August 2010 has been based on information in the audited financial statements for that period.

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

### 2 Accounting policies

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

The Group’s financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as Adopted by the EU (“Adopted IFRSs”).

The accounting policies adopted in this interim financial report are consistent with the Group’s financial report for the year ended 31 August 2010 and can be found on our website [www.cambriaautomobilesplc.com](http://www.cambriaautomobilesplc.com).

**Notes** (continued)

**3 Operating Segments**

**Segmental reporting**

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

	6 months to 28 February 2011				6 months to 28 February 2010			
	Revenue	Revenue mix	Gross Profit	Margin	Revenue	Revenue mix	Gross Profit	Margin
	£m	%	£m	%	£m	%	£m	%
New Car	72.5	39.4	5.5	7.6	74.7	42.5	5.6	7.5
Used Car	90.2	49.0	7.8	8.7	81.7	46.4	7.1	8.7
Aftersales	25.6	13.9	10.8	42.1	23.2	13.2	9.7	41.8
Internal sales	(4.1)	(2.2)			(3.7)	(2.1)		
<b>Total</b>	<b>184.2</b>	<b>100.0</b>	<b>24.1</b>	<b>13.1</b>	<b>175.9</b>	<b>100.0</b>	<b>22.4</b>	<b>12.7</b>
Operating expenses			(21.0)				(19.8)	
Operating profit before flotation and transaction expenses			3.1				2.6	
Flotation and transaction expenses			-				(0.1)	
<b>Operating profit</b>			<b>3.1</b>				<b>2.5</b>	

The Board reviews the performance of the business in terms of both net profit before tax and EBITDA, as such the Board has included a reconciliation of EBITDA to the profit before tax.

**3 Segmental reporting**

	6 months to 28 February 2011	6 months to 28 February 2010
	£000	£000
Profit before tax	2,628	2,474
Net finance expense	443	125
Depreciation	681	613
Net loss/(gain) on disposal of property, plant and equipment	-	-
<b>EBITDA</b>	<b>3,752</b>	<b>3,212</b>
Transaction costs on business combinations	-	70
<b>Underlying EBITDA</b>	<b>3,752</b>	<b>3,282</b>

**Notes** *(continued)*

**4 Earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to equity shareholders by the number of ordinary shares in issue in the period. Prior to the admission on to AIM on 1 April 2010, the shareholder structure of the Group's parent company was composed of five different share classes with varying rights attributing to them. This share structure was reorganised prior to admission to AIM resulting in the conversion of the various classes of share into one class of ordinary share with 100,000,000 shares in issue. The analysis of earnings per share for the period ended 28 February 2010 has been prepared on the basis of the revised ordinary share structure, not on the basis if the shares in issue at the balance sheet date.

There are no dilutive share options in issue.

	<b>6 months to 28 February 2011 £'000</b>	<b>6 months to 28 February 2010 £'000</b>	<b>Year ended 31 August 2010 £'000</b>
Profit attributable to shareholders	1,892	1,781	1,950
Expense of transaction and flotation costs	-	70	1,544
Tax on adjustments (at 28%)	-	-	(432)
	<hr/>	<hr/>	<hr/>
Adjusted profit attributable to equity shareholders	1,892	1,851	3,062
	<hr/>	<hr/>	<hr/>
Adjusted number of share in issue ('000s)	100,000	100,000	100,000
	<hr/>	<hr/>	<hr/>
Basic earnings per share	1.89p	1.78p	1.95p
	<hr/>	<hr/>	<hr/>
Adjusted earnings per share	1.89p	1.85p	3.06p
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**Notes** (continued)

**5 Acquisitions**

Effect of Acquisitions in the period ended 28 February 2010.

On 31 October 2009, the Group acquired the trade and assets of certain dealerships from the administrators of Autohaus Limited for total cash consideration of £369,000. Transactions fees of £30,000 were expensed through operating expenses in the period. No goodwill arose on this transaction.

On 4 January 2010, the Group began trading as a Fiat and Mazda dealer in Bolton following the acquisition of certain assets from the administrator of Lythgoe Motors Limited for £22,500 on 23 December 2009.

On 25 February 2010, the Group acquired all of the ordinary shares of D&F Trading Limited and two freehold properties from Drake and Fletcher Limited. Immediately post acquisition D&F Trading Limited was renamed Invicta Motors (Maidstone) Limited. The acquisition had the following effect on the Group's asset and liabilities.

	<b>Recognised values on acquisition £000</b>
<b>Acquiree's Net Assets at the acquisition date</b>	
Freehold property	3,738
Plant and equipment	150
Inventories	1,303
Trade and other payables	(109)
	5,082
Goodwill on acquisition	-
Consideration Paid (transaction costs of £39,500 have been written off to operating expenses), satisfied in cash	5,082

There were no acquisitions in the period ended 28 February 2011.

**6 Taxation**

The tax charge for the six months ended 28 February 2011 has been provided at the effective rate of 28% (six months ended 28 February 2010: 28%).

The Group has an arrangement with the vendors of Cambria Automobiles (South East) Limited, which was acquired in the year ended 31 August 2008, under which an amount equal to any tax benefit received by the Group in relation to tax losses that existed at the date of acquisition must be paid to the vendors as additional consideration. At the date of acquisition, the utilisation of tax losses was not probable and therefore no deferred tax asset was recognised as part of the acquisition accounting, and the fair value of the liability for contingent consideration was immaterial. Subsequent to the acquisition, in the period to 31 August 2009, the utilisation of pre-acquisition losses became probable and, as a result, a deferred tax asset has been recognised. A liability for the contingent consideration payable to the vendors has been recognised at its fair value.