Annual report and financial statements

Registered number 05754547

31 August 2020

Contents


101


620R
LC69 AXP
P ZERO


HV22BFU


RIO GWD

Resilient performance despite significant period of turbulence as a result of COVID-19

Cambria, the franchised motor retailer, announces its final results for the year to 31 August 2020.

The Group reported a strong first half of the financial year, however the trading performance in the second half was significantly impacted by the COVID-19 pandemic and particularly the enforced national lockdown for the period 24 March 2020 to 31 May 2020, which required the closure of all non-essential retail businesses, including car showrooms.

Financial Highlights

Year ended 31 August	2020	2019	
	£m	£m	Change
Revenue	**524.0**	657.8	-20.3%
Underlying EBITDA excluding transition to IFRS 16* **	**16.2**	17.1	-5.3%
Underlying EBITDA with transition to IFRS 16* **	**18.8**	17.1	+9.9%
Underlying operating profit* **	**13.0**	13.6	-4.4%
Underlying profit before tax* **	**11.1**	12.3	-9.8%
Underlying profit before tax margin* **	**2.11%**	1.87%	+24bps
Underlying earnings per share*	**8.99p**	9.78p	-8.1%
Operating profit	**12.0**	13.9	-13.7%
Profit before tax	**10.2**	12.5	-18.4%
Earnings per share (basic)	**8.22p**	9.95p	-17.4%
Dividend per share	**-**	1.1p	

** These items exclude net non-recurring expense of £1.0m relating to reorganisation costs and acquisition costs (2019: profit on disposal of property assets held for resale £0.4m and closure costs £0.2m) See Note 5*

***The adoption of IFRS 16 has an impact on the PBT, Operating Profit and EBITDA calculation as a result of the operating lease expense for rent payable being unwound and replaced with depreciation and finance expense. See Note 4.*

- ✔ Strong balance sheet – net assets £71.7m (2019: £65.6m)
- ✔ Strong operational cash flows, net cash flow from operating activities of £16.4m (2019: £22.2m)
- ✔ Net cash of £3.5m (31 August 2019: net debt £3.8m), supported by the UK Government's Coronavirus Job Retention Scheme and Business Rates relief measures
- ✔ Continued disciplined investment in freehold property portfolio during year, deploying £4.2m in capital expenditure
- ✔ Underlying Return on Equity at 13.1% (2018/19: 16.0%)

Operational Highlights

- New unit sales to retail customers reduced 25.2% (like-for-like down 25.5%), and gross profit reduced despite the 2.8% (like-for-like up 1.5%) increase in profit per unit
- Lower margin Fleet and Commercial units reduced 33.3% and 39.7% respectively
- Overall unit sales of new vehicles reduced by 26.3% (like-for-like down 26.5%)
- Used vehicle unit sales down 20.9% following March lockdown (like-for like down 21.3%), partially offset by a 7.7% (like-for like 6.4%) improvement in profit per unit
- Aftersales Revenue reduced 14.7% (like-for-like down 15.3%)
- Group’s entry into the Scottish market with the acquisition of an Aston Martin dealership and its Freehold Property in Edinburgh taking the Group to four Aston Martin dealerships
- Strengthening of High Luxury Segment with acquisition of Rolls-Royce Motor Cars dealership in leasehold premises in Edinburgh, welcoming this prestigious brand into the portfolio
- Refranchising of Volvo Preston into Alfa Romeo and Jeep to create FCA Brand centre in Preston
- Completion of land purchase in Solihull for the development of Aston Martin Birmingham site relocation

Summary (continued)

Mark Lavery, Chief Executive Officer of Cambria said:

"The unprecedented and ongoing effects of the Covid-19 pandemic have put the Group through the most challenging period in its history, though against this backdrop the business has demonstrated its resilience. We endured the material and devastating impact of Lockdown 1 (24 March until 31 May), followed by the bounce back and pent up demand experienced during the summer months, which went some way to offsetting the damage the pandemic inflicted during that time.

The performance in the first half of the financial year to 29 February 2020 was unaffected by the pandemic and we had traded strongly during this period. In our Interim Results published on 6 May 2020 we highlighted that the impact of the pandemic and that the national lockdown would have a material negative impact on the financial performance in the second half and particularly during the March to May period, the year on year negative variance was significant.

The dramatic economic impact of the pandemic forced the Board to consider all its operating procedures and Guest handling processes. We took decisive action to protect the Group and to make it leaner, more flexible and agile in preparation for a very different market place and society once we emerged from the crisis.

At the time of writing, we are in the second enforced national lockdown and whilst our leaner, more flexible and more agile business is better equipped to deal with the challenges of a lockdown on our industry, it is still having a significant impact on our day to day trading.

I have flagged in previous statements that the motor industry is facing some significant changes over the coming years. We are concerned about our future relationship with the EU post conclusion of the BREXIT transition period on December 31st this year as this may lead to tariffs being in place for cars and parts being imported from Europe, which will drive up the price of those goods to UK consumers.

Our manufacturer partners continue to face the challenges of meeting compliance with the 2020 and 2021 CO_2 emissions targets and a number are facing significant fines for failing to meet the targets set. The UK Government has announced that it will be banning the sale of Internal Combustion Engine propelled vehicles from 2030 and Hybrids from 2035. These decisions will drive a need for the automotive manufacturers to develop compliant vehicles at a significant rate and incur a huge amount of R&D spend in doing so which will invariably drive up the price of vehicles for the general public. Along with the National Franchised Dealer Association and other motor retail executives, I have lobbied hard to try to stop government ministers from making this unfortunate decision and instead urged them to consider a more technology agnostic and balanced approach to achieving net zero by 2050. Political factors appear to be dominating the decision-making process rather than a coherent plan to finding the right practical solutions for reducing carbon emissions towards Net Zero by 2050.

The significant increase in unemployment will only accelerate post the conclusion of the Government Furlough scheme due to finish at the end of March 2021 and this leads me to be cautious about the coming financial year.

I would like to thank all our Associates across the business for their incredible application and flexibility during this unprecedented time and without which we would not have been able to navigate the challenges that the Covid-19 pandemic has forced upon the organisation.

Trading in the current financial year started well, with September and October results ahead of the previous year before the enforced Lockdown 2 commenced, which has again had a material negative impact on trading.

As a result of the unprecedented challenges imposed by COVID-19, Lockdown 2, the structural changes facing the Automotive Industry and the economic challenges that the UK will face post BREXIT and pandemic, the Board remains cautious in its outlook though confident that the Group has the right business model to face the challenges ahead".

Continued Suspension of Forward Guidance
The enforced national Lockdown 2 period (which commenced on 5 November) has resulted in the Group's car showrooms being required to close. This will have a material impact on the Group's financial performance in the financial year to 31 August 2021 and as a result, the Board continues to deem it prudent to suspend financial guidance to the market.

Notice of AGM
The Company also gives notice that the Annual General Meeting of the Company will be held at 10.30am on 7 January 2021 at Grange Aston Martin, Hatfield, AL10 9US (the "AGM").

Given the current COVID-19 pandemic and the associated UK Government measures, the AGM this year will need to be held as a closed meeting. Shareholders will not be permitted to attend the AGM other than to meet the quorum requirement under the Company's Articles of Association, for which the necessary members will be provided by the Company. Instead, shareholders are strongly encouraged to submit Forms of Proxy in favour of the Chairman of the AGM in order to ensure their votes will be counted.

In order to protect the health and wellbeing of our shareholders and Associates, any shareholder who seeks to attend the AGM in person, will be prevented from doing so on grounds of public safety. The proceedings of the AGM will be restricted to the formal business set out in the Notice of AGM. The results of the voting on each resolution will be announced and uploaded onto the Company's website promptly following the close of the AGM.

The Company will continue to monitor the UK Government measures. If circumstances change resulting in the lifting of measures preventing the movement or gathering of people before the date of the AGM, it will consider whether it is appropriate to open up the AGM for attendance by shareholders. If this is the case, an update will be given on the Company's website and by way of announcement to the regulatory news service of London Stock Exchange plc.

Chairman's statement

Despite the obvious challenges that the Group has faced during the course of the 2019/20 financial year I am pleased to report that Cambria has delivered a strong set of results in the circumstances. The Group has managed the operation of the business and risen to the challenges imposed by COVID-19 extremely well, balancing the safety of our Associates and Guests with the immediate need to sell vehicles and services and the medium term need to ensure that the Group is well placed to manage itself in a viable manner through the economic challenges that will follow in 2021 and thereafter.

Much of the strategic decision making during the year has been focussed on restructuring operations and cost base optimisation to ensure that the business is leaner, more agile, to ensure that it is able to cope with the evolving economic landscape and specific changes to the automotive industry.

Whilst dealing with the day to day operations, the management team has also continued to deliver on a number of strategic franchising and property investment objectives and been able to demonstrate profitability whilst absorbing those changes and at the same time generating positive net cash.

The Group continues to manage its cash flow well to ensure it has adequate liquidity. Some of the major investment projects were paused as a result of the pandemic and remain under review whilst the Board assesses its options in light of the pandemic, its impact on unemployment, BREXIT and the major changes impacting the automotive industry.

The Group, in its 14th year of trading, delivered £16.2m of underlying EBITDA (excluding IFRS 16 impact) and £11.1m of underlying pre-tax profit.

Since its inception in 2006, the Group has only raised a total of £10.8m in capital and continues to maintain an excellent return on shareholders' funds which this year reached 13.1%.

The strategic acquisitions, franchise changes and greenfield developments which the Group has delivered over the past six financial years have accelerated the Group's growth and created a solid foundation in the Premium and High Luxury Segment (HLS), giving Cambria a broader and enhanced franchised dealership portfolio mix. The addition of the Aston Martin and Rolls-Royce Motor Cars dealerships in Edinburgh in January 2020 continued to enhance the Group's development of its HLS portfolio and expand its geographical spread.

The new car market in the UK continues to come under pressure as a result of lockdowns, BREXIT and challenging emissions targets. 2019 finished with 2.31m registrations for the overall market. Based on the SMMT October outlook report, it is forecast to end 2020 at 1.56m registrations (down 32.5%) and the current forecast is set to see registrations in 2021 only to recover to 2.0m new car registrations. These are against a record 2.69m registrations in 2016. The biggest change in the market remains the diesel segment which is expected to be down 45.5% in the year largely as a result of negative media coverage and government measures.

Looking ahead, the new car market will be further disrupted as a result of the Government's recent announcement, as part of its Green Revolution, that it is bringing forward the banning of the sale of pure Petrol and Diesel cars from 2030 and Hybrids from 2035, which will mean a seismic shift in the need to develop pure Battery Electric Vehicles, currently the only alternative propulsion solution. This will undoubtedly lead to a significant restriction in consumer choice as these vehicles are significantly more expensive to produce than Internal Combustion Engine powered vehicles and the potential abandonment of personalised transport in rural areas.

An immediate challenge for the manufacturers is the need to meet the 2020 and 2021 CO2 emissions targets to avoid the punitive fines that they will receive for each gram of CO2 per kilometer that they exceed their target. These targets were originally set at a European level and therefore the targets that the manufacturer had to meet were averaged across the EU. The UK (which has a bigger component of higher emitting vehicles) was therefore offset by lower emitting countries. Post BREXIT the UK will adopt the same emissions targets for each manufacturer but without the benefit of averaging across the EU. This will therefore force the manufacturers to critically assess which cars they will be able to register in the UK to avoid the fines, making the sale of the cars non-viable. This again will reduce consumer choice and significantly increase the price of new cars supplied to the UK.

Focusing on the Group's 2019/20 results, revenue unsurprisingly reduced by 20.3% to £524.0m (2018/19: £657.8m). Underlying profit before tax decreased by 9.8% to £11.1m (2018/19: £12.3m) and the Group delivered underlying earnings per share of 8.99p (2018/19: 9.78p) - a decrease of 8.1%.

The Group closed the year with net cash of £3.5m (2018/19: net debt £3.8m) after capital investments of £5.4m of which £4.2m was invested into the Group's freehold property portfolio. The Group has net assets of £71.7m (2018/19: £65.6m), underpinned by the ownership of £81.3m (2018/19: £78.4m) of freehold properties.

Group overview

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

- Alfa Romeo and Jeep in Preston in March 2020
- Aston Martin and Rolls-Royce in Edinburgh in January 2020
- Vauxhall in Warrington in May 2019
- Citroen in Oldham in May 2019
- Suzuki in Maidstone in April 2019
- Peugeot in Warrington in October 2018
- Lamborghini in Tunbridge Wells in November 2018
- Lamborghini in Chelmsford in April 2018
- McLaren in Hatfield in January 2018
- Bentley in Essex and Kent in January 2018
- Woodford Jaguar Land Rover in July 2016
- Aston Martin Birmingham in May 2016
- Welwyn Garden City Land Rover in January 2016
- Swindon Land Rover in April 2015
- Barnet Jaguar Land Rover in July 2014

Following the refranchising activity outlined above, the Group now comprises 29 locations, representing 44 franchises and 19 brands, a well-balanced brand portfolio spanning the High Luxury, Premium and Volume segments.

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

Dividend

As a result of the COVID-19 pandemic and uncertainty over the outlook the Board has suspended dividends and does not propose a final dividend in respect of the financial year 2019/20 (2018/19: 0.85p).

Outlook

As highlighted at the start of my report, the COVID-19 pandemic has led to unprecedented social and economic challenges. We have little visibility on how this will continue to impact the way in which we live our lives day to day. This obviously has an impact on how motor cars are sold and since March 2020 the amount of travel that employees need to undertake for work has significantly reduced with home working and smarter technology usage for meetings becoming the norm.

The UK economy remains in a period of significant uncertainty while the ramifications of leaving the EU are worked through. Even at this late stage there is little clarity on how or if any free trade agreements will be negotiated and there continue to be major implications for the Sterling exchange rate and other fiscal levers. We are unclear as to how these factors will impact the UK motor trade although both a weaker Sterling and any tariffs would undoubtedly have a detrimental effect on the new car market.

The team has done a good job in navigating through the challenges and continues to evolve the Group strategy in light of the risks and opportunities.

Philip Swatman

Operating and financial review

Chief Executive Officer's review

Introduction

The financial year to 31 August 2020 has seen the Group, like the rest of society, operate through truly unprecedented times. Despite the challenges that the COVID-19 pandemic has had upon the way in which we trade and the impact that the enforced lockdown from 24 March to 31 May had on the ability to retail vehicles we have delivered a good financial result in the circumstances.

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

Year ended 31 August	**2020 £m**	2019 £m	Change
Revenue	**524.0**	657.8	-20.3%
Underlying EBITDA excluding transition to IFRS 16* **	**16.2**	17.1	-5.3%
Underlying EBITDA with transition to IFRS 16* **	**18.8**	17.1	+9.9%
Underlying operating profit*	**13.0**	13.6	-4.4%
Underlying profit before tax*	**11.1**	12.3	-9.8%
Underlying profit before tax margin*	**2.11%**	1.87%	+24bps
Underlying earnings per share*	**8.99p**	9.78p	-8.1%
Operating profit	**12.0**	13.9	-13.7%
Profit before tax	**10.2**	12.5	-18.4%
Earnings per share (basic)	**8.22p**	9.95p	-17.4%
Dividend per share	**-**	1.1p	

** These items exclude net non-recurring expense of £1.0m relating to reorganisation costs and acquisition costs (2019: profit on disposal of property assets held for resale £0.4m and closure costs £0.2m) – See Note 5*

***The adoption of IFRS 16 has an impact on the PBT, Operating Profit and EBITDA calculation as a result of the operating lease expense for rent payable being unwound and replaced with depreciation and finance expense. See Note 4.*

The pandemic has forced us to change the way in which we operate with all the necessary personal protection and social distancing in place. The business is leaner and more agile and this will enable it to respond effectively to the changing nature of vehicle supply and customer demand.

The Group celebrated its 14th anniversary in July 2020. During those 14 years the Group has grown from one site with three new car franchises to 29 locations representing 44 new car franchises and 19 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 £11.1m in 2019/20. During the year, the Group delivered a return on shareholder funds of 13.1%. The Group has consistently delivered strong operational cash flows and has built a net asset position of £71.7m underpinned by £81.3m of freehold property. The Group has developed an exceptional franchise portfolio which has been enhanced further during 2020 with the addition of our first Rolls-Royce Motor Cars dealership and fourth Aston Martin dealership, both in Edinburgh in January 2020.

The year under review was impacted significantly by Lockdown 1 in the period between 24 March and 31 May. As the country headed towards Lockdown 1, the Board took a series of steps to deal with the lockdown instruction:

On 23 March and in line with Government instructions, all Group car showrooms closed from midnight and the Group ensured that all assets were secured. Outstanding servicing and warranty repairs were fulfilled with enhanced personal safety measures in place. As a precautionary measure, there was a full drawdown of the £40m RCF facilities to ensure liquidity and to protect the cash balance. All capex projects were put on hold and kept under review. Some of the aftersales facilities remained open on a limited basis to support essential and key workers primarily.

During the lockdown period, the Board agreed to salary reductions of 20-50%. The Board carried out a detailed review by site and department of the operating structure and Associate base. Following the support package announcement on Friday 20 March, the 'Coronavirus Job Retention Scheme' was fully utilised. Business rates waivers were applied for across all sites. The Board carried out a detailed expense review by site and department to minimise the cash burn during the lockdown period. During the period the Group also maintained timely tax payments so that it did not build up a deferred payment liability.

Following the reopening of car showrooms from 1 June 2020 onwards the Group has operated in line with stringent operating guidance to ensure the safety of our Associates and Guests utilising PPE, hand sanitising and social distancing measures in the business.

In the period post lockdown, between 1 June and 31 August, the business performed well and whilst we were selling fewer cars year on year, the profit retention particularly in the used car segment was strong. Aftersales performed well in the period post lockdown and the Group's cost base was well controlled.

Whilst I had never envisaged having to close the doors on the business that had taken 14 years to build in 24 hours I believe that the whole of the Cambria Associate base reacted positively and professionally to deal with it as effectively as possible. For those Associates placed on Furlough this will have been a challenging and unsettling time and for those Associates that continued to work throughout the lockdown period it has undoubtedly been tiring. I am grateful to all our Associates that have continued to support the business throughout.

Brand partnerships

Management has continued to work hard to improve the businesses acquired in previous years and to integrate and develop those acquired and established in the current year,

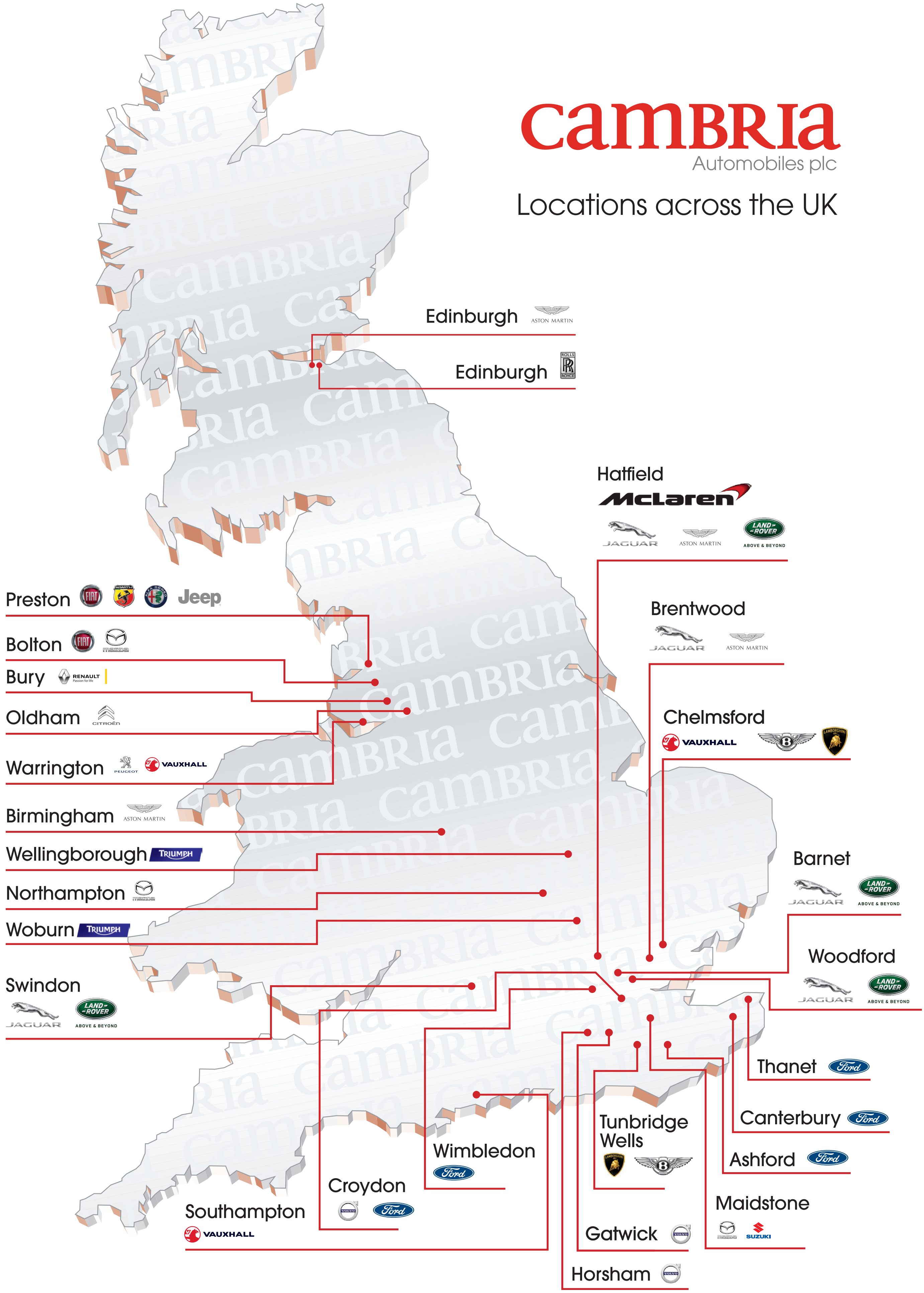
Our current portfolio of brand partners and dealerships comprises:

High Luxury / Premium		Volume		Motorcycle	
Aston Martin	4	Abarth	2	Triumph	2
Bentley	2	Alfa Romeo	1		
Jaguar	5	Citroen	1		
Lamborghini	2	Fiat	2		
Land Rover	4	Ford	5		
McLaren	1	Jeep	1		
Rolls-Royce	1	Mazda	3		
Volvo	3	Peugeot	1		
		Suzuki	1		
		Vauxhall	3		
Total	**22**		**20**		**2**

A significant period of refranchising activity began during the 2017/18 financial year which demonstrated delivery of the Group's development strategy which evolved in 2013 to enhance our Premium and High Luxury brand representation. This continued in 2020 with the addition of the Group's fourth Aston Martin business and first Rolls-Royce Motor Cars business both in Edinburgh. The Acquisition was from the Administrator of Leven Cars Group Limited and included the trading assets and the freehold property occupied by the Aston Martin business for a total consideration of £1.7m.

CAMBRIA
Automobiles plc

Locations across the UK



Operations

Year to 31 August	2020				2019			
	Revenue	Revenue mix	Gross Profit	Margin	Revenue	Revenue mix	Gross Profit	Margin
	£m	%	£m	%	£m	%	£m	%
New vehicles	**218.3**	**41.7**	**15.7**	**7.2**	293.8	44.7	20.6	7.0
Used vehicles	**252.2**	**48.1**	**21.4**	**8.5**	302.8	46.0	25.1	8.3
Aftersales	**65.6**	**12.5**	**26.0**	**39.6**	76.9	11.7	29.4	38.2
Internal sales	**(12.1)**	**(2.3)**	**-**	**-**	(15.7)	(2.4)	-	-
Total	**524.0**	**100.0**	**63.1**	**12.0**	**657.8**	**100.0**	**75.1**	**11.4**
Administrative expenses			**(50.1)**				(61.4)	
Operating profit before non-recurring expenses			**13.0**				13.7	
Non-recurring income/ (expenses)			**(1.0)**				**0.2**	
Operating profit			**12.0**				**13.9**	

New Vehicle Sales

	2020	2019	Year on year growth
New units	**5,535**	7,509	**(26.3%)**

New vehicle revenue reduced from £293.8m to £218.3m (down 25.7%) with total new vehicle sales volumes being down 26.3%. Gross profit decreased by £4.9m (23.8%) in total. The reduced new vehicle volumes were partially offset by the improvement in the gross profit per unit sold which increased by 4.0% in total.

On a like-for-like basis, excluding the impact of the additions, our new volumes reduced by 26.5% with gross profit reducing by £5m as profit per unit increased 2.8% on a like for like basis.

The Group's sale of new vehicles to private individuals was 25.2% lower year-on-year at 5,116 units (like-for-like down 25.5%), the profit per unit for these vehicles improved 2.7% (like-for-like 1.5%). New commercial vehicle sales transacted at a low profit per unit and were significantly down by 39.7% to 235 units in the period. New fleet unit vehicle sales decreased by 33.3% to 184 units in the period.

The new vehicle registration data from the Society of Motor Manufacturers & Traders showed total registrations were down 26.2% in the rolling 12 month period to August 2020. The registration of cars to private individuals was also down 24.6% 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 39.9%.

Used Vehicle Sales

	2020	2019	Year on year change
Used units	**10,346**	13,072	**(20.9%)**

We have delivered another good performance in used vehicle sales despite the impact of lockdown. Revenues decreased from £302.8m to £252.2m (down 16.7%) whilst the number of units sold declined by 20.9%. The gross profit on used vehicles decreased by £3.7m to £21.4m, with profit per unit sold increasing by 7.7%.

On a like-for-like basis, volumes were down 21.3% while the gross profit per unit increased by 6.4%.

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 profit per unit retailed. During the period the lockdown obviously impacted stock turn as we were unable to retail the stock that we had at the point of lockdown. Despite the reduced gross profit derived as a result of the lockdown, this strategy continued to deliver a strong 12 month rolling return on used car investment* of 97.4%. This level was reduced from the 117% achieved last year without the impact of lockdown. The ROI performance at 97.4% remains significantly ahead of the industry average of 75.6%.

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

Aftersales

	2020	2019	Year on year change
Aftersales Revenue	**£65.6m**	£76.9m	**(14.7%)**

Combined aftersales revenue decreased 14.7% year on year from £76.9m to £65.6m and related gross profit decreased to £26.0m from £29.4m. Like-for-like aftersales revenues were 15.3% lower year on year, with gross profit reducing 13.6% to £25.4m, down £4m.

The aftersales departments contributed 12.5% of the Group's revenue, and 41.2% of the Group's overall gross profit. The aftersales margin was improved in the year.

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

Administrative Expenses (including Government support)

Total underlying administrative expenses remained tightly controlled during the year but also benefitted from the Government support stimulus in the form of the Coronavirus Job Retention Scheme and Business Rates relief which amounted to £5.5m in the period. Administrative expenses as a percentage of revenue were 9.6% (2018/19: £9.3%), demonstrating good overhead recovery and strong capital disciplines as the Group navigated through the pandemic.

Automotive Industry Issues

Over the next few years, new vehicle sales will continue to be impacted by three factors. The impact of BREXIT, the immediate impact of the fines from the Corporate Average Fuel Economy (CAFÉ) legislation and most recently the Government's decision to bring forward the banning of the sale of Internal Combustion Engine vehicles to 2030.

In the near term we will find out if there is a free trade agreement to govern the UK's dealings with the EU. Given the size of the Automotive Industry in the UK and the scale of the sales of parts and cars between the UK and the EU this should be a significant consideration for both sides in the negotiation. At the time of writing the terms of any deal that is being discussed have not been released. If there are tariffs on the sale of cars both ways it will impact consumer choice and the cost of cars to consumers. This is not in the interest of either side of the negotiations but is a genuine issue that the UK motor retail trade is facing. For the avoidance of doubt the industry requires a completely frictionless and tariff free trade agreement with the EU for it to be effective.

The supply of cars in the UK is being impacted and dictated by the manufacturers' needs to comply with the 2020 and 2021 onwards CAFÉ' regulations which govern the emissions targets for each manufacturer. Failure to meet the emissions target for a manufacturer in a given year generates a fine equivalent to €95 per gram of CO2 over the target, multiplied by the number of cars that the manufacturer registers. It is no surprise that the manufacturers are being selective about which cars they manufacture and register in any given period. Post BREXIT this impact in the UK will be amplified as the target for a given manufacturer will be based on the registrations in the UK alone, not averaged across the EU. This will impact supply in the UK in 2021.

The decision by the Government to bring forward the banning of the sale of pure ICE engine vehicles from 2040 to 2030 and Hybrids from 2030 is best described as a "Date without a Plan". We have lobbied Government ministers continuously with the hope that they will consider a balanced approach that is technology agnostic in meeting the objective on Net Zero by 2050. We fully support the aim of Net Zero which is completely necessary. We do object to Battery Electric Vehicles (BEV) being determined as the only viable solution because of the way in which the political momentum is driving decisions that will impact technology development, the environment and will not achieve the Net Zero ambition on a whole lifecycle basis. Some of the challenges around BEV as the only solution are as follows:

- Polestar have calculated that the breakeven Carbon Emissions point between its Polestar 2 full BEV and a Volvo XC40 Petrol ICE engine car is not reached until the cars have driven 112,000km in a global test environment. This is caused by the significantly higher Carbon output from the production of a BEV over an ICE vehicle
- All current battery power units include 10 to 12 kilograms of Cobalt of which a significant amount comes from the People's Democratic Republic of Congo. Some of this is being mined by children and these practices are currently part of an ongoing investigation by Amnesty International into child slavery
- Cobalt and Lithium are still described are rare earth materials and are therefore finite in resource
- More than 70% of batteries begin life in China being manufactured using coal fired power stations. The Batteries are then shipped around the world after having had multiple commodity inputs (including cobalt) shipped to China in the first instance leaving a huge carbon footprint
- Recycling Electric Vehicles is much more difficult because of the battery. Whilst batteries can be reused for second life energy storage in wind farms etc they do degrade and will end their life at some point - currently in landfill
- We do not yet know the impact of a significant shift in the number of Electric Vehicles on the National Grid and whether or not it will be able to cope with those demands. The power generated for the National Grid typically comes from Nuclear Power Stations so increased electricity consumption for Electric cars needs to be generated from somewhere
- We do not have the charging infrastructure in the UK to cope with the demand for this technology switch and it will take billions of pounds of investment to meet this demand. Anyone in the UK without a private drive or garage will need to rely on plugging their vehicle into roadside charge point of which there will be few per average street
- The cost of producing a BEV over an ICE engine car is significantly higher
- BEV's are significantly more expensive and there is a danger that a new vehicle becomes an exclusive club available only to metropolitan, well-off citizens and an abandonment of rural Britain
- Ultimately the cost of electrification will be borne by the soft target of the UK car purchasing consumer

The acceleration by Government to a single technology solution will put a stop to any R&D that the manufacturers were considering to evolve the development of Hybrid, Hydrogen and Synthetic Fuel technologies which could all achieve the aim of Net Zero in a better manner than the route which is being forced by the policy implementation.

Outlook

The new car market in 2019 hit 2.311m registrations. The current SMMT forecasts for 2020 following Lockdown 1 and 2 is now 1.56m with a recovery to 2.0m in 2021 forecast.

We are facing challenges as a result of the COVID-19 pandemic, BREXIT and the Automotive specific issues highlighted above. We are reacting positively as we get transparency on each of the areas where we see risk and opportunity and continue to be agile in dealing with them.

Despite the significant external challenges, the 2019/20 financial year delivered an acceptable set of results. Post the period end, September and October trading were ahead of prior year. The imposition of Lockdown 2 has impacted the progress that the Group was making and despite the fact that operationally we were better prepared for Lockdown 2 than we were in March when Lockdown 1 was imposed, it is still causing a significant impact on trading.

Mark Lavery
Chief Executive

Finance Director's Report

Overview

Total revenues in the period decreased 20.3% to £524.0m from £657.8m in the prior year. New vehicle unit volumes were down 26.3% and new vehicle revenues were down 25.7%. Used car revenue decreased by 16.7% with units reduced by 20.9%. Revenues from the aftersales businesses decreased by 14.7%, compared with the previous year.

Total gross profit decreased by £12.0m (15.9%) from £75.1m to £63.1m in the year. Gross profit margin across the Group improved 0.6% to 12.0%. The revenue mix saw an increase in used cars and aftersales with new cars a reducing proportion of revenue. The average selling price of both new and used cars increased year on year, as did the average profit per new and used units that we sold. There was an improvement in the new car margin to 7.2%, an improvement in used car margin to 8.5% and margin improvement in aftersales to 39.6%. The aftersales operations contributed 41.2% 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 75.1% of the Group's total gross profit mix.

During the year, the Group had non-recurring expenses of £1.0m (2018/19 net income of £0.2m). These related to the acquisition of the businesses of £0.14m and reorganisation costs of £0.81m.

The adoption of IFRS 16 has had a material impact on the calculation of EBITDA. In order to make sure that there is transparency and comparability we have provided a full reconciliation of EBITDA in Note 4. The comparable Underlying EBITDA (before IFRS 16 impact) was £16.2m in the period, slightly down from £17.1m in the previous year. Following adoption of IFRS 16 the Underlying EBITDA for the period was £18.8m because of the significant add back of depreciation on the right of use asset (£2.07m), Finance expense resulting from the Lease liability (£0.3m) and the fact that it doesn't include rent payments of £2.5m. Whilst I do not personally agree with IFRS 16 or what it does to a set of accounts and readers' perception of EBITDA, we have included both measures for clarity.

Underlying operating profit was £13m, compared with £13.6m in the previous year, resulting in an underlying operating margin of 2.5% (2018/19: 2.1%).

Net finance expenses increased to £1.9m (2018/19: £1.4m). IFRS 16 impacts this also and this split of the £1.9m expense represents third party interest costs of £1.6m and interest on lease liabilities of £0.3m.

The Group's underlying profit before tax decreased by 9.8% to £11.1m, compared with £12.3m in the previous year.

Underlying earnings per share were 8.99p (2018/19: 9.78p). Basic earnings per share were 8.22p (2018/19: 9.95p) and the Group's underlying return on shareholders' funds for the year was 13.1% (2018/19: 16.0%).

Taxation

The Group tax charge was £1.97m (2018/19: £2.5m) representing an effective rate of tax of 19.3% (2018/19: 20.3%) on a profit before tax of £10.2m (2018/19: £12.5m). 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 £71.7m underpinned by £81.3m of freehold property (fixed assets and assets held for resale) which are held on a historic cost basis.

In November 2017, the Group entered into revised Banking facilities and as a result, the £40m Revolving Credit Facility has no fixed capital repayment profile throughout its five year term.

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 cash position of the Group as at 31 August 2020 was £3.5m (2018/19: net debt £3.8m), reflecting a cash position of £5.6m (31 August 2019: £26.3m) and debt position of £2.1m (2018/19: £30.1m).

The Group typically uses bank facilities to fund the purchase of freehold and long leasehold properties, stocking loans to fund the acquisition of consignment, demonstrator and used vehicles and has a £10m overdraft facility which is available to manage seasonal fluctuations in working capital. The overdraft facilities are renewable annually and are next due on 31 January 2021.

Cash flow and capital expenditure

The Group generated an operating cash inflow of £16.4m with working capital reducing by £1.9m through efficient management of the vehicle inventory and the stocking lines associated with that inventory. Total funds invested in capital expenditure and acquisitions were £5.4m.

During the year the material investments were:

- Purchase of Solihull Land for Aston Martin dealership development - £1.9m
- Acquisition of Aston Martin Edinburgh freehold - £1.6m
- Planning and land enhancement - £0.6m
- Other minor refurbishments - £0.5m

The Group has had the RCF drawn to varying degrees throughout the year primarily to ensure that the Group had sufficient liquidity during the lockdown period. At the period end the Group had £2.1m drawn having repaid a net £30m during the period.

As a result of the net cash outflow of £20.6m, the gross cash position was £5.8m with gross debt of £2.1m and overall net cash of £3.5m compared with net debt at 31 August 2019 of £3.8m.

Capital expenditure commitments

As outlined in previous Chief Executive's reports, the Group has committed to delivering property solutions to ensure the acquired businesses over the past few years comply with the franchise standards for its brand partners. Over the coming few years, the Group intends to complete the following major freehold investments; Solihull Aston Martin at c.£3m, Brentwood Jaguar Land Rover, Aston Martin, Bentley and Lamborghini c.£16m. The developments will be funded through a drawdown of RCF and existing cash.

The Board is committed to these investments and anticipates that by making the investments it will put the Group in a strong position to realise the full operational potential of the businesses.

IFRS 16 Impact

IFRS 16 Leases is effective for the first time in the current financial year and has been adopted by the Group.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting is substantially unchanged from IAS 17 and therefore IFRS 16 does not have an impact for leases where the Group is a lessor.

The Group adopted IFRS 16 for the first time using the modified retrospective approach with an effective date of 1 September 2019. The Group elected to use the practical expedient on transition to not reassess whether a contract is, or contains, a lease at 1 September 2019. Instead the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of application.

The Group also elected to use the recognition exemptions for lease contracts that, at the transition date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and, lease contracts for which the underlying asset is of low value (low-value assets). The incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 4.0%.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

As at 1 September 2019:-

- Right-of-use assets of £5,982,000 were recognised;
- Lease liabilities of £8,517,000 were recognised;
- Trade and other receivables relating to operating leases of £68,000 were recognised;
- Deferred tax liabilities decreased by £249,000 due to the deferred tax impact of the changes in recognition of the related assets and liabilities;
- Provisions reduced by £1,000,000 in respect of onerous lease provision no longer recognised;
- Retained earnings decreased £1,218,000 as a result of the net impact of these adjustments.

Shareholders' funds

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

Pension schemes

The Group does not operate any defined benefit pension schemes and has no liability arising from any such scheme. The Group made contributions amounting to £0.6m (2018/19: £0.6m) 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

As outlined in the Chairman's report and as previously advised, the Board has suspended payment of dividends and therefore does not propose a dividend for the financial year to 31 August 2020.

James Mullins
Finance Director

Date: 24 November 2020

Enhanced Business Review

All details required are covered in the Chairman's Statement and the Operating and Financial Review between pages 9 and 18.

s172 Statement - Directors statement in performance of their statutory duties in accordance with s172(1) Companies Act 2006

During the year ended 31 August 2020 the Board of Directors of Cambria Automobiles plc consider, that they have acted in a way that would be most likely to promote the success of the company for the benefit of its members (having regard to the stakeholders and the matters set out in s172(1)(a)-(f) of the Companies Act 2006).

The company has always employed a Four Pillar strategy to engagement with key stakeholders being Employees, Customers, Manufacturer partners and other key stakeholders including Shareholders, Banking partners, Finance Houses, Suppliers and Regulators.

The Board has elected to apply the Quoted Company Alliance Corporate Governance Code as part of its commitment to high standards of corporate governance in all of its activities and complies with its requirements as far as is practicable and appropriate for a company of its nature and size.

The aim of the strategy is to ensure the long-term success of the company in delivering a high-quality service across all of its business units.

Pillar One - Associate delight

The Directors believe that Associates are the Company's most important asset and therefore members of the team are not referred to as members of staff or employees, but rather as "Associates". The Directors want all Associates to be proud to be associated with the Group and to be given the autonomy to make decisions that affect the running of "their" business. The Directors promote internal development and foster a culture whereby Associates feel they can achieve their career aspirations with Cambria. Equally, Cambria invests in its Associates in order for them to achieve their full potential within the Group.

We aim to be a responsible employer in our approach to pay and benefits of our Associates. The health and safety of Associates is a primary consideration in the day to day operation of the business.

Pillar Two - Guest delight

Cambria Associates are encouraged to treat all customers at all times, in the way that they would treat a guest visiting their own home. The Directors believe that Associate empowerment is key to achieving this goal and the Directors believe that the organisation must be transparent and open at all times generating empathy with the diverse guest base of the Group.

Pillar Three - Brand delight

The Group's goal is to become the retailer of choice for all of the automotive manufacturers that it represents. This pillar focuses on achieving the following goals with our suppliers:

- brand vehicle sales objectives
- brand part sales objectives
- top half placing in brand customer satisfaction surveys
- the development of a trusting relationship with brand personnel from the manufacturer partners
- long term relationships and appropriate payment practices

Pillar Four - Stakeholder delight

The Group aims to provide long-term satisfaction to its Stakeholders and to treat them fairly and equally. It seeks to achieve this through:

- a clear strategy and disciplined approach to capital management
- disclosing timely and accurate information providing Stakeholders with a detailed understanding of business performance; and
- communicating openly and transparently.

The plan takes into consideration the impact of the Groups operations on the community and the environment and its wider social responsibilities and in particular how it complies with environmental legislation.

The Board behaves responsibly operating with high standards of business conduct and good governance expected of a business such as Cambria.

Primary Risks

The primary risk to the Group is the volatility in the new and used car markets and the changes made by our manufacturer brand partners to the pricing and margin structure on the new vehicles that we sell. This continues to be impacted by the uncertainty around the ongoing trading relationship with the EU as a result of BREXIT as outlined in the Chief Executive Officers report.

The impact of COVID-19 and how long it may continue is unknown at this point and continues to impact the trading environment for the Group negatively.

The Group uses a variety of financial instruments including cash, borrowings and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Directors are of the view that the main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, price risk and credit risk. The Directors set and review policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Interest rate risk

The Group finances its operations through a combination of bank funding and shareholders' funds. The interest rate on bank funding is variable with the base rate.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The funding for significant new ventures is secured before commitments are made. Cash flows are monitored on a monthly basis.

Price risk

The principal price risks arise from vehicle stocks which are either inappropriate for resale, or are bought at too high a price, relative to a fast moving marketplace. The Group's purchasing staff are trained and developed to be aware of the current marketplace. They are also provided with all the latest available market data. The managers of each business unit consider their stock books and purchasing patterns on a very regular basis, with a higher level of review by the Directors.

Credit risk

The principal credit risk arises from trade debtors. In order to manage credit risk, the Directors set limits for customers and ensure a regular review is made of trade debtors outstanding. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

All potential areas of financial risk are monitored regularly and reviewed by the Directors and local management. Any preventative or corrective measures are taken as necessary.

Associate involvement

During the year, the policy of providing Associates with information about the Group has been continued through internal media methods in which Associates have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and Associates to allow a free flow of information and ideas.

Through implementing tight controls and building a strong operational Group infrastructure, the Directors believe they are taking all possible steps to protect the business.

By order of the board.

James Mullins
Director
Date: 24 November 2020

Dorcan Way, Swindon, SN3 3RA

Directors' report

The Directors present their Directors' report and financial statements for the year ended 31 August 2020.

Principal activities

Cambria's principal activities are the sale and servicing of motor vehicles and the provision of ancillary services.

Proposed dividend

The Directors do not recommend the payment of a final dividend for 2020 *(2019: £0.85m)*.

Directors

The Directors who held office during the year were as follows:
P H Swatman
M J Lavery
M W Burt
J A Mullins
T A Duckers
P McGill
W F Charnley

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

Associates

The Group recognises the benefit of keeping Associates informed of group affairs and the views of Associates are given full consideration at regular meetings with their representatives.

Full and fair consideration is given to the employment of disabled persons, who are treated no differently from other Associates as regards recruiting, training, career development and promotion opportunities. For people who may become disabled, in the course of employment, the Group will make every effort to accommodate them in suitable alternative employment.

Political and charitable contributions

During the year, the Group made charitable donations of £*nil*

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year *(2019: £nil)*.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of UHY Hacker Young Manchester LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Streamlined Energy and Carbon reporting

In accordance with the Companies (Directors' Report) Regulations 2018, Cambria Automobiles PLC has prepared the following energy and carbon declaration. The data has been reported for all entities which operate under Cambria Automobiles PLC without exclusion.

Cambria Automobiles PLC is not responsible for any energy consumption or emissions outside of the UK. This declaration therefore relates to both UK and Global energy use, i.e. 100% of Global energy use and emissions relate to the UK and offshore area.

UK Greenhouse gas emissions and energy use data for the period 1st September 2019 to 31st August 2020	
Energy consumption used to calculate emissions (kWh)	13,074,024
Energy consumption break down (kWh):	
gas	4,518,176
electricity	5,465,043
transport fuel	3,090,805
Scope 1 emissions in metric tonnes CO2e	
Gas consumption	830
Owned transport	738
HVAC fugitive emissions	98
Total Scope 1	1,666
Scope 2 emissions in metric tonnes CO2e	
Purchased electricity	1,274
Total gross emissions in metric tonnes CO2e	2,940
Intensity ratio Tonnes CO2e per £million(revenue)	5.57

Methodology used in the calculation of disclosures

The following standards are used in the calculation of the above disclosures:

- 2019 HM Government Environmental Reporting Guidelines
- GHG Reporting Protocol – Corporate Standard
- 2020 UK Government's Conversion Factors for Company Reporting

Some data estimation was undertaken in calculation of HVAC fugitive emissions. This estimation was based extrapolation of site audit information gathered as part of ESOS phase 2.

Energy efficiency action

- New energy efficient combination boiler installed at one site to reduce energy bills by up to 40%
- In any site where there is the opportunity during refurbishment or upgrade the lighting is changed to energy efficient LED fittings – during the year this took place at 4 sites
- EV charging points were installed at 3 sites during the year with 8 further sites scheduled for EV charging point installations during the 2020/21 financial year

By order of the Board

James Mullins
Director
Date: 24 November 2020

Dorcan Way, Swindon, SN3 3RA

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Group and Parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements and Operating and Financial Review in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

UHY Hacker Young
Chartered Accountants

Independent auditor's report to the members of Cambria Automobiles plc

Our opinion is unmodified

We have audited the financial statements of Cambria Automobiles plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 August 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, consolidated cash-flow statement, company balance sheet, the company statement of changes in equity and the related notes including the accounting policies in note 1. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards,including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

Independent auditor's report to the members of Cambria Automobiles plc (continued)

Key audit matters (continued)

Revenue - £524.0 million (2019 - £657.8 million)

The business is seasonal in nature, with peak revenues in the months of March and September. Trading in the motor industry continues to be competitive and there is pressure on management to achieve financial targets. These conditions give rise to an increased risk of management bias or fraud over the timing of revenue recognition in respect of vehicle sales.

Our procedures included:

- Control design and re-performance: we tested controls relating to the sales process, assessing whether revenue is recognised in the period in which customer acceptance of the vehicles is obtained;
- Test of details: with reference to customer acceptance documentation, we assessed whether revenue had been recorded in the correct period for a sample of sales invoices raised around the year-end. We also assessed credit notes raised after the year-end to identify material corrections relating to 2020;
- Assessing manual journal postings: we inspected a selection of manual revenue journal postings during the month of August to identify any indicators of management fraud or bias.

Vehicle inventory valuation - £81.5 million (2019 - £110.0m)

The value of vehicle inventory is significant and subject to the risk of ongoing reduction in value. Accounting standards require inventory to be recorded at the lower of cost and net realisable value.

Our procedures included:

- Testing on a sample basis that vehicles were correctly recorded at their initial cost by verification to 3rd party invoices and credit notes;
- Benchmarking the provisioning policies in use by the Group against practices followed by other similar businesses in the motor retail sector;
- Testing that the provisioning policies in place were correctly applied to a sample of vehicles;
- Testing a sample of vehicles held in stock at 31 August 2020 to their sale after the year end to confirm that no material losses were made on sale.

Transactions with key suppliers (franchises)

The Group purchases new and used vehicles, parts and other ancillary services from its motor manufacturer franchise partners. The volume of transactions and the complex nature of discount and bonus schemes give rise to an increased risk of fraud or error.

Our procedures included:

- Review and sample testing of the reconciliations of amounts owed to/from the relevant suppliers at 31 August 2020;
- Testing on a sample basis the subsequent receipt of bonuses and commissions against the value of debt recorded at 31 August 2020.

Goodwill - £21.4 million (2019 - £21.3million)

Goodwill is significant and at risk of irrecoverability due to weakening demand within the new and used car markets. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

Our procedures included:-

- Benchmarking assumptions: comparing the key assumptions (discount rate, growth rate) used to externally derived data;
- Historical comparisons: comparing the previously forecast cash flows to actual results to assess the historical accuracy of forecasting;
- Sensitivity analysis: performing analysis to assess the sensitivity of the goodwill to changes in the key assumptions of the discount rate, growth rate and the forecast cash flows;
- Assessing transparency: assessing whether the Group's disclosures about the sensitivity of goodwill to changes in key assumptions reflected the risks inherent in its valuation. Assessing the adequacy of the disclosures relating to going concern.

Independent auditor's report to the members of Cambria Automobiles plc (continued)

Our application of materiality and an overview of the scope of our audit.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, materiality for the Group financial statements as a whole was set at £875,000 determined by reference to a benchmark of 0.2% of group turnover and 8% of group profit before taxation.

Based on our professional judgement, materiality for the Parent Company financial statements was set at £517,000 determined with reference to a benchmark of 4% of net assets.

All of the Group's thirteen active components, including the Parent Company, were subject to full scope audits performed by the group team.

These audits accounted for 100% of total group revenue, group profit before tax and total group assets and were performed to individual component materiality levels which ranged from £20,000 to £875,000, having regard to the mix of size and risk profile of the Group across these components.

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding 5% of each active component's materiality, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Cambria Automobiles plc (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditresponsibilities. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Daly BEng FCA (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young Manchester
LLP, Statutory Auditor
Chartered Accountants
St James Building, 79 Oxford Street, Manchester M1 6HT

24 November 2020

Consolidated statement of comprehensive income

for year ended 31 August 2020

	Note	2020	2019
		£000	£000
Revenue	3	**524,016**	657,777
Cost of sales		**(460,932)**	(582,723)
Gross profit	4	**63,084**	75,054
Administrative expenses		**(51,039)**	(61,188)
Results from operating activities	4	**12,045**	13,866
Finance income	9	**51**	64
Finance expenses	9	**(1,911)**	(1,435)
Net finance expenses		**(1,860)**	(1,371)
Profit before tax from operations before non-recurring (expense) / income		**11,143**	12,276
Net non-recurring income and expenses	5	**(958)**	219
Profit before tax	4	**10,185**	12,495
Taxation	10	**(1,969)**	(2,542)
Profit and total comprehensive income for the period		**8,216**	9,953
Basic earnings per share	8	**8.22p**	9.95p
Diluted earnings per share	8	**8.17p**	9.93p

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

Consolidated statement of changes in equity
for year ended 31 August 2020

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 31 August 2018	10,000	799	45,828	56,627
Profit for the year	-	-	9,953	9,953
Dividend paid	-	-	(1,000)	(1,000)
Balance at 31 August 2019	10,000	799	54,781	65,580
Impact of adoption of IFRS 16	-	-	(1,218)	(1,218)
Balance at 31 August 2019 - restated	**10,000**	**799**	**53,563**	**64,362**
Profit for the year	**-**	**-**	**8,216**	**8,216**
Dividend paid	**-**	**-**	**(850)**	**(850)**
Balance at 31 August 2020	**10,000**	**799**	**60,929**	**71,728**

Consolidated statement of financial position

at 31 August 2020

	Note	2020	2019
		£000	£000
Non-current assets			
Property, plant and equipment	11	**86,943**	85,336
Intangible assets	12	**21,527**	21,478
Right-of-use asset	21	**6,509**	-
Finance lease receivables	21	**118**	-
		115,097	106,814
Current assets			
Inventories	14	**83,588**	112,804
Trade and other receivables	15	**9,085**	12,051
Finance lease receivables	21	**68**	-
Cash and cash equivalents	16	**5,645**	26,299
Property assets classified as held for resale	17	**899**	899
		99,285	152,053
Total assets		**214,382**	258,867
Current liabilities			
Trade and other payables	19	**(126,546)**	(157,750)
Lease liabilities	21	**(2,496)**	-
Contract liabilities	20	**(1,604)**	(2,379)
Current tax liability		**(1,271)**	(1,297)
Provision	24	**(236)**	(459)
		(132,153)	(161,885)
Non-current liabilities			
Borrowings	18	**(2,122)**	(30,088)
Lease liabilities	21	**(6,303)**	-
Provisions	24	**-**	(877)
Contract liabilities	20	**(1,641)**	-
Deferred tax liabilities	13	**(435)**	(437)
		(10,501)	(31,402)
Total liabilities		**(142,654)**	(193,287)
Net assets		**71,728**	65,580
Equity attributable to equity holders of the parent			
Share capital	25	**10,000**	10,000
Share premium		**799**	799
Retained earnings		**60,929**	54,781
Shareholders' equity		**71,728**	65,580

These financial statements were approved for issue by the Board of directors on 24 November 2020 and were signed on its behalf by:

M J J Lavery
Director

Company registered number: 05754547

Consolidated cash flow statement

for year ended 31 August 2020

	Notes	2020	2019
		£000	£000
Cash flows from operating activities			
Profit for the year		8,216	9,953
Adjustments for:			
Depreciation, amortisation and impairment	11/12/21	5,779	3,437
Financial income	9	(51)	(64)
Financial expense	9	1,911	1,435
Profit/(loss) on disposal of fixed assets		-	(414)
Taxation	10	1,969	2,542
Non-recurring (income)/expenses	5	958	(219)
		18,782	16,670
Change in trade and other receivables		2,846	(609)
Change in inventories		29,216	(23,129)
Change in payables, deferred income and provisions		(30,191)	31,607
		20,653	24,539
Interest paid		(1,303)	(841)
Tax paid		(1,994)	(1,714)
Non-recurring income / expenses	5	(962)	219
Net cash from operating activities		16,394	22,203
Cash flows from investing activities			
Interest received		51	64
Proceeds from sale of plant and equipment		31	2,917
Purchase of property, plant and equipment and software		(3.668)	(21,907)
Acquisition of subsidiary (net of cash acquired)	31	(56)	-
Acquisition of business (net of cash acquired)	31	(1,671)	-
Net cash from investing activities		(5,313)	(18,926)
Cash flows from financing activities			
Proceeds from new loan		-	9,000
Interest paid		(608)	(495)
Repayment of borrowings		(27,966)	-
Lease payments	21	(2,311)	-
Dividend paid	25	(850)	(1,000)
Net cash from financing activities		(31,735)	7,505
Net (decrease)/increase in cash and cash equivalents		(20,654)	10,782
Cash and cash equivalents at 1 September 2019	16	26,299	15,517
Cash and cash equivalents at 31 August 2020	16	5,645	26,299

Notes to the consolidated accounts

(forming part of the financial statements)

1 Accounting policies

Cambria Automobiles plc is a company which is quoted on the AIM Market of the London Stock Exchange plc 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 financial statements as at 31 August 2020 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 ("IFRS"). The Company has elected to prepare its Parent Company financial statements in accordance with FRS101; and these are presented on pages 71 to 79.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Going concern

The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

At the time of writing the financial statements in November 2020, the Country is in a National Lockdown as a result of COVID-19. The Directors have taken all reasonable action to protect the business and to reduce the operating cost base of the business. The Group has been able to trade profitably on a rolling basis despite the impact of the first lockdown between March and June 2020 and the recently imposed second lockdown in November 2020. The Group has a strong net asset position and committed bank facilities until November 2022.

At the balance sheet date, the Group had net current liabilities of £32.9m (2019 - £9.8m) resulting from the reduced level of RCF drawing. Had the Group drawn more of the RCF, this would have the impact of increasing current assets (cash) and switching the liability to being non-current. As a result of this flexibility the Directors have a reasonable expectation that the Group has adequate resources given the cash position at year end, the banking facilities and the trading performance of the Group that it will continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities together with the factors likely to affect its future development, performance and position is set out in the Strategic report and Directors' report on pages 19 to 22.

Basis of consolidation

The financial statements consolidate the financial statements of the Company together with its subsidiary companies.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when it is exposed to, or has right to, variable returns from its investment within the entity and has the ability to affect these returns through its power over the entity. The financial information of subsidiaries is included from the date that control commences until the date that control ceases.

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

All revenue generated and non-current assets held are attributable to UK operations only.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

Sales of motor vehicles, parts and accessories are recognised when the significant risks and rewards of ownership have been transferred to the buyer. In general, this occurs when vehicles or parts are delivered to the customer and title has passed. Manufacturer incentives are recognised as revenue when earned and in the case of purchasing incentives when the sale of the associated vehicle is recognised as revenue. Servicing and bodyshop sales, including warranty work, are recognised on completion of the agreed work. Finance commission revenue is recognised as the related vehicles are sold. Manufacturer incentives are recognised within revenue.

Where the Group receives consideration for a sale in advance of the performance obligations being satisfied, the amount is deferred on the balance sheet within contract liabilities and released to Statement of Comprehensive Income in accordance with the relevant recognition policy. No adjustment has been required in respect of contract liabilities.

1 Accounting policies *(continued)*

Deposits and advances received from customers

Deposits received from customers prior to the completion of a sale (delivery of vehicle) are included in the accounts as payables falling due within one year to the extent that they represent a refundable amount to the customer.

Warranty obligations

The Group sells extended warranties and maintenance plans. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue for service-type warranties is recognised over the period in which the service is provided based on the time elapsed.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Financing income and expenses

Financing expenses comprise interest payable, interest on lease liabilities, stocking interest charge on consignment and used vehicles and finance leases. Financing income comprises interest receivable on funds invested and interest credits received from manufacturers on stock management.

Borrowing costs are recognised in the period in which they are incurred.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Operating profit

Operating profit relates to profit before finance income, finance expense and income tax expense.

Intangible assets

Goodwill

Goodwill represents the excess between the cost of an acquisition of a subsidiary or acquired business compared to the net fair value of the identifiable assets, liabilities and contingent liabilities, and recognition of identifiable intangibles at the date of acquisition. Identifiable intangibles are those which can be sold separately, or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units of the acquiree which represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is not amortised but is tested annually for impairment. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses

Amortisation

Amortisation is charged on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each year. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	3 – 5 years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

- freehold buildings — 50 years
- leasehold properties — over the lifetime of the asset or the lifetime of the lease as appropriate
- plant and machinery — 5 to 10 years
- fixtures and fittings — 5 to 10 years
- computer equipment — 3 to 5 years

Depreciation methods, useful lives, residual values and possible impairments have been reviewed at the year-end. As a result of this review, no impairment charge has been deemed necessary for the period.

Impairment of assets excluding inventories

The carrying amounts of the Group's assets, are reviewed at each year end to determine whether there is any indication of impairment; an asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each year end.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Reversals of impairment

An impairment loss in respect of trade and other receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 Accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. In determining the cost of motor vehicles, the actual amount paid and payable to date for each vehicle is used net of appropriate manufacturer incentives, for spare parts and service items cost is based on the first-in first-out principle. An appropriate provision is made for obsolete or slow-moving items.

New vehicles on consignment from manufacturers are included in the Statement of Financial Position with a corresponding liability in creditors due within one year. This stock is considered to be under the control of the Group as it is considered that the Group bears all the risks and rewards or ownership, even though legal title has not yet passed.

Consignment stock is held for a maximum period (which varies between manufacturers) before becoming due for payment. Part of the consignment period is interest free and the remaining periods are interest bearing (periods and charges vary between manufacturers but interest is generally linked to LIBOR).

Used motor vehicles are stated at the lower of cost or net realisable value, by reference to Glass's Guide or CAP data.

Demonstrator vehicles are held within inventories at the lower of cost and net realisable value.

Vehicle funding and stocking loans form part of the Group's working capital and are recognised at the fair value of the amount due to the facility provider.

Non-current assets held for sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

Financial Instruments

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in the historical financial information for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The Group recognises an allowance for expected credit losses for all receivables based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

The Group applies a simplified approach in calculating expected credit losses and does not track credit risk, but instead recognises a loss allowance based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense as incurred.

Share Based Payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value so determined has been expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using a Black-Scholes-Merton option pricing model. The key assumptions used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by 1 September 2014.

Leasing

At inception, the Group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where an asset is acquired through a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in: future lease payments arising from a change in an index or rate; the Group's estimate of the amount expected to be payable under a residual value guarantee; or the Group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or for leases of low-value assets. The payments associated with these leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

In respect of sub leases, where the Group is an intermediate lessor, the head lease and the sub-lease are accounted for as separate contracts and the sub-lease is classified as a finance lease. Amounts due from lessee's under finance leases are recognised as receivables at the amount of the Groups net investment in the leases. Finance lease income is recognised in accounting periods so as to reflect a constant periodic rate of return on the Groups net investment outstanding in respect of the lease.

The above accounting policy represents a change to the previous policy following the introduction of IFRS 16 from 1 September 2019. As permitted by IFRS 16, the transition has being applied from 1 September 2019 on a modified retrospective approach whereby the comparatives have not been restated. Further information on the impact of the change is given below.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit and loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred of for the purposes of giving immediate financial support to the Group with no future related costs are recognised in the profit and loss in the period in which they become receivable.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

International Financial Reporting Standards

IFRS 16 Leases is effective for the first time in the current financial year and has been adopted by the Group.

IFRS 16 supersedes IAS17. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting is substantially unchanged from IAS 17 and therefore IFRS 16 does not have an impact for leases where the Group is a lessor.

The Group adopted IFRS 16 for the first time using the modified retrospective approach with an effective date of 1 September 2019. The Group elected to use the practical expedient on transition to not reassess whether a contract is, or contains, a lease at 1 September 2019. Instead the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of application. The Group also elected to use the recognition exemptions for lease contracts that, at the transition date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and, lease contracts for which the underlying asset is of low value (low-value assets). The incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 4.0%.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

1 Accounting policies *(continued)*

International Financial Reporting Standards *(continued)*

As at 1 September 2019:-

- Right-of-use assets were recognised and presented on the face of the consolidated statement of financial position;
- Additional lease liabilities were recognised and presented on the face of the consolidated statement of financial position;
- Trade and other receivables relating to operating leases were de-recognised;
- Deferred tax liabilities decreased due to the deferred tax impact of the changes in recognition of the related assets and liabilities;
- Provisions reduced in respect of onerous lease provision no longer recognised;
- Retained earnings decreased as a result of the net impact of these adjustments.

	31 August 2020	1 September 2019
	£000	£000
Assets		
Right-of-use assets	**6,509**	5,982
Finance lease receivable	**186**	251
Other receivables	**(198)**	(183)
Total assets	**6,497**	6,050
Liabilities		
Lease liabilities	**(8,799)**	(8,517)
Provisions	**1,000**	1,000
Deferred tax liabilities	**206**	249
Total liabilities	**(7,593)**	(7,268)
Net assets	**(1,096)**	(1,218)
Equity		
Retained earnings	**(1,096)**	(1,218)

Impact on the consolidated statement of comprehensive income (increase/(decrease)):

	31 August 2020
	£000
Administrative expenses	
Rent	(2,547)
Depreciation	2,066
Results from operating activities	**481**
Finance income	**8**
Finance expense	**(324)**
Taxation	**43**
Profit for the period	**122**
Retained earnings on transition	(1,218)
Retained earnings carried forward	**(1,096)**

1 Accounting policies *(continued)*

International Financial Reporting Standards *(continued)*

Impact on the consolidated cash flow statement increase/(decrease)):

	31 August 2020
	£000
Operating lease payments	2,635
Interest paid - net	(324)
Net cash flows from operating activities	**(2,311)**
Payment of lease liabilities	**2,311**
Net cash flows from financing activities	**2,311**

A reconciliation of the total operating lease commitments to the IFRS 16 lease liability at 1 September 2019 is as follows:

	1 September 2019
	£000
Operating lease commitments - 31 August 2019	**9,225**
Effect of discounting	**(1,042)**
Other lease adjustment	**334**
Lease liabilities recognised	**8,517**

The following accounting standards and interpretations, issued by the IASB and endorsed by the EU or International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on the consolidated results or financial position:

- Annual Improvements to IFRSs – 2015-2017 Cycle (effective date 1 January 2019)
- Amendments to IAS 28 - Investments in Associates and Joint Ventures (effective date 1 January 2019)
- IFRIC 23 - Uncertainty over Income Tax Treatments (effective date 1 January 2019)
- Amendments to IFRS 9 – Prepayment features with negative compensation (effective date 1 January 2019)
- Amendment to IAS 19 – Plan amendment, curtailment or settlement (effective date 1 January 2019)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16) – early implementation

The IASB and the IFRIC have also issued the following standards and interpretations with an effective date after the date of these Financial Statements and which therefore have not been applied in the current period. No significant impact is anticipated from the introduction of these standards in future periods:

New standards and interpretations endorsed but not yet effective:
- Amendments to IAS1 & IAS 8 – definition of material (effective date 1 January 2020)
- Amendment to IFRS 3 – definition of business combination (effective date 1 January 2020)
- Amendments to references to the conceptual Framework in IFRS Standards (effective date 1 January 2020)

New standards and interpretations not yet endorsed and not yet effective:
- IFRS 17 – Insurance contracts (effective 1 January 2023)
- Annual Improvements to IFRSs – 2018-2020 Cycle
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

2 Critical accounting estimates and judgements in applying the Group's accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Certain critical accounting estimates made in applying the Group's accounting policies are described below:

Intangible assets

On Business combinations the Directors consider separately identifiable intangible assets that are pertinent to the motor business. This includes consideration of franchise rights, brand, and other intangible assets.

Useful life of intangibles, property, plant and equipment

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end.

Used vehicle stock

Used vehicle stock is depreciating stock making estimated stock values uncertain. Management review the values of stock on a regular basis against trade valuations (Glass's Guide or CAP data) and valuation adjustments are made for possible over-valuations.

Certain critical judgements made in applying the Group's accounting policies are described below:

Goodwill and property portfolio impairment

The carrying values of goodwill and property are tested annually for impairment, for goodwill by using cash flow projections for each cash generating unit, and for property by comparing the carrying value to the higher of value in use or market value.

Revenue recognition

The Group receives manufacturer incentives and recognises as revenue when it is earned. In respect of vehicle specific manufacturers incentives, these are recognised when the associated vehicle sale is recognised as revenue. In the case of non-vehicle related manufacturer incentives, these are recognised in the Statement of Comprehensive Income when the manufacturer criteria have been achieved and the value can be reliably measured. Manufacturer incentives are included in revenue on the Statement of Comprehensive Income rather than deducted from the cost of vehicles and judgement is applied in the timing and nature of the income.

The Group sells repair and maintenance products to customers where the service provision obligations last for the duration of the product which can be in excess of a year. The revenue relating to these products is recognised in distinct elements which are; commission at the point of sale and deferred revenue on a straight line basis over the duration of the contract obligation. The deferred revenue is split between administrative obligations and contract obligations to repair and maintain the vehicles in line with the terms of the products sold. The deferred revenue for administrative obligations is released to the profit and loss account on a straight-line basis over the duration of the policies. The revenue to meet repairing obligations has an equivalent cost of sale at the point of recognition and an annual reconciliation of the repair fund is undertaken to recognise any surplus profit or loss arising from the management of the repair fund obligations.

Consignment stock

Consignment stock from manufacturers is included in inventories with a corresponding liability in trade payables even though legal title to the vehicles may not have passed at that point. Judgement is required as to whether the vehicles are considered to be under the control of the Group and this is judged to occur when the Group bears the significant risks and rewards of ownership. The amount of consignment stock at the year-end is disclosed separately within note 14.

Non-recurring income and 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.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

3 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 4). Set out below is the disaggregation of the Groups revenue from contracts with customers:

	2020	2019
	£000	£000
Sale of new cars	**218,280**	293,805
Sale of used cars	**252,239**	302,749
Aftersales services	**65,650**	76,944
Internal sales	**(12,153)**	(15,721)
Total revenues	**524,016**	657,777

Timing of revenue recognition

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

	2020	2019
	£000	£000
Goods and services transferred at a point in time	**522,246**	656,838
Goods and services transferred over time	**1,770**	939
Total revenues	**524,016**	657,777

4 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.

	2020 Revenue	**2020 Revenue mix**	**2020 Gross Profit**	**2020 Margin**	2019 Revenue	2019 Revenue mix	2019 Gross Profit	2019 Margin
	£m	**%**	**£m**	**%**	£m	%	£m	%
New Car	**218.3**	**41.7**	**15.7**	**7.2**	293.8	44.7	20.6	7.0
Used Car	**252.2**	**48.1**	**21.4**	**8.5**	302.8	46.0	25.1	8.3
Aftersales	**65.6**	**12.5**	**26.0**	**39.6**	76.9	11.7	29.3	38.1
Internal sales	**(12.1)**	**(2.3)**	**-**	**-**	(15.7)	(2.4)	-	-
Total	**524.0**	**100.0**	**63.1**	**12.0**	657.8	100.0	75.1	11.4
Administrative expenses			**(50.1)**				(61.4)	
Operating profit before non-recurring expenses			**13.0**				13.7	
Non-recurring income/ (expenses)			**(1.0)**				0.2	
Operating profit			**12.0**				13.9	

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.

The EBITDA in the period varies significantly with the prior year comparative as a result of the transition to IFRS 16 lease accounting which reverses operating lease expenses and replaces it with Depreciation on the right of use assets and finance expenses in relation to the lease liability for those leased assets.

4 Segmental reporting *(continued)*

	2020	2019
	£000	£000
Profit Before Tax	**10,185**	12,495
Non-recurring (income) expenses (note 5)	**958**	(219)
Underlying Profit Before Tax	**11,143**	12,276
Net finance expense	**1,544**	1,371
Net finance Expense IFRS 16	**316**	-
Depreciation and amortisation	**3,713**	3,437
Depreciation – Right of use asset	**2,066**	-
Underlying EBITDA	**18,782**	-
Net lease payments – pre IFRS 16	**(2,547)**	-
Underlying EBITDA excluding transition to IFRS 16	**16,235**	17,084
Non-recurring income (expenses)	**(958)**	219
EBITDA	**17,824**	-
Lease payments – pre IFRS 16	**(2,547)**	-
EBITDA excluding transition to IFRS 16	**15,277**	17,303

5 Non-recurring expense/ (income)

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.

	2020	2019
	£000	£000
Profit on disposal of property held for re-sale	**-**	414
Site closures costs	**(12)**	(195)
Acquisition costs (see note 31)	**(138)**	-
Reorganisation costs	**(812)**	-
Profit on disposal of fixed assets	**4**	-
	(958)	219

During the COVID-19 lockdown period the Group undertook a detailed review of the business structure and operating costs. As a result of the operating impact of the pandemic, the Board took the decision to implement a rationalisation programme which led to a significant reduction in the number of Associates through a redundancy programme. The one-off cost of this relating to redundancy programme was £812,000.

6 Income, expenses and auditor's remuneration

The result from operating activities is stated after charging the following:

	2020	2019
	£000	£000
Government grant income	**4,088**	-
Impairment loss recognised on other trade receivables and prepayments 26(b)	**(106)**	(230)

Auditor's remuneration:

	2020	2019
	£000	£000
Current auditor		
Audit of these financial statements	**25**	25
Audit of financial statements of subsidiaries pursuant to legislation	**90**	90
Other services relating to taxation	**25**	25
All other services	**10**	10

7 Staff numbers and costs

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

	Number of employees	
	2020	2019
Sales	**307**	338
Service	**397**	424
Parts	**73**	79
Administration	**237**	235
	1,014	1,076

The above analysis is stated based on the average number of persons employed during the year and does not reflect the number employed following the rationalisation programme.

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**32,096**	34,996
Social security costs	**3,149**	3,433
Expenses related to defined contribution plans	**550**	558
Share based payments expense	**19**	32
	35,814	39,019

The Wages and salaries analysis is stated without deduction of the Government Grant of £4.1m.

8 Earnings per share

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

The Underlying Return on Equity number has been calculated as the adjusted profit attributable to equity shareholders divided by the unweighted average shareholder funds taking the average of the opening and closing shareholders equity from the statement of financial position. The calculation is therefore £8,992,000 divided by £68,654,000 giving 13.1%.

Basic earnings per share

	2020	2019
	£000	£000
Profit attributable to shareholders	**8,216**	9,953
Non-recurring (income)/ expenses (Note 5)	**958**	(219)
Tax on adjustments (at 19% (2019: 19%))	**(182)**	41
Adjusted profit attributable to equity shareholders	**8,992**	9,775
Number of shares in issue ('000)	**100,000**	100,000
Basic earnings per share	**8.22p**	9.95p
Adjusted basic earnings per share	**8.99p**	9.78p

Diluted earnings per share

During the period the Group cash settled a number of the vested share options and the performance conditions relating to certain other share options (note 23) were satisfied and therefore 604,662 share options are considered dilutive at the year-end.

	2020	2019
	£000	£000
Profit attributable to shareholders	**8,216**	9,953
Number of shares in issue ('000)	**100,000**	100,000
Effect of dilutive share options ('000)	**604**	189
	100,604	100,189
Diluted earnings per share	**8.17p**	9.93p

9 Finance income and expense

Recognised in the income statement

	2020	2019
	£000	£000
Finance income		
Interest receivable	43	64
Interest on finance leases receivable	8	-
Total finance income	51	64
Finance expense		
Interest payable on bank borrowings	608	594
Interest on lease liabilities	324	-
Consignment and vehicle stocking interest	979	841
Total finance expense	1,911	1,435
Total interest expense on financial liabilities held at amortised cost	932	594
Total other interest expense	979	841
	1,911	1,435

10 Taxation

Recognised in the income statement

	2020	2019
	£000	£000
Current tax expense		
Current year	1,777	2,289
Adjustment in respect of prior years	(55)	1
	1,722	2,290
Deferred tax		
Adjustment in respect of prior years	(31)	79
Origination and reversal of temporary differences	278	173
	247	252
Total tax expense	1,969	2,542

10 Taxation *(continued)*

Reconciliation of total tax

	2020	2019
	£000	£000
Profit for the year	**8,216**	9,953
Total tax expense	**1,969**	2,542
Profit excluding taxation	**10,185**	12,495
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**1,935**	2,374
Non-deductible expenses	**9**	15
Accounting deprecation for which no tax relief is due	**99**	130
Tax losses brought forward utilised	**(18)**	(63)
Change in tax rate	**32**	(24)
On capital disposals	**-**	33
Prior year movements	**(86)**	80
Other differences	**(2)**	(3)
Total tax expense	**1,969**	2,542

The applicable tax rate for the current year is 19% *(2019: 19%)*.

Reductions to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017 and was subsequently cancelled on 11 March 2020.

11 Property, plant and equipment

	Freehold land & buildings	Assets under construction	Long leasehold land & buildings	Short leasehold improvements	Plant & equipment	Fixtures, fittings & computer equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
Balance at 1 September 2018	50,590	5,392	10,779	2,182	4,419	9,461	82,823
Additions	17,376	194	-	23	1,316	2,956	21,865
Disposals	-	-	-	(661)	(442)	(814)	(1,917)
Reclassification	16,171	(5,392)	(10,779)	-	-	-	-
Balance at 1 September 2019	84,137	194	-	1,544	5,293	11,603	102,771
Additions	2,613	-	-	38	230	707	3,588
On acquisition	1,580	-	-	-	70	-	1,650
Disposals	-	-	-	-	(117)	(452)	(569)
Balance at 31 August 2020	**88,330**	**194**	**-**	**1,582**	**5,476**	**11,858**	**107,440**
Depreciation							
Balance at 1 September 2018	4,770	-	917	2,107	2,468	5,511	15,773
Charge for the year	1,108	-	74	81	503	1,606	3,372
Disposals	-	-	-	(661)	(322)	(727)	(1,710)
Reclassification	991	-	(991)	-	-	-	-
Balance at 1 September 2019	6,869	-	-	1,527	2,649	6,390	17,435
Charge for the year	1,303	-	-	29	662	1,610	3,604
Disposals	-	-	-	-	(91)	(451)	(542)
Balance at 31 August 2020	**8,172**	**-**	**-**	**1,556**	**3,220**	**7,549**	**20,497**
Net book value							
At 31 August 2019	77,268	194	-	17	2,644	5,213	85,336
At 31 August 2020	**80,158**	**194**	**-**	**26**	**2,256**	**4,309**	**86,943**

As at 31 August 2020 the Group were developing planning applications for both the Solihull Aston Martin Dealership and the Brentwood development. There were no committed contracts in place at the balance sheet date. *(2019: £Nil).*

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

Security

The title of all freehold properties have been pledged as security to the Revolving Credit Facility disclosed in note 18.

12 Intangible assets

	Goodwill	Software	Other	Total
	£000	£000	£000	£000
Cost				
Balance at 1 September 2018	21,346	988	176	22,510
Additions	-	42	-	42
Disposals	-	(180)	-	(180)
Balance at 1 September 2019	21,346	850	176	22,372
Additions	-	77	-	77
On acquisition	60	21	-	81
Disposals		(2)	-	(2)
Balance at 31 August 2020	21,406	946	176	22,528
Amortisation and impairment				
Balance at 1 September 2018	-	833	176	1,009
Amortisation for the year	-	65	-	65
Disposals	-	(180)	-	(180)
Balance at 1 September 2019	-	718	176	894
Amortisation for the year	-	109	-	109
Disposals	-	(2)	-	(2)
Balance at 31 August 2020	-	825	176	1,001
Net book value				
At 31 August 2019	21,346	132	-	21,478
At 31 August 2020	**21,406**	**121**	-	**21,527**

12 Intangible assets *(continued)*

Amortisation charge

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

	2020	2019
	£000	£000
Administrative expenses	**109**	65

Impairment loss and subsequent reversal

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or Groups of cash generating units. For the purpose of impairment testing of goodwill and other indefinite life assets, the Directors recognise the Group's cash generating units ("CGU") to be connected groupings of dealerships. The identified CGUs, grouped for allocation of goodwill are as follows:

	Goodwill	
	2020	2019
	£000	£000
Multiple units without significant goodwill	**406**	346
Jaguar Land Rover ("JLR")	**21,000**	21,000
	21,406	21,346

The recoverable amount of the JLR CGU has been calculated with reference to its value in use. These calculations use projections based on financial budgets approved by the Board of Directors which are extrapolated using an estimated growth rate. The budgets were prepared to 31 August 2021 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 £52m (2019: £73m). 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.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	1 September 2019	As restated	Recognised in income	Net 31 August 2020	Deferred tax liabilities	Deferred tax assets
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	(467)	-	(19)	(486)	(486)	-
Capital gain	-	-	(218)	(218)	(218)	-
On transition to IFRS	-	249	(43)	206	-	206
Provisions	25	-	32	57	-	57
Share options	5	-	1	6	-	6
	(437)	249	(247)	(435)	(704)	269

Unrecognised deferred tax assets and liabilities

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

	Assets	
	2020	2019
	£000	£000
Tax value of loss carry-forwards	174	167
Unrecognised net tax assets	174	167

14 Inventories

	2020	2019
	£000	£000
Vehicle consignment stock	45,490	63,628
Motor vehicles	35,966	46,327
Parts and other stock	2,132	2,849
	83,588	112,804

Included within inventories is £nil *(2019: £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 £460 million *(2019: £581 million)*. This includes inventory write downs of £161,694 and reversals of previous write downs of £454,743.

Details of stock held as security is given in note 19.

15 Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	6,608	8,864
Prepayments and other receivables	2,477	3,187
	9,085	12,051

Included within trade and other receivables is £nil *(2019: £nil)* expected to be recovered in more than 12 months.

16 Cash and cash equivalents

	2020	2019
	£000	£000
Cash and cash equivalents per balance sheet	5,645	26,299
Cash and cash equivalents per cash flow statement	5,645	26,299

17 Property Assets Classified as held for resale

On closure of the Blackburn dealership, the Freehold property has been transferred to assets held for resale at its net book value. There were no movements during the year.

18 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see note 26.

	2020	2019
	£000	£000
Non-current liabilities		
Revolving Credit Facility	**2,122**	30,088
Current liabilities		
Revolving Credit Facility	**-**	-

Terms and debt repayment schedule

All debt is in GBP currency

	Nominal interest rate	Year of Maturity	Value and Carrying Amount	Face Value and Carrying Amount
			2020	2019
			£000	£000
Revolving Credit Facility	LIBOR +1.20%*	2022	**2,122**	30,088
			2,122	30,088

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

19 Trade and other payables

	2020	2019
	£000	£000
Current		
Vehicle consignment creditor	**53,933**	75,863
Other trade payables	**7,744**	10,099
Non-trade payables and accrued expenses	**32,878**	26,028
Vehicle funding	**31,991**	45,760
	126,546	157,750

Included within trade and other payables is £nil *(2019: £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.

20 Contract liabilities

	2020	2019
	£000	£000
At 1 September 2019	**2,379**	683
Created in the year	**2,636**	2,635
Recognised as income during the year	**(1,770)**	(939)
At 31 August 2020	**3,245**	2,379
Current	**1,604**	2,379
Non-current	**1,641**	-
	3,245	2,379

Contract liabilities represents deferred income in relation to vehicle repair and maintenance products. Policies can be taken out over periods of up to 36 months with income received on inception of the policy. The policy covers replacement and repair of mechanical, electrical and cosmetic parts, the cost of labour to fit them and breakdown assistance for the period of the policy. When the income is received it is recognised initially as deferred income and is released to income statement over the life of the policy with consideration made for potential liabilities on a pooled basis.

21 Leases

The Group has lease contracts for certain of the land and buildings from which it operates. Terms can vary significantly between property and the leases at the year-end had up to ten years remaining, with some leases due to end within 12 months. In addition, the Group uses short-term leases (less than 12 months term) where considered appropriate to its requirements and takes advantage of the recognition exemptions for such leases.

Right-of-use assets	Land & buildings	Total
	£000	**£000**
Cost		
Balance at 1 September 2019	-	-
Transition to IFRS 16	5,982	5,982
Balance at 1 September 2019 – as restated	5,982	5,982
Additions	549	549
On acquisition	2,044	2,044
Balance at 31 August 2020	8,575	8,575
Depreciation		
Balance at 1 September 2019	-	-
Charge for the year	2,066	2,066
Balance at 31 August 2020	2,066	2,066
Net book value		
At 31 August 2020	**6,509**	**6,509**

21 Leases *(continued)*

Lease liabilities	Land & buildings	Total
	£000	£000
Balance at 1 September 2019	-	-
On transition to IFRS 16	8,517	8,517
Balance at 1 September 2019 – as restated	8,517	8,517
Additions	549	549
On acquisition	2,044	2,044
Interest expense	324	324
Payments	(2,635)	(2,635)
Balance at 31 August 2020	8,799	8,799
Current liabilities	2,496	2,496
Non-current liabilities	6,303	6,303
Balance at 31 August 2020	8,799	8,799

21 Leases *(continued)*

Maturity analysis	31 August 2020
	£000
On demand	-
Within 1 year	2,751
Between 1 to 2 years	2,255
Between 2 to 5 years	3,375
Over 5 years	1,089
Total undiscounted liabilities	9,470
	(671)
Lease liabilities in the financial statements	8,799

Amounts recognised in the statement of comprehensive income as an expense during the period in respect of lease arrangements are as follows:

	2020	2019
	£000	£000
Lease payments under operating leases	**-**	2,815
Expense relating to short-term leases	**135**	-
Expense relating to leases of low-value assets	**42**	-
Income relating to variable lease payments not included in lease liabilities	**(105)**	-
Depreciation	**2,066**	-
Interest	**324**	-

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

Land and buildings	**2020**	2019
	£000	£000
Less than one year	**14**	2,381
Between one and five years	**-**	6,196
More than five years	**-**	648
	14	9,225

21 Leases *(continued)*

Operating leases apart from land and buildings	2020	2019
	£000	£000
Less than one year	**54**	-
Between one and five years	**1**	-
	55	-

Finance lease receivables – land and buildings	2020	2019
	£000	£000
Within one year	**74**	-
Between one and five years	**74**	-
More than five years	**48**	-
Total undiscounted lease payments receivable	**196**	-
Unearned finance income	**(10)**	-
Net investment	**186**	-
The present value is receivable as follows:		
Within one year	**68**	-
In two to five years	**118**	-
	186	-

22 Employee benefits

Pension plans - Defined contribution plans

The Group operates a number of defined contribution pension plans.
The total expense relating to these plans in the current year was £550,000 *(2019: £557,000)*.

23 Share-based payments

The Group has a share option scheme open to certain employees at the discretion of the Board. Options are exercisable at a price equal to the higher of the nominal value or market price of the Company's shares on the date of grant.

In the scheme the options vest over a ten-year period, depending on the terms of the individual grant. There are certain performance criteria relating to shareholder return and the underlying profit before tax of the Group which have to be achieved for the options to be exercisable.

During the year ended 31 August 2020, no share options were granted *(2019: None).*

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2020	**2020**	2019	2019
	£		£	
Outstanding at the beginning of the year	**0.48**	**4,500,000**	0.49	5,000,000
Lapsed during the period			0.51	(500,000)
Cash settled during the year	**0.48**	**740,000**		-
Outstanding at the end of the year	**0.48**	**3,760,000**	0.48	4,500,000
Exercisable at the end of the year		**-**		-

The Company recognised an expense of £19,000 *(year ended 31 August 2019: £32,000)* in respect of share-based payments in the year. The share price during the period ranged between 33p and 71.5p and averaged 55.1p for the period.

Based on the performance of the Group in the financial year to 31 August 2019, on 1 January 2020 the first tranche of the 2015 Share Option scheme became exercisable. The Board took the Alternative Settlement Option contained within the scheme and Cash settled the difference between the market value of the shares and the exercise price. Based on the performance of the Group in the year to 31 August 2020, 185,000 of the outstanding share options have met the performance criteria and will become exercisable from 1 January 2021. Of those exercisable shares, 175,000 are in the money based on the average share price throughout the financial year and these have been included within the calculation of diluted earnings per share.

Within one of the Group Subsidiaries, Repair and Maintenance Plans Limited, the holders of the B Shares are, subject to meeting specific performance criteria, entitled to exchange the B shares in the subsidiary for shares in Cambria Automobiles plc. These have been treated as Contingently Issuable Shares. At the end of the year, the value of Cambria Automobiles plc shares to which the B Shareholders were entitled based on the performance criteria achieved was £295,918. Based on the share price at 31 August 2020 of 51p per share that equates to 580,231 shares. These shares have been recognised in the calculation of Basic Earnings Per Share at the year end when the contingent issuance criteria were met and included in the calculation of Diluted Earnings Per Share throughout the year. Provided that the specific performance criteria contained within the shareholders agreement are met over the life of the plan to 31 August 2024, the holders of the B Shares may be entitled to a maximum further £1,878,802 in value of Cambria Automobiles plc shares.

24 Provisions

	Property
	£000
Balance at 1 September 2019	1,336
On transition to IFRS 16	(1,000)
Balance at 1 September 2019 – as restated	336
Provisions utilised during the year	(100)
Provisions made in year	-
Balance at 31 August 2020	**236**
Current	459
Non-current	877
Balance at 31 August 2019	1,336
Current	**236**
Non-current	**-**
Balance at 31 August 2020	**236**

The provision at year end relates to the vacant properties at Welwyn Garden City following the occupation of the Hatfield development and the vacant Blackburn freehold property that is held as an Asset for Resale

25 Capital and reserves

Share capital

	2020	2019
	£000	£000
Authorised		
100,000,000 Ordinary shares of 10 pence each	**10,000**	10,000
Allotted, called up and fully paid		
100,000,000 Ordinary shares of 10 pence each	**10,000**	10,000
Shares classified in shareholders' funds	**10,000**	10,000

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

25 Capital and reserves *(continued)*

Dividends

The following dividends were paid by the Company in the year ended 31 August.

	2020	2019
	£000	£000
0.85p per ordinary share – prior year final *(2019: 0.75p)*	**850**	750
Nil per ordinary share – current year interim *(2019: 0.25p)*	**-**	250
	850	1,000

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

	2020	2019
	£000	£000
Nil p per ordinary share – current year final *(2019: 0.85p)*	**-**	850

26 Financial instruments

26 (a) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

26 (a) Fair values of financial instruments *(continued)*

Fair values

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

	As at 31 August 2020	As at 31 August 2019
	£000	£000
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents		
Trade receivables (net) (note 15)	**6,608**	8,864
Finance lease receivables (note 21)	**186**	-
Other receivables (note 15)	**177**	2,635
Cash and cash equivalents (note 16)	**5,645**	26,299
Total Financial assets	**12,616**	37,798
Financial liabilities		
Financial liabilities at amortised cost		
Other interest-bearing loans and borrowings (note 18)	**2,122**	30,088
Lease liabilities (note 21)	**8,799**	-
Trade and other payables (note 19)	**117,263**	147,390
Total Financial liabilities	**128,184**	177,478

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

26 Financial instruments *(continued)*

26 (b) Credit risk

Credit risk management

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

Exposure to credit risk

The carrying amount of trade receivables represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £6,608,000 *(2019: £8,864,000)* being the total of the carrying amount of trade receivables shown in the table below.

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

	2020	2019
	£000	£000
United Kingdom	6,608	8,864

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

	2020	2019
	£000	£000
Vehicle debtors	3,012	3,101
Non vehicle debtors	2,480	3,490
Manufacturer debtors	1,116	2,273
	6,608	8,864

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date is given below. Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). Provision rates are based on the days past due and generally the Group's policy is to provide for all debts which are past due. There has been no change in the significant assumptions or the method of estimation of ECL during the current period The Directors consider the balance to be recoverable based on credit terms and post balance sheet receipts.

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
	£000	£000	£000	£000
Trade receivables not past due	6,608	-	8,864	-
Trade receivables past due	575	575	625	625
	7,183	575	9,489	625

26 Financial instruments *(continued)*

26 (b) Credit risk *(continued)*

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

	£000
Balance at 1 September 2019	625
Impairment loss recognised	106
Allowance for impairment utilised	(156)
Balance at 31 August 2020	**575**

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

26 (c) Liquidity risk

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed by the Group's central treasury function within policy guidelines set by the Board with prime areas of focus being liquidity and interest rate exposure. The Group is financed primarily by a Revolving Credit Facility (RCF), vehicle stocking credit lines and operating cash flow. The Directors have assessed the future funding requirements of the Group and compared them to the level of committed available borrowing facilities. At the Balance Sheet date, the Group had a committed RCF of £40m with an accordion provision for further facilities within the documents as required. These committed facilities are maintained at levels in excess of planned requirements and are in addition to short term uncommitted facilities that are also available to the Group. The assessment included a review of financial forecasts, financial instruments and cash flow projections. These forecasts and projections show that the Group, taking account of reasonably possible scenarios, should be able to operate within the level of its borrowing facilities for the foreseeable future. In addition to the RCF facility detailed above, the Group has an agreed but undrawn £10m overdraft facility.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements: Interest is payable on bank borrowings of £2,122,000 *(2019: £30,088,000)* at LIBOR plus 1.20%

	2019					
	Carrying amount	**Contractual cash flows**	**1 year or less**	**1 to <2years**	**2 to <5years**	**5years and over**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Non-derivative financial liabilities						
Revolving Credit Facility	30,088	30,088	-	-	30,088	-
Trade and other payables	147,390	147,390	147,390	-	-	-
	2020					
	Carrying amount	**Contractual cash flows**	**1 year or less**	**1 to <2years**	**2 to <5years**	**5years and over**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Non-derivative financial liabilities						
Revolving Credit Facility	**2,122**	**2,122**	**-**	**-**	**2,122**	**-**
Lease liabilities	**8,799**	**9,470**	**2,751**	**2,255**	**3,375**	**1,089**
Trade and other payables	**117,263**	**117,263**	**117,263**	**-**	**-**	**-**

26 Financial instruments *(continued)*

26 (d) Market risk

Financial risk management

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

Market risk - Foreign currency risk

The Group does not have any exposure to foreign currency risk.

Market risk – Interest rate risk

Profile

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

	2020	2019
	£000	£000
Variable rate instruments		
Cash and cash equivalents	**5,645**	26,299
Vehicle funding	**(31,991)**	(45,760)
Lease liabilities	**(8,799)**	-
Loans and overdrafts	**(2,122)**	(30,088)
	(37,267)	(49,549)

The objectives of the Group's interest rate policy are to minimise interest costs. The Group does not actively manage cash flow interest risk as the Directors believe that the underlying earnings from the retail sector in which the Group operates provides a natural hedge against interest rate movements. Consequently, it is Group policy to borrow on a floating rate basis. Lease liabilities are discounted at the Groups incremental borrowing rate at commencement of the lease where the rate implicit in any lease cannot be established.

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

Sensitivity analysis

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

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

	2020	2019
	£000	£000
Equity		
Decrease	**171**	379
Profit or loss		
Decrease	**171**	379

26 Financial instruments *(continued)*

26 (e) Capital management

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

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

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

The gearing ratios for each year are as follows:

	As at 31 August 2020	As at 31 August 2019
	£000	£000
Borrowings	**2,122**	30,088
Less: cash and cash equivalents	**(5,645)**	(26,299)
Net deficit – before lease liabilities	**(3,523)**	3,789
Total equity	**71,728**	65,580
Gearing ratio – excluding lease liabilities	**(4.91%)**	5.78%
Gearing ratio – including lease liabilities	**7.36%**	N/a

27 Related parties

Identity of related parties with which the Group has transacted

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

Transactions with key management personnel

At the year-end, the Directors of the Company and their immediate relatives controlled 45.7% *(2019: 46.1%)* of the voting shares of the Company.

The compensation of key management personnel is as follows:

	2020	2019
	£000	£000
Directors' emoluments		
Salaries and consultancy fees	881	1,008
Annual bonus	494	708
Pension costs	5	2
Share related awards	14	24
	1,394	1,742

The emoluments consist of:

	Salaries	Bonus	Share related awards	Pension costs	Total	Total
Directors' emoluments	2020	2020	2020	2020	2020	2019
	£000	£000	£000	£000	£000	£000
Philip Swatman	32	-	-	-	32	40
James Mullins	208	149	7	1	365	432
Mark Lavery	317	240	-	1	558	800
Michael Burt	26	-	-	-	26	33
Tim Duckers	256	105	7	2	370	382
Paul McGill	18	-	-	1	19	25
William Charnley	24	-	-	-	24	30
	881	494	14	5	1,394	1,742

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

Related party transactions

During the year Mark Lavery bought 4 vehicles from the Group and sold 3 vehicles back to the Group, James Mullins bought 3 vehicles from the Group and sold 4 vehicles back to the Group. Tim Duckers bought 3 vehicles from the Group and sold 3 vehicles back to the Group. All transactions were carried out at arm's length and there were no outstanding balances due to the Group at the year-end. William Charnley is a partner at the law firm King & Spalding, during the year the Group paid professional fees of £81,185 in relation to the legal services provided to the Group.

28 Ultimate parent company and parent company of larger group

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

29 Subsidiaries

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

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class and percentage of shares held**
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
E-Warranty Limited*	England and Wales	IT Software Provider	100% Ordinary

* Owned directly by Cambria Automobiles Acquisitions Limited
** Owned directly by Cambria Automobiles Group Limited
*** Owned directly by Cambria Automobiles (South East) Limited
**** Owned directly by Dove Group Limited

The registered office of most of the Group Companies is Dorcan Way, Swindon, SN3 3RA with the exception of Repair and Maintenance Plans Limited whose registered office is Ground Floor, 21 Commerce Road, Lynch Wood, Peterborough, PE62 6LR.

30 Post balance sheet events

Dividend

Due to the impact of the COVID-19 pandemic and as announced in March 2020 The Board has suspended dividend payments and therefore the final dividend payment in respect of the financial year to 31 August 2020 is 0.0p *(2019: 0.85p)* per share in addition to the interim payment of 0.0p per share *(2019: 0.25p)*.

31 Acquisitions

Aston Martin and Rolls-Royce Motor Cars Edinburgh

On 21 January 2020, the Group announced the acquisition of the trade and assets of the Aston Martin and Rolls-Royce Motor Cars dealerships in Edinburgh for a total cash consideration of £1.671m. Transactions fees, payroll arrears and rationalization costs of £138,000 have been expensed through operating expenses in the period.

	Recognised values on acquisition
	£000
Acquiree's Net Assets at the acquisition date	
Plant and equipment	70
Intangible Assets	21
Freehold Property	1,580
Right of use asset - property	2,044
Lease liabilities	(2,044)
	1,671
Goodwill on acquisition	-
Total cash consideration	1,671

The acquisition contributed to £10,240,631 to revenue and (£65,153) to profit before tax.

E-Warranty Limited

On 3 March 2020, the Group announced the acquisition E-Warranty Limited a provider of IT software to the warranty industry for a total cash consideration of £60,000.

	Recognised values on acquisition
	£000
Acquiree's Net Assets at the acquisition date	
Cash and cash equivalents	4
Trade and other receivables	17
Trade and other payables	(16)
Tax liabilities	(5)
Goodwill	60
Total cash consideration	60

The acquisition contributed to £76,954 to revenue and £499 to profit before tax.

Company balance sheet

At 31 August 2020

	Note	2020		2019	
		£000	**£000**	£000	£000
Fixed assets					
Tangible fixed assets	5	**157**		204	
Investments	6	**666**		666	
			823		870
Current assets					
Inventories	7	**713**		666	
Debtors	8	**19,728**		20,745	
Cash at bank		**-**		-	
		20,441		21,411	
Creditors: amounts falling due within one year	9	**(8,424)**		(9,093)	
Net current assets			**12,017**		12,318
Total assets less current liabilities			**12,840**		13,188
Net assets			**12,840**		13,188
Capital and reserves					
Called up share capital	12		**10,000**		10,000
Share premium account	13		**799**		799
Profit and loss account	13		**2,041**		2,389
Shareholders' funds			**12,840**		13,188

The profit for the financial year dealt with in the financial statements of the parent company was £502,000 (2019 - £1,018,000).
These financial statements were approved by the Board of directors on 24 November 2020 and were signed on its behalf by:

M J J Lavery
Director

Company number: 05754547

Company Statement of changes in Equity

for the year ended 31 August 2020

	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
		£000	£000	£000	£000
Balance at 31August 2018		10,000	799	2,371	13,170
Profit for the year		-	-	1,018	1,018
Dividend paid		-	-	(1,000)	(1,000)
Balance at 31 August 2019		10,000	799	2,389	13,188
Profit for the year		-	-	502	502
Dividend paid	4	-	-	(850)	(850)
Balance at 31 August 2020		**10,000**	**799**	**2,041**	**12,840**

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Going concern

The Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities together with the factors likely to affect its future development, performance and position is set out in the Strategic report on page 19.

Basis of preparation

These separate financial statements of Cambria Automobiles Plc, the parent undertaking, have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 September 2015 have not been restated.
- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 September 2014.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share-based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies have been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2 to the consolidated accounts.

Measurement convention

The financial statements are prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated accounts except as noted below: -

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment

2 Remuneration of directors

	2020	2019
	£000	£000
Directors' emoluments		
Salaries	**881**	1,008
Annual bonus	**494**	708
Pension costs	**5**	2
Share related awards	**14**	24
	1,394	1,742

The emoluments in respect of the highest paid director were:

	2020	2019
	£000	£000
Salaries	**317**	400
Annual bonus	**240**	400
	557	800

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

3 Staff numbers and costs

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

	2020	2019
Number of employees		
Administration	**57**	57

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**4,365**	4,471
Social security costs	**536**	241
Other pension costs	**49**	33
Share related awards	**19**	32
	4,970	4,777

4 Dividends

The aggregate amount of dividends paid and received compromises:

	2020	2019
	£000	£000
Aggregate amount of dividends paid in the financial year	**850**	1,000
Aggregate amount of dividends received in the financial year	**-**	-

The aggregate amount of dividends proposed but not recognised at the year-end is £nil *(2019: £850,000).*

5 Tangible fixed assets

Company	Computer equipment	Total
	£000	**£000**
Cost		
At 1 September 2019	683	**683**
Additions	46	**46**
Disposals	(13)	**(13)**
At 31 August 2020	716	**716**
Depreciation		
At 1 September 2019	479	**479**
Disposals	(13)	**(13)**
Charge for year	93	**93**
At 31 August 2020	559	**559**
Net book value		
At 31 August 2020	157	**157**
At 31 August 2019	204	204

6 Fixed asset investments

	Shares in group undertakings
	£000
Company	
Cost and net book value	
At 1 September 2019 and 31 August 2020	**666**

The Directors have considered the investments in subsidiary undertakings for impairment by comparing the carrying amount to the value in use and have concluded that no impairment is required.

6 Fixed asset investments *(continued)*

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

	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
E-Warranty Ltd*	England and Wales	IT Software Provider	100% Ordinary

* Owned directly by Cambria Automobiles Acquisitions Limited

** Owned directly by Cambria Automobiles Group Limited

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

**** Owned directly by Dove Group Limited

The registered office of most of the Group Companies is Dorcan Way, Swindon, SN3 3RA with the exception of Repair and Maintenance Plans Limited whose registered office is Ground Floor, 21 Commerce Road, Lynch Wood, Peterborough, PE62 6LR.

7 Inventories

	2020	2019
	£000	£000
Motor vehicles	**713**	666

8 Debtors

	2020	2019
	£000	£000
Trade debtors	19	34
Amounts owed by group undertakings	18,744	19,575
Prepayments and accrued income	874	994
Deferred tax (note 11)	79	40
Other taxation	12	102
	19,728	20,745

9 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	207	382
Bank overdraft	1,118	3,157
Bank loan	-	-
Vehicle funding	593	437
Owed to group undertakings	1,400	1,442
Other taxation and social security	988	292
Accruals and deferred income	4,001	3,108
Corporation tax	117	275
	8,424	9,093

The vehicle funding creditor is secured on the stock to which it relates.

10 Interest-bearing loans and borrowings

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

	2020	2019
	£000	£000
Creditors falling due within less than one year		
Secured bank overdraft	1,118	3,157
	1,118	3,157

11 Deferred taxation

Deferred taxation asset	£000
At 1 September 2019	40
Movement in period	39
At 31 August 2020	**79**

The elements of deferred taxation asset are as follows:

	2020	2019
	£000	£000
Difference between accumulated depreciation and capital allowances	**40**	35
Other timing differences	**39**	5
Total deferred tax	**79**	40

12 Called up share capital

	2020	2019
	£000	£000
Authorised		
100,000,000 Ordinary shares of 10 pence each	**10,000**	10,000
Allotted, called up and fully paid		
100,000,000 Ordinary shares of 10 pence each	**10,000**	10,000
Shares classified in shareholder's funds	**10,000**	10,000

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

13 Share premium and reserves

	Share premium account	Profit and loss account
	£000	**£000**
At 1 September 2019	799	2,389
Profit for the year	-	502
Dividend paid	-	(850)
At 31 August 2020	**799**	**2,041**

14 Ultimate parent company and parent undertaking of larger group

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

15 Contingencies

The Company is jointly and severally liable in respect of value added tax liabilities arising in other group undertakings. The related fellow subsidiary undertakings and the Company were in a net liability situation at 31 August 2020 and a net repayment situation at 31 August 2019.

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

Cambria Automobiles plc, Cambria Automobiles Property Limited, Cambria Automobiles Group Limited, Cambria Automobiles Acquisitions Limited, Cambria Automobiles (Swindon) Limited, Grange Motors (Swindon) Limited, Thoranmart Limited, Cambria Automobiles (South East) Limited, Grange Motors (Brentwood) Limited, Invicta Motors Limited, Invicta Motors (Maidstone) Limited, Cambria Vehicle Services Limited, Repair and Maintenance Plans Limited and E-Warranty Limited.

At the year-end, the total bank and used vehicle funding facilities were as follows:

	2020	2019
	£000	£000
Cash and cash equivalents	**5,645**	26,299
Vehicle funding	**(31,991)**	(45,760)
Loans and overdrafts	**(2,122)**	(30,088)
	(28,468)	(49,549)

cambria
Automobiles plc

GRANGE | DOVES | Dees | Invicta Motors | motorparks.co.uk | PURE Triumph | County Motor Works