Caffyns plc

Interim Report for the six months ended
30 September 2023

Contents

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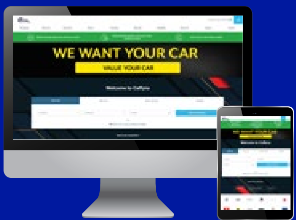

Results at a Glance

Summary

	Half year to 30 September 2023 £'000	Half year to 30 September 2022 £'000
Revenue	**134,252**	118,992
Profit before tax	**44**	1,558
Underlying EBITDA (see note 1 below)	**2,564**	3,283
Underlying profit before tax (see note 1 below)	**259**	1,566
	Pence	Pence
Underlying basic earnings per share	**7.1**	47.3
Basic earnings per share	**1.1**	47.0
Interim dividend per Ordinary share	**5.0**	7.5

Note 1: Underlying results exclude items that have non-trading attributes due to their size, nature or incidence. Non-underlying items for the period totalled £0.22 million (2022: £0.01 million) and are detailed in Note 4 to these condensed consolidated financial statements. Underlying EBITDA of £2.5 million (2022: £3.3 million) represents Operating profit before non-underlying items of £1.5 million (2022: £2.2 million) and Depreciation and Amortisation of £1.0 million (2022: £1.1 million).

Financial and Operational Review

- Underlying profit before tax of £0.26 million (2022: £1.57 million)
- Profit before tax of £0.04 million (2022: £1.56 million)
- Like-for-like revenue increase of 13% (see note 2 below)
- Underlying basic earnings per share of 7.1 pence (2022: 47.3 pence)
- Basic earnings per share of 1.1 pence (2022: 47.0 pence)
- Interim ordinary dividend declared of 5.0 pence (2022: 7.5 pence)
- Net bank borrowings at 30 September 2023 of £9.5 million (2022: £9.5 million)

Note 2: Like-for-like comparisons exclude the impact of the Lotus business at Lewes, as this dealership did not trade for the full six-month period in the previous financial period and the LEVC dealership in Eastbourne, which was closed in March 2023. All other businesses operated throughout both the whole of the current and prior six-month periods.

Simon Caffyn, Chief Executive, commented:

"Revenue growth enabled us to maintain gross profits despite a challenging economic background and significant pressures on used car profitability. Inflationary pressures on costs remain elevated, particularly for funding charges and energy costs, significantly impacting overall profitability. In time, the levels of both these costs are expected to fall back, although short-term pressures will remain."

Interim Management Report

Summary

The underlying profit before tax of £0.3 million for the half year ended 30 September 2023 ("the period") is a significant reduction on the £1.6 million profit reported last year. While our profit performance from new cars and aftersales in the period has been satisfactory, we experienced a significant reduction in used car profitability, compounded by scarcity of supply of appropriately priced, one-to-four year old cars. Customer demand for such cars has remained robust, despite the challenging economic backdrop. Taken together, total gross margins generated in the period fell by just £0.2 million, or 1%. However, inflationary pressures on costs remained elevated and, in particular, funding charges and energy costs alone increased by £0.9 million in the period. In time, the levels of both these costs are expected to fall back, although short-term pressures will remain.

Revenue for the period increased by 13% to £134.3 million (2022: £119.0 million), primarily due to improved levels of new car sales as supply constraints from our manufacturers eased.

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

The Company's defined-benefit pension scheme deficit, calculated in accordance with the requirements of IAS 19 Pensions, showed an increase of £0.7 million from the March 2023 year-end to £9.5 million at 30 September 2023. Financial returns on investments were slightly lower than had been expected, which resulted in the widening of the deficit in the period.

Profit before tax for the period was £44,000 (2022: £1,557,000) with basic earnings per share of 1.1 pence (2022: 47.0 pence). Underlying basic earnings per share were 7.1 pence (2022: 47.3 pence).

The Company has declared an interim dividend of 5.0 pence per Ordinary share, reflecting the performance for the period and the board's confidence in the prospects for the Company.

Operating review

New and used cars

Our new car deliveries rose by 23% on a like-for-like basis from the prior year period. Nationally, the Society of Motor Manufacturers and Traders reported a 21% increase in total new car registrations but only a 3% increase in the retail and small business market segment in which we primarily operate. We are pleased that the majority of our brands performed ahead of the UK market.

Our used car sales volumes for the period fell by 4% on a like-for-like basis. Demand remained buoyant as customers looked for used car purchases due to the lack of availability of new cars but the supply of appropriately-priced used cars remained challenging. We are putting in place actions to enhance our supply of used cars and to increase margin retention. Increasing the efficiency of our procurement processes is expected to enable management to improve our sales performance in the second half.

Aftersales

Our aftersales revenues rose by 5% in the period on a like-for-like basis despite the recruitment of vehicle technicians remaining challenging and adversely affecting throughput levels. We continued to realise improvements to our customer retention processes.

Operations

During this period, we have seen some manufacturers move to agency distribution models away from the traditional wholesale agreements. In June, Volvo moved to an agency arrangement and, after an initial transitional period, the new system is performing in line with expectations. Under this model, the manufacturer transacts with the customer for the sale of new cars whilst we retain the handover process as an agent, for which we receive a fee. Of our other brands, CUPRA and Skoda have already moved their electric models to this agency arrangement and Volkswagen and Audi brands are scheduled to transition in the coming months.

As mentioned above, we are putting in place actions to increase our supply of used cars and to enhance margin retention. We increasingly use market-driven data to secure better quality used cars with higher expected margins and faster selling times. Semi-automated systems will speed this process and improve the efficiency of the procurement of used cars enabling sales management to target a better sales performance in the second half.

We have just completed the refurbishment of our Volvo dealership in Worthing, providing much improved showroom and aftersales facilities. In Tunbridge Wells we have refurbished and enlarged our showroom to enable the addition of the CUPRA franchise.

Property

Capital expenditure in the period was £1.8 million (2022: £0.6 million) and included assets in the course of construction of £1.2 million (2022: £0.3 million), primarily being a redevelopment of the Company's Volvo premises in Worthing.

We operate primarily from freehold sites and our property portfolio provides additional stability to our business model. Annually, we obtain an independent assessment of the values of our freehold properties against their carrying value in our accounts and had an unrecognised surplus to carrying value of £11.5 million at 31 March 2023, our last financial year-end. The board does not consider there to have been any material movement in the value of the Company's freehold properties since the year-end.

The board continues to evaluate opportunities for our freehold premises in Lewes and no sale is expected to complete for at least a twelve-month period. Currently, the main showroom is being utilised for our Lotus Sussex operation, while the side showroom and workshop are let to third-party tenants.

Interim Management Report continued

Pensions

The Company's defined-benefit pension scheme started the period with a net deficit of £8.8 million. The board has little control over the key assumptions in the valuation calculations as required by accounting standards and the size and nature of the Scheme's underlying assets and liabilities means that the deficit can be subject to significant change. The actuary's estimate of the deficit increased by £0.7 million to £9.5 million at 30 September 2023 (2022: £1.5 million). Net of deferred tax, the net deficit at 30 September 2023 was £7.0 million (2022: £1.1 million).

During the period, the net present value of the Scheme's future pension liabilities fell by £5.5 million due to a combination of the payment of £2.2 million of pensions and changes to assumptions on future mortality and discount rates. However, this reduction was less than the fall in the value of the Scheme's assets, producing an overall widening of the net deficit position by £0.7 million.

The pension cost under IAS 19 Pensions is recognised in the Condensed Consolidated Statement of Financial Performance and continues to be charged as a non-underlying cost, amounting to £215,000 (2022: £46,000).

As the Scheme is in deficit, the Company has in place a recovery plan which has been agreed with the trustees, and which was last updated in May 2021. During the period, the Company made cash payments into the Scheme of £0.4 million (2022: £0.4 million). These payments increase by a minimum of 2.25% per annum.

Bank and other funding facilities

The Company has banking facilities with HSBC, which comprise a term loan of £5.6 million, originally of £7.5 million, and a revolving-credit facility of £6.0 million, both of which will become renewable in April 2026. HSBC also provides an overdraft facility of £3.5 million, renewable annually. In addition, there is an overdraft facility of £4.0 million provided by Volkswagen Bank, renewable annually, together with a term loan of £0.3 million, originally of £5.0 million, which is repayable over the period to March 2024.

The Company was cash generative during the period with £1.0 million (2022: £2.2 million) generated from operating activities. Working capital levels remained broadly unchanged in the period, as in the prior period. The primary cash outflows in the period were from capital expenditure, dividends and lease payments.

Bank borrowings, net of cash balances, at 30 September 2023 were £9.5 million (2022: £9.5 million), up from £8.1 million at 31 March 2023. As a proportion of shareholders' funds, bank borrowings, net of cash balances, were 31% at 30 September 2023 (2022: 26%).

During the period, the Company received a loan of £350,000 from a manufacturer partner under their dealership development assistance programme. The loan is repayable over a five-year period.

Taxation

The tax charge for the period has been based on an estimation of the effective tax rate on profits for the full financial year of 31% (2022: 19%). The current year effective tax rate is greater than the standard rate of corporation tax in force for the year of 25% due to certain items that are disallowable for corporation tax.

Payments of corporation tax in the period, net of refunds, were £28,000 (2022: £196,000).

At 30 September 2023, the Company recognised a deferred tax asset on the Statement of Financial Position of £0.2 million (2022: deferred tax liability of £1.8 million).

People

The response from everyone in the Company to inflationary pressures and other marketplace challenges is commendable and the board would like to express its gratitude to them for their hard work and professional application. The efforts of our operational and support teams to continue to improve our efficiency will be instrumental in our ability to deliver a stronger second half performance.

Dividend

Despite the uncertainty that remains over the outlook for the UK economy and the effect on used car profitability in our second quarter, the board remains confident in the prospects of the Company and has, therefore, declared an interim dividend of 5.0 pence per Ordinary share (2022: 7.5 pence per Ordinary share). This will be paid on 12 January 2024 to shareholders on the register at close of business on 15 December 2023. The Ordinary shares will be marked ex-dividend on 14 December 2023.

Strategy

Our continuing strategy is to focus on representing premium and premium volume franchises as well as maximising opportunities for used cars and aftersales service, with an emphasis on delivering the highest quality of customer experience. We recognise that we operate in a rapidly changing environment and carefully monitor the appropriateness of this strategy, while also seeking new opportunities to invest in the future growth of the business.

We concentrate on stronger market areas so as to deliver higher returns from fewer but larger sites. We are focusing on delivering performance improvement, particularly in our used car and aftersales operations.

Current trading and outlook

Our forward-order bank for new cars is strong with improved levels of supply and we are targeting an improved used car performance in the second half. However, the high level of economic and political uncertainty, both in the UK and abroad, is a concern. Given these uncertainties, the board remains cautious for the second half of the financial year.

Our balance sheet is appropriately funded, and our freehold property portfolio is a source of great stability. We continue to enhance our online presence, as well as improving our productivity and increasing the resilience of the business. We remain confident in the longer-term prospects for the Company and are ready to explore future business opportunities as they arise.

Simon G M Caffyn
Chief Executive
30 November 2023

Condensed Consolidated Statement of Financial Performance

for the half year ended 30 September 2023

	Note	**Unaudited Half year to 30 September 2023 Total £'000**	Unaudited Half year to 30 September 2022 Total £'000	Audited Year ended 31 March 2023 Total £'000
Revenue		**134,252**	118,992	251,426
Cost of sales		**(118,262)**	(102,839)	(217,844)
Gross profit		**15,990**	16,153	33,582
Operating expenses		**(14,641)**	(14,088)	(29,085)
Operating profit before other income		**1,349**	2,065	4,497
Other income (net)	3	**153**	189	344
Operating profit		**1,502**	2,254	4,841
Operating profit before non-underlying items		**1,513**	2,227	4,827
Non-underlying items within operating profit	4	**(11)**	27	14
Operating profit		**1,502**	2,254	4,841
Net finance expense	5	**(1,254)**	(661)	(1,687)
Non-underlying net finance expense on pension scheme	4	**(204)**	(35)	(64)
Net finance expense		**(1,458)**	(696)	(1,751)
Profit before taxation		**44**	1,558	3,090
Profit before tax and non-underlying items		**259**	1,566	3,140
Non-underlying items within operating profit	4	**(11)**	27	14
Non-underlying net finance expense on pension scheme	4	**(204)**	(35)	(64)
Profit before taxation		**44**	1,558	3,090
Taxation	6	**(14)**	(290)	(566)
Profit for the period		**30**	1,268	2,524
Earnings per share				
Basic	7	**1.1p**	47.0p	93.6p
Diluted	7	**1.1p**	46.4p	92.4p
Non-GAAP measure				
Underlying basic earnings per share	7	**7.1p**	47.3p	95.1p
Underlying diluted earnings per share	7	**7.0p**	46.6p	93.9p

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 September 2023

	Note	**Unaudited Half year to 30 September 2023 £'000**	Unaudited Half year to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Profit for the period		**30**	1,268	2,524
Items that will never be reclassified to profit and loss:				
Remeasurement of net pension scheme obligation	12	**(872)**	958	(6,715)
Deferred tax on remeasurement of pension scheme obligation		**218**	(239)	1,679
Other comprehensive (expense)/income, net of tax		**(654)**	719	(5,036)
Total comprehensive (expense)/income for the period		**(624)**	1,987	(2,512)

Condensed Consolidated Statement of Financial Position

at 30 September 2023

	Note	Unaudited 30 September 2023 £'000	Unaudited 30 September 2022 £'000	Audited 31 March 2023 £'000
Non-current assets				
Right-of-use assets	9	**2,148**	1,241	2,348
Property, plant and equipment	9	**39,121**	38,796	38,145
Investment properties	10	**7,474**	7,588	7,531
Interest in lease		**145**	306	225
Goodwill		**286**	286	286
Deferred tax asset		**171**	–	–
Total non-current assets		**49,345**	48,217	48,535
Current assets				
Inventories		**38,950**	32,937	39,989
Trade and other receivables		**6,903**	6,138	7,121
Interest in lease		**162**	167	164
Current tax recoverable		**–**	–	–
Cash and cash equivalents		**2,739**	3,214	4,226
Total current assets		**48,754**	42,456	51,500
Total assets		**98,099**	90,673	100,035
Current liabilities				
Interest-bearing overdrafts, loans and borrowings		**1,695**	1,875	1,875
Trade and other payables		**42,485**	35,781	43,674
Lease liabilities		**422**	289	511
Current tax payable		**–**	76	28
Total current liabilities		**44,602**	38,021	46,088
Net current assets		**4,152**	4,435	5,412
Non-current liabilities				
Interest-bearing loans and borrowings		**10,530**	10,875	10,437
Lease liabilities		**2,039**	1,394	2,203
Preference shares	11	**812**	812	812
Pension scheme obligation	12	**9,461**	1,482	8,799
Deferred tax liability		**–**	1,751	34
Total non-current liabilities		**22,842**	16,314	22,285
Total liabilities		**67,444**	54,335	68,373
Net assets		**30,655**	36,338	31,662
Shareholders' equity				
Ordinary share capital		**1,439**	1,439	1,439
Share premium		**272**	272	272
Capital redemption reserve		**707**	707	707
Non-distributable reserve		**1,724**	1,724	1,724
Retained earnings		**26,513**	32,196	27,520
Total equity		**30,655**	36,338	31,662

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 September 2023 (unaudited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2023						
Total comprehensive expense	**1,439**	**272**	**707**	**1,724**	**27,520**	**31,662**
Profit for the period	**–**	**–**	**–**	**–**	**30**	**30**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(654)**	**(654)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(624)**	**(624)**
Transactions with owners:						
Dividends					**(404)**	**(404)**
Share-based payment	**–**	**–**	**–**	**–**	**21**	**21**
At 30 September 2023 (unaudited)	**1,439**	**272**	**707**	**1,724**	**26,513**	**30,655**

for the half year ended 30 September 2022 (unaudited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022	1,439	272	707	1,724	30,589	34,731
Total comprehensive income						
Profit for the period	–	–	–	–	1,268	1,268
Other comprehensive income	–	–	–	–	719	719
Total comprehensive income for the period					1,987	1,987
Transactions with owners:						
Dividends	–	–	–	–	(404)	(404)
Share-based payment	–	–	–	–	24	24
At 30 September 2022 (unaudited)	**1,439**	**272**	**707**	**1,724**	**32,196**	**36,338**

Condensed Consolidated Statement of Changes in Equity continued

for the year ended 31 March 2023 (audited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2022	1,439	272	707	1,724	30,589	34,731
Total comprehensive 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 (audited)	**1,439**	**272**	**707**	**1,724**	**27,520**	**31,662**

Condensed Consolidated Cash Flow Statement

for the half year ended 30 September 2023

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Cash flows from operating activities			
Profit before taxation	**44**	1,558	3,090
Adjustments for:			
Net finance expense and pension scheme service cost	**1,458**	696	1,751
Depreciation of property, plant and equipment, investment properties and right-of-use assets	**1,035**	1,056	2,128
Cash payments into the defined-benefit pension scheme	**(425)**	(403)	(800)
Loss on disposal of property, plant and equipment	**–**	–	–
Share-based payments	**21**	24	46
Decrease/(increase) in inventories	**535**	(5,391)	(12,444)
Decrease/(increase) in receivables	**218**	(875)	(1,857)
(Decrease)/increase in payables	**(676)**	6,367	14,296
Cash generated from operations	**2,210**	3,032	6,210
Net tax paid	**(28)**	(196)	(320)
Interest paid	**(1,201)**	(645)	(1,653)
Net cash generated from operating activities	**981**	2,191	4,237
Investing activities			
Proceeds generated on disposal of property, plant and equipment	**–**	–	1
Purchases of property, plant and equipment	**(1,754)**	(717)	(902)
Receipt from investment in lease	**93**	93	185
Net cash used in investing activities	**(1,661)**	(624)	(716)
Financing activities			
Manufacturer development loan advanced	**350**	–	–
Secured loans repaid	**(437)**	(437)	(875)
Issue of shares – SAYE scheme	**–**	–	3
Dividends paid	**(404)**	(404)	(606)
Repayment of lease liabilities	**(316)**	(271)	(576)
Net cash used in financing activities	**(807)**	(1,112)	(2,054)
Net (decrease)/increase in cash and cash equivalents	**(1,487)**	455	1,467
Cash and cash equivalents at beginning of period	**4,226**	2,759	2,759
Cash and cash equivalents at end of period	**2,739**	3,214	4,226

Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 September 2023

1. General Information

Caffyns plc is a company domiciled in the United Kingdom. The address of the registered office is Meads Road, Eastbourne, East Sussex BN20 7DR.

These condensed consolidated financial statements for the half year to 30 September 2023 and similarly for the half year to 30 September 2022 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 March 2023.

The comparative financial information for the year ended 31 March 2023 in these condensed consolidated financial statements does not constitute statutory accounts for that year. The statutory accounts for 31 March 2023 have been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

These condensed consolidated financial statements have been reviewed by the Company's auditor and a copy of their review report is set out at the end of these statements.

These consolidated interim financial statements were approved by the directors on 30 November 2023.

2. Accounting Policies

The annual financial statements of Caffyns plc are prepared in accordance with UK-adopted International Accounting Standards. The set of condensed consolidated financial statements included in this half-yearly financial report has been prepared in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting'. As required by the disclosure guidance and transparency rules of the Financial Conduct Authority, this set of condensed consolidated financial statements has been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31 March 2023.

Segmental reporting

Based upon the management information reported to the Group's chief operating decision maker, the Chief Executive, in the opinion of the directors, the Group only has one reportable segment. There are no major customers amounting to 10% or more of the Group's revenue. All revenue and non-current assets derive from, or are based in, the United Kingdom.

2. Accounting Policies (continued)

Basis of preparation: Going concern

These condensed consolidated 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 in excess of one year from the date of approval of this Interim Report. This has focused primarily on the achievement of the Company's banking covenants.

Under the Company's first covenant test, it is required to make underlying earnings before bank interest, depreciation and amortisation ("senior EBITDA") for a rolling twelve-month period which is at least four times the level of interest payable on bank borrowings to HSBC and Volkswagen Bank ("senior interest"). In November 2023, the multiple set for future tests of this covenant was reduced from four to a multiple of three.

The Company's second covenant test requires total bank borrowings to HSBC and Volkswagen Bank not to exceed 375% of senior EBITDA for a rolling twelve-month period.

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.

These covenant tests are conducted biannually in March and September and all tests were passed for the period under review.

In the coming twelve months, each of the three covenant tests must be passed at 31 March 2024 and 30 September 2024, with the test on 30 September 2024 being the final test to be carried out within the twelve-month period from the anniversary of the signing of these condensed consolidated financial statements. The Company has modelled this period and conclude that there is headroom that would allow for an approximate 6% reduction in expected new and used units over this period. External market commentary provided by the Society of Motor Manufacturers and Traders ("SMMT") for the 2023 calendar indicate that new car registrations are forecast to show a year-on-year increase of 17% to 1.89 million, followed by a further 4% increase for the 2024 calendar year to 1.97 million registrations as global supply chain pressures ease, allowing manufacturing levels to rise. The used car market has remained stable over the five years from 2015 to 2019, at between 7.6 and 8.2 million transactions and dropped by only 15% in 2020 due to the effects of the covid-19 pandemic, compared to a comparable 29% fall in new car registrations. As social-distancing regulations were eased in 2021, demand for used cars was buoyant and transactions grew by 12% in the calendar year, before falling back by 9% in 2022 to 6.9 million transactions. However, the continuing shortage in new car supply has assisted the used car market and is expected to continue to do so and indications for the quarters so far available for 2023 is that the used market will regain what it lost in 2022, returning the number of market transactions to that seen in 2021. While the Company's overall financial results in the period were disappointing, margin generation remained robust and the current new car order take held for future delivery remains at elevated levels.

Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2023

2. 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 and bank overdraft and medium-term revolving credit facilities and term loans. At 30 September 2023, the medium-term banking facilities included a term loan with an outstanding balance of £5.6 million and a revolving credit facility of £6.0 million from HSBC, its primary bankers, with both facilities being renewable in April 2026. HSBC also make available a short-term overdraft facility of £3.5 million, which is renewed annually in August. At 30 September 2023, £4.5 million of these facilities was undrawn. The Company also has a ten-year term loan from Volkswagen Bank with a balance outstanding at 30 September 2023 of £0.25 million, which is repayable to March 2024, and a short-term revolving credit facility of £4.0 million, which is renewed annually in October. At 30 September 2023, £3.0 million of these facilities was undrawn. 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.

The directors have a reasonable expectation that the Company has adequate resources and headroom against its covenant tests to be able to continue in operational existence for the foreseeable future and for at least twelve months from the date of approval of this Interim Report. For those reasons, they continue to adopt the going concern basis in preparing these condensed consolidated financial statements.

Non-underlying items

Non-underlying items are those items that are unusual because of their size, nature or incidence. Management considers 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 and property impairment charges are 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 is presented as a non-underlying item due to the inability of management to influence the underlying assumptions from which the charge is derived. The defined benefit pension scheme is closed to future accrual.

All other activities are treated as underlying.

3. Other Income (Net)

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Rent receivable	**153**	151	307
Liquidation distribution received	**–**	38	37
Loss on disposal of tangible fixed assets	**–**	–	–
Total other income	**153**	189	344

4. Non-Underlying Items

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Other income:			
Liquidation distribution received	**–**	38	37
Net loss on disposal of property, plant and equipment	**–**	–	–
Within operating expenses:			
Service cost on pension scheme	**(11)**	(11)	(23)
Total non-underlying items within operating profit	**(11)**	27	14
Net finance expense on pension scheme	**(204)**	(35)	(64)
Total non-underlying items within profit before taxation	**(215)**	(8)	(50)

During the previous financial period the Company received a final distribution from the liquidator to MG Rover Group Limited.

Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2023

5. Net Finance Expense

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited year to 31 March 2023 £'000
Interest in lease interest receivable	**(10)**	(8)	(17)
Interest receivable on cash deposits	**(17)**	–	–
Interest payable on bank borrowings	**450**	245	621
Interest payable on inventory stocking loans	**687**	312	856
Interest on lease liabilities	**63**	24	51
Financing costs amortised	**45**	52	104
Preference dividends	**36**	36	72
Finance expense	**1,254**	661	1,687

6. Taxation

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited year to 31 March 2023 £'000
Current UK corporation tax			
Charge for the period	**–**	76	152
Adjustments recognised in the period for current tax of prior periods	**–**	–	–
Total current tax charge	**–**	76	152
Deferred tax			
Origination and reversal of timing differences	**39**	209	442
Change in corporation tax rate	**–**	–	10
Adjustments recognised in the period for deferred tax of prior periods	**(25)**	5	(38)
Total deferred tax charge	**14**	214	414
Total tax charged in the Income Statement	**14**	290	566

6. Taxation (continued)

The tax charge arises as follows:

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited year to 31 March 2023 £'000
On normal trading	68	291	576
Non-underlying items	(54)	(1)	(10)
Total tax charge	14	290	566

Taxation of trading items for the half year has been provided at an effective rate of taxation of 31% (2022: 19%) expected to apply to the full year. This effective rate is higher than the standard rate of corporation tax in force of 25% due to certain items that are deemed disallowable for corporation tax.

7. Earnings Per Share

The calculation of 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 period. 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.

Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2023

7. Earnings Per Share (continued)

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

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited year to 31 March 2023 £'000
Basic			
Profit after tax for the period	**30**	1,268	2,524
Basic earnings per share	**1.1p**	47.0p	93.6p
Diluted earnings per share	**1.1p**	46.4p	92.4p
Underlying			
Profit before tax	**44**	1,558	3,090
Adjustment: Non-underlying items (note 4)	**215**	8	50
Underlying profit for the period	**259**	1,566	3,140
Taxation on normal trading (note 6)	**(68)**	(291)	(576)
Underlying earnings	**191**	1,275	2,564
Underlying basic earnings per share	**7.1p**	47.3p	95.1p
Underlying diluted earnings per share	**7.0p**	46.6p	93.9p

The number of fully paid Ordinary shares in issue at the period-end was 2,879,298 (2022: 2,879,298). Excluding the shares held for treasury, the weighted average shares in issue for the purposes of the earnings per share calculation were 2,696,485 (2022: 2,695,586).

The shares granted under the Company's current SAYE scheme for the period, and for the year ended 31 March 2022, are dilutive. The weighted average number of shares in issue for the purposes of the diluted earnings per share calculation were 2,730,331 (2022: 2,732,604).

The directors consider that underlying earnings per share figures provide a better measure of comparative performance.

8. Dividends

Ordinary shares of 50 pence each

An interim dividend of 5.0 pence per Ordinary share has been declared and will be paid to shareholders on 12 January 2024 to those shareholders on the register at the close of business on 15 December 2023. The Ordinary shares will be marked ex-dividend on 14 December 2023. An interim dividend of 7.5 pence per Ordinary share was declared in respect of the half-year ended 30 September 2022 and a final dividend of 15.0 pence per Ordinary share was declared in respect of the year ended 31 March 2023.

Preference shares

Preference dividends were paid in October 2023. The next preference dividends are payable in April 2024. The cost of the preference dividends has been included within finance costs.

9. Property, Plant and Equipment and Right-of-Use Assets

The following is a reconciliation of changes in the balances of Property, plant and equipment and Right-of-Use assets.

Property, plant and equipment

	Unaudited Half year to 30 September 2023 £'000
Property, plant and equipment at 1 April 2023	38,145
Less: Depreciation charges	(778)
Less: Net book value of disposals	–
Add: Purchases	1,754
Property plant and equipment at 30 September 2023	39,121

Purchases in the period included assets in the course of construction of £1,233,000 (2022: £301,000).

Right-of-use assets

	Unaudited Half year to 30 September 2023 £'000
Right-of-use assets at 1 April 2023	2,348
Less: Amortisation of right-of-use assets	(200)
Right-of-use assets at 30 September 2023	2,148

Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2023

10. Investment Properties

The following is a reconciliation of changes in the balances of investment properties.

Investment properties

	Unaudited Half year to 30 September 2023 £'000
Investment properties at 1 April 2023	**7,531**
Less: Depreciation charges	**(57)**
Investment properties at 30 September 2023	**7,474**

11. Loans and Borrowings

	Bank and other 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 2023 (audited)	6,312	6,000	2,714	812	15,838	(4,226)	11,612
Cash movement	(87)	–	(316)	–	(403)	1,487	1,084
Non-cash movement	–	–	63	–	63	–	63
At 30 September 2023 (unaudited)	**6,225**	**6,000**	**2,461**	**812**	**15,498**	**(2,739)**	**12,759**
Current liabilities/(assets)	1,695	–	422	–	2,117	(2,739)	(622)
Non-current liabilities	4,530	6,000	2,039	812	13,381	–	13,381
At 30 September 2023	**6,225**	**6,000**	**2,461**	**812**	**15,498**	**(2,739)**	**12,759**

12. Pensions

The pension scheme deficit reflects a defined benefit obligation that has been updated to reflect its valuation as at 30 September 2023. This has been calculated by a qualified actuary using a consistent valuation method to that which was adopted in the audited financial statements for the year ended 31 March 2023 and in the period to 30 September 2022, and which complies with the accounting requirements of IAS 19 Pensions (revised).

The net liability for defined benefit obligations increased from £8,799,000 at 31 March 2023 to £9,461,000 at 30 September 2023. The increase of £662,000 comprised the net charge to the Condensed Consolidated Statement of Financial Performance of £215,000, a net adverse remeasurement adjustment debited to the Condensed Consolidated Statement of Comprehensive Income of £872,000 reduced by employer contributions of £425,000.

Asset values fell in the period, by £6,138,000, including divestments to pay pension transfers and benefits in the period of £2,217,000. The net present value of pension liabilities also fell, by £5,476,000, due to the combination of pensions settled in the period and an increase in the rate applied to discount the Scheme's liabilities from 4.75% at 31 March 2023 to 5.55% at 30 September 2023. The assumption on future CPI inflation also increased from 2.95% applied at 31 March 2023 to 3.00% at 30 September 2023.

13. Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The board believes these risks and uncertainties to be consistent with those disclosed in our latest Annual Report, including the effect of increasing interest base rates on the UK economy and their impact on the Group's defined benefit pension scheme, liquidity and financing, the Group's dependency on its manufacturers and their stability and ability to supply new car product, used car prices and regulatory compliance.

14. Capital Commitments

At 30 September 2023, the Company had capital commitments of £0.6 million (2022: £Nil), primarily in relation to the redevelopment of its Volvo premises in Worthing.

Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2023

15. Responsibility Statement

We confirm that to the best of our knowledge:

a. these condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';

b. these condensed consolidated financial statements include a fair review of the information required by DTR 4.2.7R of the disclosure guidance and transparency rules (indication of important events during the first six months and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year); and

c. the Half Year Report includes a fair review of the information required by DTR 4.2.8R of the disclosure and guidance transparency rules (disclosure of related parties' transactions and changes therein).

By order of the board

S G M Caffyn
Chief Executive

M Warren
Finance Director

30 November 2023

Independent Review Report to Caffyns plc

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK-adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Independent Review Report to Caffyns plc

continued

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Stephen Le Bas
BDO LLP
Chartered Accountants
Southampton, UK

30 November 2023

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

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)
MG		
	ASHFORD:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504620)
CUPRA		
	TUNBRIDGE WELLS:	North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 515700)
LOTUS		
	KENT:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504630)
	SUSSEX:	Brooks Road, Lewes, BN7 2DN (01903 444148)
SEAT		
	TUNBRIDGE WELLS:	North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 515700)
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		
	EASTBOURNE:	Lottbridge Drove, Eastbourne BN23 6PJ (01323 418300)
	WORTHING:	Palatine Road, Worthing BN12 6JH (01903 507124)
MOTORSTORE		
	ASHFORD:	Monument Way, Orbital Park, Ashford TN24 0HB (01233 504624)
	LEWES:	Brooks Road, Lewes BN7 2DN (01903 444148)
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