22 October 2008

Vertu Motors plc ("Vertu")

Unaudited interim results for the six month period ended 31 August 2008

Vertu Motors plc, the 10th largest UK motor retailer, announces interim results for the six month period to 31 August 2008.

Financial Highlights

	Six months ended 31 August 2008	**Period from 1 November 2006 to 31 August 2007****
Revenue	£423.5m	£290.3m
Adjusted EBITDA*	£5.2m	£1.7m
Adjusted operating profit*	£4.1m	£0.9m
Adjusted profit before tax*	£3.0m	£0.7m
Adjusted earnings per share*	2.36p	0.94p
EBITDA	£4.2m	£0.8m
Operating profit (loss)	£3.0m	(£0.1m)
Exceptional costs	£0.9m	£0.9m
Profit (loss) before tax	£1.9m	(£0.4m)
Earnings (loss) per share	1.49p	(0.42p)
Operating cash inflow	£5.9m	£22.0m
Gearing	25.9%	20.5%
Net assets per share	64.2p	64.0p

* adjusted for exceptional costs, amortisation of intangible assets and share based payments charge
** trading commenced on 27 March 2007 with the acquisition of Bristol Street Group Limited.

- Adjusted EBITDA in the period increased 13.0% from £4.6m on a pro-forma basis for the six months to 31 August 2007 to £5.2m
- Strong cash flow generation in the period with operating cash inflow of £5.9m
- Net debt declined to £15.3m at 31 August 2008 from £16.9m at 29 February 2008

Operational Highlights

- New retail car volumes up 13.5% on a like for like basis against UK private registrations falling 7.3%
- Used retail car volumes for franchised dealerships up by 15.1% on a like for like basis
- Market share gains in September as like for like volumes across new retail, fleet and used retail sectors significantly outperformed the market

Commenting on the results, Robert Forrester, Chief Executive, said:
"I am pleased to announce that the Group has delivered a performance which is above last year's profit level on a pro-forma basis and the Group has continued to gain market share with strong new and used like for like volume growth. The UK economic environment is increasingly challenging for the motor industry as a whole, however, despite this economic backdrop, we have maintained tight cost control over the business and continued to outperform the market in September. We continue to anticipate further market weakness as the consumer adjusts to the economic environment.

With our strong balance sheet, positive cash flows and experienced and motivated management team, we believe we remain well placed to drive performance in our existing businesses and take advantage of opportunities which may arise out of the current difficult market environment."

An analysts' briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB at 9.30am on 22 October 2008.

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INTRODUCTION

The UK economic environment has seen increasingly challenging trading conditions in the markets for new and used vehicles. Against this backdrop, I am pleased to report that Vertu continues to outperform the market and has gained market share. This has delivered a performance for the six months ended 31 August 2008 above that for the prior year period on a pro-forma basis.

The Group is benefiting from its strong service and parts operations which are proving more resilient in the current economy than vehicle sales, which are more directly linked to the fortunes of the UK consumer. 45.7% of gross profit is generated from higher margin after-sales operations.

The Board is committed to enhancing operational efficiencies to increase profitability and also to ensure that shareholder value is generated by maximising cash generation.

FINANCIAL COMMENTARY

Revenue for the first half increased to £423.5m (10 months ended 31 August 2007 : £290.3m). This reflected organic growth in the core Bristol Street Motors dealerships of £26.0m with the remaining increase of £107.2m due to acquisitions, new business start-ups and the full period impact of Bristol Street Motors.

Adjusted EBITDA rose in the period to £5.2m compared to £1.7m in the 10 months ended 31 August 2007. Despite the challenging market conditions in the latter months of the current period, adjusted EBITDA was £0.6m higher than in the same period last year on a pro-forma basis.

Profit before taxation for the period was £1.9m (10 months ended 31 August 2007 : Loss £0.4m).

The Group has continued to focus on working capital management in the period and generated £5.9m of operating cashflow. Working capital was reduced by £1.6m compared to the year end primarily due to a reduction in stock levels. Consequently the Group has reduced gearing from 28.1% at the year end to 25.9%. Net debt at 31 August 2008 totalled £15.3m.

The Group continues to hold for sale four surplus, empty freehold properties, valued at £11.4m The sale of these properties for redevelopment has continued to be delayed due to planning issues and the downturn in the UK property market. Progress does, however, continue to be made on these disposals.

In the period, net assets have been reduced by £2.7m as a result of actuarial losses on retirement benefit obligations and related taxation. These losses arose due to changes in actuarial assumptions primarily in regard to bond yields and the long-term outlook for inflation.

OPERATING REVIEW

The national trading environment for new cars has been increasingly challenging since March 2008. Pressure on consumer spending and the reduced willingness of the Vehicle Manufacturers to stimulate the market (partly due to the impact of weaker sterling) has led to a fall in new retail vehicle sales. Total new car registrations in the UK rose 0.2% in the March to May period but fell 10.7% in the June to August period. Sales to UK private customers fell by 3.1% and 15.5% in these periods, respectively.

The performance of the Vehicle Manufacturers represented by the Group varied widely as can be seen in the table below. Consumers have switched towards the purchase of smaller, fuel efficient models as a result of proposed tax changes, higher fuel prices and the need for economy. This plays in favour of the volume marques represented by the Group and similarly such marques have been less exposed to the significant downward price adjustment in used car values which has occurred since May 2008.

Franchise	Number of dealerships	March – August year on year Change in total new vehicle registrations in the UK
Ford	14	(1.1)%
Peugeot	6	(11.4)%
Vauxhall	4	(4.4)%
Citroen	4	(12.6)%
Honda	4	(10.7)%
Iveco	3	12.4%
Renault	2	(17.7)%
Hyundai	1	2.8%
Total UK Market		(3.9%)

The Group performed ahead of these market trends in terms of sales to new retail customers with like for like volumes in the period rising by 13.5%, compared to a 7.3% overall fall in the UK private retail market.

The Group's fleet sales operations have been strengthened in the last twelve months and build on the historic strength of Bristol Street Motors in this area. The UK market in the six months to August 2008, saw a modest 1.0% fall in registrations, reflecting a tendency by fleet customers to defer purchases in order to avoid the impact of weaker residual values in the used car market. The Group saw like for like volumes to the fleet market fall by 3.4% in the period as a result of a shift away from low margin fleet volume (which also absorbed working capital). Overall profitability of sales to the fleet channel improved despite these lower volumes.

A key aspect of trading in the period has been a significant price adjustment in underlying used vehicle values since May 2008. From July 2008 monthly price falls of an average 5.0% have been witnessed. This has impacted both trading margins and the need for additional provisions, since the Group has a prudent policy of writing used vehicle stocks down to trade values each month. Lower part exchange values also increase the cost to change for consumers and this can have a negative impact on sales volumes. Despite these market trends, the Group improved used car stock turn considerably which is critical in a period of price deflation. Like for like used retail volumes rose 15.1% in the Group's franchised dealership network, in a period likely to have seen the size of the overall market fall.

The Group has been effected by a tightening in the availability of consumer finance to used car customers, particularly for those customers with weaker credit scores. Despite this, the reduction in sources of alternative finance available to customers resulted in an increase in the overall percentage of used cars funded by finance arranged through the Group.

The Bristol Street Motor Nation used car outlets have been more significantly effected by the challenging conditions described above with like for like volumes declining by 8.8% in the period. Operating profit on a like for like basis fell from breakeven in the six months to 31 August 2007, to a loss of £0.1m in 2008. The Board has reviewed the performance of the previously marginal Coventry Motor Nation operation which experienced disproportionately higher finance rejection rates in the period. The operation was significantly loss making in the reported six months period and as a consequence the Group closed the operation on 2 September 2008.

The Group generated 45.7% of its gross profit in the period from after-sales operations (10 months ended 31 August 2007 : 47.0%). The proportionate decline reflected seasonal trends with March being included in the 2008 period with its high vehicle sales activity. The Board considers that after-sales operations are more defensive in nature during a consumer slowdown and industry experience from the last recession saw spending on after-sales services increase as vehicle purchases were deferred.

As the economic conditions in the UK have deteriorated the Board have focused on actions to ensure the Group continues to generate shareholder value. The focus areas, which continue to apply, are set out below:

- Two underperforming operations have been closed, being Bristol Street Motor Nation Coventry, as set out above, and a used van centre in Birmingham. These actions reduce the fixed cost base of the Group and will enhance future profitability.

- Cost review programmes are in place across the business to ensure the operational cost base is minimised going forward.

- Maximisation of all sales opportunities through the spread of best practice and the training of all colleagues in sales and after-sales continues. This investment to date has contributed to the increase in market share obtained.

- Vehicle stock levels and composition are being closely managed to improve stock turn, reduce interest costs and minimise exposure to any used car value falls.

Exceptional Costs
Exceptional costs of £0.9m (10 months ended 31 August 2007 : £0.9m) were incurred in the period.

Redundancies associated with cost reduction programmes resulted in costs being incurred totalling £0.1m. These redundancies were necessary to ensure the operational cost base of the business matched revenue opportunities and is part of an ongoing process of review. The closure of the two dealership operations in Coventry and Birmingham resulted in an exceptional cost of £0.3m.

Further provisions of £0.4m have been made in relation to the Group's surplus empty properties. The economic slowdown has delayed the original timescale envisaged for disposal of the freehold properties. Consequently, £0.2m has been provided to demolish freehold premises in order to remove empty rates liabilities and £0.2m provided to cover further anticipated costs to be incurred on certain empty properties.

The remainder of the exceptional costs relate to abortive acquisition costs in the period of £0.1m.

Current Trading and Outlook
September is a plate change month and hence is significant for the Group's trading performance in the second half of the financial year. The continued slowdown in the UK economy has seen reduced sales of vehicles to new private and business customers in the month. In September, UK vehicle registrations year on year fell 23.3% and 19.4% for private and fleet sectors respectively. However, against this market weakness, the Group outperformed and gained further market share. Like for like new retail volumes in the month fell by 10.5% and this market outperformance led to the Group achieving all manufacturer targets without recourse to pre-registrations. The Group's fleet volumes in September rose 12.9% despite the significant market fall.

Like for like volumes in the used car arena rose 22.2% in Bristol Street franchised dealerships and 11.9% in Bristol Street Motor Nation. Margins remain under pressure but significantly, used car values declined by a lower rate at the end of September than had been experienced in previous months. A continuation, or otherwise, of this price stability is a crucial variable which could impact the Group's performance for the remainder of the financial year.

In the light of the overall UK economic slowdown, the Board believes that the trading environment will continue to be challenging for the remainder of 2008 and into 2009. Whilst confident of the Group's ability to continue to gain market share, the Board will continue to monitor the short term outlook.

The Board is committed to an acquisition strategy to grow the market share of the Group's operations in order to enhance shareholder value. The Board believe that acquisition opportunities and the value to be created from them, will increase as the current UK economic slowdown progresses.

The Board is focused in the short term on maximising current operational performance and further reducing the Group's debt levels. With a strong balance sheet and continued strong cash flows, the Group will be well positioned for the opportunities arising.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31st August 2008

	Note	Six months ended 31st August 2008 £'000	Ten month period ended 31st August 2007* £'000	Sixteen month period ended 29th February 2008* £'000
Continuing operations				
Revenue		423,547	290,262	677,180
Cost of sales		(376,702)	(255,126)	(599,531)
Gross profit		46,845	35,136	77,649
Operating expenses		(42,742)	(34,272)	(74,573)
Operating profit before amortisation, share based payments charge and exceptional costs		4,103	864	3,076
Amortisation of intangible assets		(85)	(24)	(116)
Share based payments charge		(80)	(72)	(221)
Exceptional costs	4	(949)	(910)	(1,360)
Operating profit (loss)		2,989	(142)	1,379
Finance income		783	1,190	1,808
Finance costs		(1,867)	(1,404)	(3,050)
Net finance costs	3	(1,084)	(214)	(1,242)
Profit (loss) before tax		1,905	(356)	137
Taxation	6	(536)	48	(65)
Profit (loss) for the period		1,369	(308)	72
Attributable to:				
Equity holders of the Group		1,369	(308)	72
Basic earnings (loss) per share (p)	5	1.49	(0.42)	0.09
Diluted earnings (loss) per share (p)	5	1.49	(0.42)	0.09
Adjusted earnings per share (p)	5	2.36	0.94	1.60

* The Group began trading on 27th March 2007 on the acquisition of Bristol Street Group Limited.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

For the six months ended 31st August 2008

	Note	Six months ended 31st August 2008 £'000	Ten month period ended 31st August 2007 £'000	Sixteen month period ended 29th February 2008 £'000
Actuarial (losses) gains on retirement benefit obligations	7	(3,795)	1,597	2,948
Cash flow hedges	7	148	-	(452)
Taxation thereon	7	1,021	(479)	(699)
Net (losses) gains recognised directly in equity		**(2,626)**	**1,118**	**1,797**
Profit (loss) for the period		1,369	(308)	72
Total recognised income and expense for the period		**(1,257)**	**810**	**1,869**
Attributable to:				
Equity holders of the Group		**(1,257)**	**810**	**1,869**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31st August 2008

	Note	As at 31st August 2008 £'000	As at 31st August 2007 £'000	As at 29th February 2008 £'000
Non-current assets				
Goodwill		18,612	16,631	18,612
Other intangible assets		1,063	898	962
Retirement benefit asset	9	-	1,157	3,117
Property, plant and equipment		48,903	46,022	47,446
		68,578	64,708	70,137
Current assets				
Inventories		145,916	109,010	131,579
Property assets held for sale		11,390	12,044	11,390
Trade and other receivables		14,063	19,715	14,102
Cash and cash equivalents		10,609	12,300	9,459
Total current assets		181,978	153,069	166,530
Total assets		250,556	217,777	236,667
Current liabilities				
Trade and other payables		(155,361)	(120,362)	(139,702)
Current tax liabilities		(3,581)	(6,029)	(3,328)
Borrowings		(3,619)	(500)	(3,119)
Total current liabilities		(162,561)	(126,891)	(146,149)
Non-current liabilities				
Borrowings		(22,299)	(23,716)	(23,261)
Deferred income tax liabilities		(5,144)	(7,093)	(5,875)
Deferred consideration		-	(1,250)	(128)
Retirement benefit liability	9	(119)	-	-
Provisions for other liabilities and charges		(1,362)	(675)	(1,029)
		(28,924)	(32,734)	(30,293)
Total liabilities		(191,485)	(159,625)	(176,442)
Net assets		**59,071**	**58,152**	**60,225**
Capital and reserves attributable to equity holders of the Group				
Ordinary shares	7	9,198	9,083	9,194
Share premium	7	40,991	41,041	40,991
Other reserve	7	7,969	7,085	7,950
Hedging reserve	7	(219)	61	(326)
Retained earnings	7	1,132	882	2,416
Shareholders' equity	7	**59,071**	**58,152**	**60,225**

CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31st August 2008

	Note	Six months ended 31st August 2008 £'000	Ten month period ended 31st August 2007 £'000	Sixteen month period ended 29th February 2008 £'000
Operating profit (loss)		2,989	(142)	1,379
Loss on sale of tangible fixed assets		6	37	69
Amortisation of intangible assets		85	24	116
Depreciation of property, plant and equipment		1,141	880	2,018
Decrease in inventories		2,949	10,536	5,792
(Increase) decrease in trade and other receivables		(820)	27,432	33,710
Decrease in payables		(899)	(17,015)	(21,870)
Increase in provisions		333	160	514
Movement in share based payments charge		80	72	221
Cash generated from operations		5,864	21,984	21,949
Tax paid		-	(2,155)	(2,473)
Net finance (expense) income		(1,538)	21	(1,281)
Net cash generated from operating activities		4,326	19,850	18,195
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired		-	(78,071)	(77,882)
Purchases of intangible fixed assets		(79)	(132)	(544)
Purchases of property, plant and equipment		(2,599)	(2,747)	(4,654)
Proceeds from disposal of property, plant and equipment		2	-	-
Net cash outflow from investing activities		(2,676)	(80,950)	(83,080)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		-	49,209	50,153
Proceeds from borrowings	8	-	24,191	24,191
Repayment of borrowings	8	(500)	-	-
Net cash (outflow) inflow from financing activities		(500)	73,400	74,344
Net increase in cash and cash equivalents		1,150	12,300	9,459
Cash and cash equivalents at beginning of period		9,459	-	-
Cash and cash equivalents at end of period		10,609	12,300	9,459

NOTES

For the six months ended 31st August 2008

1. General information

The information for the sixteen month period ended 29th February 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2. Accounting Policies

The annual financial statements of Vertu Motors plc are prepared in accordance with IFRSs as adopted by the European Union. This interim financial report has been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

In addition, this unaudited interim financial report does not comply with IAS 34 'Interim Financial Reporting', which is not required to be applied under the AIM Rules.

The accounting policies adopted in this interim financial report are consistent with those of the Group's financial statements for the sixteen month period ended 29th February 2008.

Standards and interpretations not yet effective

The following IFRS and IFRIC interpretations have been issued but have not been early adopted by the Group; the adoption of these standards is not expected to have a material impact on the Group's financial information:

- IFRS 8 – Operating segments (accounting periods beginning on or after 1st January 2009)
- IFRIC 13 – Customer loyalty programmes (accounting periods beginning on or after 1st July 2008)
- IAS 1 (revised) – Presentation of financial statements (accounting periods beginning on or after 1st January 2009)
- IAS 23 (revised) – Borrowing costs (accounting periods beginning on or after 1st January 2009)
- Amendments to IFRS 2 Share based payments (accounting periods beginning on or after 1st January 2009)
- IFRS 3 (revised) – Business combinations (accounting periods beginning on or after 1st July 2009)
- IAS 27 (revised) – Consolidated and separate financial statements (accounting periods beginning on or after 1st January 2009)
- Amendment to IAS 32 Financial instruments: presentation and IAS 1 Presentation of financial statements, puttable financial instruments and obligations arising on liquidation (accounting periods beginning on or after 1st January 2009)

3. Net finance costs

	Six months ended 31st August 2008 £'000	Ten month period ended 31st August 2007 £'000	Sixteen month period ended 29th February 2008 £'000
Bank loans and overdrafts	(1,005)	(777)	(1,579)
Vehicle stocking interest	(113)	-	(88)
Other finance costs relating to Group pension scheme	(742)	(622)	(1,371)
Other finance costs	(7)	(5)	(12)
Finance costs	(1,867)	(1,404)	(3,050)
Other finance income relating to Group pension scheme	727	793	1,596
Vehicle stocking interest	-	9	-
Interest on short term bank deposits	56	388	212
Finance income	783	1,190	1,808
Net finance costs	(1,084)	(214)	(1,242)

4. Exceptional costs

	Six months ended 31st August 2008 £'000	Ten month period ended 31st August 2007 £'000	Sixteen month period ended 29th February 2008 £'000
Reorganisation costs	114	606	985
Closure costs	335	-	-
Empty property provisions	423	-	-
Onerous lease costs	-	304	375
Abortive costs	77	-	-
	949	910	1,360

Exceptional costs comprise items of expenditure that are material in amount and unlikely to recur and therefore they merit separate disclosure in order to provide an understanding of the Group's underlying financial performance.

5. Earnings (loss) per share

Basic and diluted earnings (loss) per share are calculated by dividing the earnings (loss) attributable to equity shareholders by the weighted average number of ordinary shares during the period or the diluted weighted average number of ordinary shares in issue in the period.

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Adjusted earnings per share is calculated by dividing the adjusted earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

	Six months ended 31st August 2008 £'000	**Ten month period ended 31st August 2007 £'000**	**Sixteen month period ended 29th February 2008 £'000**
Profit (loss) attributable to equity shareholders	1,369	(308)	72
Amortisation of intangible assets	85	24	116
Share based payments charge	80	72	221
Exceptional costs	949	910	1,360
Tax effects of adjustments	(312)	-	(468)
Adjusted earnings attributable to equity shareholders	2,171	698	1,301
Weighted average number of shares in issue ('000s)	91,944	73,955	81,170
Potentially dilutive shares ('000s)	-	11	123
Diluted weighted average number of shares in issue ('000s)	91,944	73,966	81,293
Basic earnings (loss) per share	1.49p	(0.42)p	0.09p
Diluted earnings (loss) per share	1.49p	(0.42)p	0.09p
Adjusted earnings per share	2.36p	0.94p	1.60p

6. Taxation

The tax charge for the six month period ended 31st August 2008 has been provided at the effective rate of 28.1% (Ten month period ended 31 August 2007 : 47.0%).

7. Statement of changes in shareholders' equity

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
On incorporation	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the period	-	-	-	-	72	72
Actuarial gains on retirement benefit obligations	-	-	-	-	2,948	2,948
Tax on items taken directly to equity	-	-	-	126	(825)	(699)
Fair value losses during the period	-	-	-	(452)	-	(452)
Share based payments credit	-	-	-	-	221	221
New ordinary shares issued	9,194	40,991	7,950	-	-	58,135
As at 29th February 2008	**9,194**	**40,991**	**7,950**	**(326)**	**2,416**	**60,225**

	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 1st March 2008	9,194	40,991	7,950	(326)	2,416	60,225
Profit for the period	-	-	-	-	1,369	1,369
Actuarial losses on retirement benefit obligations	-	-	-	-	(3,795)	(3,795)
Tax on items taken directly to equity	-	-	-	(41)	1,062	1,021
Fair value gains during the period	-	-	-	148	-	148
Share based payments credit	-	-	-	-	80	80
New ordinary shares issued	4	-	19	-	-	23
As at 31st August 2008	**9,198**	**40,991**	**7,969**	**(219)**	**1,132**	**59,071**

The other reserve is a merger reserve, arising from shares issued for shares, as deferred consideration, to the former shareholders of acquisitions. In the six month period ended 31st August 2008, shares were issued for shares to the former shareholders of Blake Holdings Limited.

8. Reconciliation of net cash flow to movement in net debt

	Six months ended 31st August 2008 £'000	Ten month period ended 31st August 2007 £'000	Sixteen month period ended 29th February 2008 £'000
Net increase in cash and cash equivalents	1,150	12,300	9,459
Cash inflow from increase in borrowings	-	(24,191)	(24,191)
Cash outflow from repayment of borrowings	500	-	-
Cash movement in net debt	**1,650**	**(11,891)**	**(14,732)**
Issue of loan notes	-	-	(2,119)
Amortisation of loan arrangement fee	(38)	(25)	(70)
Non cash movement in net debt	**(38)**	**(25)**	**(2,189)**
Total movement in net debt	**1,612**	**(11,916)**	**(16,921)**
Opening net debt	**(16,921)**	**-**	**-**
Closing net debt	**(15,309)**	**(11,916)**	**(16,921)**

9. Pensions

The defined benefit plan assets and liabilities have been updated to reflect their market value as at 31st August 2008. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Statement of Recognised Income and Expense in accordance with the Group's accounting policy. There have been changes in the financial assumptions underlying the calculation of the liabilities in the six month period ending 31st August 2008. In particular, the yield on AA-rated bonds has decreased slightly and the long-term outlook for inflation increased. This has led to a higher value being placed on liabilities at the 31st August 2008 than assumed at the beginning of the financial year.