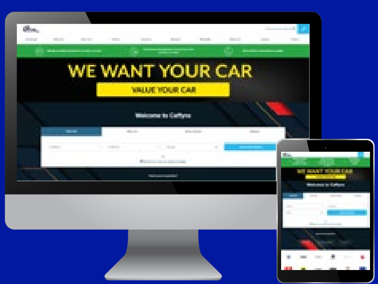
Caffyns plc

Annual Report for the year ended
31 March 2023

Contents

Visit us online
www.caffyns.co.uk



Results at a Glance

Summary

	2023 £'000	2022 £'000
Revenue	251,426	223,928
Underlying EBITDA (see note A below and note 3)	6,955	7,712
Underlying profit before tax (see note A)	3,140	4,574
Profit before tax	3,090	4,385
	pence	pence
Underlying earnings per share (see note 9)	95.1	117.0
Earnings per share	93.6	111.3
Proposed final dividend per Ordinary share	15.0	15.0
Dividend per Ordinary share for the year	22.5	22.5

Note A: Underlying results exclude items that have non-trading attributes due to their size, nature or incidence. Non-underlying items for the year totalled a charge of £50,000 (2022: £189,000) and are detailed in Note 2 to these consolidated financial statements. Underlying EBITDA of £6,955,000 (2022: £7,712,000) represents operating profit before non-underlying items of £4,827,000 (2022: £5,690,000) adding back depreciation and amortisation of £2,128,000 (2022: £2,022,000).

Overview

£251.4m

Revenue up 12% to £251.4 million (2022: £223.9 million)

34%

Like-for-like new car unit deliveries up by 34%

(4)%

Like-for-like used car unit sales down by 4%

£27.0m

Like-for-like aftersales revenues up by 9% to £27.0 million

£3.1m

Underlying profit before tax of £3.1 million (2022: £4.6 million)

15.0p

Final dividend of 15.0 pence per Ordinary share (2022: 15.0 pence)

£8.1m

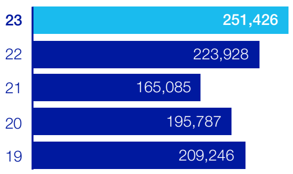
Net bank borrowings at 31 March 2023 of £8.1 million (2022: £10.4 million), as disclosed in note 21

£11.5m

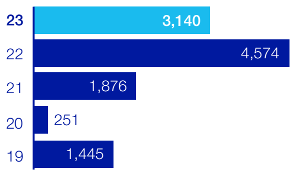
Property portfolio revaluation at 31 March 2023 showing a reduced surplus to net book value of £11.5 million (2022: £13.3 million) due to a general softening in the property market. This surplus is not recognised in these accounts

Like-for-like comparisons exclude the impact of the Lotus and MG businesses at Ashford, both of which were opened during the prior year and the Lotus business, which was opened in Lewes during the year under review. All other businesses operated for the full twelve-month period in both years.

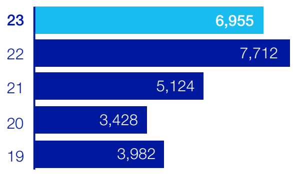
Revenue (£'000)



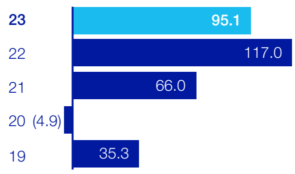
Underlying PBT (£'000)



Underlying EBITDA (£'000)



Underlying earnings/(deficit) per ordinary share (pence)



Operational and Business Review

Summary

Trading levels in the financial year ended 31 March 2023 (the "year") were robust, generating higher levels of sales and gross profits. However, profitability was constrained by significant upward cost pressures in areas such as business rates and funding and other overhead costs in an inflationary environment.

Full-year turnover increased by 12% to £251.4 million (2022: £223.9 million), predominantly due to significantly higher levels of car deliveries and car price inflation. Operating profit was £4.8 million (2022: £5.7 million).

> "Underlying profit before tax for the year of £3.1 million, whilst lower than the £4.6 million recorded for the prior year, was a strong result and still remained significantly ahead of that reported in the years running up to the covid-19 pandemic"

Underlying profit before tax for the year of £3.1 million, whilst lower than the £4.6 million recorded for the prior year, still remained significantly ahead of that reported in the years running up to the covid-19 pandemic, and was achieved without the positive impact from Government support measures on business rates and the rebound in trading that followed the reopening of business after the covid-19 lockdowns.

Statutory profit before tax for the year was £3.1 million (2022: £4.4 million). Basic earnings per share for the year were 93.6 pence (2022: 111.3 pence). Underlying earnings per share for the year were 95.1 pence (2022: 117.0 pence).

The Company's defined benefit pension scheme deficit, calculated in accordance with the requirements of IAS 19 Pensions, increased significantly to £8.8 million at 31 March 2023 (2022: £2.8 million). Although higher interest rates led to significant reductions in the net present value of the Scheme's liabilities, they also resulted in sharp falls in the value of certain of the Scheme's investments, and the investment performance during the year was adversely affected by volatile market movements.

The Company continues to own all but two of the freeholds of the dealership premises from which it operates, and this provides the dual strengths of a strong asset base and minimal exposure to rent reviews.

The board declared an interim dividend of 7.5 pence per Ordinary share (2022: 7.5 pence), which was paid in January 2023, and is proposing a final dividend for the year of 15.0 pence per Ordinary share (2022: 15.0 pence).

Net bank borrowings at 31 March 2023 were £8.1 million (2022: £10.4 million), which equated to gearing of 26% (2022: 30%).

Omni-channel retailing

Our omni-channel offering allows customers to interact with us in the way that suits them best, from the traditional showroom discussion through to a fully online sales process, and any combination in between. We learnt a great deal during the lockdown periods of the pandemic and were able to introduce new options which significantly advanced our online selling capabilities. These were further enhanced in the year allowing us to provide our customers with a full omni-channel approach to purchasing their vehicle.

Our people

I am very grateful for the dedication of our employees and the effort they applied throughout the year to provide our customers with a first-class

experience. As a result of the hard work and professionalism shown by everyone involved, the business remains in a strong position in the competitive retail environment in which we operate, and we continue to be an employer of choice in our Kent and Sussex area of operations.

The Company has a long tradition of investing in apprenticeship programmes. Despite the pressures on the business, we have kept our apprenticeship numbers at a high level and continue to see the benefits flow through the business as more apprentices complete their training and become fully qualified. Due to our apprentice numbers, we continued to fully utilise our Government apprenticeship levy payments within the stipulated time limits.

We remain firmly committed to the long-term benefits of apprenticeships and our recruitment programme continues with the aim of maintaining a healthy complement in the current year, which will assist the Company to continue to grow.

New and used car sales

The Company's total revenues increased by £27 million over the previous year, of which £25 million arose from the sale of new and used cars.

Total UK new car registrations in the year increased by 3% to 1.69 million as the impacts from the global shortage of semiconductors began to wane. However, the continuing conflict in Ukraine added additional strains to supply chains and growing cost-of-living pressures have made customers more careful of spending. Within this total, new car registrations in the private and small business sector, in which we principally operate, actually fell by 1%. Our own retail new car deliveries rose by 5% on a like-for-like basis, which was better than the movement for those manufacturers that we represent, whilst our Audi corporate agency business doubled the registrations it achieved for the year. In total, our new car deliveries for the year increased by 34%.

Our volume of used cars sales fell in the year by 4% on a like-for-like basis. Although not a perfect match, used car data from the Society of Motor Manufacturers and Traders showed the number of used cars being transacted in the UK fell by 9% in the 2022 calendar year, so our performance exceeded that of the general market. Our unit margins in the year fell from the exceptional levels achieved in the covid-impacted prior year, although the continuing constraints on the supply of new car product to the market helped to buoy used car prices. Lower levels of new car registrations over the last three years have also reduced the number of less than 3-year-old used cars, again helping to shore up prices. Great efforts have been made over the last twelve months to further enhance and develop our omni-channel offering for our customers and we continue to see this providing a major opportunity for further growth. The number of used cars sold again exceeded the number of new cars sold in the year, although by a reduced amount than in the prior year. Procedures have been strengthened to monitor and control used car stock turn and yield and to broaden our sources for replenishing inventory.

> "Our Audi and Volkswagen businesses produced very strong financial performances in the year. Both franchises continue to be boosted by the strength of the brands, the excellent model range, and exciting new products"

Aftersales

Our aftersales business performed strongly during the year with service revenues rising by 9% on a like-for-like basis. We continue to place great emphasis on our customer retention programmes and in growing sales of service plans. Our parts business also reported higher sales, up by 9% on a like-for-like basis from the previous year.

Operations

Our Audi and Volkswagen businesses produced very strong financial performances in the year, with both growing their new car deliveries. Sales of used cars were broadly in line with last year. Both franchises continue to be boosted by the strength of the brands, the excellent model range, and exciting new products.

Our Volvo businesses had a transitional year, with the redevelopment of our Eastbourne business completing in

Operational and Business Review continued

the year and that at Worthing about to commence. The brand continues to reap the benefits of an excellent model range of cars, which are being positively received by customers.

Our combined SEAT/Skoda businesses continued to perform well, despite a lack of availability of new car product, and will be boosted in the coming year by the addition of the CUPRA brand.

Our Vauxhall business in Ashford under-performed in the year. However, Stellantis, its parent company, have publicly announced plans to restructure and slim down their dealer networks, of which we will be a part, so we anticipate a brighter future for this brand.

During the year, we opened an additional business for Lotus, in Lewes, to operate alongside our original Lotus business at Ashford in Kent. The business was constrained from a lack of new car product in the year

> "We remain focused on generating further improvements in used car sales, used car finance and service labour sales. These three areas will be key to achieving increases in profitability in the coming years."

but deliveries of the Emera began in earnest in March 2023. Lotus' second new model, the Eletre, was launched to much acclaim and, with deliveries expected in the current year, the board remains encouraged with the opportunity for this brand.

Trading at Caffyns Motorstore, our used car business in Ashford, remained subdued as the business struggled to source used cars. However, we remain reassured that the concept continues to be well received by our customers, who particularly value the reassurance of the Caffyns brand. A second Performance Motorstore was opened during the year, alongside our Lotus business in Lewes.

Groupwide projects

We remain focused on generating further improvements in used car sales, used car finance and service labour sales. These three areas will be key to achieving increases in profitability in the coming years. In addition, we continue to make very good progress utilising technology to enhance the customer-buying experiences from their first point of contact right through the buying process, as well as improving aftersales retention.

New brands and models

We continue to invest in enhanced facilities to allow us to sell and service our manufacturers' ever-increasing range of electric and hybrid vehicles. During the year, we extended our representation for Lotus, part of the Zhejiang Geely group that also owns Volvo, with the opening of a new dealership in Lewes and expect shortly to commence the redevelopment of our Volvo premises in Worthing. However, with effect from 31 March 2023, we relinquished the franchise for The London Electric Vehicle Company, LEVC.

Zero-emission vehicle ("ZEV") targets

With effect from 1 January 2024, the Government has announced that vehicle manufacturers will be required to meet minimum annual registration targets for ZEV cars, with the target for the 2024 calendar year to be set at 22% of registrations. Failure to achieve the set target would result in potential financial penalties being levied on the manufacturer. We have reviewed our franchise relationships in the light of these announcements and are satisfied that we remain well placed based on the manufacturers that we represent.

Climate-related emissions

The board is acutely aware of the impact that the Company's operations have on the environment, its responsibility to minimise these wherever possible, and to supporting the Government's efforts to transition towards net-zero carbon emissions. To assist with this process an Environmental, Sustainability and Efficiency Committee was constituted in the year, headed by a senior operational manager who reports directly to the Chief Executive. The Committee started its work in August 2022 with the aim of scrutinising and reducing the Company's energy usage and was able to achieve savings in electricity and gas usage in the year. Investments are being made to improve the efficiency of lighting and heating equipment and further progress in making energy savings is expected in future periods.

Property

We operate primarily from freehold sites, which provides additional stability to our business model. As in previous years, our freehold premises were revalued at the balance sheet date by chartered surveyors CBRE Limited, based on an existing use valuation. The excess of the valuation over net book value of our freehold properties at 31 March 2023 was £11.5 million (2022: £13.3 million). The reduction in the valuation in the year

reflected the general softening of the property market. In accordance with our accounting policies, this surplus has not been incorporated into our accounts.

During the year, we incurred capital expenditure of £0.9 million (2022: £2.9 million). This reflected a mixture of replacement spend on existing assets and further installations of electric charging points.

The board is progressing the sale process of our freehold premises in Lewes, which is currently being utilised for Lotus Sussex. Completion of this process will be dependent both on the potential purchaser gaining an appropriate planning consent and, potentially, the approval of our shareholders. The board expects this process will take at least two years. Due to the uncertainty of a successful outcome the property has continued to be shown as an investment property on the Company's balance sheet.

The Company operates two of its franchised businesses from leased premises as well as having two leased vehicle storage compounds, which are shown on the balance sheet as right-of-use assets. During the year, the lease for one of those premises was extended for a further five years. As a result, the valuation of that lease increased by £1.2 million, equal and opposite to an increase in its lease liability.

Bank facilities and borrowings

The Company's banking facilities with HSBC comprise a term loan, originally of £7.5 million, repayable by instalments over a twenty-year period to 2038 and a revolving credit facility of £6.0 million, both of which will next become renewable in April 2026. HSBC also provides an overdraft facility of £3.5 million, renewable annually. The Company continues to enjoy a supportive relationship with HSBC and successfully refinanced its borrowings in the prior year, twelve months in advance of the scheduled review date for the facilities.

In addition to its facilities with HSBC, the Company also has a revolving credit facility of £4.0 million provided by Volkswagen Bank, renewable annually, together with a term loan, originally of £5.0 million, which is repayable by instalments over the ten years to March 2024.

The term loan and revolving credit facilities provided by HSBC include certain covenant tests which were comfortably passed at the year-end on 31 March 2023. Any failure of a covenant test would render these facilities repayable on demand at the option of the lender.

During the year, cash generated by operating activities was £4.2 million (2022: £3.4 million), reflecting profitable trading in the year. Changes in net working capital were minimal, although inventories and payables both increased significantly as levels of new cars held on consignment from manufacturers increased as the global shortage of semiconductors began to wane, allowing car production levels to increase. Other significant cash movements in the year included capital expenditure of £0.9 million (2022: £2.8 million), repayment of bank term loans, also of £0.9 million (2022: £2.9 million) and dividends paid to shareholders of £0.6 million (2022: £0.2 million). Cash balances held at 31 March 2023 were £4.2 million, an increase of £1.5 million from the previous year-end.

Bank borrowings, net of cash balances, at 31 March 2023 were £8.1 million (2022: £10.4 million) and as a proportion of shareholders' funds at 31 March 2023 were 26% (2022: 30%). This reduction in gearing level reflected cash generated from operating activities combined with a lower requirement for capital expenditure in the year. In addition to the year-end cash balances, available but undrawn facilities with HSBC and Volkswagen Bank at 31 March 2023 were £7.5 million (2022: £7.5 million).

Taxation

The year ended 31 March 2023 produced a tax charge against profits of £0.6 million (2022: £1.4 million). The effective tax rate for the year was similar to the standard rate of corporation tax in force for the year of 19%.

The Company has no current outstanding trading losses awaiting relief (2022: £Nil). There are also no capital losses awaiting relief. Capital gains which remain unrealised, where potentially taxable gains arising from the sale of properties and goodwill have been rolled over into replacement assets, amounted to £6.8 million (2022: £7.1 million) which could equate to a future potential tax liability of £1.7 million (2022: £1.8 million). The Company was able to utilise £0.5 million of its Advanced Corporation Tax in the year, leaving an amount carried forward to future trading periods of £0.3 million (2022: £0.8 million).

Pension scheme

The Company's defined benefit scheme was closed to future accrual in 2010. The board has little control over the key assumptions in the valuation calculations as required by accounting standards and movements in yields of gilts and bonds can have a significant impact on the net funding position of the scheme. At 31 March 2023, the deficit of the scheme was £8.8 million (2022: £2.8 million). The deficit, net of deferred tax, was £6.6 million (2022: £2.1 million). Although higher interest rates led to significant reductions in the net present value of the Scheme's liabilities they also resulted in sharp falls in the value of certain of the Scheme's investments, and the investment performance during the year was adversely affected by volatile market movements.

The Scheme operates with a fiduciary manager and the board, together with the independent pension fund

Operational and Business Review continued

trustees, continues to review options to reduce the cost of operation and its deficit. Actions that could further reduce the risk profile of the assets and more closely match the nature of the Scheme's assets to its liabilities continue to be considered.

The pension cost under IAS 19 is charged as a non-underlying cost and amounted to £0.1 million in the year (2022: £0.2 million).

The most recent completed triennial valuation of the Scheme was as at 31 March 2020 and was formally submitted to the Pensions Regulator in June 2021. A recovery plan to address the Scheme deficit identified from this triennial valuation was agreed with the trustees under which the annual recovery plan payment was set at a base level of £0.75 million for the year ended 31 March 2022, along with an additional one-off contribution of £1.0 million which was paid in the prior year. The recurring annual recovery plan payment for each subsequent year thereafter would then increase by 2.25%, until superseded by any future new recovery plan to be agreed between the Company and the trustees. In accordance with the recovery plan, the Company made deficit reduction contributions into the Scheme during the year of £0.8 million (2022: £1.8 million).

A formal triennial valuation of the Scheme will be carried out as at 31 March 2023, to be agreed with the trustees and submitted to the Pensions Regulator by 30 June 2024.

Dividend

The board declared an interim dividend of 7.5 pence per Ordinary share (2022: 7.5 pence). The board is also declaring a final dividend for the year of 15.0 pence per Ordinary share (2022: 15.0 pence), which will be paid on 11 August 2023 to those shareholders on the register at close of business on 14 July 2023, subject to shareholder approval at the 2023 Annual General Meeting. The Ordinary shares will be marked ex-dividend on 13 July 2023.

Strategy

Our continuing strategy is to focus on growing our loyal customer base through representing premium and premium-volume franchises, maximising opportunities for premium used cars and delivering an excellent after sales service. We recognise that we operate in a rapidly changing environment and continue to carefully monitor the appropriateness of this strategy. We continue to seek opportunities to invest in the future growth of our business.

We are concentrating on business opportunities in stronger markets to deliver higher returns from fewer but bigger sites. We continue to seek to deliver performance improvement, in particular in our used car and aftersales operations, and to enhance both the purchasing and aftersales experience for our customers.

Annual General Meeting

The Annual General Meeting will be held on 3 August 2023 and will be an open meeting, to which shareholders will be invited to attend in person.

Outlook

We have started the new financial year with a strong new car forward-order book, although we are mindful of the challenges that inflationary pressures and higher interest rates will have on our cost base and on our customers' confidence levels. We are also actively aware of other cost increases that will arise in the coming year such as business rates and utility costs.

The current financial year will see certain manufacturers begin their transition to new agency arrangements for their dealer networks, which might result in some short-term disruption to the market.

In recent months enquiry rates for electric cars have fallen since the removal of government incentives for retail customers and with increases in electricity prices. However, our manufacturers are well placed for the future with a pipeline of market-leading electric new car product due to come to market over the next few years.

Our businesses enjoy an exceptional workforce who represent excellent brands. We also continue to enjoy supportive relationships with our banking partners, HSBC and Volkswagen Bank, with cash in hand balances at the year-end of £4.2 million and available but undrawn facilities of £7.5 million. The balance sheet is appropriately funded and our freehold property portfolio is a source of stability. We remain confident in the prospects of the Company and are ready to exploit future business opportunities.

S G M Caffyn
Chief Executive
1 June 2023

Strategic Report

Business model

Caffyns is one of the leading motor retail and aftersales companies in the south-east of England. The Company's principal activities are the sale and maintenance of motor vehicles, including the sale of tyres, oil, parts and accessories. The Operational and Business Review, which forms part of the Strategic Report, principally covers the development and performance of the business and the external environment and is set out on pages 2 to 6. The main Key Performance Indicators are:

Financial	2023	2022
Revenue (£ million)	251.43	223.93
Underlying EBITDA (£ million)	6.96	7.71
Profit for the year before tax (£ million)	3.09	4.39
Underlying earnings per share (pence)	95.1	117.0
Earnings per share (pence)	93.6	111.3
Bank overdrafts and loans (net of cash in hand balances) (£ million)	8.09	10.43
Gearing (%)	25.6	30.0

Note: Underlying results exclude items that have non-trading attributes due to their size, nature or incidence.

Other and non-financial	2023	2022
UK new car market – total registrations (million)	1.69	1.64
UK new car market – retail and small business sector registrations (million)	0.87	0.88
Caffyns new car unit sales ('000)	5.29	3.95
Caffyns used car unit sales ('000)	5.53	5.58
Caffyns aftersales revenues (excluding internal sales) (£ million)	20.49	19.26
Company employees (full-time equivalents)	402	402

Source of UK market registrations: Society of Motor Manufacturers and Traders ("SMMT").

Business Performance

New and used cars

Our new unit deliveries were up by 34% on a like-for-like basis, with deliveries significantly boosted by growth in our lower margin corporate agency business. Over the twelve-month period, total UK new car registrations rose by 3% whilst, within this, the private and small business sector in which we have most exposure actually fell by 1%. New car registrations to the fleet market in the year rose by 8%. Overall, we were satisfied with the level of new car deliveries we achieved for the year.

Our used unit sales reduced by 1% in total and by 4% on a like-for-like basis, despite robust levels of trading. Transaction data released by the Society of Motor Manufacturers and Traders reported used car transactions in the UK down by 9% for the 2022 calendar year.

Aftersales

Over recent years, new car registration levels have been adversely impacted by several factors, from changes in emissions regulations in 2018 and 2019, the covid-19 pandemic in 2020 and 2021 and the disruptions caused to manufacturers' production levels from the global shortage of semiconductors since 2020. This has acted to significantly reduce the number of one to three-year-old cars in circulation. Despite these factors, aftersales revenues rose in the year by 9%, on a like-for-like basis, aided by further enhancements to our aftersales marketing and retention procedures which continue to benefit this area of the business.

EBITDA

EBITDA has seen a substantial reduction during the year despite buoyant trading across both car sales and aftersales. Although this buoyant trading resulted in higher levels of gross profit being generated this was more than offset by significant upwards pressures on the Company's cost base. The Government-funded holiday from business rates finished on the first day of the financial year whilst interest rates started the year at 75 bps before rising to finish the year at 425 bps. As a result, the Company's borrowing costs for the year increased by more than half.

Business strategy

The Company continues to focus on the premium and premium-volume market where it believes that there is greater scope to deliver stronger sales, profits and returns. Representation is held for a strong portfolio of nine franchises being Audi, CUPRA, Lotus, MG, SEAT, Skoda, Vauxhall, Volkswagen and Volvo. On 31 March 2023, the Company ceased representation of the LEVC brand by mutual agreement with the manufacturer. We generally operate from our own freehold properties, which we believe offers better long-term returns and greater flexibility. Proceeds from disposals of properties are generally reinvested in the property portfolio.

Strategic Report continued

Corporate social responsibility, community issues, human rights and diversity

Caffyns has a long-standing Corporate and Social Responsibility agenda, including its approach to its employees, the environment, health and safety, and the communities in which it operates. We are also conscious of human rights issues within the Company and the key area that would impact our business would be via our supply chain. Our supply chain is predominantly the major international motor manufacturers, who also take these issues very seriously.

The UK Corporate Governance Code includes a recommendation that boards should consider the benefits of diversity, including gender, when making board appointments. The board recognises the importance of gender balance and the important requirement to ensure that there is an appropriate range of experience, balance of skills and background on the board. We will continue to make changes to the composition of the board, irrespective of gender or any form of discrimination so that the best candidate is appointed. The Company does not comply with the Listing Rule on diversity in that less than 40% of the directors are women, neither the posts of Chair, Chief Executive, Senior Independent Director nor Finance Director are held by a woman, nor that at least one individual on the board of directors is from a minority ethnic background. There are no vacant board positions and the last appointment was made in June 2019. The board will remain mindful of its responsibilities under Listing Rules as and when future appointments become necessary.

	Number of board members	Percentage of the board	Number of senior positions on the board	Number in executive management	Percentage of executive management
Men	5	83%	4	9	90%
Women	1	17%	—	1	10%
	6	**100%**	**4**	**10**	**100%**

	Number of board members	Percentage of the board	Number of senior positions on the board	Number in executive management	Percentage of executive management
White British or Other White	6	100%	4	10	100%
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	—	—	—	—	—
Black/African/Caribbean/ Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—
	6	**100%**	**4**	**10**	**100%**

Executive Management represents an Operations Board, which is attended by the three executive board directors and ten senior operational management employees, and there are no vacant positions. The Company seeks to promote talent from within, wherever possible. The average employment tenure of these senior operational management employees is twenty-two years, with the most recent external appointment being in 2012.

The individuals who constitute the tables above self-identified as to their gender and ethnicity. The Company does not ask about, nor record, the ethnicity of its general workforce.

The table opposite gives the total number of our employees in each category, by gender, at 31 March 2023.

	Female	Male	Total
Director	**1**	**5**	**6**
Executive management	**1**	**9**	**10**
All other employees	**96**	**343**	**439**

Employees

We recognise that our people are our key asset and are responsible for delivering our strategy. We continue to invest in an enhanced training and development programme, with support from our manufacturer partners. The positive approach shown by our employees throughout the Company's businesses has been key to our success.

Employees are encouraged to discuss with management factors affecting the Company and any other matters that they are concerned about. In addition, the board takes account of employees' interests when making decisions. We have an HR director who has day-to-day responsibility for employee welfare. Suggestions from employees aimed at improving the Company's performance are welcomed.

Good performance from employees is recognised every four months by their peer group, who nominate employees for awards and formal company-wide recognition. A significant number of employees are remunerated partly by profit-related bonus schemes.

We have a dedicated company intranet which keeps employees up to date with company developments and activities. This platform also includes the Company's policies and procedures. Long service awards were made during the year to those staff with 25 years' continuous service. All employment policies remain compliant with current legislation.

It is our policy to encourage career development for all employees and to help staff achieve job satisfaction and increase their personal motivation.

We support the recruitment of disabled people wherever possible. Priority is given to those who become disabled during their employment. It is our policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate. Employment by the Company is offered on the basis of the person's ability to work and not on the basis of race, individual characteristics or political opinion.

We have continued to recruit to our apprenticeship programme and we are seeing the benefits of this investment. We look to further recruit both apprentices and others across the Company's businesses as we continue to grow.

Principal risks and uncertainties

Risk is an accepted part of doing business and the Company has a risk assessment process that facilitates the identification and mitigation of risk. Whilst the risk factors listed below could cause our actual future results to differ materially from expected results, other factors could also adversely affect the Company and they should therefore not be considered to be a complete set of all potential risks and uncertainties. The risk factors should be considered alongside the statement on internal control and risk management included in the Statement on Corporate Governance on page 26 and those in note 21 to the financial statements.

Principal risks	Potential impact/material risk	Key controls and mitigating factors
Business conditions and the UK economy	The profitability of the Company could be adversely affected by a worsening of general economic conditions in the United Kingdom, where all of its business is transacted. Other relevant factors would include a resurgence of covid-19 infections, interest rates, unemployment, fuel prices, inflation, indirect taxation, the availability and cost of credit and other factors that could affect the level of consumer confidence.	The monitoring of key macroeconomic indicators against internal performance leads to anticipation of, and mitigation for, expected volatilities. The Company is not responsible for the importation of new cars into the UK and is not exposed to border frictions.
Conflict in Ukraine	The conflict in Ukraine has resulted in significantly higher levels of volatility in energy prices, particularly for gas, as well as placing additional strain on manufacturers' parts supply chains. A sustained increase in energy prices could have an effect on the Company's future cost base and profitability whilst disrupted supply chains could adversely impact the receipt of an adequate supply of new cars from the manufacturers that the Company represents. Whilst currently confined to Ukrainian territory, the future progress of the conflict is highly unpredictable and could spread to other territories.	The Company purchases its electricity and gas under long-term fixed-priced contracts, shielding it from short-term movements in market prices. The Company's current fixed-price contracts for gas and electricity expire in September 2024. The Company represents a diversified range of car manufacturers, diluting its exposure to supply chain issues.
Vehicle manufacturer dependencies	Caffyns operates franchised motor dealerships. These franchises are awarded to the Company by the vehicle manufacturers. For ongoing business, the Company holds franchise agreements for its dealership operations. These agreements can be terminated by giving two years' notice, or less in the event of a serious unremedied breach, including continued underperformance. The Company is not aware of any existing breaches of these agreements.	Diversification through representing multiple marques reduces the potential dependency on any single manufacturer. Revenue streams from other activities (aftersales and used cars) prevent over-reliance on new car sales.
Vehicle manufacturer marketing programmes	Vehicle manufacturers provide a wide variety of marketing programmes which are used to promote new vehicle sales. A withdrawal or reduction in these programmes would have an adverse impact on our business.	By representing multiple marques, the Company believes that this diversity reduces the potential impact on the Company. In addition, the Company continues to develop its own marketing initiatives.

Strategic Report continued

Principal risks	Potential impact/material risk	Key controls and mitigating factors
Used car prices	The value of our used car inventory could decline significantly if market prices were to quickly fall. A large proportion of our business comprises used car sales and such declines could have a material impact through reduced profits on sales and write-downs in the value of inventories.	Close monitoring of the ageing of vehicle inventories and a firm policy of inventory management help to mitigate this risk. Any impact is also mitigated by revenue streams being balanced between aftersales, new car and used car sales.
Transition to electric vehicle powertrains	Government announcements have indicated that solus petrol and diesel powertrains will no longer be permitted in new vehicles sold after 2030. This change may result in disruption to the supply and demand for new cars in the run up to 2030, and to the used car market.	Ensuring that our premises are developed to be able to adapt to the expected future shift towards electric vehicles and that our representation of manufacturers is broad based to spread risk.
Aftersales revenues	The maintenance of battery-electric propulsion systems is expected to be less labour intensive and require fewer replacement parts, in comparison to an equivalent petrol or diesel-powered engine. As a result, aftersales revenues are likely to fall in coming years as the transition to battery-electric vehicles accelerates.	Careful control of the cost base of aftersales departments to ensure that costs remain commensurate with the levels of available revenues and more active upselling to ensure that revenue per vehicle is maximised.
Environmental legislation	The transition to new battery-electric propulsion systems will pose risks to the business from a number of sources: additional investment required in providing an adequate charging infrastructure; lower demand for petrol and diesel-powered vehicles, potentially impacting on residual values; and space constraints for when potentially faulty battery-electric vehicles need to be quarantined, prior to repair.	Representation of multiple marques reduces the potential dependency on any single manufacturer. Early installation of charging infrastructure minimises the likely necessity of installing additional electrical supply infrastructure.
Liquidity and financing	Liquidity and financing risks relate to our ability to pay for goods and services enabling us to trade. Our principal sources of finance are from our bankers by way of committed borrowing facilities, from manufacturers to fund the purchases of inventories, and trade credit from our suppliers. A withdrawal of facilities, or failure to renew them when due, could lead to a significant reduction in the trading capability of the Company.	We work closely with providers of finance to help reduce this risk by managing expectations of trading results and utilisation of facilities. The status of our bank facilities is set out in note 21. These negotiated facilities provide sufficient liquidity and funding. We do not presently hedge against interest rate movements, but the position is kept under regular review.
Regulatory compliance	The Company is subject to regulatory compliance risk which could arise from a failure to comply fully with applicable laws, regulations or codes. Non-compliance could lead to fines, cessation of certain business activities or public reprimand.	The direction of new regulatory policy is monitored through close contact with relevant trade and representative bodies and these are carefully considered when developing strategy.
Information systems	The Company is dependent upon certain business-critical systems which, if interrupted for any considerable length of time, could have a material effect on the efficient running of our businesses.	A series of contingency plans are in place that would enable the resumption of operations within a short space of time, thus mitigating the likelihood of material loss.

Principal risks	Potential impact/material risk	Key controls and mitigating factors
Competition	Caffyns competes with other franchised vehicle dealerships, private buyers and sellers, internet-based dealers, independent service and repair shops and manufacturers that have entered the retail market. The sale of new and used cars, the performance of warranty repairs, routine maintenance business and the supply of spare parts operate in highly competitive markets. The principal competitive factors are price, reputation, customer service and knowledge of a manufacturer's brands and models. We also compete with funders who finance customers' car purchases directly.	We regularly monitor our competitors' activities and seek to price our products competitively, optimise customer service, efficiently utilise our customer database and fully understand our manufacturers' brands and products.
The distribution and sale of vehicles	Sales agreements are granted by manufacturers based on standards but agreements are restricted to areas of influence granted by manufacturers, who also determine choice of partner, enabling them to restrict entry into the franchise or the number of outlets any one dealer can hold. Aftersales agreements are legislated by a Block Exemption, dictating that aftersales businesses that meet a manufacturer's qualitative standards criteria have an entitlement to represent that brand's aftersales service and parts franchise.	By continuing to focus on providing excellent customer facilities, excellent customer service and by providing high-level representation for the Company's manufacturer partners, current business relationships will be maintained, providing opportunities for selective growth.
Pension scheme	Caffyns operates a defined benefit pension scheme which was closed to new entrants in 2006 and closed to future accrual in 2010. The scheme relies on achieving satisfactory investment returns sufficient to meet the present value of the accrued liabilities. Reduced investment returns or higher liabilities due to increased mortality rates and/or continuing record low interest rates could adversely affect the surplus or deficit of the scheme and may result in increased cash contributions in future.	The Company reviews the position of the defined benefit pension scheme through regular meetings of a Pensions sub-committee, chaired by the Chairman of the Remuneration Committee. The Company continues to review possible options to mitigate the risk of underlying volatility causing an increase in the deficit.
Political uncertainties	The United Kingdom's departure from the European Union, coupled with wider global developments such as the conflict in Ukraine, means that a degree of uncertainty exists in the economic outlook. We believe the main risks to arise relate to consumer confidence, new car production levels, the potential impact that Sterling/Euro exchange rates may have on vehicle pricing, and the possible imposition of tariffs and/or restrictions on the imports of cars and parts into the United Kingdom.	We continue to focus on delivering an excellent service to new and existing customers, giving confidence in our operations and building a strong loyal base and to maintaining our close working relationship with our nine manufacturers.

Strategic Report continued

Environment and climate change

The Taskforce on Climate-related Financial Disclosures ("TCFD") has published four "pillars" relating to disclosures, categorised under the headings of Governance, Strategy, Risk Management and Metrics and Targets. This Annual Report contains certain of the recommended disclosures, although a lack of available resources means that we are still in the early stages of this journey and that more time will be required to allow for a full consideration of the issues and outcomes. Regulatory guidance continues to emerge in this area, which will be considered as part of our remaining work. We expect to be able to widen our disclosures in future Annual Reports.

In accordance with Listing Rule 9.8.6R(8), we have disclosed in the tables below certain climate-related financial disclosures aligned to the four "pillars" listed above and the eleven recommended disclosures contained within the TCFD additional guidance (Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures (2021 TCFD Annex)). For each of the recommended disclosures we have laid out whether our disclosures are fully or partial compliant, or non-compliant with the recommendations of the TCFD and the future steps planned to be taken to ensure our disclosures are compliant in the future, including relevant timeframes.

At 31 March 2023, the Company considers that it is fully compliant for the disclosures required for one of the eleven recommendations, under Strategy (a) and non-compliant for seven of the recommendations, under Strategy (b) and (c), Risk Management (a), (b) and (c) and Metrics and Targets (a) and (c). The Company has been able to make certain disclosures to achieve partial compliance on the remaining three recommendations.

The areas in which we are currently unable to fully comply will require more time to implement the TCFD recommendations. It is expected that full implementation of these TCFD recommendations will require between two and three years, except for the measurement of Scope 3 emissions where no time frame can currently be determined, as further clarity is required to identify which emissions would be applicable for the Company to have to measure.

For the four "pillars" relating to disclosures, the Company's current position is as follows:

Recommendation	Recommended disclosures	Summary of progress	Disclosure compliance
GOVERNANCE			
Disclosure of the board's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities.	The board of directors retains ultimate responsibility for the Company's environmental policies and for seeking to minimise the effect of our operations on the environment. This includes the development of principles and approaches to protecting the environment to the extent that we are able, minimising the environmental impact of our business and providing a framework to manage climate-related risks. Through the establishment of an Environmental, Sustainability and Efficiency Committee (see below) the climate-related risks and opportunities relevant to the Company have been identified although further work is required to integrate these risks and opportunities into the Company's environmental approach in order to allow the board to be able to have complete oversight of how climate-related issues potentially impact our strategy and financial plans. Lack of available resources meant this work could not be completed in the year, but it is expected to have been completed by 31 March 2024.	Partial compliance, with the remaining aspects expected to be completed by 31 March 2024.

Recommendation	Recommended disclosures	Summary of progress	Disclosure compliance
GOVERNANCE continued			
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	In August 2022 an Environmental, Sustainability and Efficiency Committee was established under the leadership of a senior manager to assist with the process of identifying climate-related risks and opportunities and to review the company's environmental footprint, including its energy usage. The Committee met three times during the year and expects to meet twice each year. The risks and opportunities identified and agreed are set out later in this report on pages 16 and 17. This Committee reports directly to the Chief Executive, who then reports on its work to the board, although further work remains outstanding with regard to the board's ability to formalise and strengthen its ability to review and challenge environment and climate-related reporting. These final steps are expected to have been completed by 31 March 2024. Since its implementation, the Committee has also identified and implemented several energy-saving measures and continues to develop plans for further reductions, which are expected to yield results in the next reporting period. The board continues to consider whether any external assistance would be beneficial to review and quantify our carbon emissions.	Partial compliance. Risks and opportunities have been identified but further work is required with regards to the board's oversight. This is expected to be completed by 31 March 2024.
STRATEGY			
Disclosure of the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning, where such information is material	a) Describe the climate-related risks and opportunities the organisation has faced over the short, medium and long term.	The actual and potential impacts from climate change are described on pages 16 and 17. The Company has assessed short term as being between 0 and 3 years from the balance sheet date, with medium term being within 3 and 10 years and long term being more than ten years from the balance sheet date. The most fundamental change to our business will arise from the transition from cars powered by fossil fuels to cars powered by non-fossil fuels by 2030, most likely battery-electric but possibly also hydrogen. Energy supply, particularly of electricity and gas, will require close monitoring to ensure supplies are sustainable and affordable. The Company will continue its policy of entering into long-term contracts at fixed prices for the supply of electricity and gas.	Compliant
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The board increasingly considers climate-related factors when determining its future strategy for the business and in assessing major plans of action but further work is required to formalise the linking of risks and opportunities to strategic and financial planning decisions. Once specific goals and targets can be set, the board will oversee and monitor the progress being made in regard to their achievement. At the current time it is envisaged that the net impact on future revenues and profits from the climate-related risks and opportunities so far identified is unlikely to be significant.	Non-compliant with further work required to formally link risks and opportunities to strategic and financial planning decisions. This is expected to be completed within the next two years.

Strategic Report continued

Recommendation	Recommended disclosures	Summary of progress	Disclosure compliance
STRATEGY continued			
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Limited work has been completed in determining the resilience of our strategy under different climate-related scenarios and further work is required in this area.	Non-compliant. This is expected to be completed within the next three years.
RISK MANAGEMENT			
Disclosure of how the Company identifies, assesses and manages climate-related risks	a) Describe the risk management processes for identifying and assessing climate-related risks.	The Company's Environmental, Sustainability and Efficiency Committee has worked with the executive directors in order to consider risks arising from climate-related change and these are detailed later in this report on pages 16 and 17. It is intended that, within the coming year, review of existing risks and consideration of potential new risks will become a standing agenda item for the board on at least four of the eight meetings scheduled to be held during each year. Due to lack of resources further work is required to more accurately determine the relative significance of the identified risks and it is expected this work will be completed by 31 March 2024.	Non-compliant. This is expected to be completed within the coming year.
	b) Describe the organisation's processes for managing climate-related risks.	Identified risks for all areas of the business are subject to regular review and assessment to ensure that they remain accurate, relevant and comprehensive. Where appropriate, this includes discussions with external third parties such as insurers and finance providers. Further enhancements in this area are expected over the coming year to strengthen the board's ability to review and challenge the identified risks from climate-related change. Due to lack of resources further work is required to more accurately determine the relative significance of the identified risks and it is expected this work will be completed by 31 March 2024.	Non-compliant. This is expected to be completed within the coming year.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Company's Environmental, Sustainability and Efficiency Committee will continue to identify, assess and manage climate-related risks that may impact on our operations. We will be reliant on our manufacturers to control the new car transition away from fossil-fuel powered engines by the supply of appropriately powered new cars but we will continue to monitor our diversity of manufacturer representation. Further enhancements in this area are expected over the coming year to strengthen the board's oversight of the process in reviewing, assessing and managing the identified risks from climate-related change. Due to lack of resources further work is required to more accurately determine the relative significance of the identified risks and it is expected this work will be completed by 31 March 2024.	Non-compliant. This is expected to be completed within the coming year.

Recommendation	Recommended disclosures	Summary of progress	Disclosure compliance
METRICS AND TARGETS			
Disclose the metrics used by the organisation to assess and manage climate-related risks and opportunities, where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our identification of climate-related risks and opportunities is shown on pages 16 and 17. Further work is required to identify specific metrics in relation to: (i) climate change; (ii) land use and ecological sensitivity; (iii) solid waste and single use plastics; and (iv) product diversification.	Non-compliant. This is expected to be completed within the next three years.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We disclose on page 18 our Scope 1 and Scope 2 emissions caused by activities in the financial year. We do not currently disclose our Scope 3 emissions (being other indirect emissions from the extraction and production of purchased materials and fuels for which the Company does not own or control) as further clarity is required as to what emissions are applicable for the Company, and how that data would be practicably obtained without imposing a disproportionate burden on the effective operation of our businesses.	Partial compliance, except for the disclosure of Scope 3 emissions. No timeframe can currently be set for the completion of this task.
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Further work is required in order to allow targets to be set in relation to: (i) climate change; (ii) land use and ecological sensitivity; (iii) solid waste and single use plastics; and (iv) product diversification. The Company's aim remains to, consistently, reduce its energy usage, and hence the amount of CO_2 we emit from our activities, and to contribute towards worldwide efforts to limit global warming to 1.5% above pre-industrial levels.	Non-compliant. This is expected to be completed within the next three years.

Strategic Report continued

Key climate-related risks

Description of the risk	Potential financial impact	Timescale, likelihood and magnitude
The transition from cars powered by internal combustion engines to battery-electric powertrains will be a profound technological change and the initial projected direction of change may not prove to be the ultimate destination. Such changes will also place significant pressures on supply chains, potentially restricting the availability of new car supply.	Residual values of existing battery-electric vehicles have already proved volatile so stock holding risks will increase whilst this transition occurs. A limited investment has been made in workshop equipment to facilitate the servicing of battery-electric vehicles and the value of this equipment could be compromised if the technology was to change. Lack of availability of new car supply would impact on revenues.	Highly likely to occur over the medium term (defined as between 3 and 10 years) with the potential of the magnitude to be severe.
Battery-electric vehicles currently cost more than the equivalent models powered by internal combustion engines. Although this price differential is expected to fall over time as production methods improve it is unlikely to be eliminated entirely due to the expense of battery components. High energy prices mean that the running cost savings of battery-electric vehicles has been significantly reduced.	Customers' preferences for early adoption of the new battery-electric technologies might be adversely impacted by cost considerations. This might result in over-supply to the market and market disruption in order to bring supply and demand back into equilibrium.	Likelihood of occurrence is considered possible over the short and medium terms, defined as between 0 and 10 years with the potential of the magnitude to be major.
Battery-electric vehicles are comprised of fewer parts, will use less fluids and should suffer less brake degradation due to regenerative braking methods, all of which would result in less aftersales revenue. However, these vehicles are also likely to require more high-skilled and complex diagnostic work.	On balance, overall aftersales revenues are expected to reduce during the transition phase, although the existing fleet of cars powered by internal combustion engines will remain on UK roads for many years to come.	Highly likely to occur over the medium term with the potential of the magnitude to be major.
Increased prevalence of battery-electric vehicles will require a significant investment in charging infrastructure, including potential upgrades to the levels of electrical supplies to our dealership premises. Once installed, this charging infrastructure will also result in higher ongoing operating costs due to the increases in electricity prices.	The investment in capital assets might be at risk if the pace or direction of the technological changes associated with battery-electric vehicles were to change and higher operating costs could only be mitigated by external reductions in energy prices.	Likelihood of occurrence is considered likely over the short and medium terms with the potential of the magnitude to be major.
Increasing variability in the UK climate and increasing frequency of more extreme climate events increase the risk of more potentially damaging events to buildings and associated infrastructure.	Costs of insuring the Company's buildings and associated infrastructure may increase and costs of lower-level repairs, which are not covered by insurance, might increase.	Likely to occur over the medium term with the potential of the magnitude to be moderate.

Key climate-related opportunities

Description of the risk	Potential financial impact	Timescale, likelihood and magnitude
The transition from cars powered by internal combustion engines to battery-electric powertrains will present a major opportunity for additional new car sales as it provides a heightened reason for companies and individuals to more quickly adopt to the new technologies.	Additional new car revenues, as well as those from associated revenue streams.	Likely to occur over the medium term (defined as between 3 and 10 years) with the potential of the magnitude to be major.
Closer scrutiny of energy use, particularly for heating, ventilation and air conditioning, and for equipment in our aftersales workshops should allow for the identification of further savings in energy usage.	Lower and more stable operating costs.	Highly likely to occur over the short and medium terms, defined as between 0 and 10 years with the potential of the magnitude to be moderate.

Climate-related actions

The Company is aware of its environmental responsibilities arising from its motor retailing and aftersales activities and recognises that some of its activities affect the environment. Our Health, Safety and Environment Officer has received formal training in environmental management and is appropriately experienced in this field. Our policy is to promote and operate processes and procedures which, so far as is reasonably practicable, avoid or minimise the contamination of water, air or the ground.

Licences are obtained from the relevant authorities, where required, to operate certain elements of the Company's business. Waste is disposed of by authorised contractors and is recycled where possible. Special care is taken in the storage of fuels and oils. Through the management of these activities, we seek to minimise any adverse effects of our activities on the environment.

We also seek to reduce our energy and water consumption and our use of plastic materials, particularly those of single-use plastics. Use of the latest building materials is made in the construction of new sites and the refurbishment of existing locations.

Audit processes are in place to measure energy and materials usage and make recommendations for improvements. A regime to periodically test electrical systems is in place throughout the Company's businesses.

As our manufacturers transition away from petrol and diesel-powered cars our own fleet of vehicles increasingly reflects that movement. At 31 March 2023, 23% of our own demonstrator, courtesy and staff car fleet comprised either alternatively-fuelled or battery-electric cars, up from 17% at the previous year-end.

Reducing carbon and waste

During the year, we have continued to assess and monitor our energy use and, where practicable, we continue to implement measures in order to reduce the environmental impact of our activities.

Climate change influences seasonal energy usage and whilst, at times, we benefit from milder weather, we are aware that any adverse change could affect energy usage. To minimise our energy usage we continue, where practicable, to install LED lighting at our sites as this uses significantly less energy than conventional lighting. In addition, we limit the duration of periods when full lighting is used, using sensors and timers to further reduce the energy we use.

We continue to improve our energy use and efficiency by replacing old equipment with new efficient units and ensuring workshop doors are closed when not in use by fitting automatic closing devices. Water use in valeting areas uses recycling facilities, where practicable, and all sites have appropriate water filtration systems. At one dealership, we are able to generate electricity through the use of roof-mounted photovoltaic cells, whilst elsewhere, we use air-sourced heat pumps to reduce electricity consumption. We seek to limit our paper consumption and waste through increasingly paperless communications and systems, and to minimise the use of plastic materials.

Streamlined energy and carbon reporting

This section includes our mandatory reporting of greenhouse gas emissions for the period 1 January to 31 December 2022, the latest annual period for which data is available, and is pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We report our emissions data using an operational control approach taking data for which we deem ourselves responsible, including both energy consumption and vehicle usage for business use.

Strategic Report continued

In the 2022 calendar year, our businesses emitted 748 tonnes of carbon dioxide ("CO_2") (2021: 796 tonnes). Our emissions are principally of CO_2 and are from the following sources:

Greenhouse gas emissions data	**Tonnes of CO_2 2022**	Tonnes of CO_2 2021	Tonnes of CO_2 2020
Scope 1			
Gas consumption	**213.2**	278.9	250.8
Owned transport	**55.0**	39.4	27.4
Water supply	**4.4**	4.1	4.4
Scope 2			
Purchased electricity	**442.2**	479.1	920.8
Generated electricity	**(5.5)**	(5.5)	(6.3)
Statutory total	**709.3**	796.0	1,197.1
Revenue (£million)	**235.3**	201.4	176.1

Scope 1 and Scope 2 energy consumption and greenhouse gas emissions data has been calculated in line with the UK Government environmental reporting guidance. Emission Factor Databases, consistent with the UK Government environmental reporting guidance, have been used, utilising the current published kWh gross calorific value and CO_2e emissions factors relevant for the reporting calendar year. We have selected emissions £million of revenues per tonne as our intensity ratio as this, in our view, provides the best comparative measure over time.

2020 intensity ratio: 6.8 tonnes of CO_2 per £million of revenue

2021 intensity ratio: 4.0 tonnes of CO_2 per £million of revenue

2022 intensity ratio: 3.0 tonnes of CO_2 per £million of revenue

The Company's total energy consumption for the period 1 January to 31 December 2022 was 3.6 million kWh (2021: 3.9 million kWh).

The methodology for calculating this annual energy consumption figure was the same as that outlined above for producing the estimate of the Company's greenhouse gas emissions. All of the Company's energy consumption arose in the United Kingdom.

Our greenhouse gas emissions associated with waste arise from a number of waste streams generated from our business. For conversion to carbon dioxide equivalent ("CO_2e") data are not readily available for a number of our waste streams, so we have chosen to report this in weight and percentage of waste recycled compared to waste sent to landfill, as opposed to CO_2e. Waste in 2022 was 567.4 tonnes (2021: 509.1 tonnes), of which 95% was recycled (2021: 95%).

Future emissions legislative changes

The Government has indicated that the sale of vehicles powered solely by an internal combustion engine will be banned from the end of 2030 onwards. Hybrid vehicles, which are powered by a combination of a battery and an internal combustion engine, will still be allowed to be sold up to the end of 2035. After that time, all vehicles will need to be powered without the use of an internal combustion engine. The implementation of this intended legislation will bring significant change to the motor retail industry, and we are working with our manufacturers to more fully develop our transitional plans. We have already installed electric charging points in all our dealerships, although further installations will be required in the coming years. A number of the other actions we have already taken are detailed below and we anticipate fuller disclosures of our plans, and their possible impact on the business, will be made in future Annual Reports.

Health and safety

The board recognises its responsibility to members of staff and others working or visiting our facilities to provide, so far as is reasonably practicable, an environment that is safe and without risk to their health and this is always the first agenda item at each board meeting. The board maintains ultimate responsibility for health and safety issues with a full-time Health Safety and Environment Officer responsible on a day-to-day basis, supported by all levels of management.

The Company's policy is to identify potential hazards, assess the risks presented by its activities and to provide systems and procedures which allow our staff to take responsible decisions in their work in relation to their own, and others', safety. We promote awareness of potential risks and hazards and implementation of corresponding preventative or remedial actions through online health and safety systems, operations manuals and monthly communication on topical issues. With clear lines of operating unit responsibility, staff are supported by specialist guidance from the Health Safety and Environment Officer. All our staff have access to a detailed health and safety guide.

Section 172 statement

Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of all stakeholders and other matters in their decision making. The directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the Company for its members in the long-term. We explain in this Annual Report how the board engages with stakeholders.

- Relations with key stakeholders, such as shareholders and suppliers, are considered in more detail on page 26;
- The Company's employees are recognised as vital to its success and employee relations are considered in more detail on pages 2, 8 and 41. The Chief Executive regularly visits the Company's sites, speaking to staff whilst he is there and reporting to the board on the outcome of those visits. The board continues to review its methods of engagement with its employees. In addition, the board takes account of employees' interests when making decisions;
- The directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Company operates in line with good corporate practice all directors receive refresher training annually on the scope and application of section 172. This encourages the board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future and was considered at the Company's board meeting in March 2023. As required, the Company Secretary provides support to the board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f);
- The board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves; and
- We aim to work responsibly with our stakeholders, including suppliers. The board has recently reviewed its anti-corruption and anti-bribery, equal opportunities, and whistleblowing policies.

During the year under review, ended 31 March 2023, the key decisions taken by the board included:

Dividends: The Company is aware of its responsibility to shareholders to provide a return on the investment that they have made and has returned over £4.00 in dividends per Ordinary share over the last two decades. At the half-year stage, in September 2022, the board declared an interim dividend of 7.5 pence to holders of the Ordinary shares. The financial performance of the Company in the financial year has been strong, allowing the board to also declare a final dividend for the year, of 15.0 pence per Ordinary share.

Pension scheme triennial valuation: The next triennial valuation of the Company's defined benefit pension scheme will be effective from 31 March 2023. The scheme has operated with an actuarial deficit for a number of years with a recovery plan having been agreed between the Company and the scheme's trustees following the previous triennial valuation in 2020. The board remains very mindful of its responsibilities to its current and previous employees who are members of the scheme and for the need to appropriately deal with the scheme's deficit, whilst ensuring that the Company has adequate resources to develop and strengthen its businesses, in order to ensure its future success.

Relocation of Volvo Worthing: The Company was able to extend its representation for Volvo in June 2020 through the provision of a new dealer agreement for a West Sussex territory based in Worthing. The directors have been encouraged with the level of trading in the early years of operation and originally intended to relocate the operation to a new-build facility in Angmering, adjacent to its existing Audi operation. However, after further consultations and with the full agreement of the manufacturer, the directors have now decided that the premises in Worthing that the business operates from will be significantly upgraded. It is expected that this upgrade will be completed by September 2023.

Additional manufacturer representation: The board continues to seek new opportunities to maximise the effectiveness of its property portfolio and was pleased to receive an offer to extend its representation for Lotus through an additional territory in Sussex, geographically adjacent to its existing territory in Kent, and the new business opened in June 2022. Lotus Cars are part of the Zhejiang Geely group and are developing several new electric-vehicle models, including the Evija, an electric-powered supercar.

Lewes freehold: The Company's freehold property in Lewes is surplus to requirements as no long-term motor trade use for the property has been identified. The board has therefore decided that the best option is for the property to be developed for an alternative non-motor retail use and that maximum value would be gained through a sale of the freehold. The board is progressing the sale process, although completion will be dependent both on the potential purchaser gaining an appropriate planning consent and, potentially, the approval of our shareholders. The final sale of the freehold would not be expected to complete until 2025 at the earliest.

By order of the board

SGM Caffyn
Chief Executive
1 June 2023

Governance

Board of Directors

Directors

RICHARD C WRIGHT PG Dip FIMI FCIM
Chairman

SIMON G M CAFFYN MA FIMI
Chief Executive

MICHAEL WARREN BSc FCA
Finance

SARAH J CAFFYN BSc FCIPD AICSA FIMI
Human Resources

STEPHEN G BELLAMY BCom CA(NZ)
Non-executive and senior independent director

NIGEL T GOURLAY BSc
Non-executive director

Bankers

HSBC BANK PLC
1 Centenary Square, Birmingham B1 1HQ

VOLKSWAGEN BANK
Brunswick Court, Yeomans Drive, Blakelands, Milton Keynes MK14 5LR

Independent Auditor

BDO LLP
Statutory Auditor
Arcadia House, Maritime Walk, Ocean Village, Southampton SO14 3TL

Company Secretary

SARAH J CAFFYN BSc FCIPD AICSA FIMI

Registered Office

Saffrons Rooms, Meads Road, Eastbourne, East Sussex BN20 7DR
Telephone (0371) 664 0300

Chairman's Statement on Corporate Governance

This statement explains how the Company has applied the main and supporting principles of corporate governance and describes the Company's compliance with the provisions of the UK Corporate Governance Code (the "Code"), as published in 2018 by the Financial Reporting Council and available at www.frc.org.uk.

The Company fully complied with all provisions of the Code throughout the year ended 31 March 2023, except for Provisions 10, 11, 19, 24, 36, 38 and 39.

- Provision 10 requires that non-executive directors should be deemed to have lost their independence once they have served for nine years. Mr R C Wright was appointed to the board on 1 November 2011 so exceeded nine years' service in a previous financial year. Mr N T Gourlay was appointed as a non-executive director on 26 September 2013 so exceeded nine years' service during the year. The board is satisfied that both Mr R C Wright and Mr N T Gourlay will continue to act independently and to robustly challenge the executive directors, where appropriate. Mr S G Bellamy was appointed in June 2019 and remains independent;
- Provision 11 requires at least half the board, excluding the Chairman, should consist of independent non-executive directors. The board is satisfied the composition of the board and the committees reflects the compact nature of the board and size of the Company as a whole, and that directors have shown that they are able to work in a collegiate fashion;
- Provision 19 requires that the Chairman should not remain in post beyond nine years from the date of their appointment. Mr R C Wright was appointed as Chairman on 26 July 2012 so has exceeded nine years' service in the role as Chairman. The board is satisfied that Mr R C Wright will continue to chair the board in an appropriate manner;
- Provision 24 requires that the chairman of the board should not be a member of the Audit & Risk Committee. The Company believes that an Audit & Risk Committee of three non-executive directors operates better than one with just two members and, due to the size of the board, the Chairman needs to be a member in order to achieve this;
- Provision 36 requires that remuneration schemes for directors should promote long-term shareholdings by executive directors and support alignment with long-term shareholder interests. The Company operates a Save As You Earn scheme for all eligible employees, including directors, but does not operate a Long-Term Incentive Plan ("LTIP") for directors, primarily due to the volatility in the share price and relative lack of liquidity in the trading of its shares. However, all executive directors are Ordinary shareholders and those shareholdings are detailed on page 35;
- Provision 38 requires that only directors' salaries should be pensionable. The Company Secretary is a member of the Company's defined contribution pension scheme on the same terms as all other employees and any bonus payments made to her are pensionable. This is a long-standing arrangement with which the board is satisfied and has decided that it would not be in the best interests of the Company to change her existing employment contract; and
- Provision 39 requires that notice periods should be one year or less. The Chief Executive has a service contract which runs for more than twelve months (see page 31 of the Directors' Remuneration Report). This also is a long-standing arrangement. The Remuneration Committee reviews the position annually and has decided that it would not be in the best interests of the Company to change his existing contract.

A description of the Company's business model and strategy is set out in the Strategic Report on page 7.

Structure of the board and its key activities

The board is collectively responsible for the long-term success of the Company and for ensuring that it operates to a governance standard which serves the best interests of the Company. The board sets the strategy of the Company and its individual trading businesses and ensures that the Company has in place the financial and human resources it needs to meet its objectives. There is a written schedule of matters reserved for board decision, which is summarised below.

Schedule of matters reserved for decision by the board

- Business strategy;
- Approval of significant capital projects and other investments;
- Principal terms of agreements for the Company's principal banking facilities;
- Annual business plan and budget monitoring;
- Risk management strategy and internal control and governance arrangements;
- Approval of acquisitions and divestments;
- Changes to management and control structure;
- Significant changes to accounting policies and/or practices;
- Financial reporting to shareholders;
- Dividend policy;
- Health and safety policy;
- Changes in employee share incentives;
- Reviewing the overall corporate governance arrangements;
- Appointments to the board and its committees;
- Policies relating to directors' remuneration and service;
- Prosecution, defence or settlement of material litigation;
- Any alterations to the share capital of the Company;
- Approval of all circulars and announcements to shareholders;

Chairman's Statement on Corporate Governance
continued

- Major changes to the Company's pension schemes; and
- Insurance cover, including directors' and officers' liability insurance and indemnification of the directors.

The Chairman takes responsibility for ensuring that the directors receive accurate, timely and clear information. Monthly financial information is provided to the directors. Regular and ad hoc reports and presentations are circulated, with all board and committee papers being issued in advance of meetings by the Company Secretary. In addition to formal board meetings, the Chairman maintains regular contact with the Chief Executive and other directors to discuss specific issues. In furtherance of their duties, the directors have full access to the Company Secretary and may take independent professional advice at the Company's expense. The board believes that, given the experience and skills of its directors, the identification of training needs is best left to the individual's discretion. If any developmental need is identified through the board's formal appraisal process or by an individual director, the Company makes the necessary resources available.

As part of their role, the non-executive directors constructively challenge and help develop proposals on strategy. The non-executive directors scrutinise management's performance in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that the Company's financial controls and systems of risk management are robust and defensible. They determine appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning. The non-executive directors meet formally, without the executive directors, at least once a year.

Operating within prescribed delegated authority, such as capital expenditure limits, the operational running of the Company and its businesses is carried out by the executive directors, led by the Chief Executive.

The board delegates certain of its duties to its Audit and Risk, Nomination and Remuneration Committees, each of which operates within prescribed terms of reference. These are set out on the Company's website. The responsibilities of the board's committees are set out on pages 23 and 24 of this report and in the Directors' Remuneration Report.

The board has evaluated the performance of its Audit & Risk and Remuneration Committees for the year under review. The Chairman and the respective committee chairman take responsibility for carrying out any actions recommended as a result of that evaluation.

Performance evaluation

The board has established a procedure to evaluate its performance, as well of its Audit & Risk and Remuneration committees, and its individual directors, which is carried out in each financial year. Detailed questionnaires are completed by the directors, who then debate any matters arising.

Individual director evaluation has shown that each director continues to demonstrate commitment to the role. The non-executive directors, led by the senior independent director, have carried out a performance evaluation of the Chairman after taking account of the views of the executive directors. The Chairman has reviewed the performance of the non-executive directors and the Chief Executive. The Chief Executive has reviewed the other executive directors. The board intends to carry out further performance evaluations but will keep under review the method and frequency.

The latest board evaluation process concluded that the board and committees were operating effectively, with clear demarcation of the respective responsibilities of individual directors and board committees. The board is satisfied that all directors are each able to devote the amount of time required to attend to the Company's affairs and their duties as a board member. The Chairman discusses with each director any training and development needs.

Board composition and independence

At 1 June 2023, the board comprised three executive directors and three non-executive directors, one of whom is the Chairman. Mr R C Wright is the non-executive Chairman and Mr S G M Caffyn is the Chief Executive. The Chairman leads the board and the Chief Executive manages the Company and implements the strategy and policies adopted by the board. There is a clear division of responsibility between the role of the non-executive Chairman and the Chief Executive; this is recorded in a written statement which is reviewed and agreed annually by the board. The Chairman is responsible for leadership of the board and ensuring its effectiveness for all aspects of its role.

The Company maintains appropriate directors' and officers' insurance in respect of legal action against its directors.

Directors' conflict of interest

Conflicts of interest can include situations where a director has an interest that directly or indirectly conflicts, or may possibly conflict, with the interests of the Company. The board operates a formal system for directors to declare all conflicts of interest at all board meetings. The non-conflicted directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company.

Balance and challenge

The non-executive directors complement the skills and experience of the executive directors, providing the requisite degree of judgement and scrutiny to the decision-making process at board and committee level. Mr S G Bellamy is the senior independent director.

The board maintains and regularly reviews a register of all interests, offices and appointments that are material to be considered in the assessment of the independence of directors and has concluded that there are not, in relation to any director, any relationships or circumstances regarded by the Company as affecting their exercising independent judgement.

Re-election of directors

All directors will seek re-election annually in accordance with the latest corporate governance recommendations.

Meetings and attendance

There were eight meetings of the board in the year under review. With the exception of Mr R C Wright, who was unable to attend one meeting, all directors were in attendance for all of the meetings.

Nomination Committee

Our Nomination Committee comprises two non-executive directors, the non-executive Chairman and the Chief Executive. The members are:

R C Wright (Chairman)
N T Gourlay
S G Bellamy
S G M Caffyn

The Nomination Committee is responsible for leading the process for appointments to the board and meets at least once a year. The Committee is chaired by Mr R C Wright. The Company Secretary or alternate also attends meetings in her capacity as secretary of the Committee. Where the matters discussed relate to the Chairman, such as in the case of selection and appointment of the Company Chairman, the senior independent director chairs the Committee. New directors receive a full, formal and tailored induction on joining the board.

The principal responsibilities of the Committee are as follows:

- To regularly review the structure, size and composition of the board and make recommendations to the board regarding any adjustments deemed appropriate;
- To prepare the description of the role and capabilities required for a particular board appointment. Executive search consultants may be retained as appropriate to assist in this process;
- To identify, and nominate for the approval by the board, candidates to fill board vacancies as and when they arise;
- To satisfy itself, with regard to succession planning, that processes are in place regarding both board and senior appointments; and
- To undertake an annual performance evaluation to ensure that all members of the board have devoted sufficient time to their duties.

The Committee met twice during the year. All members eligible to attend were present at both the meetings.

Audit & Risk Committee

Our Audit & Risk Committee comprises two non-executive directors and the Chairman. The members are:

S G Bellamy (chairman)
R C Wright
N T Gourlay

The Committee is chaired by Mr S G Bellamy. The Company Secretary, or alternate, also attends meetings in her capacity as secretary of the Committee. The chairman of the Committee is considered by the board as having recent and relevant financial experience. The board also remains satisfied that the Committee as a whole has competence relevant to the sectors in which the Company operates. The Chairman of the board is on the Committee due to his experience and the small number of non-executive directors on the board. The board are satisfied with this arrangement. The Audit & Risk Committee meets at least three times a year. The meetings are attended by invitation by the executive directors and by the head of the internal audit function and the internal auditor, and by representatives of the Company's external Auditor, at the chairman's discretion.

The Committee's meetings in quarters one and three coincide with the Company's reporting timetable for its audited financial statements and unaudited interim condensed financial statements respectively. During these meetings, the Committee:

- Reviews the drafts of the financial statements and preliminary and interim results announcements; and
- Reviews all published accounts (including interim reports) and post-audit findings before their presentation to the board, focusing in particular on accounting policies, compliance, management judgement and estimates, and considers the reports of the external Auditor on the unaudited interim condensed financial statements and the full-year audited financial statements.

At the second of these meetings, the Committee reviews the external audit plan.

The Committee's third meeting is primarily concerned with:

- Reviewing the Company's systems of control and their effectiveness;
- Significant corporate governance issues, such as those relating to the regulation of financial services;
- Reviewing the external Auditor's performance;
- Reviewing the risk register and making recommendations to the board on the content and relative importance of the risks identified;
- Recommending to the board the reappointment, or not, of the external auditor; and
- Reviewing the effectiveness and independence of the external Auditor; including monitoring the level of audit and non-audit fees.

The Committee met three times in the year. With the exception of Mr R C Wright who was unable to attend one meeting, all directors were in attendance at all the meetings. The Committee reviewed the effectiveness of the Company's system of internal control and financial risk management during the year, including the review of the Company's risk register, and including consideration of reports from both the internal and external auditors. The Committee reported the results of its work to the board and the board considered these reports when reviewing the effectiveness of the Company's system of internal control which forms part of the board's high-level risk review performed during the year. The effectiveness of the internal audit function was also monitored.

Chairman's Statement on Corporate Governance
continued

The Committee provides advice to the board on whether the Annual Report is fair, balanced and provides the necessary information shareholders require to assess the Company's performance, business model and strategy. In doing so, the following issues have been addressed specifically:

- **Review of key strategic risks:** The Committee chairman conducts an annual review of key strategic risks. The review highlights the key risks based on a combination of likelihood and impact, and then considers what appropriate mitigating factors should be implemented (highlights from this work are included in the Strategic Report).
- **Review of poorly performing dealerships:** As part of both the interim and year-end review processes, consideration is given to potential impairments of property, plant and equipment, investment property and goodwill relating to poorly performing locations and that any related impairments are provided for. Management then follow up with detailed action plans to either improve dealership performance or seek an exit solution. The Committee also reviews progress on these plans at the following review. As part of the external audit, the Committee fully discusses with the external Auditor the identification of cash-generating units ("CGUs") for the purposes of impairment testing. The Committee is satisfied that no impairments were required in relation to the financial year.
- **Going concern:** The Finance Director provides an assessment of the Company's ability to continue to trade on a going concern basis for a period of one year from the date of approval of this Annual Report. Forecasts are based on financial plans agreed with the board (budgets or forecasts), the Company's most recent trading results, and include a range of possible downside scenarios. The assumptions that underpin the assessments are considered and discussed in detail when the Committee meets. The conclusion of that review is included in the Going Concern section of this report.
- **Inventory valuation:** The value of new and used cars, as well as the provision for slow-moving and obsolete inventory, can have a significant influence on the inventory valuation in the financial statements. The Committee has considered the Company's procedures and controls, which are satisfactory, to reduce the risk of misstatement in relation to inventory valuation.
- **Pensions:** The Company operates a defined benefit pension scheme, closed to future accrual, which has an excess of liabilities over the value of assets owned by the scheme. The assessment of the valuation of the scheme is based on several key assumptions, which can have a significant impact on the valuation of the deficit. The Committee has considered the assumptions used for the valuation of the liabilities of the scheme and is satisfied that these are reasonable.

Mr S G Bellamy will attend the 2023 Annual General Meeting and will be available at that meeting to answer any questions regarding the workings of the Audit & Risk Committee that shareholders may wish to raise.

Anti-bribery

During the year, as well as its routine business, the Committee continued to monitor the suitability of the Company's controls designed to combat bribery to satisfy itself of the adequacy of its systems and procedures for the prevention of bribery and corruption, particularly in the light of the Bribery Act 2010. It has reviewed the Company's anti-bribery policy statement which has been adopted by the board.

Whistleblowing

The Committee has reviewed the arrangements for its employees to raise, in confidence, concerns about possible improprieties in relation to financial reporting, suspected fraud and dishonest acts, or other similar matters, commonly known as "whistleblowing". The Committee reviews any such reported incidences and any improvements to internal procedures that may be required.

Non-audit services provided by the external Auditor

Non-audit services provided by the Company's Auditor are kept under review by the Committee. The Company's Auditor does not provide compliance services in the field of taxation advice.

The Committee ensures that the Auditor's objectivity and independence are safeguarded by ensuring that the level of fees is not material to either the Company nor the Auditor. The report from BDO LLP confirming their independence and objectivity was reviewed by the chairman of the Audit & Risk Committee and the Finance Director. The level of fees paid to BDO LLP for non-audit services is not regarded to conflict with auditor independence. Fees payable to the Auditor are set out in note 3 to the financial statements.

Effectiveness and independence of the external Auditor

The Committee is responsible for advising the board on the appointment of the Auditor, assessing their independence and formulating policy on the award of non-audit work. The current Auditor is BDO and the year under review is their fourth year of tenure. They were appointed as the result of a formal competitive tender process in 2019.

Non-audit work is only awarded to the external Auditor after due consideration of matters of objectivity, independence, value for money, quality of service and efficiency.

At the conclusion of each year's audit, the performance of the external Auditor is reviewed by the Committee, with the executive directors, covering such areas as quality of audit team, business understanding, audit approach and process management. Where appropriate, actions are agreed against the points raised and subsequently monitored for progress.

As part of their normal cycle of reviews, the Financial Reporting Council ("FRC") reviewed BDO's audit of the 31 March 2021 financial statements. The FRC's report identified a number of areas in which the audit could be improved, of which the most significant related to the level of testing over occurrence and accuracy of vehicle sales recognised in the year. The report also identified a number of areas of good practice. The Chairman of the Audit & Risk Committee received the FRC's final report in May 2022 and has discussed the detailed report with the FRC. In addition, he has discussed the findings with the other members of the Audit & Risk Committee and the audit partner. BDO have made changes to their audit approach for the current year audit to reflect the improvements required.

Tax strategy and objective

As a responsible taxpayer, the Company is committed to establishing, maintaining and monitoring the implementation of an appropriate tax strategy. Our tax strategy is aligned with our objective of paying the correct amount of tax at the right time. Commercial transactions are therefore structured in the most tax efficient way but without resorting to artificial arrangements that we would regard as abusive. There is an ethical dimension to achieving this objective. The ethical dimension reflects the need to mitigate the risk to the Company's reputation that would arise from tax strategy that entails aggressive tax planning.

A copy of the Company's tax strategy is available from its corporate website, www.caffynsplc.co.uk.

Going concern

The financial statements have been prepared on a going concern basis, which the directors consider appropriate for the reasons set out below.

The directors have considered the going concern basis and have undertaken a detailed review of trading and cash flow forecasts for a period of one year from the date of approval of this Annual Report. This has focused primarily on the achievement of the banking covenants. All three bank covenant tests have been passed for the year under review. Under the Company's first covenant test, it is required to make underlying profits before senior interest (that being paid to HSBC and VW Bank on its term loan and revolving credit facility borrowings), corporation tax, depreciation and amortisation ("senior EBITDA") for a rolling twelve-month period which is at least four times the level of senior interest. Under the second test, the Company's borrowings from HSBC and VW Bank on its term loan and revolving credit facilities must be less than 375% of its senior EBITDA.

The Company's final covenant test requires that the level of its bank borrowings do not exceed 70% of the independently assessed value of its charged freehold properties. Property values would need to reduce by some two-thirds before this covenant test became at risk of failure.

These Company's covenants are tested quarterly with the test on 31 March 2024 being the final test to be carried out within the twelve-month period from the anniversary of the signing of these financial statements. The Company's financial results in the year under review were robust and the current new car orders held for future delivery is at elevated levels. External market commentary provided by the Society of Motor Manufacturers and Traders ("SMMT") indicate that new car registrations are forecast to show a year-on-year increase of 9% in 2023 to 1.8 million, with a further 9% increase into 2024 to reach almost two million registrations. The used car market remains healthy, at just under 7 million annual transactions in 2022, and the recent shortages in new car supply have assisted the used car market and are expected to continue to do so. Financial modelling for the coming twelve-month period has allowed the directors to conclude that there is satisfactory headroom in the Company's banking covenants.

The directors have also given consideration to the current uncertainties in the state of the UK economy, as well as to cost pressures that are impacting on businesses such as increases to staffing costs from the rise in the National Minimum and National Living Wages, from business rates and from increases to funding costs from rising interest base rates.

The directors have also considered the Company's working capital requirements. The Company meets its day-to-day working capital requirements through short-term stocking loans, bank overdraft and revolving-credit facility, and medium-term revolving credit facilities and term loans. At the year-end, the medium-term banking facilities included a term loan with an outstanding balance of £5.8 million and a revolving credit facility of £6.0 million from HSBC, its primary bankers, with both facilities being next renewable in April 2026. HSBC also make available a short-term overdraft facility of £3.5 million, which is renewed annually each August. The Company also has a ten-year term loan from Volkswagen Bank with a balance outstanding at 31 March 2023 of £0.5 million, which is repayable, to March 2024, and a short-term revolving-credit facility of £4.0 million, which is renewed annually each August. In the opinion of the directors, there is a reasonable expectation that all facilities will be renewed at their scheduled expiry dates. The failure of a covenant test would render these facilities repayable on demand at the option of the lender. At 31 March 2023 the Company held cash in hand balances of £4.2 million and had undrawn borrowing facilities of £7.5 million, all of which would be immediately available.

Information concerning the Company's liquidity and financing risk are set out on page 10 and note 21 to the financial statements.

The directors have a reasonable expectation that the Company has adequate resources and headroom against the covenant tests to be able to continue in operational existence for the foreseeable future and for a period of one year from the date of approval of the Annual Report. For those reasons, they continue to adopt the going concern basis in preparing this Annual Report.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the directors have assessed the viability of the Company over a three-year period to 31 March 2026 and have concluded that the Company is viable over that chosen period. The directors believe this period to be appropriate as the Company's strategic review considered by the board encompasses this period. In making their assessment, the directors have considered the Company's current financial position and performance and its cash flow projections, including future capital expenditure, in relation to the availability

Chairman's Statement on Corporate Governance
continued

of finance and funding facilities, and have considered these factors in relation to the principal risks and uncertainties as explained in the Report of the Directors.

During the year to 31 March 2023, the board carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The directors believe that the Company is well placed to manage its business risks successfully, having considered the principal risks and uncertainties. Accordingly, the board believes that, taking into account the Company's current position, and subject to the principal risks faced by the business, the Company will be able to continue in operation and to meet its liabilities as they fall due in the period up to 31 March 2026.

Risk management and internal controls

The board is responsible for maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management, and reviews the effectiveness of the system at least annually in order to safeguard shareholders' investment and the Company's assets. The system is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board has completed a robust assessment of the Company's emerging and principal risks, including a description of its principal risks, the procedures that are in place to identify emerging risks, and an explanation of how these risks are being managed or mitigated.

The board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a regular basis and may be associated with a variety of internal or external sources, including control breakdowns, disruption to information systems, competition, natural catastrophe, customer or supplier actions and regulatory requirements. The process used by the board is to review the effectiveness of the system of internal control, including a review of legal compliance, health and safety and environmental issues on a six-monthly basis. Insurance and risk management and treasury issues are reviewed annually or more frequently if necessary. In addition, the Audit & Risk Committee reviews the scope of audits, the half-yearly and annual financial statements (including compliance with legal and regulatory requirements) and reports to the board on financial issues raised by both the internal and external audit functions. Financial control is exercised through an organisational structure which has clear management responsibilities with segregation of duties, authorisation procedures and appropriate information systems. The system of annual budgeting with monthly reporting and comparisons to budget is a key control over the business and in the preparation of consolidated accounts.

There is an ongoing programme of internal audit visits to monitor financial and operational controls throughout the Company. The executive directors receive regular reports from the internal audit and health and safety monitoring functions which include recommendations for improvement.

Financial reporting

The directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Relations with shareholders

The board values the constructive views of its shareholders and recognises their interest in the Company's strategy and performance, board membership and quality of management. The views of major shareholders are reported back to the board as appropriate.

The non-executive directors are available to attend meetings with major shareholders. The principal methods of communication with private investors are the Interim Report, the Annual Report and the Annual General Meeting. Information on the Company is also included on its corporate website, www.caffynsplc.co.uk.

The Annual General Meeting is used to communicate with investors. The chairmen of the Audit and Risk, Remuneration and Nomination Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and financial statements. The Company counts all proxy votes and, after it has been dealt with by a show of hands, indicates the level of proxies lodged on each resolution.

Relations with suppliers

The board maintains close relationships with its suppliers and, in particular, with the nine motor manufacturers for which it currently holds operating franchises: namely Audi, CUPRA, Lotus, MG, SEAT, Skoda, Vauxhall, Volkswagen and Volvo. The Chief Executive holds regular meetings with these parties and the Company's operations are split into three divisions with the head of each division specifically tasked with maintaining a close and mutually beneficial relationship with their manufacturer. For its wider supplier base, the Company ensures that it operates in an ethical manner, ensuring that invoices are settled within agreed terms. The average credit period taken for trade-related purchases in the year under review was twenty-seven days (2022: twenty-eight days).

By order of the board

R C Wright
Chairman
1 June 2023

Directors' Remuneration Report

Annual Statement from the Chairman of the Remuneration Committee

Introduction

On behalf of your board, I am pleased to present our Directors' Remuneration Report for the year ended 31 March 2023. The Directors' Remuneration Report has been prepared on behalf of the board by the Remuneration Committee in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013, and is split into two sections:

- The directors' remuneration policy sets out the Company's policy on remuneration, which was subject to a binding shareholder vote at the Annual General Meeting on 24 September 2020. This remuneration policy will continue to be voted on in the future at least once every three years; and
- The annual report on remuneration sets out the payments and awards made to the directors and details the link between company performance and remuneration for the financial year ended 31 March 2023.

The information set out on pages 28 to 39 that comprise the remuneration disclosures are, where stated, subject to audit in accordance with the relevant statutory requirements.

Remuneration outcomes for the financial year ended 31 March 2023

Annual bonus opportunities for the directors are based on the achievement of underlying profit before tax targets, subject to the discretion of the Remuneration Committee. The necessary profit target was achieved in relation to the financial year ended 31 March 2023, which led to the award of bonuses to the executive directors of 37% of salary.

Key remuneration decisions for the forthcoming financial year ending 31 March 2024

Under the Company's annual salary review, the base salaries for the executive directors were increased by 4.0% with effect from 1 April 2023. Salaries for employees in general were increased by an overall average of 5.6% from that date.

Conclusion

The directors' remuneration policy that follows this annual statement sets out the Committee's principles on remuneration for the future and the annual report on remuneration provides details of the remuneration for the year ended 31 March 2023.

The Committee will continue to be mindful of shareholder views and interests and we believe that our directors' remuneration policy continues to be aligned with the achievement of the Company's business objectives.

By order of the board

N T Gourlay
Chairman of the Remuneration Committee
1 June 2023

Directors’ Remuneration Report continued

Remuneration policy

The policy of the Committee is to ensure that the executive directors are fairly rewarded for their individual contributions to the Company’s overall performance and to provide a competitive remuneration package to executive directors to attract, retain and motivate individuals of the calibre required to ensure that the Company is managed successfully in the interests of all stakeholders. In addition, the Committee’s policy is that a substantial proportion of the remuneration of the executive directors should be performance related.

The Company’s directors’ remuneration policy is voted on every three years and was last approved by shareholders at the Annual General Meeting held on 24 September 2020 and became effective from that date. The full policy was disclosed in the 2020 Annual Report, which is available on the Caffyn plc website located at www.caffynsplc.co.uk.

The main elements of the remuneration package of executive directors are set out below:

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary			
Provide competitive remuneration that will attract and retain high-calibre executive directors to develop and implement the Company’s strategy, without paying more than necessary, and having regard to the views of shareholders and other stakeholders.	Reviewed annually effective from 1 April to reflect role, responsibility and performance of the individual and the Company, and to take account of rates of pay for comparable roles in similar companies. Paid in twelve equal monthly instalments during the year. When selecting comparators, the Committee has regard to the Company’s revenue, market worth and business sector.	There is no prescribed maximum increase, although the Committee would carefully consider any increases against those awarded to the Company’s employees, taken as a whole. The annual rate of any increase is set out in the Annual Report in the section covering remuneration for the year and the following year.	The Committee considers individual salaries at the appropriate Committee meeting each year taking due account of the factors noted in the operation of the salary policy.
Benefits			
Provide market competitive benefits consistent with the role.	Benefits consist of the provision of a company car, private medical health insurance, business-related and certain other subscriptions, and the opportunity to join any Company savings-related share option scheme.	The cost of providing benefits varies from time to time and is borne wholly by the Company except for the cost of private medical health insurance where the Company contributes half of the cost.	Not applicable.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual bonus			
Incentivises achievement of business objectives by providing a reward for performance against annual targets.	Paid in cash after the end of the financial year to which it relates.	Up to 100% of salary.	Targets based on the underlying profit before tax of the Company. The Committee sets threshold and maximum targets on an annual basis. In general: • A percentage of the maximum bonus is payable for hitting the threshold target; and • 100% of the maximum bonus is payable for meeting or exceeding the maximum target. A sliding scale operates between threshold and maximum performance. Payment of any bonus is subject to the discretion of the Committee and, if deemed appropriate, a bonus of up to 10% of salary may be paid in exceptional circumstances, despite the threshold target not being reached.
Long-term incentives			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares.	Executive directors are able to apply for maximum entitlement under the rules of any Company savings-related share option scheme. No other long-term incentive scheme is considered appropriate for the Company's specific circumstances.	See page 35 for details.	Not applicable.
Pension			
Attract and retain executive directors for the long-term by providing funding for retirement.	Executive directors are eligible to join the Company's defined contribution pension scheme on the same terms as staff generally. In accordance with the rules of the pension scheme, bonuses are pensionable. As a result of changes in pensions' legislation effective from 6 April 2006, executive directors can choose to be paid a salary supplement in lieu of the employers' contribution to the Company's pension scheme.	3% of base salary plus bonus.	Not applicable.

Directors' Remuneration Report continued

Notes to the policy table

The remuneration policy is designed to support the strategy and promote long-term sustainable success. There is no link between the levels of remuneration earned by the executive directors and the Company's share price.

When reviewing the remuneration policy, the Remuneration Committee remains mindful of the Company's purpose, values and culture.

Performance conditions

The Committee selected the performance conditions as they are central to the Company's strategy and are key metrics used by the executive directors to oversee the operation of the business. The performance targets for the annual bonus are determined annually by the Committee.

The performance targets for any annual bonus in the coming financial year ending 31 March 2024 will be based on achievement of a pre-set profit before tax for that year. The target profit would be the profit excluding property profits and losses and pension fund costs or gains. The Remuneration Committee also reserves the right to make additional adjustments to the profit target when calculating bonus entitlement for items (losses or gains) that they considered not to be part of normal underlying profit for that year. Furthermore, in determining whether to award a bonus, the Committee would also take into account factors such as dividend cover and year-on-year changes to the net asset value of the Company. The Committee is of the opinion that these performance targets are commercially sensitive and that it would therefore be detrimental to the Company to disclose their details in advance. The targets will be disclosed after the end of the financial year in the Directors' Remuneration Report in next year's Annual Report.

In exceptional circumstances, the Remuneration Committee would have the discretion to pay a maximum of 10% of salary as a bonus, even if performance were to be below the threshold required.

Differences from remuneration policy for all employees

All employees of the Company are entitled to base salary and benefits. The opportunity to earn commission or a bonus is made available to a high proportion of employees. The maximum opportunity available is based on the seniority and responsibility of the role.

Statement of consideration of employment conditions of employees elsewhere in the Company

The Committee receives reports on an annual basis on the level of pay rises awarded across the Company and takes these into account when determining salary increases for executive directors. In addition, the Committee receives reports on the structure of remuneration for senior management in the tier below the executive directors and uses this information to ensure a consistency of approach for its most senior managers.

The Committee does not specifically invite employees to comment on the directors' remuneration policy, but it does take note of any comments made by employees.

Statement of consideration of shareholder views

The board would carefully consider any shareholder feedback received in relation to each year's Annual General Meeting and any actions to be taken would be built into the Committee's business for the ensuing period. This, and any additional feedback received from shareholders from time to time, would be considered by the Committee as part of the Company's annual review of remuneration policy.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high-calibre candidates who are appropriate to the role but without paying any more than is necessary.

Any new executive director's remuneration package would include the same elements and be in line with the policy table set out earlier in the directors' remuneration policy, including the same limits on performance-related remuneration.

Were an internal candidate promoted to the board, the original grant terms and conditions of any bonus or share awards made before that promotion would continue to apply.

Reasonable relocation and other similar expenses may be paid if appropriate.

Directors' service contracts, notice periods and termination payments

Provision	Policy	Details	Contractual provisions on a change of control of the Company	Other provisions in specific service contracts
Notice periods in executive directors' service contracts.	Twelve months by executive directors and the Company.	Executive directors may be required to work during the notice period.	Twelve months by executive directors and the Company.	S G M Caffyn may give six months' notice but is entitled to two years' notice from the Company and an unreduced early retirement pension. M Warren may give six months' notice and is entitled to six months' notice from the Company.
Compensation for loss of office.	No more than twelve months' basic salary, bonus and benefits (including Company pension contributions).	None.	None, except for the Chief Executive.	Termination payment to S G M Caffyn following a change of control comprises a cash amount equal to two years' basic salary, bonus and benefits (including Company pension contributions).
Treatment of annual bonus on termination.	Bonuses that have already been declared are payable in full. In the event of termination by the Company (except for cause), a prorated bonus to the end of the notice period would also be payable.	None.	None.	None.
Treatment of unvested options from savings-related share option schemes.	Good leavers may exercise their options within six months of cessation (one year for death). Options of leavers for fraud, dishonesty or misconduct lapse. Options of other leavers may be exercised within six months of cessation, but only to the extent that they would ordinarily become vested during that time. There is no discretion to treat any such leaver as a "good leaver".	Other than death, "good leaver" circumstances comprise: injury, disability, redundancy, retirement or transfer of employing business outside the Company. The number of options that can be exercised is reduced pro rata to reflect the proportion of the vesting period before cessation.	The number of options that can be exercised is reduced pro rata to reflect the proportion of the vesting period before cessation.	Not applicable.

Our Business

Governance

Financials

Other information

Directors' Remuneration Report continued

Provision	Policy	Details	Contractual provisions on a change of control of the Company	Other provisions in specific service contracts
Exercise of discretion.	Intended only to be relied upon to provide flexibility in unusual circumstances.	The Committee's determination would consider the particular circumstances of the executive director's departure and the recent performance of the Company.	Not applicable.	Not applicable.
Outside appointments.	Subject to approval.	Board approval must be sought.	Not applicable.	Not applicable.
Non-executive directors.	Appointed for three-year terms.	Early termination by either the Company or the director may occur with six months' notice. Fees for that period would be paid as compensation if the early termination was requested by the Company.	Not applicable.	Not applicable.

In the event of the negotiation of a compromise or settlement agreement between the Company and a departing director, the Committee may make payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursements of professional fees in connection with such agreements.

The Committee may also include the reimbursement of repatriation costs or fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

Service contracts

Executive directors are appointed under rolling service contracts, whereas non-executive directors each have a fixed-term appointment of three years, renewable upon expiry at the Company's discretion. When considering the reappointment of a non-executive director, the board reviews their attendance at, and participation in, meetings and their overall performance, and takes into account the balance of skills and experience of the board as a whole.

Director	Commencement of current renewal contract	Expiry	Unexpired terms at 31 March 2023
R C Wright	27 July 2021	26 July 2024	16 months
N T Gourlay	26 September 2022	25 September 2025	30 months
S G Bellamy	18 June 2022	17 June 2025	27 months

Copies of directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Fees from external directorships

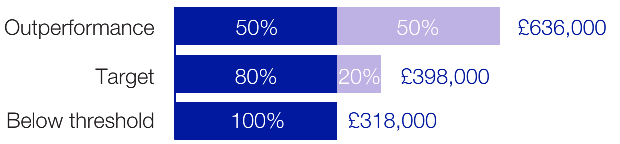
None of the executive directors holds office as a non-executive director of other companies other than in a voluntary or honorary (that is, unpaid) capacity. The Company does not have a formal policy on whether an executive director may or may not keep fees gained from holding an external non-executive directorship. This would be decided on a case-by-case basis.

Total remuneration opportunity for the year ending 31 March 2024

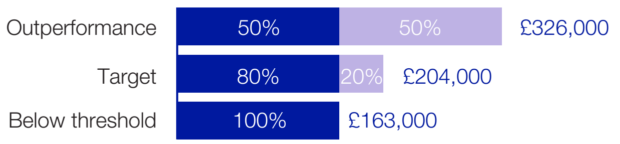
The chart below illustrates the remuneration that would be paid to each of the executive directors under three different performance scenarios: (i) below threshold; (ii) on target; and (iii) outperformance.

The elements of remuneration have been categorised into two components: (i) fixed; and (ii) annual variable (annual bonus awards).

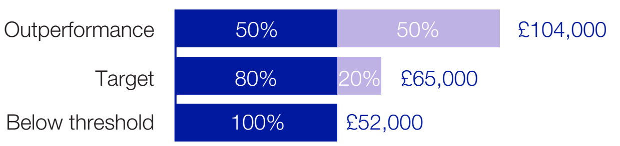
S G M Caffyn



M Warren



S J C Caffyn



Fixed   Annual bonus

Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary and benefits in kind
Annual variable	Annual bonus awards

The on-target scenario assumes that for the annual bonus, underlying profit before tax would be 114% of the threshold target.

Non-executive directors' fee policy

The policy for the remuneration of the non-executive directors is as set out below. Non-executive directors are not entitled to a bonus, cannot participate in the Company's savings-related share option scheme and are not eligible for pension arrangements or any other employment benefits.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Non-executive directors' fees			
Attract non-executive directors who have a broad range of experience and skills to oversee the implementation of the Company's strategy.	Non-executive directors' fees are determined by the board within the limits set out in the Articles of Association and are paid in twelve equal, monthly instalments during the year.	Reviewed annually to reflect the role, responsibility and performance of the individual and the Company. Annual rate of increase set out in the annual report on remuneration for the year under review and the following year. No prescribed maximum annual increase.	None.

When reviewing the level of fees paid to non-executive directors, care is taken to ensure that no conflicts of interest arise and no non-executive director would take part in discussions concerning their own fees.

CAFFYNS

Directors' Remuneration Report continued

Annual report on remuneration

Total single figure of remuneration for the year ended 31 March 2023 (audited)

The following table shows a total single figure of remuneration in respect of qualifying services for the year ended 31 March 2023 for each director, together with comparative figures for the year ended 31 March 2022. The information provided in this part of the Directors' Remuneration Report is subject to audit.

	Salary and fees £'000		Taxable benefits £'000		Annual bonus £'000		In lieu of pension contributions £'000		Total single figure £'000	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Executive										
S G M Caffyn	**306**	295	**21**	21	**113**	244	**13**	16	**453**	576
M Warren	**157**	152	**6**	5	**58**	125	**6**	7	**227**	289
S J Caffyn	**50**	48	**6**	8	**18**	40	**2**	3	**76**	99
Total	**513**	495	**33**	34	**189**	409	**21**	26	**756**	964
Non-executive										
R C Wright	**70**	68	**—**	—	**—**	—	**—**	—	**70**	68
N T Gourlay	**35**	30	**—**	—	**—**	—	**—**	—	**35**	30
S G Bellamy	**35**	30	**—**	—	**—**	—	**—**	—	**35**	30
Total	**140**	128	**—**	—	**—**	—	**—**	—	**140**	128
	653	623	**33**	34	**189**	409	**21**	26	**896**	1,092

Employment benefits made available to the executive directors include the provision of a company car, a 50% contribution towards the cost of private medical health and the cost of appropriate subscriptions.

Remuneration received by the directors can be analysed between Fixed and Variable sums as follows:

	Total Fixed sums £'000		Total Variable sums £'000		Total single figure £'000	
	2023	2022	**2023**	2022	**2023**	2022
Executive						
S G M Caffyn	**340**	332	**113**	244	**453**	576
M Warren	**169**	164	**58**	125	**227**	289
S J Caffyn	**58**	59	**18**	40	**76**	99
Total	**567**	555	**189**	409	**756**	964
Non-executive						
R C Wright	**70**	68	**—**	—	**70**	68
N T Gourlay	**35**	30	**—**	—	**35**	30
S G Bellamy	**35**	30	**—**	—	**35**	30
Total	**140**	128	**—**	—	**140**	128
	707	683	**189**	409	**896**	1,092

Annual bonus (audited)

Bonuses are earned by reference to the financial year and paid in May or June following the end of the financial year and on completion of the external audit. Any bonuses accruing to the executive directors in respect of the year ended 31 March 2023 were based on the underlying profit before tax as shown below.

					Bonus paid as a percentage of base salary					
					S G M Caffyn		M Warren		S J Caffyn	
	Threshold	Target	Maximum	Actual performance	Max	Actual	Max	Actual	Max	Actual
Underlying profit before tax (£'million)*	£2.62	£2.86	£4.66	£3.14	100%	37%	100%	37%	100%	37%
Bonus receivable	15%	25%	100%	37%	£113,000		£58,000		£18,000	

* The underlying profit before tax is calculated after taking account of the cost of such bonus including employer's National Insurance charges and contributions in lieu of pension contributions.

Pension entitlements and cash allowances (audited)

One executive director, the Company Secretary, was a deferred member of the Company's closed defined benefit pension scheme at 31 March 2023 (2022: one). The defined benefit pension scheme will provide a pension to the Company Secretary of a maximum of two-thirds of final salary in respect of benefits accrued up to 31 March 2006. From 1 April 2006 until 1 April 2010 when the scheme closed to future accrual, the accrued benefits of this director were based on a "career average" basis and based upon earnings in each financial year. Under the rules of the scheme, the Company Secretary is eligible for a pension at normal retirement age of 65. If early retirement is taken before age 65, the accrued pension is discounted by 5% per annum (2022: 5%) simple, except where the Company consents to early retirement between 60 and 65 and then no discount is applied. Pensions paid increase in line with price indexation which may be limited. On death, a one-half spouse's pension becomes due. Children's allowances up to a maximum of 100% of the executive's pension may be payable, including any spouse's pension. Allowance would be made to transfer value payments for discretionary benefits. The total annual accrued pension excludes transferred-in benefits.

	Normal retirement date	Total annual accrued defined benefit pension at 31 March 2023 £'000	Total annual accrued defined benefit pension at 31 March 2022 £'000
S J Caffyn	12 December 2033	38	37

The pension for the Company Secretary for service since 2010 has been provided on a contributory basis through the Company's defined contribution pension scheme. In certain years, the Company Secretary elected not to be included in the defined contribution pension scheme and instead to be paid a salary supplement in lieu of the employer's contribution to the Company's defined contribution pension scheme.

In the year to 31 March 2023, one of the executive directors was a member of the Company's defined contribution pension scheme (2022: one).

The non-executive directors are not members of the Company's defined contribution pension scheme (2022: none).

Directors' interests in shares (audited)

The interests of the directors and their families in the shares of the Company are as follows:

	As at 31 March 2023			As at 31 March 2022		
	Ordinary	11% Preference	7% Preference	Ordinary	11% Preference	7% Preference
R C Wright	7,500	—	—	7,500	—	—
S G M Caffyn	76,988	1,600	200	76,988	1,600	200
M Warren	6,825	—	—	6,825	—	—
S J Caffyn	48,323	1,655	—	46,323	1,655	—
N T Gourlay	4,893	—	—	4,893	—	—
S G Bellamy	5,000	—	—	5,000	—	—

There are no contractual requirements for directors to own shares in the Company, although they are encouraged to become shareholders in order to increase the alignment of their interests with those of other shareholders. At 31 March 2023, all directors held a direct interest in the Ordinary shares of the Company.

Directors' Remuneration Report continued

All-employee share scheme (audited)

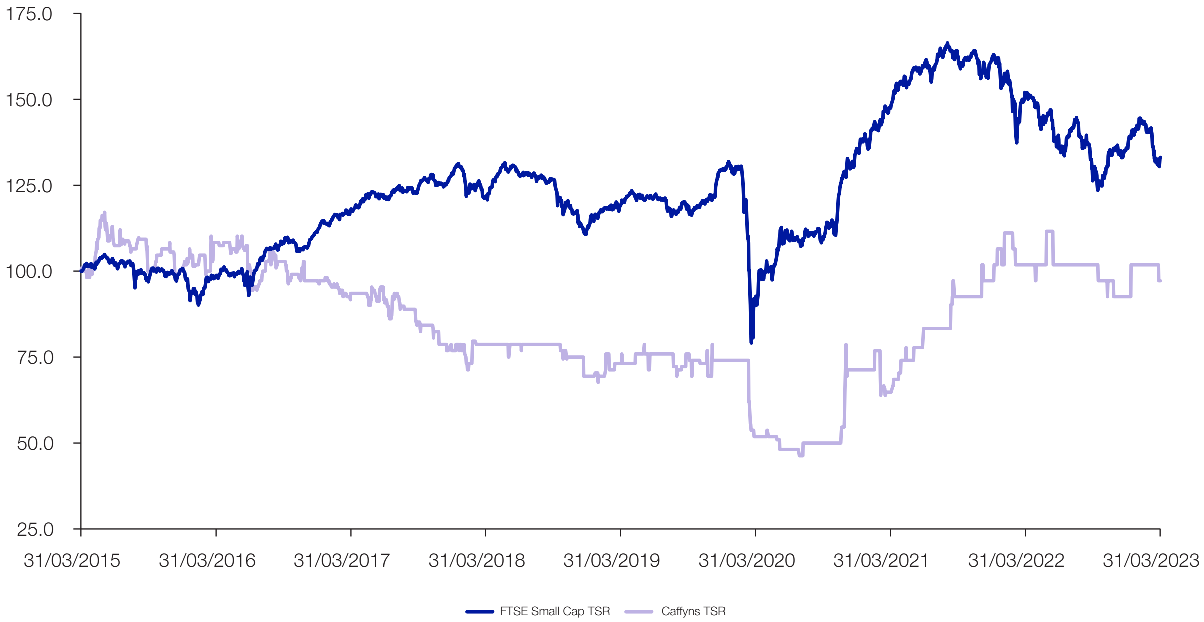
Details of share options held by executive directors under the Company's savings-related share option schemes, the latest of which were granted in December 2020, are as follows:

	Scheme	Date of grant	Earliest exercise date	Expiry date	Exercise price £	Number at 1 April 2022	Number at 31 March 2023
SGM Caffyn	ShareSave	23/12/2020	01/04/2024	30/09/2024	3.06	1,211	**1,211**
M Warren	ShareSave	23/12/2020	01/04/2024	30/09/2024	3.06	1,211	**1,211**

The market value of the shares at the date of the grant on 23 December 2020 was £3.85, giving a face value of the awards for each of the directors listed of £957.

Performance graph and table

The chart below shows the Company's eight-year annual Total Shareholders Return performance against the FTSE Small-Cap Total Return Index, which is considered an appropriate comparison to other public companies of a similar size.



Chief Executive's remuneration

The table below sets out the total remuneration delivered to the Chief Executive over each of the last ten years, valued using the same methodology as applied to the total single figure of remuneration.

	Chief Executive: S G M Caffyn									
Financial years ended 31 March	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Total single remuneration figure (£'000)	534	389	410	388	302	364	319	281	576	**453**
Annual bonus as percentage of maximum opportunity	100%	39%	43%	31%	0%	19%	0%	0%	83%	**37%**

Annual percentage change in remuneration of directors and employees

	Salary and fees % increase/(decrease)			Benefit-in-kind % increase/(decrease)			Annual bonus % increase/(decrease)		
	2019/20 to 2020/21	2020/21 to 2021/22	**Current year to prior year**	2019/20 to 2020/21	2020/21 to 2021/22	**Current year to prior year**	2019/20 to 2020/21	2020/21 to 2021/22	**Current year to prior year**
Executive directors									
S G M Caffyn	(13.1)%	2.0%	**3.5%**	3.5%	(1.1)%	**0.1%**	0.0%	∞	**(53.8)%**
S J Caffyn	(4.7)%	2.0%	**3.5%**	43.7%	47.2%	**(22.2)%**	0.0%	∞	**(53.8)%**
M Warren	(6.9)%	2.0%	**3.5%**	(45.4)%	(24.8)%	**9.5%**	0.0%	∞	**(53.8)%**
Non-executive directors									
R C Wright	(8.9)%	2.0%	**3.5%**	0.0%	0.0%	**0.0%**	0.0%	0.0%	**0.0%**
S G Bellamy	-	2.0%	**15.5%**	0.0%	0.0%	**0.0%**	0.0%	0.0%	**0.0%**
N T Gourlay	(5.0)%	2.0%	**15.5%**	0.0%	0.0%	**0.0%**	0.0%	0.0%	**0.0%**
Employee average									
All employees	(4.2)%	2.0%	**4.4%**	13.6%	4.9%	**4.9%**	62.3%	64.0%	**(10.8)%**

The underlying package of benefits in kind for the directors, and for employees in general, remained unchanged in comparison to the prior years, although the outcomes were different. Care should be exercised when considering the percentage changes, given the relatively small monetary values involved in each year.

Comparison of the pay of the Chief Executive to other employees

	Salary only 2023 £'000	**Total earnings 2023 £'000**	**Ratio 2023 %**	Salary only 2022 £'000	Total Earnings 2022 £'000	Ratio 2022 %
Single remuneration figure for the Chief Executive	**306**	**453**		295	576	
Remuneration for the Company's remaining full-time equivalent employees:						
25th percentile	**31**	**41**	**10:1**	30	46	13:1
Median	**25**	**30**	**15:1**	24	33	17:1
75th percentile	**16**	**19**	**22:1**	14	23	25:1

The pay ratio disclosure above complies with Regulation 18 of The Companies (Miscellaneous Reporting) regulations 2018. These ratios have been prepared using Option A in the regulations by ranking the annualised earnings of those employees of the Company in employment on 31 March 2023, the last day of the financial year under review. Earnings includes salary, bonuses, variable elements of pay such as commissions and overtime, holiday and sickness pay, company pension contributions and the taxable value of benefits-in-kind. The Company's Chairman and non-executive directors have been excluded from the calculation as they receive a fee rather than a salary. Any employees on zero-hour contracts have been included if they worked in the month of March 2023.

Change in remuneration of Chief Executive

The base salary of the Chief Executive increased by 3.5% between 31 March 2022 and 31 March 2023, mirroring that for the Company's Regional Directors and Heads of Business. Neither the Chief Executive nor the comparator group received any changes to their employment benefits during the year. The Chief Executive received a bonus for the year under review and prior year. The bonuses earned by the comparator group reduced by 23% compared to the prior year. The comparator group comprises Regional Directors and Heads of Business and has been selected on the basis that these managers have direct senior operational management responsibilities.

Directors' Remuneration Report continued

Relative importance of spend on pay

The table below sets out the total spend on pay in the two years to 31 March 2023 compared with other disbursements from profit (i.e. distributions to shareholders). These were the most significant outgoings for the Company in the last financial year).

	Spend in 2023 £'000	Spend in 2022 £'000	Decrease %
Spend on staff pay (including directors)	**15,839**	15,455	2.5%
Profit distributed by way of dividend	**606**	606	0%

A final dividend of 15.0 pence per Ordinary share has been declared for the year ended 31 March 2023, in addition to an interim dividend of 7.5 pence that was paid during the year. The total dividend payable in respect of the year to 31 March 2023 will therefore be £606,000 (2022: £606,000).

Implementation of remuneration policy for the coming financial year ending 31 March 2024

The annual salaries and fees to be paid to directors in the coming financial year are set out in the table below, together with any increases expressed as a percentage.

	2024 salary/fees £'000	2023 salary/fees £'000	Increase %
S G M Caffyn	**318**	306	4.0
M Warren	**163**	157	4.0
S J Caffyn	**52**	50	4.0
R C Wright	**73**	70	4.0
N T Gourlay	**36**	35	4.0
S G Bellamy	**36**	35	4.0

The basis for determining annual bonus payments for the financial year ending 31 March 2024 is set out in the policy table in the Directors' Remuneration Report on page 29. The profit targets are considered commercially sensitive because of the information that it could provide to the Company's competitors and consequently these profit targets will only be disclosed after the end of the financial year, in the Directors' Remuneration Report in the 2024 Annual Report.

Consideration by the directors of matters relating to directors' remuneration

The Committee

The Committee is responsible for reviewing and recommending the framework and policy for remuneration of the executive directors and of senior management. The Committee's terms of reference are available on the Company's corporate website. The members of the Committee at 31 March 2023 were Mr N T Gourlay (Chairman), Mr R C Wright and Mr S G Bellamy. Mr S G Bellamy was an independent non-executive director throughout the year. The Committee met three times during the year and all members were present.

The primary role of the Committee is to set the directors' remuneration policy and accordingly to:

- review, recommend and monitor the level and structure of remuneration for the executive directors and to review and monitor the level and structure of remuneration of other senior executives;
- approve the remuneration package for the executive directors;
- determine the balance between base pay and performance-related elements of the package to align executive directors' interests with those of shareholders and other stakeholders; and
- approve annual incentive payments for executive directors.

Summary of activity during the year ended 31 March 2023

During the year, the Committee conducted its annual review of all aspects of the remuneration packages of the executive directors to ensure that they continue to reward and motivate achievement of medium and long-term objectives and align their interests with those of shareholders and other stakeholders. Accordingly, the Committee's activities during the year included:

- reviewing the basic salaries of the executive directors and reviewing and monitoring the level and structure of remuneration of other senior executives;
- reviewing the basic salary of the Company's Chairman. This review was performed by Mr N T Gourlay and Mr S G Bellamy only; and
- setting the annual performance targets in line with the Company's plan for the coming financial year ending 31 March 2024 and determining the amounts that may potentially have been payable for the financial year under review ended 31 March 2023.

Statement of voting at the 2022 Annual General Meeting

At the last Annual General Meeting, votes to approve the Directors' Remuneration Report were cast as follows:

Votes for	%	Votes against	%	Withheld	%
3,129,903	100.00	100	0.00	100	0.00

Statement of voting at the 2020 Annual General Meeting

A shareholder vote on the directors' remuneration policy is required at least every third year. The policy was last voted on at the 2020 Annual General Meeting and will be voted on again at the 2023 Annual General Meeting. Votes at the 2020 meeting on the directors' remuneration policy were cast as follows:

Votes for	%	Votes against	%	Withheld	%
2,899,279	99.94	1,700	0.06	100	0.00

Mr N T Gourlay will attend the 2023 Annual General Meeting and will be available at that meeting to answer any questions that shareholders may wish to raise.

By order of the board

N T Gourlay
Chairman of the Remuneration Committee
1 June 2023

Report of the Directors

The directors present their report and the financial statements for the year ended 31 March 2023. The corporate governance statement on pages 21 to 26 forms part of this Directors' report.

Results and dividends

The results of the Company for the year are set out in the financial statements on pages 52 to 87. An interim dividend of 7.5p per share was paid to shareholders on 9 January 2023. The board is recommending a final dividend of 15.0 pence per share (2022: 15.0 pence) making a total of 22.5 pence per share (2022: 22.5 pence). Total Ordinary dividends paid in the year amounted to £606,000. Dividends paid in the year to preference shareholders were £72,000 (2022: £72,000) as set out in note 10 to the financial statements.

Future developments of the Company are set out in the Operational and Business Review on pages 2 to 6.

Financial risk management

Consideration of principal risks and uncertainties is included on pages 9 to 11 of the Strategic Report, including the management of financial risks. These are also outlined further in note 21 to the financial statements.

Appointment and replacement of the Company's directors

The rules for the appointment and replacement of the Company's directors are detailed in the Company's Articles of Association. Directors are appointed by ordinary resolution at a general meeting by shareholders entitled to vote or by the board either to fill a vacancy or as an addition to the existing board. The appointment of non-executive directors is on the recommendation of the Nomination Committee; the procedure is detailed in the Chairman's Statement on Corporate Governance on page 22.

Directors

Details of the directors who served during the year and who remained in office at 31 March 2023 are set out below.

Mr R C Wright PG Dip FIMI FCIM was appointed Chairman on 26 July 2012. He joined the board as a non-executive director and Chairman-elect on 1 November 2011. He has previously held senior executive roles with the Ford Motor Company including: Director, European Operations at Jaguar Cars Limited; Director of Sales, Ford Motor Company Limited; and President/ Managing Director of Ford Belgium NV. He was Chairman of API Group plc from 2001 until 31 October 2014, and sat on the advisory board of Warwick Business School, University of Warwick, for several years. He is the former Chair of the board of National Savings and Investments, part of HM Treasury. He is currently an advisor to a number of privately held companies.

Mr N T Gourlay BSc, a Chartered Accountant, joined the board as a non-executive director on 26 September 2013. He spent more than twenty years with the BAT plc group of companies, leaving in 2001. In 2003 Mr Gourlay co-founded Animos LLP, a business consultancy of which he remains a partner.

Mr S G Bellamy BCom CA(NZ) joined the board on 18 June 2019 and has been chairman and non-executive director to a wide range of both public and private companies and chairman of, and advisor to, investment committees and capital providers. He was previously joint founder and Chief Executive Officer of Accretion Capital LLP and Chief Operating Officer and Chief Financial Officer of Sherwood International Plc. Prior to Sherwood, he was a UK Investment Director of Brierley Investments, an active investor in quoted UK companies. He is currently also an advisor to mid-market private equity firms and is currently a non-executive director of Empresaria Group plc, an AIM-quoted global staffing group. He is a New Zealand Chartered Accountant and worked at Coopers & Lybrand (now PwC), both in New Zealand and New York.

Mr S G M Caffyn MA FIMI joined the board on 16 July 1992 and was appointed Chief Executive on 1 May 1998. He graduated from Cambridge in 1983 having read engineering, and subsequently worked for Andersen Consulting. He joined the Company in 1990.

Mr M Warren BSc FCA joined the board on 31 May 2016 and was appointed Finance Director on 31 July 2016. He is a Chartered Accountant and spent twenty-one years with H.R. Owen plc of which the eight years until April 2015 were as Finance Director. He graduated from Southampton in 1986 having read civil engineering and subsequently worked for PwC.

Ms S J Caffyn BSc FCIPD AICSA FIMI has over thirty years' Human Resource experience across several different sectors. She joined the board on 28 April 2003 as Human Resources Director, having previously been Group Personnel Manager and Company Secretary. A Chartered Company Secretary, she has governance experience from several not-for-profit organisations.

Directors' indemnity and insurance

The Company's Articles of Association permit the board to grant the directors indemnities in relation to their duties as directors in respect of liabilities incurred by them in connection with any negligence, default, breach of duty or breach of trust in relation to the Company. In line with market practice, each director has the benefit of a deed of indemnity. The Company has also purchased insurance cover for the directors against liabilities arising in relation to the Company, as permitted by the Companies Act 2006. This insurance does not cover fraudulent activity.

ShareSave scheme

The Company encourages employee share ownership through the provision of periodic Save As You Earn schemes. The current scheme, which is administered by the Yorkshire Building Society, commenced in December 2020 with share options for 101,926 Ordinary shares being subscribed. The scheme matures in February 2024 when the share options become exercisable upon expiry of a three-year savings contract at a pre-determined price of £3.06 per share. At 31 March 2023, the number of share options outstanding was 78,069.

Mr S G M Caffyn and Ms S J Caffyn are directors of Caffyn Family Holdings Limited, which owns all the 2,000,000 6% Cumulative Second Preference shares which have full voting rights, except in relation to matters that under the Listing Rules (as amended from time to time) are required to be voted on by premium-listed securities, being the Ordinary shares.

The market price of the Company's Ordinary shares at 31 March 2023 was £5.25 and the range of market prices during the year was £5.00 to £6.03.

Compensation for loss of office

In the event of his employment with the Company being terminated, Mr S G M Caffyn is entitled to receive from the Company a sum equivalent to twice his annual emoluments, which applied immediately before his termination. Ms S J Caffyn is entitled to receive from the Company a sum equivalent to her annual emoluments, which applied immediately before her termination, and Mr M Warren is entitled to receive from the Company a sum equivalent to six months' emoluments, which applied immediately before his termination. Emoluments include a proportion of the available bonus, which the expired part of the measured period for bonus bears to the whole of such measurement period. The executive directors' service contracts commenced from the date of their appointment to the board.

In the event of the Chairman's or a non-executive director's employment with the Company being terminated, they are entitled to receive from the Company a sum equivalent to six months' fees.

Greenhouse gas emissions

Information on greenhouse gas emissions is set out in the Strategic Report on page 18.

Employees

Employees are encouraged to discuss with management any matters that they are concerned about and issues affecting the Company. The Chief Executive regularly visits the Company's sites, speaking to staff whilst he is there. He reports to the board on the outcome of these visits. In addition, the board takes account of employees' interests when making decisions. Suggestions from employees aimed at improving the Company's performance are welcomed. The board reviews feedback from the employee consultation group on pay and bonuses as well as reviewing all exit interview feedback. The board also meets with senior staff during the strategic review process. The Company has a Human Resources director, Ms S J Caffyn. Further information on employees, including those who are disabled, is set out in the Strategic Report on page 8 and the Section 172 statement on page 19.

Share capital and the rights and obligations attaching to shares

As at 31 March 2023, the issued share capital of the Company comprised Ordinary shares of 50p each and three classes of preference share, namely 7% Cumulative First Preference shares of £1 each, 11% Cumulative Preference shares of £1 each, and 6% Cumulative Second Preference shares of 10p each. Details of the share capital of the Company are set out in note 25 to the financial statements.

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide.

Holders of Ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies (and, if they are corporations, corporate representatives). Holders of Ordinary shares are entitled to receive a dividend, if one is declared, and a copy of the Company's annual report and accounts.

Holders of Cumulative First Preference shares are entitled, in priority to any payment of dividend on any other class of shares, to a fixed cumulative preferential dividend at the rate of 7% per annum.

Subject to the rights of the holders of Cumulative First Preference shares, holders of 6% Cumulative Second Preference shares of 10 pence each are entitled in priority to any payment of dividend on any other class of shares to a fixed cumulative preferential dividend at the rate of 6% per annum.

Report of the Directors continued

Subject to the rights of the holders of Cumulative First Preference shares and 6% Cumulative Second Preference shares of 10 pence, holders of 11% Cumulative Preference shares of £1 each are entitled in priority to any payment of dividend on any other class of shares to a fixed cumulative preferential dividend at the rate of 11% per annum. The percentage of the total share capital represented by each class of share as at 31 March 2023 is shown below.

The full rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

	£'000	%
Authorised		
500,000 7% Cumulative First Preference shares of £1 each	500	12.35
1,250,000 11% Cumulative Preference shares of £1 each	1,250	30.86
3,000,000 6% Cumulative Second Preference shares of 10p each	300	7.41
4,000,000 Ordinary shares of 50p each	2,000	49.38
	4,050	100.00
Allotted, called-up and fully paid		
170,732 7% Cumulative First Preference shares of £1 each	171	7.58
441,401 11% Cumulative Preference shares of £1 each	441	19.60
2,000,000 6% Cumulative Second Preference shares of 10p each	200	8.88
Total Preference shares recognised as a financial liability	812	36.06
2,879,298 Ordinary shares of 50p each	1,439	63.94
	2,251	100.00

Property

The Company valued its portfolio of freehold premises as at 31 March 2023. The valuation was carried out by CBRE Limited, Chartered Surveyors, based on an existing use valuation. The excess of the valuation over net book value at that date was £11.5 million (2022: £13.3 million). In accordance with the Company's accounting policies, this surplus has not been incorporated into these financial statements.

Voting rights, restrictions on voting rights and deadlines for voting rights

Shareholders (other than any who, under the provisions of the Articles of Association or the terms of the shares they hold, are not entitled to receive such notices from the Company) have the right to receive notice of, and attend, and to vote at all general meetings of the Company. The Company's Auditor has similar rights except that they may not vote. A resolution put to the vote at any general meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any demand for a poll) a poll is properly demanded.

Every member present in person at a general meeting has, on the calling of a poll, one vote for every Ordinary share of which the member is the holder, and one vote for every 6% Cumulative Second Preference share of which the member is the holder. In the case of joint holders of a share, the vote of the member whose name stands first in the register of members is accepted to the exclusion of any vote tendered by any other joint holder. Unless the board decides otherwise, a shareholder may not vote at any general meeting or class meeting or exercise any rights in relation to meetings whilst any amount of money relating to their shares remains outstanding.

A member is entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting. Further details regarding voting at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting. To be effective, paper proxy appointments and voting instructions must be received by the Company's registrars no later than 48 hours before a general meeting.

There are no restrictions on the transfer of Ordinary shares other than certain restrictions that may be imposed pursuant to the Articles of Association of the Company, certain restrictions, which may, from time to time, be imposed by laws and regulations (for example in relation to insider dealing), restrictions pursuant to the Company's share dealing code, whereby directors and certain employees of the Company require prior approval to deal in the Company's shares, and where a person has failed to provide the Company with information concerning the interests in those shares.

The Company is not aware of any arrangements or agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Significant direct or indirect shareholdings

At 29 May 2023, the directors were aware of the following interests in 3% or more of the nominal value of the Ordinary share capital (excluding treasury shares) of the Company:

	Ordinary shares	%
Maland Pension Fund (Pershing Nominees Ltd RKCLT)	432,000	16.0
Charles Stanley	230,579	8.5
HSBC Republic Bank Suisse SA	128,349	4.8
Caffyns Pension Fund	125,570	4.7
A W Caffyn/B Lees	107,409	4.0
GAM Exempt UK Opportunities Fund	107,325	4.0
Interactive Investor Services Nominees Ltd	106,217	4.0
K E Caffyn	104,804	3.9
M I Caffyn	103,495	3.8
Armstrong Investments (Nortrust Nominees)	100,000	3.7

Fostering relationships with stakeholders

Details of the Company's engagement with stakeholders are explained in more detail on page 19.

The Company also engages with its suppliers in order to maintain good relationships, and with its prospective and actual customers by offering excellent service and an attractive omni-channel retail experience.

Modern Slavery Act 2015

In the light of the legislation regarding employment and human rights, in particular the Modern Slavery Act 2015, the board continues to review its policies and risk management processes to determine additional measures that may be required to prevent slavery and human trafficking taking place in any part of its businesses, or in its supply chains.

We expect all who have, or seek to have, a business relationship with Caffyns plc or with any of our employees, to familiarise themselves with our anti-slavery values and to act at all times in a way that is consistent with those values.

The board has adopted a Statement on Slavery and Human Trafficking, which can be found on its corporate website at www.caffynsplc.co.uk.

Business at the Annual General Meeting

As well as dealing with formal business, the Company takes the opportunity afforded at the Annual General Meeting to provide up-to-date information about the Company's trading position and to invite and answer questions from shareholders on its policies and business. At the Annual General Meeting, a separate resolution is proposed for each substantive matter. The Company's Annual Report and financial statements are posted to shareholders, together with the Notice of Annual General Meeting summarising the business proposed, giving the requisite period of notice.

Political donations

The Company made no donations to political parties in either the current or previous financial year.

Auditor

BDO LLP has indicated its willingness to continue as the independent Auditor to the Company and a resolution concerning its reappointment will be proposed at the Annual General Meeting in August 2023.

All of the directors as at the date of this report have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. The directors are not aware of any relevant audit information of which the Company's Auditor is unaware.

By order of the board

S J Caffyn
Company Secretary
1 June 2023

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with UK-adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with UK-adopted international accounting standards. 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 Company and of the profit or loss for the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;
- prepare a Director's Report, a Strategic Report and Remuneration Committee Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's corporate website, www.caffynsplc.co.uk, in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to Disclosure Guidance and Transparency Rules 4 ("DTR 4")

The directors confirm to the best of their knowledge that:

- the financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Approved by order of the board.

S G M Caffyn
Chief Executive
1 June 2023

M Warren
Finance Director

Financials

Report of the Independent Auditor

Opinion on the financial statements

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 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Caffyns plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Group and Company Income Statement, the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the directors on 25 July 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ended 31 March 2020 to 31 March 2023. We remain independent of the Group and the Parent Company 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the directors' assessment of going concern through analysis of the Group's cash flow forecast through to 30 June 2024 including assessing and challenging the assumptions underlying the forecasts by reference to our own knowledge of the industry and the also commentary and forecasts made by industry experts (eg: SMMT, CAP).
- As part of this process we considered the impact of factors such as inflationary and supply-chain pressures. We also sensitised these forecasts and considered the underlying assumptions of the forecasts to industry commentary.
- We also obtained an understanding of the financing facilities, including the nature of these facilities, repayment terms and covenants. We then assessed the facility headroom and covenant compliance calculations on both a base case scenario, and the sensitised forecasts.
- We considered the likelihood of the sensitised forecasts happening.

Report of the Independent Auditor continued

Based on the work we performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets		
Key audit matters		**2023**	2022
	Defined benefit pension scheme	✔	✔
	No changes made to the identified key audit matters during the year.		
Materiality	Group financial statements as a whole £315,000 (2022: £220,000) based on 0.125% (2022: 5%) of revenue (2022: profit before tax).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The only trading component in the group is the parent company Caffyns plc with all the subsidiary companies being dormant. Caffyns plc was identified as the only significant component and was subject to a full scope audit by the group audit team. The remaining components were considered to be not significant and were subject to analytical review procedures at a group level by the group audit team.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of board and Audit & Risk Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as Statutory Other Information on pages 12 to 17 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify any key audit matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
The Group operates a defined benefit pension scheme, which is accounted for in accordance with IAS19 (Revised) Employee Benefits. There is a risk that the policy adopted does not comply with the requirements of IAS19 and that it is not consistently applied. Management exercises a number of judgements and actuarial assumptions, with the assistance from their actuaries, which have a significant impact on the valuation of the pension scheme liabilities recognised in the statement of financial position. The valuation of the defined benefit pension scheme is sensitive to movements in the key inputs involved in valuing the liability, as well as the asset. The valuation of the liability is therefore considered a significant risk and a key audit matter.	We performed an assessment of whether the Group's accounting policy for the defined benefit pension scheme complied with IAS19 Employee Benefits and tested its consistent application with reference to the principles in the standard. Working with our external actuarial experts, we challenged the appropriateness of the actuarial valuation methodologies and their inherent assumptions such as discount rates, growth rates and mortality rates with reference to relevant market data and industry practice. We also considered the competence, capabilities, objectivity and independence of management's, as well as our own, actuarial experts. We also tested the accuracy of the underlying data utilised in the actuarial valuation on a sample basis to source documentation such as the pension scheme accounting records. **Key observations:** Based on the procedures performed, we consider the assumptions and judgements made by management to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We changed the basis for materiality in the current year to reflect the fact that the business is a low margin business and to be in line with the setting of materiality in the wider industry.

Report of the Independent Auditor continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023	2022	**2023**	2022
Materiality	£315,000	£220,000	£315,000	£220,000
Basis for determining materiality	0.125% of revenue	5% of profit before tax	0.125% of revenue	5% of profit before tax
Rationale for the benchmark applied	We applied professional judgement to determine 0.125% of revenue to be a relevant measure to assess the Group, relevant to the size of its operation.	We considered 5% of profit before tax to be a key performance benchmark for the Group and the users of the financial statements in assessing financial performance.	We applied professional judgement to determine 0.125% of revenue to be a relevant measure to assess the Company, relevant to the size of its operation.	We considered 5% of profit before tax to be a key performance benchmark for the Parent and the users of the financial statements in assessing financial performance.
Performance materiality	£235,000	£165,000	£235,000	£165,000
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group's control environment and previous low level of misstatements, our judgement is that performance materiality for the financial statements should be 75% of materiality.	On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality.	On the basis of our risk assessment, together with our assessment of the Parent Company's control environment and previous low level of misstatements, our judgement is that performance materiality for the financial statements should be 75% of materiality.	On the basis of our risk assessment, together with our assessment of the Parent Company's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality.

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £12,600 (2022: £8,800). We also agreed to report differences below this threshold that, in our view, 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 25; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 25 and 26.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 26; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 26; and • The section describing the work of the audit committee set out on pages 23 and 24.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited 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.

Report of the Independent Auditor continued

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, 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's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance including the audit committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation and the UK Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be FCA legislation.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Obtaining an understanding of controls designed to prevent and detect irregularities, including specific consideration of controls and group accounting policies relating to significant accounting estimates;
- Communicating potential fraud risks to all engagement team members (which included motor dealership specialists) and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Assessing journals entries as part of our planned audit approach, with a particular focus on journal entries to key financial statement areas such as revenue and inventories and journals raised after the year end; and
- Considering significant management judgements, particularly in respect of the underlying assumptions in impairment assessments and estimating the defined pension benefit liability (as detailed within key audit matters above).

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override.

Our procedures in respect of the above included:

- Testing all unexpected journals to revenue;
- Testing vehicle revenue cut-off; and
- Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Le Bas
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

1 June 2023

Income Statement

for the year ended 31 March 2023

Group and Company

	Note	2023 £'000	2022 £'000
Revenue	1	**251,426**	223,928
Cost of sales		**(217,844)**	(191,982)
Gross profit		**33,582**	31,946
Operating expenses			
Distribution costs		**(19,009)**	(17,442)
Administration expenses		**(10,076)**	(9,227)
Operating profit before other income		**4,497**	5,277
Other income (net)	4	**344**	390
Operating profit		**4,841**	5,667
Operating profit before non-underlying items		**4,827**	5,690
Non-underlying items within operating profit	2	**14**	(23)
Operating profit	3	**4,841**	5,667
Finance expense	6	**(1,687)**	(1,116)
Finance expense on pension scheme	7	**(64)**	(166)
Net finance expense		**(1,751)**	(1,282)
Profit before taxation		**3,090**	4,385
Profit before tax and non-underlying items		**3,140**	4,574
Non-underlying items within operating profit	2	**14**	(23)
Non-underlying items within finance expense on pension scheme	2	**(64)**	(166)
Profit before taxation		**3,090**	4,385
Taxation	8	**(566)**	(1,386)
Profit for the year attributable to the owners of the parent		**2,524**	2,999
Earnings per share			
Basic	9	**93.6p**	111.3p
Diluted	9	**92.4p**	109.6p
Underlying earnings per share			
Basic	9	**95.1p**	117.0p
Diluted	9	**93.9p**	115.2p

See accompanying notes to the financial statements.

Statement of Comprehensive Income

for the year ended 31 March 2023

Group and Company

	Note	2023 £'000	2022 £'000
Profit for the year		**2,524**	2,999
Items that will never be reclassified to profit and loss:			
Remeasurement of net defined benefit liability	23	**(6,715)**	5,045
Deferred tax on remeasurement	24	**1,679**	(1,261)
Effect of change in deferred tax rate		**—**	511
Total other comprehensive (expense)/income, net of taxation		**(5,036)**	4,295
Total comprehensive (expense)/income for the year		**(2,512)**	7,294

See accompanying notes to the financial statements.

Statement of Financial Position

at 31 March 2023

	Note	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Non-current assets					
Right-of-use assets	11	**2,348**	1,413	**2,348**	1,413
Property, plant and equipment	12	**38,145**	38,975	**38,145**	38,975
Investment properties	13	**7,531**	7,646	**7,531**	7,646
Interest in lease	14	**225**	389	**225**	389
Goodwill	15	**286**	286	**286**	286
Investment in subsidiary undertakings	16	**—**	—	**250**	250
		48,535	48,709	**48,785**	48,959
Current assets					
Inventories	17	**39,989**	27,546	**39,989**	27,546
Trade and other receivables	18	**7,121**	5,264	**7,121**	5,264
Interest in lease	14	**164**	168	**164**	168
Current tax recoverable		**—**	40	**—**	40
Cash and cash equivalents		**4,226**	2,759	**4,226**	2,759
		51,500	35,777	**51,500**	35,777
Total assets		**100,035**	84,486	**100,285**	84,736
Current liabilities					
Interest-bearing bank overdrafts and loans	20	**1,875**	1,875	**1,875**	1,875
Trade and other payables	19	**43,674**	29,495	**43,924**	29,745
Lease liabilities	22	**511**	496	**511**	496
Current tax payable		**28**	236	**28**	236
		46,088	32,102	**46,338**	32,352
Net current assets		**5,412**	3,675	**5,162**	3,425
Non-current liabilities					
Interest-bearing bank loans	20	**10,437**	11,312	**10,437**	11,312
Lease liabilities	22	**2,203**	1,434	**2,203**	1,434
Deferred tax liability	24	**34**	1,298	**34**	1,298
Preference shares	25	**812**	812	**812**	812
Retirement benefit obligations	23	**8,799**	2,797	**8,799**	2,797
		22,285	17,653	**22,285**	17,653
Total liabilities		**68,373**	49,755	**68,623**	50,005
Net assets		**31,662**	34,731	**31,662**	34,731
Capital and reserves					
Share capital	25	**1,439**	1,439	**1,439**	1,439
Share premium account		**272**	272	**272**	272
Capital redemption reserve		**707**	707	**707**	707
Non-distributable reserve		**1,724**	1,724	**1,724**	1,724
Retained earnings		**27,520**	30,589	**27,520**	30,589
Total equity attributable to shareholders		**31,662**	34,731	**31,662**	34,731

The financial statements were approved by the board of directors and authorised for issue on 1 June 2023 and were signed on its behalf by:

S G M Caffyn
Chief Executive

M Warren
Finance Director

See accompanying notes to the financial statements.

Company number: 105664

Statement of Changes in Equity

for the year ended 31 March 2023

Group and Company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2022	1,439	272	707	1,724	30,589	34,731
Total comprehensive income/ (expense)						
Profit for the year	—	—	—	—	2,524	2,524
Other comprehensive expense	—	—	—	—	(5,036)	(5,036)
Total comprehensive expense for the year	—	—	—	—	(2,512)	(2,512)
Transactions with owners:						
Dividends	—	—	—	—	(606)	(606)
Issue of shares – SAYE	—	—	—	—	3	3
Share-based payment	—	—	—	—	46	46
At 31 March 2023	**1,439**	**272**	**707**	**1,724**	**27,520**	**31,662**

for the year ended 31 March 2022

Group and Company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2021	1,439	272	707	1,724	23,444	27,586
Total comprehensive income						
Profit for the year	—	—	—	—	2,999	2,999
Other comprehensive income	—	—	—	—	4,295	4,295
Total comprehensive income for the year	—	—	—	—	7,294	7,294
Transactions with owners:						
Dividends	—	—	—	—	(202)	(202)
Issue of shares – SAYE	—	—	—	—	—	—
Share-based payment	—	—	—	—	53	53
At 31 March 2022	**1,439**	**272**	**707**	**1,724**	**30,589**	**34,731**

Cash Flow Statement

for the year ended 31 March 2023

Group and Company

	Note	2023 £'000	2022 £'000
Net cash inflow from operating activities	27	**4,237**	3,390
Investing activities			
Proceeds on disposal of property, plant and equipment		**1**	—
Purchases of property, plant and equipment		**(902)**	(2,837)
Receipt from investment in lease		**185**	185
Net cash outflow from investing activities		**(716)**	(2,652)
Financing activities			
Revolving credit facility repaid		**—**	(2,000)
Secured loans repaid		**(875)**	(875)
Bank refinancing arrangement fees		**—**	(98)
Issue of shares – SAYE scheme		**3**	—
Dividends paid		**(606)**	(202)
Repayment of lease liabilities		**(576)**	(539)
Net cash outflow from financing activities		**(2,054)**	(3,714)
Net increase/(decrease) in cash and cash equivalents		**1,467**	(2,976)
Cash and cash equivalents at beginning of year		**2,759**	5,735
Cash and cash equivalents at end of year		**4,226**	2,759

See accompanying notes to the financial statements.

Principal Accounting Policies

Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") as adopted in the United Kingdom.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based upon management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates.

The estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the directors in the application of 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 31.

The consolidated financial statements are prepared in Sterling, which is both the functional currency of the Company and its subsidiaries and the presentational currency of the Group. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

There have been no adoptions during the year that have had any material impact on the financial statements.

At the date of authorisation of these financial statements, the following new Standards, or amendments to existing Standards, had been published by the International Accounting Standards Board but were not effective, and have not been early adopted by the Company:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current; and
- Amendments to IFRS16 Leases: Lease Liability in a Sale and Leaseback.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Going concern

The financial statements have been prepared on a going concern basis, which the directors consider appropriate for the reasons set out below.

The directors have considered the going concern basis and have undertaken a detailed review of trading and cash flow forecasts for a period of one year from the date of approval of this Annual Report. This has focused primarily on the achievement of the banking covenants. All three bank covenant tests have been passed for the year under review. Under the Company's first covenant test, it is required to make underlying profits before senior interest (that being paid to HSBC and VW Bank on its term loan and revolving credit facility borrowings), corporation tax, depreciation and amortisation ("senior EBITDA") for a rolling twelve-month period which is at least four times the level of senior interest. Under the second test, the Company's borrowings from HSBC and VW Bank on its term loan and revolving credit facilities must be less than 375% of its senior EBITDA.

The Company's final covenant test requires that the level of its bank borrowings do not exceed 70% of the independently assessed value of its charged freehold properties. Property values would need to reduce by some two-thirds before this covenant test became at risk of failure.

These Company's covenants are tested quarterly with the test on 31 March 2024 being the final test to be carried out within the twelve-month period from the anniversary of the signing of these financial statements. The Company's financial results in the year under review were robust and the current new car orders held for future delivery is at elevated levels. External market commentary provided by the Society of Motor Manufacturers and Traders ("SMMT") indicate that new car registrations are forecast to show a year-on-year increase of 9% in 2023 to 1.8 million, with a further 9% increase into 2024 to reach almost two million registrations. The used car market remains healthy, at just under 7 million annual transactions in 2022, and the recent shortages in new car supply have assisted the used car market and are expected to continue to do so. Financial modelling for the coming twelve-month period has allowed the directors to conclude that there is satisfactory headroom in the Company's banking covenants.

The directors have also given consideration to the current uncertainties in the state of the UK economy, as well as to cost pressures that are impacting on businesses such as increases to staffing costs from the rise in the National Minimum and National Living Wages, from business rates and from increases to funding costs from rising interest base rates.

Principal Accounting Policies continued

The directors have also considered the Company's working capital requirements. The Company meets its day-to-day working capital requirements through short-term stocking loans, bank overdraft and revolving-credit facility, and medium-term revolving credit facilities and term loans. At the year-end, the medium-term banking facilities included a term loan with an outstanding balance of £5.8 million and a revolving credit facility of £6.0 million from HSBC, its primary bankers, with both facilities being next renewable in April 2026. HSBC also make available a short-term overdraft facility of £3.5 million, which is renewed annually each August. The Company also has a ten-year term loan from Volkswagen Bank with a balance outstanding at 31 March 2023 of £0.5 million, which is repayable, to March 2024, and a short-term revolving-credit facility of £4.0 million, which is renewed annually each August. In the opinion of the directors, there is a reasonable expectation that all facilities will be renewed at their scheduled expiry dates. The failure of a covenant test would render these facilities repayable on demand at the option of the lender. At 31 March 2023 the Company held cash in hand balances of £4.2 million and had undrawn borrowing facilities of £7.5 million, all of which would be immediately available.

Information concerning the Company's liquidity and financing risk are set out on page 10 and note 21 to the financial statements.

The directors have a reasonable expectation that the Company has adequate resources and headroom against the covenant tests to be able to continue in operational existence for the foreseeable future and for a period of one year from the date of approval of the Annual Report. For those reasons, they continue to adopt the going concern basis in preparing this Annual Report.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries ("the Group") made up to 31 March each year. All subsidiaries are currently dormant, so the income, expenses and cash flows are the same for the Group and the Company.

The results of businesses and subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement using the acquisition method from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Acquisitions

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill, which is allocated to Cash Generating Units ("CGUs"). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired and is tested annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Gains and losses on subsequent disposal of the assets acquired include any related goodwill.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date, and annually thereafter.

Revenue recognition

Revenue generated from a contract for the sale of goods is recognised on delivery when all promises to the customer have been fulfilled, such as the supply of a specific vehicle. If the customer has added various accessory products to their order, the Company's promise is fulfilled by supplying these products onto the vehicle at the time of its delivery. Certain vehicle manufacturers which the Company represents are starting to transition their dealer agreements to an agency arrangement whereby the manufacturer and the customer transact directly for the sale of the car but the dealer is paid an agency fee for facilitating delivery of the car to the customer. In these circumstances, where the Company acts as an agent on behalf of a principal in relation to the sale of a new car, the associated income is recognised within revenue in the period in which the product is sold.

Finance commissions are earned from the finance house that is providing a finance arrangement to a consumer buying the vehicle. In this regard, the Company's customer is considered to be the finance house, rather than the end user of the vehicle. Income derived from such commissions is recognised within revenue on completion of the arranging of the various products (i.e. at the point at which control passes to the customer).

For servicing work, the Company promises to complete the work in accordance to the contract. This obligation is satisfied when the customer takes collection of their vehicle on completion of the work. If a customer takes out a service plan, the Company has a future obligation to complete agreed work over a set period of time – these obligations are only completed in full once those elements of the service plan have expired. Where the Company sells a service plan alongside a vehicle, the service element is distinct from the vehicle sale and is subject to a fixed and determinable transaction price. Each individual service included within the service plan is considered distinct and revenue is recognised at a point in time when the services have been carried out. Further information can be found in Note 1.

The obligation of supplying vehicle parts to customers is satisfied when the customer takes delivery of the goods.

Supplier income

The Company receives income from brand partners and other suppliers. These are generally based on achieving certain predetermined objectives such as specific sales volumes and maintaining agreed operational standards. The supplier income received is recognised as a deduction from cost of sales at the point when it is reasonably certain that the targets have been achieved for the relevant period and when income can be measured reliably based on the terms of each relevant supplier agreement. Supplier income that has been earned but not invoiced at the balance sheet date is recognised in other receivables.

Manufacturer bonuses are reported within cost of sales.

Government and other support grants

Government grants received in the prior financial year under the Coronavirus Job retention Scheme ("CJRS") and support and reopening grants received from local Councils in the geographical areas that the Company operates were recognised where there was reasonable assurance that the grants would be received and that all attached conditions had been complied with.

The grants received under CJRS were credited to the appropriate cost lines in Income Statement to which the affected furlough employees would normally be charged. Local Council support and reopening grants were recognised as Other Income.

Non-underlying items

Non-underlying items are those items that are unusual because of their size, nature or incidence. Management consider that these items should be disclosed separately to enable a full understanding of the operating results. Profits and losses on disposal of property, plant and equipment are also disclosed as non-underlying, as are certain redundancy costs and costs attributable to vacant properties held pending their disposal.

The net financing return and service cost on pension obligations in respect of the defined benefit pension scheme, which is closed to future accrual, are presented as non-underlying items due to the inability of management to influence the underlying assumptions from which the charges are derived.

All other activities are treated as underlying.

Borrowing costs

All borrowing costs are recognised in the Income Statement in the period in which they are incurred unless the borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised.

Retirement benefit costs

The Company operates the Caffyns Pension Scheme, which is a defined benefit pension scheme. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and final salary. The Scheme was closed to new members in 2006 and to future accrual in April 2010.

Under IAS 19 (Revised) Employee Benefits, the defined benefit deficit is included on the Statement of Financial Position. Liabilities are calculated based on the current yields on high-quality corporate bonds and on market conditions. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the Scheme.

Remeasurement arising from experience adjustments and changes in actuarial assumptions each year are charged or credited, net of deferred tax, to reserves and shown in the Statement of Comprehensive Income.

An interest expense or income is calculated on the defined benefit liability or asset respectively by applying the discount rate to that defined benefit liability or asset.

The Company also provides pension arrangements for employees under defined contribution schemes. Contributions for these schemes are charged to the Income Statement in the year in which they are payable.

Share-based employee compensation

The Company operates an equity settled share-based compensation plan for all employees through the Company's Save As You Earn ("SAYE") scheme. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share option awarded. Their fair value is appraised at the grant date. The vesting period from the date of grant is three years.

All share-based compensation is ultimately recognised as an expense in the Income Statement with a corresponding credit to retained earnings, net of deferred tax where applicable in the Statement of Financial Position. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Service and performance vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Non-vesting conditions, such as the employee's requirement to continue to save under the SAYE scheme, are considered when determining the fair value of the award. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to the expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated. Failure by the employee to meet a vesting condition is treated as a cancellation.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Tax balances are not discounted.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year-end accounting date.

Principal Accounting Policies continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each financial year-end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited within other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The tax base of an item considers its intended method of recovery by either sale or use.

Property, plant and equipment

Land and buildings used in the business are stated in the Statement of Financial Position at cost. The property held at the date of transition to IFRSs in 2007 was recognised at deemed cost, being the carrying amount at the date of transition to IFRSs. The date of the last valuation undertaken under its previous GAAP was in 1995.

Depreciation on buildings is charged to the Income Statement. On the subsequent sale of a property, the attributable surplus remaining in the non-distributable reserve is transferred directly to accumulated profits.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and attributable borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties are regarded as purchased or sold on the date on which contracts for the purchase or sale become unconditional. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Other assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost less residual values of assets, other than land and properties under construction, over their estimated useful lives using the straight-line method, on the following basis:

Freehold buildings	– 50 years
Leasehold buildings	– period of lease
Plant and machinery, fixtures and fittings	– 3 to 10 years

The residual value of all assets, depreciation methods and useful economic lives, if significant, are assessed annually.

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at cost less accumulated depreciation and impairment. Rental income from investment property is recognised on a straight-line basis over the term of the lease. Depreciation is charged to write off the cost less residual values of investment properties over their estimated useful lives using the straight-line method over 50 years. Any transfers from property, plant and equipment are made at cost less accumulated depreciation.

Leases

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses and is then adjusted for certain remeasurements of the lease liability. Depreciation is recognised on a straight-line basis over the period of the lease the right-of-use asset is expected to be utilised.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and reduced by payments made. It is remeasured when there is a change in future lease payments arising from a change of index or rate, a variation in amounts payable following contractual rent reviews and changes in the assessment of whether an extension/termination option is reasonably certain to be exercised.

Where lease contracts include renewal and termination options, judgement is applied to determine the lease term. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term and the subsequent recognition of the lease liability and right-of-use asset.

Where the Company acts as a lessor, receipts of lease payments are recognised in the income statement on a straight-line basis over the period of the lease unless it is deemed that the risks and rewards of ownership have been substantially transferred to the Company's lessee. If it is deemed that the risks and rewards of ownership have been substantially transferred then the Company will, rather than recognise a right-of-use asset, recognise an investment in the lease, this being the present value of future lease receipts discounted at the interest rate implicit in the lease or, if this is not specified, at the Company's incremental borrowing rate. The finance lease receivable will be increased by the interest received less payments made by the lessee.

Impairment

a. Impairment of goodwill: Goodwill is tested annually for impairment. If an impairment provision is made, it cannot subsequently be reversed.

b. Impairment of property, plant and equipment, investment properties and right-of-use assets: At each financial year-end date, the Company reviews the carrying amounts of its property, plant and equipment, investment properties and right-of-use assets in order to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which it belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash inflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash inflows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other groups of assets. Management have determined that the CGUs are the individual dealerships for each franchise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents the purchase price plus any additional costs incurred.

Vehicle inventories include owned vehicles used for demonstration purposes and as courtesy cars for service customers. Consignment vehicle inventories are regarded as effectively under the control of the Company and are included within inventories on the balance sheet as the Company has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset even though legal title has not yet passed. The corresponding liability is included within trade and other payables.

Parts inventories are valued at cost and are written down to net realisable value, in accordance with normal industry practice, by providing for obsolescence on a time in stock basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing and selling.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits. In the Cash Flow Statement, cash and cash equivalents exclude the Company's Cash Overdraft facility from Volkswagen Bank, as this facility has the properties of a revolving credit facility. This facility is shown within interest-bearing borrowings in current liabilities on the Statement of Financial Position.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included at cost less amounts written off if the investment is determined to have been impaired and are included in the Parent Company's separate financial statements.

Interest-bearing borrowings

Interest-bearing bank loans and revolving credit facilities are recorded at their fair value on initial recognition (normally the proceeds received less transaction costs that are directly attributable to the financial liability) and subsequently at amortised cost under the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade payables are not interest-bearing and are stated at their fair value on initial recognition and are subsequently carried at amortised cost.

Other payables include obligations relating to consignment stock and vehicle stocking loans.

Obligations relating to consignment stock relate to new cars supplied by manufacturers on consignment terms and the full purchase price can be funded.

Vehicle stocking loans relates to creditors in relation to used vehicles and is funded up to a level generally 80% of market value of the used car based on independent market guides. The utilisation is recorded at fair value with associated interest charged to profit or loss. Cash flows relating to these arrangements are included in operating cash flows.

Principal Accounting Policies continued

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium includes any premium received on the sale of shares. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any corporation tax benefits.

The capital redemption reserve comprises the nominal value of ordinary and preference share capital purchased by the Company in prior years and cancelled. The non-distributable reserve within equity is a revaluation reserve which comprises gains and losses due to the revaluation of property, plant and equipment prior to 1995. Retained earnings includes all current and prior period retained profits.

Where any company in the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued any consideration received, net of any directly attributable incremental transactions costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Dividends

Final dividends proposed by the board and unpaid at the balance sheet date are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

Interim dividends are recognised once paid to shareholders.

Preference shares

Preference shares are accounted for as non-current liabilities, as they have the attributes of debt. Preference dividends are accounted for as finance charges within finance expenses.

Financial instruments

Recognition, initial measurement and re-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit and loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

The only types of financial assets held by the Group are financial assets at amortised cost.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets at amortised cost

Trade receivables do not carry any interest and are stated at their fair value on initial recognition as reduced by appropriate allowances for estimated irrecoverable amounts and subsequently carried at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all receivables. The expected loss rates are based on the payment profile of sales over 36 months before the year-end date, or the first day of the accounting period under review respectively, and the corresponding historical losses expected in the period. The Company also considers future expected credit losses due to circumstances in addition to historical loss rates.

Notes to the Financial Statements

for the year ended 31 March 2023

1. General information

Caffyns plc is a public limited company incorporated in England and Wales under the Companies Act 2006 and is listed on the London Stock Exchange. The address of the registered office is given on page 20. Its revenue is attributable to the sole activity of operating as a motor retailer in the south-east of the United Kingdom and comprises revenue from:

	2023 £'000	2022 £'000
Sale of goods	238,293	211,485
Rendering of services	13,133	12,443
Total revenue	**251,426**	223,928

Sales of motor vehicles, parts and aftersales services

The Group's full revenue recognition policy is set out in the section on Principal Accounting Policies under the heading Revenue Recognition. The Group generates revenue through the sale of new and used motor vehicles and of parts (together comprising Sale of goods as shown above), and through the provision of aftersales services in the form of vehicle servicing, maintenance and repairs and introducing customers to finance companies (together comprising Rendering of services as shown above).

The Group recognises revenue from the sale of new and used motor vehicles when a customer takes possession of the vehicle, at which point they have an obligation to pay in full and as such control is considered to transfer at this point. The Group typically receives cash equal to the invoice amount for most direct retail sales to consumers at the time the consumer takes possession of the vehicle. When the consumer has taken out a finance agreement to purchase the vehicle, the Group receives payment from the finance company at the time the consumer takes possession of the vehicle. Payment terms on sales to corporate customers typically range from seven to ten days. The Company acts as an agent in instances where it facilitates sales that have been arranged by the manufacturer.

The Group recognises revenue from the provision of aftersales services when the service has been completed, at which point customers have an obligation to pay in full. The Group typically receives cash equal to the invoice amount for most direct retail sales to consumers at the time the service has been completed. Payment terms on sales to corporate customers typically range from 30 to 60 days.

All revenue recognised in the Income Statement is from contracts with customers and no other revenue has been recognised. No impaired losses have been recognised on any receivables arising from a contract with a customer.

Due to the nature of the Group's contractual relationships with customers and the nature of the services provided, there are no timing differences between revenue recognised in the Income Statement and trade receivables being recognised in the Statement of Financial Position.

There have been no significant judgements regarding the timing of transactions or the associated transaction price. The transaction price is set out in individual contractual agreements and there is a range of prices based on the types of goods and services offered. There are no variable pricing considerations.

Contract liabilities relating to aftersales service plans

Where the Group receives an amount of consideration in advance of completion of performance obligations under a contract with a customer, the value of the advance consideration is initially recognised as a contract liability within liabilities. Revenue is subsequently recognised as the performance obligations are completed over the period of the contract (i.e. as control is passed to the customer). Contract liabilities are presented within trade and other payables in the Statement of Financial Position and disclosed in note 19 Trade and other payables. Approximately one-third of the value of these liabilities would be anticipated to be recognised as revenue in each of the next three financial years.

Contract costs

The Group applies the practical expedient in paragraph 94 of IFRS 15 Revenue from Contracts and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. The Group is satisfied that any incremental costs incurred in obtaining contracts that extend for more than one year is immaterial.

Transaction price allocation to remaining performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Notes to the Financial Statements continued

for the year ended 31 March 2023

1. General information continued

Segmental reporting

Based upon the management information reported to the chief operating decision maker, the Chief Executive, in the opinion of the directors the Company has one reportable segment. The Company physically operates and is managed from individual dealership sites, although strategic and investment decisions are made based on dealership groupings or market territories. The Company's individual dealerships represent a range of manufacturers but are considered to have similar economic characteristics, such as margin structures, and offer similar products and services to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable segment. There are no major customers amounting to 10% or more of revenue. All revenue and non-current assets derive from, or are based in, the United Kingdom.

2. Non-underlying items

	2023 £'000	2022 £'000
Net loss on disposal of property, plant and equipment	—	—
Other income, net	37	—
Within operating expenses:		
Service cost on pension scheme	(23)	(23)
	(23)	(23)
Non-underlying items within operating profit	14	(23)
Net finance expense on pension scheme	(64)	(166)
Non-underlying items within net finance expense	(64)	(166)
Total non-underlying items before taxation	(50)	(189)
Taxation credit on non-underlying items	10	36
Total non-underlying items after taxation	(40)	(153)

The following item was recorded in the year as a non-underlying item:

- A sum of £37,000 was received from the liquidators of MG Rover Group Limited.

3. Operating profit

Operating profit has been arrived at after charging/(crediting):	2023 £'000	2022 £'000
Employee benefit expense	17,934	17,428
Coronavirus Job Retention Scheme grant claims	—	(110)
Depreciation of property, plant, equipment and investment property		
– owned assets	1,755	1,683
– right-of-use assets	373	339
Net loss on disposal of property, plant and equipment	—	—
Short-term lease rentals payable – land and buildings	106	93
Rental income	(307)	(336)

The Company applies the exemption in IFRS 16 Leases not to recognise right-of-use assets and liabilities for leases with a duration of less than twelve months.

Operating profit has been arrived at after charging:	2023 £'000	2022 £'000
Auditor's remuneration		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	96	73
Fees payable to the Company's Auditor and its associates for other services:		
– pursuant to legislation being a review of interim financial statements	20	20
	116	93

The Company's Statutory Auditor is BDO LLP.

The statutory audit of the Caffyns plc Occupational Pension Scheme is performed by Grant Thornton UK LLP.

A description of the work of the Audit & Risk Committee is set out in the Chairman's Statement on Corporate Governance on pages 23 and 24 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the Statutory Auditor.

The Company refers to underlying profit and underlying EBITDA as being key alternative performance measures when considering the results for the year. These performance metrics can be reconciled to the Company's result for the year as follows:

	2023 £'000	2022 £'000
Profit for the year	2,524	2,999
Tax charge (note 8)	566	1,386
Profit before tax	3,090	4,385
Net finance expense (notes 6 and 7)	1,751	1,282
Non-underlying items within operating profit (note 2)	(14)	23
Depreciation charged on property, plant and equipment, right-of-use assets and investment properties (notes 11, 12 and 13)	2,128	2,022
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA")	6,955	7,712

4. Other income

	2023 £'000	2022 £'000
Rent receivable	307	336
Local Government covid-19 reopening support grants	—	54
Liquidation distribution received	37	—
Loss on disposal of tangible fixed assets	—	—
Other income	344	390

5. Employee benefit expense

The average number of people (full-time equivalents) employed in the following areas was:

Group and Company	2023 Number	2022 Number
Sales	126	123
Aftersales	199	199
Administration	77	80
Average number of full-time equivalents employees	402	402

Employee benefit expense, including directors, during the year amounted to:

Group and Company	2023 £'000	2022 £'000
Wages and salaries	15,839	15,455
Social security costs	1,706	1,641
Contributions to defined contribution plans	366	309
Other pension costs (see note 23)	87	189
Employee benefit expense	17,998	17,594

Directors' emoluments were:	2023 £'000	2022 £'000
Salaries and short-term employee benefits	896	1,092

Details of the directors' remuneration are provided in the Directors' Remuneration Report on pages 27 to 39.

Key management compensation:	2023 £'000	2022 £'000
Salaries and short-term employee benefits	1,690	1,829

Key management personnel include the directors and other key operational employees.

Notes to the Financial Statements continued

for the year ended 31 March 2023

6. Finance expense

	2023 £'000	2022 £'000
Interest payable on bank borrowings	621	297
Interest payable on inventory stocking loans (see note 19)	856	581
Interest on lease liabilities	51	37
Finance costs amortised	104	141
Preference dividends (see note 10)	72	72
Finance income on interest in lease	(17)	(12)
Finance expense	**1,687**	1,116

7. Finance expense on pension scheme

	2023 £'000	2022 £'000
Defined benefit pension scheme net finance expense (see note 23)	64	166

8. Tax

	2023 £'000	2022 £'000
Current tax		
UK corporation tax	152	432
Adjustments recognised in the period for current tax of prior periods	—	(5)
Total charge	152	427
Deferred tax (see note 24)		
Origination and reversal of temporary differences	442	312
Change in corporation tax rate	10	647
Adjustments recognised in the period for deferred tax of prior periods	(38)	—
Total charge	414	959
Tax charged in the Income Statement	**566**	1,386

The tax charge arises as follows:	2023 £'000	2022 £'000
On normal trading	576	1,422
On non-underlying items (see note 2)	(10)	(36)
Tax charged in the Income Statement	**566**	1,386

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2023 £'000	2022 £'000
Profit before tax	3,090	4,385
Tax at the UK corporation tax rate of 19% (2022: 19%)	587	833
Tax effect of expenses that are not deductible in determining taxable profit	106	126
Movement in rolled over and held over gains	(93)	(215)
Change in corporation tax rate	10	647
Other differences	(6)	—
Adjustment to tax charge in respect of prior periods	(38)	(5)
Tax charge for the year	**566**	1,386

The current year total tax charge is impacted by the effect of non-deductible expenses, which includes non-qualifying depreciation.

The total tax (credit)/charge for the year is made up as follows:

	2023 £'000	2022 £'000
Total current tax charge	152	427
Deferred tax (credit)/charge		
Charged in the Income Statement	414	959
(Credited)/charged against other comprehensive income	(1,679)	750
Total deferred tax (credit)/charge	(1,265)	1,709
Total tax (credit)/charge for the year	(1,113)	2,136

Factors affecting the future tax charge

The Company has unrelieved advance corporation tax of £0.3 million (2022: £0.8 million), which is available to be utilised against future mainstream corporation tax liabilities and is accounted for in deferred tax (see note 24).

9. Earnings per Ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to Ordinary shareholders divided by the weighted average number of shares in issue during the year. Treasury shares are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of dividends and/or interest on the assumed conversion of all dilutive options and other dilutive potential Ordinary shares.

Reconciliations of earnings and weighted average number of shares used in the calculations are set out below:

	Underlying		Basic	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Profit before tax	3,090	4,385	3,090	4,385
Adjustments:				
Non-underlying items (note 2)	50	189	—	—
Profit before tax	3,140	4,574	3,090	4,385
Tax (note 8)	(576)	(1,422)	(566)	(1,386)
Profit after tax	2,564	3,152	2,524	2,999
Earnings per share (pence)	95.1p	117.0p	93.6p	111.3p
Diluted earnings per share (pence)	93.9p	115.2p	92.4p	109.6p

	2023 £'000	2022 £'000
Underlying earnings after tax	2,564	3,152
Underlying earnings per share (pence)	95.1p	117.0p
Underlying diluted earnings per share (pence)	93.9p	115.2p
Non-underlying losses after tax	(40)	(153)
Losses per share (pence)	(1.5)p	(5.7)p
Diluted losses per share (pence)	(1.5)p	(5.6)p
Total earnings	2,524	2,999
Earnings per share (pence)	93.6p	111.3p
Diluted earnings per share (pence)	92.4p	109.6p

The number of fully paid Ordinary shares in circulation at the year-end was 2,696,343 (2022: 2,695,502). The weighted average number of shares in issue for the purposes of the earnings per share calculation were 2,695,678 (2022: 2,695,418). The shares granted in the year under the Company's SAYE scheme have been treated as dilutive. For the purposes of this calculation, the weighted average number of shares in issue for the purposes of the earnings per share calculation were 2,730,313 (2022: 2,737,264).

Notes to the Financial Statements continued
for the year ended 31 March 2023

10. Dividends

	2023 £'000	2022 £'000
Preference shares		
7% Cumulative First Preference	12	12
11% Cumulative Preference	48	48
6% Cumulative Second Preference	12	12
Included in finance expense (see note 6)	72	72
Ordinary shares		
Interim dividend of 7½ pence per Ordinary share paid in respect of the current year (2022: 7½ pence)	202	202
Final dividend paid of 15 pence per Ordinary share in respect of the March 2022 year end (2021: Nil pence)	404	—
	606	202

A final dividend of 15.0 pence per Ordinary share has been declared in respect of the year ended 31 March 2023.

11. Right-of-use assets

Group and Company	£'000
Deemed cost	
At 1 April 2021	1,181
Additions	1,142
At 31 March 2022	2,323
Deemed cost	
At 1 April 2022	2,323
Additions	1,308
At 31 March 2023	**3,631**
Accumulated depreciation	
At 1 April 2021	571
Depreciation for the year	339
At 31 March 2022	910
Accumulated depreciation	
At 1 April 2022	910
Depreciation for the year	373
At 31 March 2023	**1,283**
Net book value	
At 31 March 2023	**2,348**
At 31 March 2022	1,413

The right-of-use assets above represent four long-term property leases for premises from which the Company operates a Volkswagen dealership in Brighton, a Volvo dealership in Worthing and two car storage compounds in Eastbourne and Tunbridge Wells.

Depreciation charges of £373,000 (2022: £339,000) in respect of right-of-use assets was recognised within Administration Expenses in the Income Statement.

The interest expense on the associated lease liability of £51,000 (2022: £37,000) is disclosed in note 6. Payments made in the year on the above leases were £391,000 (2022: £353,000).

Payments made in the year under other leases with contractual periods of 12 months or less, which have not been required to be capitalised, of £106,000 (2022: £93,000) are disclosed in note 3.

12. Property, plant and equipment

Group and Company	Freehold property £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Plant & machinery £'000	**Total £'000**
Cost or deemed cost					
At 1 April 2021	40,752	728	5,350	6,735	53,565
Additions at cost	1,945	—	508	476	2,929
Disposals	—	—	(229)	(2,135)	(2,364)
At 31 March 2022	42,697	728	5,629	5,076	54,130
Cost or deemed cost					
At 1 April 2022	**42,697**	**728**	**5,629**	**5,076**	**54,130**
Additions at cost	**327**	**—**	**314**	**169**	**810**
Disposals	**—**	**—**	**(448)**	**(505)**	**(953)**
At 31 March 2023	**43,024**	**728**	**5,495**	**4,740**	**53,987**
Accumulated depreciation					
At 1 April 2021	6,113	581	4,091	5,156	15,941
Depreciation charge for the year	616	73	506	383	1,578
Disposals	—	—	(229)	(2,135)	(2,364)
At 31 March 2022	6,729	654	4,368	3,404	15,155
Accumulated depreciation					
At 1 April 2022	**6,729**	**654**	**4,368**	**3,404**	**15,155**
Depreciation charge for the year	**673**	**74**	**500**	**393**	**1,640**
Disposals	**—**	**—**	**(448)**	**(505)**	**(953)**
At 31 March 2023	**7,402**	**728**	**4,420**	**3,292**	**15,842**
Net book value					
31 March 2023	**35,622**	**—**	**1,075**	**1,448**	**38,145**
31 March 2022	35,968	74	1,261	1,672	38,975
31 March 2021	34,639	147	1,259	1,579	37,624

Short-term leasehold property for both the Company and the Group comprises net book value of £Nil in the Statement of Financial Position (2022: £74,000).

Depreciation charges of £1,640,000 (2022: £1,578,000) in respect of property, plant and equipment was recognised within Administration Expenses in the Income Statement.

The freehold properties were originally revalued externally on 31 March 1995 by Herring Baker Harris, Chartered Surveyors, at open market value for existing use (which then approximated to fair value). Freehold properties acquired since that date and the other assets listed above have been stated at cost in accordance with IAS 16 Property, Plant and Equipment. The Company valued its portfolio of freehold premises and investment properties as at 31 March 2023. The valuation was carried out by CBRE Limited, Chartered Surveyors, in accordance with the Royal Institution of Chartered Surveyors valuation – global and professional standards requirements. The valuation is based on existing use value which has been calculated by applying various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites including ground and groundwater contamination. Management are satisfied that this valuation is materially accurate. The excess of the valuation over net book value as at 31 March 2023 of those sites was £11.5 million (2022: £13.3 million). In accordance with the Company's accounting policies, this surplus has not been incorporated into these financial statements.

Notes to the Financial Statements continued

for the year ended 31 March 2023

13. Investment properties

Group and Company	2023 £'000	2022 £'000
Cost		
At 1 April and 31 March	**9,650**	9,650
Accumulated depreciation		
At 1 April	**2,004**	1,899
Depreciation for the year	**115**	105
At 31 March	**2,119**	2,004
Net book value		
At 31 March	**7,531**	7,646

Depreciation of £115,000 (2022: £105,000) in respect of Investment properties was recognised within Administration Expenses in the Income Statement.

As described in note 12, the total excess of the valuation of all of the Company's freehold properties over net book value as at 31 March 2023 was £11.5 million (2022: £13.3 million). Investment properties accounted for £0.7 million (2022: £0.8 million) of this surplus.

14. Net investment in lease

Group and Company	2023 £'000	2022 £'000
Due after more than one year	**225**	389
Due within one year	**164**	168
At 31 March	**389**	557

The premises shown above are sub-let to a third party under a lease which has the same terms and duration as the Company's own lease.

15. Goodwill

Group and Company	2023 £'000	2022 £'000
Cost		
At 1 April and 31 March	**481**	481
Provision for impairment		
At 1 April and 31 March	**195**	195
Carrying amounts allocated to CGUs		
Volkswagen, Brighton	**200**	200
Audi, Eastbourne	**86**	86
At 31 March	**286**	286

For the purposes of the annual impairment testing, goodwill is allocated to a CGU. Each CGU is allocated against the lowest level within the entity at which goodwill is monitored for management purposes. Consequently, the directors recognise CGUs to be those assets attributable to individual dealerships and the table above sets out the allocation of goodwill into the individual dealership CGUs. The carrying amount of goodwill allocated to the Volkswagen, Brighton CGU is the only amount considered significant in comparison with the Group's total carrying amount of goodwill.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable and a potential impairment may be required. Impairment reviews have been performed for all CGUs for the years ended 31 March 2022 and 2023.

Valuation basis

The recoverable amount of each CGU is based on the higher of its fair value less selling costs and value in use. The fair value less selling costs of each CGU is based initially upon the market value of any property contained within it and is determined by an independent valuer as described in note 12. Where the fair value less selling costs of a CGU indicates that an impairment may have occurred, a discounted cash flow calculation is prepared in order to assess the value in use of that CGU, involving the application of a pre-tax discount rate to the projected, risk-adjusted pre-tax cash inflows and terminal value.

Period of specific projected cash flows (Volkswagen, Brighton CGU)

The recoverable amount of the Volkswagen, Brighton CGU is based on value in use. Value in use is calculated using cash flow projections for a five-year period from 1 April 2023 to 31 March 2028. These projections are based on the most recent budget that has been approved by the board being the budget for the year ending 31 March 2024. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins, and expectations around changes in the operating cost base. These assumptions are based on past experience, adjusted to expected changes, and on external sources of information. The cash flows include ongoing capital expenditure required to maintain the dealership but exclude any growth capital expenditure projects to which the Group was not committed at the reporting date.

Growth rates, ranging from 1% (2022: -1%) to 12% (2022: 15%) have been used to forecast cash flows for a further four years beyond the budget period, through to 31 March 2028. These growth rates reflect the products and markets in which the CGU operates. These growth rates do not give rise to an impairment. Growth rates are internal forecasts based on a combination of internal and external information. Based on these forecasts, the headroom available on the total future profits is £1.4 million (2022: £3.2 million) before an impairment would be necessary.

Period of specific projected cash flows (Volvo, Worthing CGU)

The recoverable amount of the Volvo, Worthing CGU is based on value in use. Value in use is calculated using cash flow projections for a five-year period from 1 April 2023 to 31 March 2028. These projections are based on the most recent budget that has been approved by the board being the budget for the year ending 31 March 2024. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins, and expectations around changes in the operating cost base. These assumptions are based on past experience, adjusted to expected changes, and on external sources of information. The cash flows include ongoing capital expenditure required to maintain the dealership but exclude any growth capital expenditure projects to which the Group was not committed at the reporting date.

Growth rates, ranging from -25% (2022: -46%) to 9% (2022: 7%) have been used to forecast cash flows for a further four years beyond the budget period, through to 31 March 2028. These growth rates reflect the products and markets in which the CGU operates. These growth rates do not give rise to an impairment. Growth rates are internal forecasts based on a combination of internal and external information. Based on these forecasts, the headroom available on the total future profits is £2.4 million (2022: £1.1 million) before an impairment would be necessary.

Discount rate

The cash flow projections have been discounted using a rate derived from the Group's pre-tax weighted average cost of capital, adjusted for industry and market risk. The discount rate used was 12.4% (2022: 12.4%).

Terminal growth rate

The cash flows subsequent to the forecast period are extrapolated into the future over the useful economic life of the CGU using a steady or declining growth rate that is consistent with that of the product and industry. These cash flows form the basis of what is referred to as the terminal value. The growth rate to perpetuity beyond the initial budgeted cash flows used in the value in use calculations to arrive at a terminal value is 0.5% (2022: 0.5%). Terminal growth rates are based on management's estimate of future long-term average growth rates.

Conclusion

At 31 March 2023, no impairment charge in respect of goodwill was identified (2022: no impairment charge).

Sensitivity to changes in key assumptions

Impairment testing is dependent on estimates and judgements, particularly as they relate to the forecasting of future cash flows. The outcome of the impairment test is not sensitive to reasonably possible changes in respect of the projected cash flows, the discount rate applied, nor in respect of the terminal growth rate assumed.

Notes to the Financial Statements continued

for the year ended 31 March 2023

16. Investments in subsidiary undertakings

The Company owns the whole of the issued Ordinary share capital of Caffyns Wessex Limited, Caffyns Properties Limited and Fasthaven Limited, all of which are dormant. The amount at which the investments are stated is equivalent to the net assets of the subsidiaries. All subsidiary undertakings are registered in England and Wales and have their registered office at Saffrons Rooms, Meads Road, Eastbourne, East Sussex, BN20 7DR.

Company	£'000
Cost	
At 1 April 2022 and 31 March 2023	**476**
Provision	
At 1 April 2022 and 31 March 2023	**226**
Net book value	
At 31 March 2023	**250**
At 31 March 2022	250

17. Inventories

Group and Company	2023 £'000	2022 £'000
Vehicles	28,651	22,561
Vehicles on consignment	10,229	3,969
Oil, spare parts and materials	1,100	1,009
Work in progress	9	7
At 31 March	**39,989**	27,546

Group and Company:	2023 £'000	2022 £'000
Inventories recognised as an expense during the year	216,265	185,398
Inventories stated at net realisable value	976	884
Carrying value of inventories subject to retention of title clauses	22,519	14,675

All vehicle inventories held under consignment stocking arrangements are deemed to be assets of the Group and are included on the Statement of Financial Position from the date of consignment. The corresponding liabilities to the manufacturers are included within trade and other payables. Inventories can be held on consignment for a maximum consignment period set by the manufacturer, which is generally between 180 and 365 days. Interest is payable in certain cases for part of the consignment period, at various rates indirectly linked to the Bank of England base rate.

During the year, £24,000 was recognised in respect of the write-down of inventories of spare parts due to general obsolescence (2022: £25,000).

18. Trade and other receivables

Group and Company	2023 £'000	2022 £'000
Trade receivables	5,826	3,979
Allowance for doubtful debts	(19)	(4)
	5,807	3,975
Other receivables	1,314	1,289
At 31 March	**7,121**	5,264

All amounts are due within one year.

The Group makes an impairment provision for all debts that are considered unlikely to be collected. At 31 March 2023 trade receivables were shown net of an allowance for impairment of £19,000 (2022: £4,000). The charge recognised during the year was £16,000 (2022: £4,000).

Trade receivables have been classified at amortised cost under IFRS 9 Financial Instruments.

Group and Company	2023 £'000	2022 £'000
Not impaired:		
Neither past due nor impaired	5,757	3,910
Past due up to three months but not impaired	50	65
At 31 March	5,807	3,975

Group and Company	2023 £'000	2022 £'000
The movement in the allowance for impairment during the year was:		
At 1 April	4	3
Impairment recognised in the Income Statement	16	4
Utilisation	(1)	(3)
At 31 March	19	4

All amounts are due within one year.

Credit risk

The Company's principal financial assets are trade receivables, bank balances and cash that represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade receivables that are due on the earlier of the presentation of the invoice or the expiry of a credit term. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment. Consequently, the directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before granting any new customer credit terms the Company uses external credit rating agencies to assess the potential new customer's credit quality and to define credit facility limits to be made available. These credit limits and creditworthiness are regularly reviewed. The concentration of credit risk is limited due to the customer base being large and unrelated. The Company has no customer that represents more than 5% of the total balance of trade receivables.

19. Trade and other payables

	2023 £'000	2022 £'000
Trade payable	21,810	14,034
Obligations relating to consignment stock	10,229	3,969
Vehicle stocking loans	7,511	7,327
Social security and other taxes	1,204	823
Accruals	2,342	2,732
Deferred income	493	532
Other creditors	85	78
Group total	43,674	29,495
Amounts owed to Group undertakings	250	250
Company total	43,924	29,745

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for these trade-related purchases was 27 days (2022: 28 days).

The directors consider that the carrying amount of trade payables approximates to fair value.

The Group finances the purchases of new car inventory through the use of consignment funding facilities provided by its manufacturer partners and which are shown above as Obligations relating to consignment stock. Vehicles are physically supplied by the manufacturers with payment deferred until the earlier of the registration of the vehicle or the end of the consignment period, generally between 180 and 365 days. In certain circumstances, consignment periods can be extended with the agreement of the manufacturer. The consignment funding facilities attract interest at a commercial rate.

Notes to the Financial Statements continued

for the year ended 31 March 2023

19. Trade and other payables continued

The Group utilises vehicle stocking loans to assist with the purchase of certain used car inventory. Facilities are available from both its manufacturer partners and a third-party finance provider and are generally available for a period of 90 days from the date of purchase. These vehicle stocking loans attract interest at a commercial rate. Interest charges on consignment stocking loans and vehicle stocking loans described above for the year ended 31 March 2023 were £856,000 (2022: £581,000).

The obligations relating to consignment stock are all subject to retention of title clauses for the vehicles to which they relate. Obligations for used and demonstrator cars which have been funded are secured on the vehicles to which they relate and are shown above as vehicle stocking loans. From a risk perspective, the Company's funding is split between manufacturers through their related finance arms and that funded by the Company through bank borrowings.

The movements in deferred income in the year were as follows:

	2023 £'000	2022 £'000
At 1 April	532	614
Utilisation of deferred income in the year	(1,021)	(1,401)
Income received and deferred in the year	982	1,319
At 31 March	**493**	532

Management are satisfied in respect of the brought forward deferred income for both the year under review and prior years, that the amount of deferred income not recognised as revenue in the year is not material.

20. Interest-bearing loans and borrowings

Group and Company	2023 £'000	2022 £'000
Current liabilities:		
Secured bank loans and overdrafts	1,875	1,875
Non-current liabilities:		
Secured bank loans	10,437	11,312
At 31 March	**12,312**	13,187

Note 21 sets out the maturity profile of non-current liabilities. The directors estimate that there is no material difference between the fair value of the Company's borrowings and their book value. The loan and overdraft facilities provided to the Company of £19.8 million (2022: £20.7 million) are secured by a general debenture and fixed charges over certain freehold properties.

21. Financial instruments

The Group utilises financial instruments such as bank loans and overdrafts and new and used vehicle stocking loans to finance its operations and to manage the interest rate and liquidity risks that arise from those operations and from its sources of finance. The disclosures below apply to the Group and the Company unless otherwise noted.

Group and Company		2023 carrying value & fair value £'000	2022 carrying value & fair value £'000
Fair value of financial assets and liabilities:			
Primary financial instruments held or issued to finance operations	Classification		
Long-term bank borrowings (note 20)	Financial liability measured at amortised cost	(10,437)	(11,312)
Bank revolving credit facility (note 20)	Financial liability measured at amortised cost	(1,000)	(1,000)
Other short-term bank borrowings (note 20)	Financial liability measured at amortised cost	(875)	(875)
Trade and other payables (note 19)	Financial liability measured at amortised cost	(41,977)	(28,140)
Lease liabilities (note 22)		(2,714)	(1,930)
Trade and other receivables (note 18)	Financial asset at amortised cost	7,121	5,264
Cash and cash equivalents	Financial asset at amortised cost	4,226	2,759
Preference share capital (note 25)	Financial liability measured at amortised cost	(812)	(812)
The amounts noted in the above table are the same for the Company except for:			
Trade and other payables (note 19)	Financial liability measured at amortised cost	(42,227)	(28,390)

Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

a) Funding and liquidity risk – the risk that the Group will not be able to meet its obligations as they fall due;
b) Credit risk – the risk of financial loss to the Group on the failure of a customer or counterparty to meet their obligations as they fall due; and
c) Market risk – the risk that changes in market prices, such as interest rates, have on the Group's financial performance.

The Group manages credit and liquidity risk by particularly focusing on working capital management. The Group's quantitative exposure to these risks is explained throughout these financial statements whilst the Group's objectives and management of these risks is set out below.

Capital management

The Group views its financial capital resources as primarily comprising share capital, bank loans and overdrafts, vehicle stocking credit lines and operating cash flow.

The board's policy is to maintain a strong capital base to facilitate market confidence and safeguard the Group's ability to continue as a going concern whilst maximising the return on capital to the Group's shareholders. The Group monitors its capital through closely scrutinising and reviewing its cash flows. The capital of the Group is £31.7 million (2022: £34.7 million) and comprises share capital, share premium, retained earnings and other reserve accounts: the capital redemption reserve, the non-distributable reserve and the other reserve. In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to the holders of Ordinary shares, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's ratio of net bank loans and overdrafts to equity was 26% at 31 March 2023 (2022: 30%). Capital requirements imposed externally by HSBC are that borrowings should not exceed 70% of the current open-market value for existing use of the Group's freehold properties which are subject to a fixed charge.

The underlying pre-tax return as a proportion of equity for the year was 9.9% (2022: 13.2%).

The Company has occasionally repurchased its own shares in the market and cancelled them to promote growth in earnings per share. There is no predetermined plan for doing this, although the Company has permission from its shareholders to buy back up to 15% of its equity in any one financial year. The Company may also purchase its own shares to satisfy share incentives issued to employees and these shares are then held as treasury shares.

Treasury policy and procedures

The Company's activities expose it primarily to the financial risks of changes in interest rates. There are no fixed rate borrowings other than preference shares.

Funding and liquidity risk management

The Group finances its operations through a mixture of retained profits and borrowings from bank, vehicle stocking credit lines and operating cash flow. The Group's policy is to maintain a balance between committed and uncommitted facilities and between term loans and overdrafts. Facilities are maintained at levels in excess of planned requirements. At 31 March 2023 the Group held cash in hand balances of £4.2 million (2022: £2.8 million) and had undrawn floating rate borrowing facilities of £7.5 million (2022: £7.5 million) represented by overdrafts and revolving credit facilities which would be repayable on demand, in respect of which all conditions precedent had been met. The Group is not directly exposed to foreign currency risk.

Interest rate management

The objective of the Group's interest rate policy is to minimise interest costs whilst protecting the Group from adverse movements in interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk whereas borrowings at fixed rates expose the Group to fair value interest rate risk. The Group does not currently hedge any interest rate risk.

Interest rate risk sensitivity analysis

As all of the Group's borrowings and vehicle stocking credit lines are floating rate instruments, they therefore have a sensitivity to changes in market rates of interest. The effect of a change of 100 basis points in interest rates for floating rate instruments outstanding at the period end, on the assumption that the instruments at the period end were outstanding for the entire period, would change interest charges by £156,000 (2022: £178,000) before tax relief.

Credit risk management

The Group's receivables are all denominated in Sterling. The Group is exposed to credit risk primarily in respect of its trade receivables and financial assets. 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 their credit risk. Credit risk also arises in respect of amounts due from manufacturers in relation to bonuses and warranty receivables. This risk is mitigated by the range of manufacturers dealt with, the Group's procedures in effecting timely collection of amounts due, and management's belief that it does not expect any manufacturer to fail to meet its obligations. Finance assets comprise cash balances. The counterparties are major banks and management do not expect any counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of the financial asset in the Statement of Financial Position.

These objectives, policies and strategies are consistent with those applied in the previous year.

Notes to the Financial Statements continued

for the year ended 31 March 2023

21. Financial instruments continued

Group and Company	2023 carrying value & fair value £'000	2022 carrying value & fair value £'000
Bank balances and cash equivalents	**4,226**	2,759

The net bank borrowings of the Company at 31 March 2023 were £8.1 million (2022: £10.4 million).

	2023 £'000	2022 £'000
Interest-bearing overdrafts and loans due within one year	**1,875**	1,875
Interest-bearing bank loans due after more than one year	**10,437**	11,312
Less: Cash and cash equivalents	**(4,226)**	(2,759)
At 31 March	**8,086**	10,428

All borrowings are denominated in Sterling. The effective interest rates for all borrowings are based on bank base rates. Information regarding classification of balances and interest and the range of interest rates applied in the year to 31 March 2023 are set out in the following table:

	Carrying value & fair value	Classification	Interest classification	Interest rate range
Current: within one year or on demand				
Revolving credit facility	**1,000**	Amortised cost	Floating	SONIA** + 2.75%
Term loan	**500**	Amortised cost	Floating	VBBR* + 1.75%
Term loan	**375**	Amortised cost	Floating	SONIA** + 2.75%
Trade and other payables	**41,977**	Amortised cost	–	–

	Carrying value & fair value	Classification	Interest classification	Interest rate range
Not repayable within one year				
Term loan	**5,437**	Amortised cost	Floating	SONIA** + 2.75%
Revolving credit facility	**5,000**	Amortised cost	Floating	SONIA** + 2.75%
Preference share capital	**812**	Amortised cost	Fixed	–

* Volkswagen Bank Base Rate, a base rate calculated by Volkswagen Bank United Kingdom Branch.

** Sterling Overnight Index Average.

The maturity of non-current borrowings is as follows:

	Borrowings		Leases		Preference shares		Total	
Group and Company	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Between one and two years	**375**	875	**470**	247	**—**	—	**845**	1,122
Between two and five years	**10,062**	10,437	**980**	496	**—**	—	**11,042**	10,933
Over five years	**—**	—	**753**	691	**812**	812	**1,565**	1,503
At 31 March	**10,437**	11,312	**2,203**	1,434	**812**	812	**13,452**	13,558

Maturities include amounts drawn under bank term loans and revolving credit facilities, lease liabilities and preference shares. The Company's revolving credit facility with HSBC can continue to be drawn in whole or part at any time under a facility that continues until April 2026. The maturities of the bank borrowings represent the final payment dates for those drawn facilities as at 31 March 2023. The maturities of lease liabilities represent the undiscounted future repayments on those leases. The preference shares are not redeemable so have no set repayment date. In the table below cash flows from preference shares have been restricted to the total borrowing outstanding at the balance sheet date. If the bank revolving credit facilities drawn at the year-end were redrawn at the Group's usual practice of three-monthly drawings, the total cash outflows, assuming interest rates remain at the same rates as at year-end, contractual payments over the next five years on an undiscounted basis would be:

	Borrowings		Leases		Preference shares		Total	
Group and Company	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Within one year	1,685	1,506	632	542	60	60	2,377	2,108
Between one and two years	1,136	1,271	579	292	60	60	1,775	1,623
Between two and three years	1,109	998	447	296	60	60	1,616	1,354
Between three and four years	9,747	434	351	197	60	60	10,158	691
Between four and five years	—	9,688	348	101	60	60	408	9,849
Over five years	—	—	894	837	512	512	1,406	1,349
Contractual cash flows	13,677	13,897	3,251	2,265	812	812	17,740	16,974

The Group has a term loan with HSBC, first entered into in March 2018, originally of £7.5 million, at a rate of interest of 2.75% above SONIA. The loan has a current four-year term to next expire in April 2026, and is repayable over 20 years. The balance outstanding on this term loan at 31 March 2023 was £5.8 million (2022: £6.2 million) with capital repayments in the year of £0.38 million. HSBC also make available to the Group a revolving credit facility of £6.0 million at a rate of interest of 2.75% above SONIA. This facility has a four-year term and expires in April 2026. The balance drawn as at 31 March 2023 was £5.0 million (2022: £5.0 million). These facilities are subject to covenants which are tested quarterly with respect to debt/freehold property values and interest cover and borrowing levels which were all passed at 31 March 2023. The failure of a covenant test would render these facilities repayable on demand at the option of the lender.

The Group also has a bank term loan from Volkswagen Bank United Kingdom Branch, which carries a rate of interest of 1.75% above VBBR. The loan is repayable over its ten-year term, which expires in March 2024.

No reduction in term loan or revolving credit facilities is expected to apply consequent to the trading results for the year ended 31 March 2023.

The Group also had £7.5 million of combined annual overdraft and revolving credit facilities (2022: £7.5 million) from HSBC and Volkswagen Bank United Kingdom Branch and these facilities are next due for renewal in August 2023. The directors have every expectation that these facilities will be renewed based on the current discussions with the relevant banks. These facilities carry interest rates of 2.75% above UK bank base rate and 2.64% above VBBR, respectively.

The Group has granted security to HSBC and Volkswagen Bank United Kingdom Branch by way of a general debenture over its assets and a fixed charge over certain freehold property. The total value of those assets at 31 March 2023 in the Statement of Financial Position was £74.6 million (2022: £64.2 million). The Group has also granted security to its defined benefit pension scheme by way of fixed charge over certain freehold properties. This charge ranks in priority behind those charges granted to HSBC and Volkswagen Bank United Kingdom Branch.

The ongoing costs associated with the bank facilities are included in finance expense (see note 6).

The preference shares in issue do not have a maturity date as they are non-redeemable.

Notes to the Financial Statements continued

for the year ended 31 March 2023

22. Lease liabilities

Group and Company	2023 £'000	2022 £'000
Deemed liability		
At 1 April	**1,930**	1,278
Additions in the year	**1,308**	1,142
Interest charge for the year	**52**	49
Lease payments	**(576)**	(539)
At 31 March	**2,714**	1,930
Due in less than one year	**511**	496
Due after more than one year	**2,203**	1,434
At 31 March	**2,714**	1,930

23. Retirement benefit scheme

Group and Company

Description of scheme

The Company operates a pension scheme, the Caffyns Pensions Scheme ("CPS"), which provides benefits based on final pensionable pay until 31 March 2006. With effect from 1 April 2006, the Scheme closed to new entrants and all members in the final salary section were transferred to the career average section for future service and certain benefits were reduced. Depending on the proportion of pensionable pay purchased, the Company contribution rates varied between 4% and 15%. With effect from 1 April 2010, the Scheme closed to future accrual with all members transferred to a defined contribution scheme for their future service. As part of the 2014 funding valuation, it was agreed that the inflation measure used to set in-deferment and in-payment increases for pensions in excess of guaranteed minimum pensions would change from the Retail Prices Index to the Consumer Prices Index for members (or dependents of members) who were in service on or after 1 April 1991.

The Trustees are responsible for the operation and governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy, in conjunction with the Company. The assets of the Caffyns Pensions Scheme, administered by Capita Employee Solutions, are held separately from those of the Company, being held in separate funds by the trustees of the Caffyns Pensions Scheme. The Scheme rules do not impose a restriction on the level of Scheme asset that may be reported under IAS 19. The Scheme has been registered with the Pensions Regulator and is subject to the scheme-specific funding requirements as outlined in UK legislation. The liabilities are determined by a qualified independent actuary based on triennial valuations using the projected unit method. The most recent completed valuation was at 31 March 2020.

Description of expected cash flows to and from the Scheme

As part of the 31 March 2020 funding valuation, the Trustees and the Company agreed a recovery plan with a view to eliminating the scheme-specific funding shortfall by 30 June 2031. Over the year to 31 March 2023, the Company contributed £800,000 (2022: £1,781,000) to fund the existing deficit. Contributions for the prior financial year included a one-off deficit-reduction contribution of £1,000,000.

Over the year to 31 March 2024, the Company expects to contribute £784,000 in relation to deficit reduction contributions. In addition, the Company will continue to make contributions towards risk benefits and to meet the administrative expenses of the Scheme and its Pension Protection Fund levies.

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 70 or so years. The average duration of the liabilities is approximately 12 years. Expected benefit payments in the year to 31 March 2024 are £4,852,000.

Risks to the Scheme

The ultimate cost of the Scheme to the Company will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the Scheme may be higher, or lower, than disclosed. In general, the risk to the Company is that assumptions underlying the disclosures, or the calculation of contribution requirements, are not borne out in practice and the cost to the Company is higher than expected.

More specifically, the Scheme exposes the Company to actuarial risks such as:

- **Interest rate risk** – the present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of corporate bonds whereas the Scheme holds a mixture of investments. A decrease in market yield on high quality corporate bonds will increase the Company's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the Scheme's assets;
- **Investment risk** – the Scheme's assets at 31 March 2023 are invested by an appointed fiduciary management company, SEI Investments (Europe). The investment in various types of asset funds is intended to reduce risk whilst maintaining planned returns;
- **Longevity risk** – the Company is required to provide benefits for life for the members of the Caffyns Pensions Scheme. Increases in life expectancy of the members will increase the defined benefit liability; and
- **Inflation risk** – a significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Company's liability. A portion of the Scheme's assets are inflation-linked debt securities, which would mitigate some of the effect of inflation.

The Company has applied IAS 19 Employee Benefits (Revised) to this scheme and the following disclosures relate to this Standard. The Company recognises any remeasurement (actuarial gains and losses) in each period in the Statement of Comprehensive Income.

Results of most recent actuarial valuation

The assumptions which have the most significant effect on the results of the valuation are those relating to rates of mortality, the discount rate used to reflect the present value of scheme liabilities, and the rate of inflation. As at the year-end, the last available actuarial valuation as at 31 March 2020 showed that the market value of the assets of the Caffyns Pensions Scheme were £80.8 million and that the actuarial value of those assets represented 79% of the value of the benefits that had accrued to employees at that date. The deficit arising at 31 March 2020 of £21.9 million compared to a deficit of £9.4 million under IAS 19 and was due to different assumptions being adopted for the triennial valuation. The payments agreed with the trustees of the Caffyns Pensions Scheme under the recovery plan were for deficit reduction cash payments to be made in the year ended 31 March 2022 of £750,000 with payments increasing thereafter from 1 April 2022 by 2.25% per annum. In addition, from the year ended 31 March 2022 until the end of the present recovery plan, the monetary excess of any Ordinary dividends paid to shareholders in excess of 22½ pence will be matched by a further equal contribution into the Scheme.

The costs and liabilities of the Caffyns Pensions Scheme are based on actuarial valuations. At the year-end, the latest available full actuarial valuation, carried out at 31 March 2020, was updated to 31 March 2023 by Willis Towers Watson, independent qualified actuaries, for the requirements of IAS 19. Details of the actuarial assumptions are as follows:

	2023	2022
Mortality tables used: females	**97% of SAPS series 2**	97% of SAPS series 2
Mortality tables used: males	**100% of SAPS series 2**	100% of SAPS series 2
Future improvements in mortality	**CMI2021 + 1.25%**	CMI2021 + 1.25%
Discount rate	**4.75%**	2.65%
Inflation (CPI)	**2.95%**	3.30%
Pension increase for in-payment benefits (CPI max 5%)	**2.90%**	3.20%

The discount rate adopted is based upon the yields of high-quality corporate bonds of appropriate duration.

The sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	+/- £0.8 million
Pension increases	Increase/decrease by 0.1%	+/- £0.6 million
Mortality	Increase/decrease by 0.1%	+/- £2.7 million

23. Retirement benefit scheme continued

The fair value of assets of the Caffyns Pensions Scheme for each class of asset, all of which have a quoted market price in an active market, are as follows:

	Market value 2023 £'000	2022 £'000
LDI fund	**22,858**	18,862
Growth fund	**37,924**	72,991
Equity instruments	**744**	870
At 31 March	**61,526**	92,723

A fiduciary manager, SEI Investments (Europe) operates with the objective of improving the performance of the assets of the Caffyns Pensions Scheme. Assets of the Scheme (excluding cash in the trustees' administrative bank account) at 31 March 2023 were invested 37% (2022: 26%) in LDI funds, 62% (2022: 73%) in return enhancing growth funds and 1% (2022: 1%) in Caffyns plc shares.

In accordance with the requirements of IAS 19 Employee Benefits, the expected return on assets is based on the discount rate noted above of 4.75% and not the return on the underlying portfolio of investments. Consequently, the charge to the Income Statement for the year ending 31 March 2024 is expected to be approximately £422,000.

Equity instruments include shares in Caffyns plc, which are detailed in note 28.

The assumptions used by the actuary are the best estimates based on market conditions chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

Life expectancy at age 65 (in years):	2023 Male	2023 Female	2022 Male	2022 Female
Member currently aged 65	**21.3**	**23.6**	21.6	23.9
Member currently aged 45	**22.6**	**25.2**	22.9	25.4

A liability for the defined benefit pension scheme deficit is included in the Statement of Financial Position under the heading of non-current liabilities.

Analysis of the movement in the net liability for defined benefit obligations recognised in the Statement of Financial Position

	2023 £'000	2022 £'000
At 1 April	**(2,797)**	(9,434)
Expense recognised in the Income Statement	**(87)**	(189)
Contributions paid by the Company	**800**	1,781
Net remeasurement recognised in other comprehensive income	**(6,715)**	5,045
At 31 March	**(8,799)**	(2,797)

Total expense recognised in the Income Statement

	2023 £'000	2022 £'000
Interest cost	**2,474**	1,891
Interest income on Scheme assets	**(2,410)**	(1,725)
Interest – net (see note 7)	**64**	166
Current service cost	**23**	23
	87	189

Changes in the present value of the defined benefit pension obligation

	2023 £'000	2022 £'000
At 1 April	**95,520**	98,980
Service cost	**23**	23
Interest cost	**2,474**	1,891
Actuarial losses	**3,069**	2,670
Actuarial (gains)/losses – demographic assumptions	**(1,237)**	160
Actuarial gains – financial assumptions	**(25,197)**	(4,220)
Benefits paid	**(4,327)**	(3,984)
At 31 March	**70,325**	95,520

In October 2018, the High Court issued a judgement that required pension schemes to equalise members' benefits to address the unequal effect of Guaranteed Minimum Pensions between genders. In assessing the present value of the pension liabilities, an allowance for the liabilities to increase by 0.9% continues to be made for the estimated cost of this Guaranteed Minimum Pensions equalisation process.

Movement in the fair value of scheme assets

	2023 £'000	2022 £'000
At 1 April	**92,723**	89,546
Interest income	**2,410**	1,725
Actuarial (losses)/gains – financial assumptions	**(30,080)**	3,655
Contributions paid by the Company	**800**	1,781
Benefits paid	**(4,327)**	(3,984)
At 31 March	**61,526**	92,723

Reconciliation of the impact of the asset ceiling

The Company has reviewed the implications of the guidance provided in IFRIC 14 and has concluded that it is not necessary to make adjustments to the IAS 19 disclosures at 31 March 2023 as any scheme surplus would be available to the Company unconditionally by way of a refund, assuming the gradual settlement of scheme liabilities over time until all members had left the Caffyns Pensions Scheme.

Our Business
Governance
Financials
Other information

Notes to the Financial Statements continued

for the year ended 31 March 2023

24. Deferred tax

The following are the major deferred tax assets and liabilities recognised and the movements thereon during the current and prior reporting period.

Group and Company	Accelerated tax depreciation £'000	Unrealised capital gains £'000	Retirement benefit obligations £'000	Short-term temporary differences £'000	Recoverable ACT £'000	Total £'000
At 1 April 2021	(925)	(1,572)	1,792	(19)	1,136	412
Change in tax rates and prior year adjustments	(225)	(428)	(39)	45	—	(647)
Utilisation of ACT	—	—	—	—	(599)	(599)
Timing differences	210	216	(303)	163	—	286
Recognised in other comprehensive income	—	—	(750)	—	—	(750)
At 31 March 2022	(940)	(1,784)	700	189	537	(1,298)
At 1 April 2022	**(940)**	**(1,784)**	**700**	**189**	**537**	**(1,298)**
Change in tax rates and prior year adjustments	**(252)**	**—**	**—**	**—**	**280**	**28**
Utilisation of ACT	**—**	**—**	**—**	**—**	**(475)**	**(475)**
Timing differences	**202**	**94**	**(179)**	**(85)**	**—**	**32**
Recognised in other comprehensive income	**—**	**—**	**1,679**	**—**	**—**	**1,679**
At 31 March 2023	**(990)**	**(1,690)**	**2,200**	**104**	**342**	**(34)**

The Finance Act 2021 introduced an increase in the main corporation tax rate to 25% from 1 April 2023.

The Company carries a balance of surplus unrelieved advanced corporation tax ("ACT") which can be utilised to reduce corporation tax payable subject to a restriction of 19% of taxable profits less shadow ACT calculated at 25% of shareholder Ordinary dividends. Shadow ACT has no effect on the corporation tax payable itself but any surplus shadow ACT on dividends must be fully absorbed before surplus unrelieved ACT can be utilised. At the commencement of the financial year under review on 1 April 2023 there was no Shadow ACT outstanding. During the year all Shadow ACT generated by the payment of dividends was fully utilised, which allowed for a further utilisation of the available ACT, leaving the remaining value of surplus ACT available for utilisation in future periods at 31 March 2023 of £342,000 (2022: £537,000).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and it is considered that this requirement is fulfilled. The offset amounts are as follows:

	2023 £'000	2022 £'000
Deferred tax liabilities	**(2,680)**	(2,724)
Deferred tax assets	**2,646**	1,426
At 31 March	**(34)**	(1,298)

The unrealised capital gains include deferred tax on gains recognised on revaluing the land and buildings in 1995 and where potentially taxable gains arising from the sale of properties have been rolled over into replacement assets. Such tax would become payable only if such properties were sold without it being possible to claim rollover relief.

There were no trading losses available for use in future periods (2022: £Nil).

25. Called-up share capital

Group and Company	2023 £'000	2022 £'000
Authorised		
500,000 7% Cumulative First Preference shares of £1 each	**500**	500
1,250,000 11% Cumulative Preference shares of £1 each	**1,250**	1,250
3,000,000 6% Cumulative Second Preference shares of 10 pence each	**300**	300
4,000,000 Ordinary shares of 50 pence each	**2,000**	2,000
At 31 March	**4,050**	4,050
Allotted, called up and fully paid		
170,732 7% Cumulative First Preference shares of £1 each	**171**	171
441,401 11% Cumulative Preference shares of £1 each	**441**	441
2,000,000 6% Cumulative Second Preference shares of 10 pence each	**200**	200
Total preference shares recognised as a financial liability (see note below)	**812**	812
2,879,298 Ordinary shares of 50 pence each	**1,439**	1,439
At 31 March	**2,251**	2,251

At 1 April 2022, the Company held 2,879,298 Ordinary shares with 183,796 shares held in treasury. During the year, 841 of these shares were utilised for options exercised under the 2020 SAYE scheme. Shares held in treasury at 31 March 2023 were 182,955. In the prior year, 126 treasury shares were utilised under the 2020 SAYE scheme. The remaining treasury shares are held to fulfil the requirements of the current, and any future, Company Save As You Earn schemes for eligible employees. The market value of these shares at 31 March 2023 was £1.0 million (2022: £1.0 million). Dividend income from, and voting rights on, the shares held in treasury have been waived.

The 7% Cumulative First Preference shares have rights to a fixed dividend and, in the event of a winding-up, a priority to the Ordinary shares for a capital repayment. The shares do not have voting rights.

The 11% Cumulative Preference shares have rights to a fixed dividend and, in the event of a winding-up, a priority to the Ordinary shares for a capital repayment. The shares do not have voting rights.

The 6% Cumulative Second Preference shares continue to have voting rights (one vote per Second Preference share) except in relation to matters which under the Listing Rules, as amended from time to time, are required to be voted on only by premium-listed securities, being the Ordinary shares.

Although the Articles of Association of the Company give the directors discretion to pay the preference dividend only if they consider there are adequate profits, such dividends are cumulative. For this reason, the directors consider that the preference shares have the characteristic of a financial liability rather than equity, and consequently the preference shares are included as a non-current liability. None of the preference shares have rights of conversion or rights to capital repayment.

Notes to the Financial Statements continued

for the year ended 31 March 2023

26. Share-based payments

Year of grant	Exercise price	Exercise date	Number at 1 April 2021	Issued	Cancelled	Number at 31 March 2022
2020	£3.06	February 2024	101,926	(126)	(7,475)	94,325

Year of grant	Exercise price	Exercise date	Number at 1 April 2022	Issued	Lapsed	Number at 31 March 2023
2020	£3.06	February 2024	**94,325**	**(841)**	**(15,415)**	**78,069**

All grants made under the Company's Save As You Earn ("SAYE") schemes are for periods of three years and vest in Ordinary shares. The market value of the shares at the date of the grant of the 2020 Save As You Earn scheme options was £3.85.

The fair value of the grants made under the SAYE scheme is charged to the Income Statement over the vesting period based on the valuation derived from an adjusted Black-Scholes model. The volatility factor for movements in the Company's share price used in the valuation model was estimated at 65%.

The total expense included within operating profit relating to share-based payments for the year was £46,000 (2022: £53,000), with an associated tax credit to the Income Statement and Equity of £9,000 (2022: £10,000).

27. Notes to the cash flow statement

Group and Company	**2023 £'000**	2022 £'000
Profit before tax for the year	**3,090**	4,385
Adjustments for net finance expense	**1,751**	1,282
	4,841	5,667
Adjustments for:		
Depreciation of property, plant and equipment, investment properties and right-of-use assets	**2,128**	2,022
Cash payments into the defined benefit pension scheme	**(800)**	(1,781)
Loss on disposal of property, plant and equipment	**—**	—
Share-based payments	**46**	53
Operating cash flows before movements in working capital	**6,215**	5,961
(Increase)/decrease in inventories	**(12,444)**	9,016
Increase in receivables	**(1,857)**	(94)
Increase/(decrease) in payables	**14,296**	(9,911)
Cash generated by operations	**6,210**	4,972
Tax paid, net of refunds	**(320)**	(503)
Interest paid	**(1,653)**	(1,079)
Net cash derived from operating activities	**4,237**	3,390

All interest payments are treated as operating cash movements as they arise from movements in working capital.

Reconciliation of debt

Group and Company:	Bank loans £'000	Revolving credit facilities £'000	Lease liabilities £'000	Preference shares £'000	Liabilities arising from financing activities £'000	Bank and cash balances £'000	Net debt £'000
At 1 April 2021	8,062	8,000	1,278	812	18,152	(5,735)	12,417
Cash movement	(875)	(2,000)	(539)	—	(3,414)	2,976	(438)
Non-cash movement	—	—	1,191	—	1,191	—	1,191
At 31 March 2022	7,187	6,000	1,930	812	15,929	(2,759)	13,170
Current liabilities	875	1,000	495	—	2,370	(2,759)	(389)
Non-current liabilities	6,312	5,000	1,435	812	13,559	—	13,559
At 31 March 2022	7,187	6,000	1,930	812	15,929	(2,759)	13,170
At 1 April 2022	**7,187**	**6,000**	**1,930**	**812**	**15,929**	**(2,759)**	**13,170**
Cash movement	**(875)**	**—**	**(576)**	**—**	**(1,451)**	**(1,467)**	**(2,918)**
Non-cash movement	**—**	**—**	**1,360**	**—**	**1,360**	**—**	**1,360**
At 31 March 2023	**6,312**	**6,000**	**2,714**	**812**	**15,838**	**(4,226)**	**11,612**
Current liabilities	**875**	**1,000**	**511**	**—**	**2,386**	**(4,226)**	**(1,840)**
Non-current liabilities	**5,437**	**5,000**	**2,203**	**812**	**13,452**	**—**	**13,452**
At 31 March 2023	**6,312**	**6,000**	**2,714**	**812**	**15,838**	**(4,226)**	**11,612**

Non-cash movements in lease liabilities relate to an extension in the year of one existing lease and one new lease that was entered into during the year.

28. Related parties

The remuneration of directors, who are key management personnel, is set out in note 5 for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 27 to 39.

The 2,000,000 6% Cumulative Second Preference shares have full voting rights along with the Ordinary shares, except in relation to matters which under the Listing Rules, as amended from time to time, are required to be voted on only by premium-listed securities, being the Ordinary shares. These Cumulative Second Preference shares are beneficially owned by Caffyn Family Holdings Limited ("Holdings"). Mr S G M Caffyn and Ms S J Caffyn are directors of Holdings. The whole of the issued share capital of Holdings is held by close relatives of those directors. Holdings controls directly 42.6% (2022: 42.6%) of the voting rights of Caffyns plc. The directors and shareholders of Holdings are also beneficial holders of 502,605 (2022: 542,481) Ordinary shares in Caffyns plc representing a further 10.7% (2022: 11.6%) of the voting rights. It is therefore considered that the Caffyn family is the ultimate controlling party. As required under the Stock Exchange Listing Rules, the Company entered into a Relationship Agreement with Holdings on 6 November 2014 whereby Holdings undertakes to the Company that it shall exercise its voting rights and shall exercise all its powers to ensure, so far as it is properly able to do so, that its associates shall exercise their respective voting rights and exercise all their respective powers to ensure, to the extent that they are able by the exercise of such rights to procure, that:

a) transactions and arrangements between any member of the Company and Holdings (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

b) neither Holdings nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and

c) neither Holdings nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Directors of the Company and their immediate relatives control 13.2% (2022: 14.3%) of the issued Ordinary share capital of the Company. Dividends of £34,000 were paid to directors in the year (2022: £11,000).

Notes to the Financial Statements continued

for the year ended 31 March 2023

28. Related parties continued

Caffyns Pension Scheme

Details of contributions are disclosed in note 23.

The Caffyns Pension Scheme held the following investments in the Company:

	Fair value 2023 £'000	2022 £'000
Shares held:		
125,570 (2022: 125,570) Ordinary shares of 50 pence each	659	691
12,862 (2022: 12,862) 11% Cumulative Preference shares of £1 each	20	20
At 31 March	**679**	711

During the year to 31 March 2023, the Company paid management fees of £417,000 (2022: £338,000) on behalf of the Caffyns Pension Scheme. These costs comprised the Pension Protection Fund levy, actuarial advisory fees and external administration fees.

29. Leases as a lessor

The Group's interest in leases

At 31 March 2023, the Company had an interest in a single lease. The total future minimum lease receipts payable are:

Group and Company	2023 £'000	2022 £'000
Within one year	185	185
In two to three years	185	185
In three to four years	78	185
In four to five years	–	78
Beyond five years	–	–
	448	633

The finance income on the net investment in the lease was £17,000 (2022: £12,000).

Group and Company	2023 £'000	2022 £'000
Gross undiscounted cash flows	448	633
Unearned finance income	(59)	(76)
Net investment in lease	**389**	557

The Group as lessor – operating leases

The Company's gross property rental income earned during the year from the direct lease of three (2022: three) investment properties owned by the Group was £307,000 (2022: £336,000). No contingent rents were recognised in income (2022: £Nil).

At 31 March 2023 there were contracts for land and buildings with tenants for the following lease rentals receivable:

Group and Company	2023 £'000	2022 £'000
Within one year	297	265
In two to three years	237	251
In three to four years	209	238
In four to five years	209	209
Beyond five years	1,153	1,361
	2,105	2,324

30. Capital commitments

Neither the Group nor the Company had any capital commitments at 31 March 2023 (2022: £Nil).

31. Critical accounting judgements and estimates when applying the Company's accounting policies

Judgements and estimates 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 in applying the Company's accounting policies are listed below.

Retirement benefit obligation

The Company has a defined benefit pension scheme. The obligations under this scheme are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets and mortality rates. These assumptions vary from time to time depending on prevailing economic conditions. Details of the assumptions used are provided in note 23. At 31 March 2023, the net liability of the scheme included in the Statement of Financial Position was £8.8 million (2022: £2.8 million).

Impairment

The carrying value of property, plant and equipment and goodwill are tested annually for impairment as described in notes 11, 12, 13 and 15. For the purposes of the annual impairment testing, the directors recognise Cash Generating Units (CGUs) to be those assets attributable to an individual dealership, which represents the smallest group of assets which generate cash inflows that are independent from other assets or CGUs. The recoverable amount of each CGU is based on the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell of each CGU is based upon the market value of any property contained within it and is determined by an independent valuer, and its value in use is determined through discounting future cash inflows (as described in detail in note 15). As a result of this review, the directors considered that no impairments were required to the carrying value of its property assets (2022: no impairments) (see notes 11, 12, 13 and 15).

Surplus ACT recoverable

The Company carries a balance of surplus unrelieved advanced corporation tax ("ACT") which can be utilised to reduce corporation tax payable subject to a restriction to 19% of taxable profits less shadow ACT calculated at 25% of dividends. Uncertainty arises due to the estimation of future levels of profitability, levels of dividends payable and the reversal of deferred tax liabilities in respect of accelerated capital allowances and on unrealised capital gains. For example, a reduction in the Company's profitability could result in a delay in the utilisation of surplus unrelieved ACT. However, based on the Company's current projections, the directors have a reasonable expectation that the surplus ACT will be fully relieved against future corporation tax liabilities by 31 March 2025.

Five Year Review

unaudited

	2019 £'000	2020 £'000	2021 £'000	2022 £'000	**2023 £'000**
Income Statement					
Revenue	209,246	195,787	165,085	223,928	**251,426**
Underlying operating profit	2,626	1,633	3,142	5,690	**4,827**
Finance expense	(1,181)	(1,382)	(1,266)	(1,116)	**(1,687)**
Underlying profit before tax	1,445	251	1,876	4,574	**3,140**
Non-underlying items	(1,873)	(148)	(452)	(189)	**(50)**
Profit/(loss) before tax	(428)	103	1,424	4,385	**3,090**
Profit/(loss) after tax	(566)	(252)	1,410	2,999	**2,524**
EBITDA	3,982	3,428	5,124	7,712	**6,955**
Basic earnings/(deficit) per Ordinary share	(21.0)p	(9.4)p	52.4p	111.3p	**93.6p**
Underlying earnings/(deficit) per Ordinary share	35.3p	(4.9)p	66.0p	117.0p	**95.1p**
Dividend per Ordinary share payable in respect of the year	22.50p	7.50p	0.00p	2.50p	**22.50p**
As at year-end					
Shareholders' funds	27,975	26,380	27,586	34,731	**31,662**
Property, plant and equipment*	47,394	46,835	45,375	46,621	**45,676**
Bank overdrafts and loans (net)	13,592	16,241	10,327	10,428	**8,086**
Bank overdrafts and loans/shareholders' funds (gearing)	49%	62%	37%	30%	**26%**
Retirement benefit liability	8,576	9,434	9,434	2,797	**8,799**

* Represents property, plant and equipment and investment properties

Our Dealerships

	AUDI	
	BRIGHTON:	200 Dyke Road, Brighton BN1 5AT (01273 553061)
	EASTBOURNE:	Edward Road, Eastbourne BN23 8AS (01323 525700)
	WORTHING:	Roundstone Lane, Worthing BN16 4BD (01903 231111)
Get More	**MG**	
	ASHFORD:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504620)
CUPRA	**CUPRA**	
	TUNBRIDGE WELLS:	North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 515700)
LOTUS	**LOTUS**	
	KENT:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504630)
	SUSSEX:	Brooks Road, Lewes, BN7 2DN (01903 444148)
SEAT	**SEAT**	
	TUNBRIDGE WELLS:	North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 515700)
SKODA	**SKODA**	
	ASHFORD:	The Boulevard, Ashford TN24 0GA (01233 504600)
	TUNBRIDGE WELLS:	North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 515700)
	VAUXHALL	
	ASHFORD:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504604)
	VOLKSWAGEN	
	BRIGHTON:	Victoria Road, Portslade BN41 1YD (01273 425600)
	EASTBOURNE:	Lottbridge Drove, Eastbourne BN23 6PW (01323 647141)
	HAYWARDS HEATH:	Market Place, Haywards Heath RH16 1DB (01444 451511)
	WORTHING:	Nightingale Avenue, Worthing BN12 6FH (01903 837878)
VOLVO	**VOLVO**	
	EASTBOURNE:	Lottbridge Drove, Eastbourne BN23 6PJ (01323 418300)
	WORTHING:	Palatine Road, Worthing BN12 6JH (01903 507124)
CAFFYNS MOTORSTORE	**MOTORSTORE**	
	ASHFORD:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504624)
	LEWES:	Brooks Road, Lewes BN7 2DN (01903 444148)
CAFFYNS	**HEAD OFFICE**	
	EASTBOURNE:	Meads Road, Eastbourne BN20 7DR (01323 730201

Caffyns plc

Meads Road
Eastbourne
East Sussex
BN20 7DR

www.caffyns.co.uk