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## Caffyns plc

Interim Report for the six months ended  
30 September 2022



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# Results at a Glance

## Summary

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000
Revenue	118,992	110,785
Profit before tax	1,558	2,295
Underlying EBITDA (see note 1 below)	3,283	3,950
Underlying profit before tax (see note 1 below)	1,566	2,396
	Pence	Pence
Underlying basic earnings per share	47.3	73.0
Basic earnings per share	47.0	69.9
Interim dividend per Ordinary share	7.5	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 £0.01 million (2021: £0.10 million) and are detailed in Note 4 to these condensed consolidated financial statements. Underlying EBITDA of £3.28 million (2021: £3.95 million) represents Operating profit before non-underlying items of £2.22 million (2021: £2.97 million) and Depreciation and Amortisation of £1.06 million (2021: £0.98 million).

## Financial and Operational Review

- Underlying profit before tax of £1.6 million (2021: £2.4 million)
- Profit before tax of £1.6 million (2021: £2.3 million)
- Total revenue increase of 7% and like-for-like revenue increase of 4% (see note 2 below)
- Underlying basic earnings per share of 47.3 pence (2021: 73.0 pence)
- Basic earnings per share of 47.0 pence (2021: 69.9 pence)
- Interim ordinary dividend declared of 7.5 pence (2021: 7.5 pence)
- Net bank borrowings at 30 September 2022 of £9.5 million (2021: £8.7 million)

Note 2: Like-for-like comparisons exclude the impact of the Lotus and MG businesses at Ashford and the Lotus business in Lewes, as these businesses did not trade for the full six-month period in either the current or previous financial periods. All other businesses operated throughout both the whole of the current and prior six-month periods.

Simon Caffyn, Chief Executive, commented:



**The underlying profit before tax of £1.6 million is a strong result considering the ongoing disruption to new car supply and current economic challenges. We have a substantial new car order book and used car sales continue to perform well.**



# Interim Management Report

## Summary

I am pleased to report a strong underlying profit before tax of £1.6 million for the half-year ended 30 September 2022 (“the period”). Whilst this is less than the £2.4 million recorded for the comparative period in 2021, the prior period was positively impacted by the post-covid reopening of showrooms in April 2021 and from the holiday from business rates for retail premises. Trading in the period, especially for used cars, has been robust. However, new car supply for the majority of the manufacturers we represent remained muted due to the continuing effects of the global shortage in semiconductors and battery components restraining manufacturers’ production levels. We expect this shortage to begin to dissipate during the 2023 calendar year.

Revenue for the period increased by 7% to £119.0 million (2021 £110.8 million), primarily due to strong used car prices.

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 a reduction of £1.3 million from 31 March 2022 year-end to £1.5 million at 30 September 2022. Financial markets were in a state of great flux towards the end of the period under review resulting in significant changes in the levels of both assets and liabilities.

The board was pleased that the Scheme weathered these changes well, with the level of the deficit largely unaffected.

Profit before tax for the period was £1.6 million (2021: £2.3 million) with basic earnings per share of 47.0 pence (2021: 69.9 pence). Underlying basic earnings per share were 47.3 pence (2021: 73.0 pence).

The Company is maintaining its interim dividend at 7.5 pence per Ordinary share reflecting the board’s confidence in the prospects for the Company.

## Operating review New and used cars

Our new car deliveries rose by 6% on a like-for-like basis from the prior year period. Nationally, the Society of Motor Manufacturers and Traders reported a 5% reduction in new car registrations in the retail and small business market segment in which we primarily operate. We were, therefore, pleased that the majority of our brands performed ahead of the UK market. Our used car sales volumes for the period fell by 12% 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.

## Aftersales

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

## Operations

Our Audi businesses, in particular, performed very strongly in this challenging period with our other VAG brands all trading ahead of expectations. Our remaining brands, including our Motorstore non-franchise used car operation, all traded satisfactorily.

During the period, we extended our representation with Lotus, opening in Lewes on 1 June 2022 and we now cover both Kent and Sussex for the brand. We are encouraged by the start that the business has made and look forward to deliveries of the new Emira in in the second half of our financial year with the Eletre to follow.

The Government's holiday from business rates for retail premises finished on 1 April 2022, the start of our current financial year. In the comparative prior year period, the benefit from the rates holiday was £0.5 million, and the Company also utilised the Government's Coronavirus Job Retention Scheme, receiving £0.1 million.

## Property

Capital expenditure in the period was £0.6 million (2021: £1.2 million) and included assets in the course of construction of £0.3 million (2021: £0.7 million).

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 £13.3 million at 31 March 2022, 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 whilst the side showroom and workshop are let to third-party tenants.

## Pensions

The Company's defined-benefit pension scheme started the period with a net deficit of £2.8 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. However, the board was pleased to note a further reduction in the assessed level of the deficit at 30 September 2022, to £1.5 million (2021: £4.9 million). Net of deferred tax, the net deficit at 30 September 2022 was £1.1 million (2021: £4.0 million).

In the latter stages of the period financial markets became extremely unsettled, with interest rates and yields on Government gilts significantly increasing. As a result, the net present value of the Scheme's future pension liabilities at 30 September 2022 reduced significantly by £25.6 million. However, this reduction was only slightly greater than the fall in the value of the Scheme's assets, leaving the net deficit position improved by £1.3 million.

## Interim Management Report continued

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 £46,000 (2021: £101,000).

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. 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, 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, originally of £5.0 million, which is repayable over the period to March 2024.

The Company was cash generative during the period with £2.2 million (2021: £2.7 million) generated from operating activities. Working capital levels remained broadly unchanged in the period, compared to an improvement of £1.0 million in the prior period. Both inventories and payables showed a noticeable increase in the period due to a combination of strong used car prices and an easing in the shortage of new cars supplied to the Company by manufacturers under consignment terms.

Bank borrowings, net of cash balances, at 30 September 2022 were £9.5 million (2021: £8.7 million), down from £10.4 million at 31 March 2022. As a proportion of shareholders' funds, bank borrowings, net of cash balances, were 26% at 30 September 2022 (2021: 27%).

### 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 19% (2021: 20%). The current year effective tax rate is in line with the standard rate of corporation tax in force for the year of 19%.

Payments of corporation tax in the period, net of refunds, were £0.2 million (2021: £0.3 million).

At 30 September 2022 the Company recognised a deferred tax liability on the Statement of Financial Position of £1.8 million (2021: £0.4 million).

### People

The response from everyone in the Company to the covid-19 pandemic and to other marketplace challenges continues to be outstanding 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 was instrumental in our ability to deliver another strong performance.

## Dividend

Despite the uncertainty that remains over the outlook for the UK economy and the ongoing supply chain issues the industry is facing, the board remains confident in the prospects of the Company and has therefore declared an unchanged interim dividend of 7.5 pence per Ordinary share (2021: 7.5 pence per Ordinary share). This will be paid on 9 January 2023 to shareholders on the register at close of business on 9 December 2022. The Ordinary shares will be marked ex-dividend on 8 December 2022.

## Strategy

Our continuing strategy is to focus on representing premium and premium-volume franchises as well as maximising opportunities for premium used cars, 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 whilst also seeking new opportunities to invest in the future growth of the business.

We concentrate on stronger markets so as to deliver higher returns from fewer but larger sites. We continue to seek to deliver performance improvement, in particular in our used car and aftersales operations.

## Current trading and outlook

Customer demand for used cars remains buoyant and our forward-order bank for new cars is at an elevated level, which is especially encouraging for 2023 when it is hoped that new car availability will improve. However, in the short-term, new cars are expected to remain in short supply, and the high level of economic uncertainty, including the price and availability of energy over the winter months, 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 substantial 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  
24 November 2022

# Condensed Consolidated Statement of Financial Performance

for the half year ended 30 September 2022

		<b>Unaudited Half year to 30 September 2022 Total £'000</b>	Unaudited Half year to 30 September 2021 Total £'000	Audited Year ended 31 March 2022 Total £'000
	Note			
<b>Revenue</b>		<b>118,992</b>	110,785	223,928
Cost of sales		<b>(102,839)</b>	(95,058)	(191,982)
<b>Gross profit</b>		<b>16,153</b>	15,727	31,946
Operating expenses		<b>(14,088)</b>	(13,036)	(26,669)
<b>Operating profit before other income</b>		<b>2,065</b>	2,691	5,277
Other income (net)	3	<b>189</b>	259	390
Operating profit		<b>2,254</b>	2,950	5,667
Operating profit before non-underlying items		<b>2,227</b>	2,966	5,690
Non-underlying items within operating profit	4	<b>27</b>	(16)	(23)
<b>Operating profit</b>		<b>2,254</b>	2,950	5,667
Net finance expense	5	<b>(661)</b>	(570)	(1,116)
Non-underlying net finance expense on pension scheme	4	<b>(35)</b>	(85)	(166)
Net finance expense		<b>(696)</b>	(655)	(1,282)
Profit before taxation		<b>1,558</b>	2,295	4,385
Profit before tax and non-underlying items		<b>1,566</b>	2,396	4,574
Non-underlying items within operating profit	4	<b>27</b>	(16)	(23)
Non-underlying net finance expense on pension scheme	4	<b>(35)</b>	(85)	(166)
<b>Profit before taxation</b>		<b>1,558</b>	2,295	4,385
Taxation	6	<b>(290)</b>	(410)	(1,386)
<b>Profit for the period</b>		<b>1,268</b>	1,885	2,999
<b>Earnings per share</b>				
Basic	7	<b>47.0p</b>	69.9p	111.3p
Diluted	7	<b>46.4p</b>	69.0p	109.6p
<b>Non-GAAP measure</b>				
Underlying basic earnings per share	7	<b>47.3p</b>	73.0p	117.0p
Underlying diluted earnings per share	7	<b>46.6p</b>	72.0p	115.2p

# Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 September 2022

		<b>Unaudited Half year to 30 September 2022 £'000</b>	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
	Note			
<b>Profit for the period</b>		<b>1,268</b>	1,885	2,999
<b>Items that will never be reclassified to profit and loss:</b>				
Remeasurement of net pension scheme obligation	12	<b>958</b>	3,224	5,045
Deferred tax on remeasurement of pension scheme obligation		<b>(239)</b>	(612)	(1,261)
Effect of change in deferred tax rate		<b>–</b>	–	511
<b>Other comprehensive income, net of tax</b>		<b>719</b>	2,612	4,295
<b>Total comprehensive income for the period</b>		<b>1,987</b>	4,497	7,294

# Condensed Consolidated Statement of Financial Position

at 30 September 2022

		Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
	Note			
<b>Non-current assets</b>				
Right-of-use assets	9	1,241	550	1,413
Property, plant and equipment	9	38,796	38,060	38,975
Investment properties	10	7,588	7,703	7,646
Interest in lease		306	473	389
Goodwill		286	286	286
<b>Total non-current assets</b>		<b>48,217</b>	47,072	48,709
<b>Current assets</b>				
Inventories		32,937	27,703	27,546
Trade and other receivables		6,138	4,003	5,264
Interest in lease		167	171	168
Current tax recoverable		–	–	40
Cash and cash equivalents		3,214	4,958	2,759
<b>Total current assets</b>		<b>42,456</b>	36,835	35,777
<b>Total assets</b>		<b>90,673</b>	83,907	84,486
<b>Current liabilities</b>				
Interest-bearing overdrafts, loans and borrowings		1,875	1,875	1,875
Trade and other payables		35,781	30,735	29,495
Lease liabilities		289	434	496
Current tax payable		76	165	236
<b>Total current liabilities</b>		<b>38,021</b>	33,209	32,102
<b>Net current assets</b>		<b>4,435</b>	3,626	3,675
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		10,875	11,750	11,312
Lease liabilities		1,394	695	1,434
Preference shares		812	812	812
Pension scheme obligation	12	1,482	4,920	2,797
Deferred tax liability		1,751	411	1,298
<b>Total non-current liabilities</b>		<b>16,314</b>	18,588	17,653
<b>Total liabilities</b>		<b>54,335</b>	51,797	49,755
<b>Net assets</b>		<b>36,338</b>	32,110	34,731
<b>Shareholders' equity</b>				
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		32,196	27,968	30,589
<b>Total equity</b>		<b>36,338</b>	32,110	34,731

# Condensed Consolidated Statement of Changes in Equity

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
<b>At 1 April 2022</b>						
<b>Total comprehensive income</b>	<b>1,439</b>	<b>272</b>	<b>707</b>	<b>1,724</b>	<b>30,589</b>	<b>34,731</b>
Profit for the period	-	-	-	-	1,268	1,268
Other comprehensive income	-	-	-	-	719	719
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,987</b>	<b>1,987</b>
Transactions with owners:						
Dividends					(404)	(404)
Share-based payment	-	-	-	-	24	24
<b>At 30 September 2022 (unaudited)</b>	<b>1,439</b>	<b>272</b>	<b>707</b>	<b>1,724</b>	<b>32,196</b>	<b>36,338</b>

for the half year ended 30 September 2021 (unaudited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2021</b>	1,439	272	707	1,724	23,444	27,586
<b>Total comprehensive income</b>						
Profit for the period	-	-	-	-	1,885	1,885
Other comprehensive income	-	-	-	-	2,612	2,612
<b>Total comprehensive income for the period</b>					4,497	4,497
Transactions with owners:						
Share-based payment	-	-	-	-	27	27
<b>At 30 September 2021 (unaudited)</b>	<b>1,439</b>	<b>272</b>	<b>707</b>	<b>1,724</b>	<b>27,968</b>	<b>32,110</b>

## Condensed Consolidated Statement of Changes in Equity *continued*

for the year ended 31 March 2022 (audited)

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

# Condensed Consolidated Cash Flow Statement

for the half year ended 30 September 2022

	Unaudited Half year to 30 September 2022 £'000	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation	1,558	2,295	4,385
Adjustments for:			
Net finance expense and pension scheme service cost	696	655	1,282
Depreciation of property, plant and equipment, investment properties and right-of-use assets	1,056	984	2,022
Cash payments into the defined-benefit pension scheme	(403)	(1,391)	(1,781)
Loss on disposal of property, plant and equipment	–	–	–
Share-based payments	24	27	53
(Increase)/decrease in inventories	(5,391)	8,859	9,016
(Increase)/decrease in receivables	(875)	1,069	(94)
Increase/(decrease) in payables	6,367	(8,881)	(9,911)
Cash generated from operations	3,032	3,617	4,972
Net tax paid	(196)	(307)	(503)
Interest paid	(645)	(562)	(1,079)
Net cash generated from operating activities	2,191	2,748	3,390
<b>Investing activities</b>			
Proceeds generated on disposal of property, plant and equipment	–	–	–
Purchases of property, plant and equipment	(717)	(913)	(2,837)
Receipt from investment in lease	93	93	185
Net cash used in investing activities	(624)	(820)	(2,652)
<b>Financing activities</b>			
Bank revolving-credit facility repaid	–	(2,000)	(2,000)
Secured loans repaid	(437)	(437)	(875)
Bank refinancing arrangement fees	–	–	(98)
Issue of shares – SAYE scheme	–	–	–
Dividends paid	(404)	–	(202)
Repayment of lease liabilities	(271)	(268)	(539)
Net cash used in financing activities	(1,112)	(2,705)	(3,714)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>455</b>	<b>(777)</b>	<b>(2,976)</b>
Cash and cash equivalents at beginning of period	2,759	5,735	5,735
<b>Cash and cash equivalents at end of period</b>	<b>3,214</b>	<b>4,958</b>	<b>2,759</b>

# Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 September 2022

## 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 2022 and similarly for the half year to 30 September 2021 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 2022.

The comparative financial information for the year ended 31 March 2022 in these condensed consolidated financial statements does not constitute statutory accounts for that year. The statutory accounts for 31 March 2022 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 24 November 2022.

## 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 2022.

### 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 the rolling twelve-month period to each calendar quarter end, which is at least four times the level of interest payable on bank borrowings to HSBC and Volkswagen Bank ("senior interest").

The Company's second covenant test requires total bank borrowings to HSBC and Volkswagen Bank at each calendar quarter end not to exceed 375% of senior EBITDA for the rolling twelve-month period to the end of that calendar quarter.

The Company's final covenant test requires that the level of its bank borrowings each calendar quarter end do not exceed 70% of the independently assessed value of its charged freehold properties.

These covenant tests are conducted quarterly 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 December 2022, 31 March 2023, 30 June 2023 and 30 September 2023, with the test on 30 September 2023 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 concludes that there is headroom that would allow for an approximate 8% 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 2022 calendar year indicates that new car registrations are forecast to show a year-on-year reduction of 3% to 1.6 million, followed by an 18% increase into 2023 to 1.9 million registrations as global shortages in semiconductors 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. The continuing shortage in new car supply has assisted the used car market and is expected to continue to do so. The Company's financial results in the period were 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 2022

## 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 2022, the medium-term banking facilities included a term loan with an outstanding balance of £6.0 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 makes available a short-term overdraft facility of £3.5 million, which is renewed annually in August. At 30 September 2022, £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 2022 of £0.8 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 2022, £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)

	<b>Unaudited Half year to 30 September 2022 £'000</b>	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
Rent receivable	151	205	336
Local Government covid-19 support grants	–	54	54
Liquidation distribution received	38	–	–
Loss on disposal of tangible fixed assets	–	–	–
<b>Total other income</b>	<b>189</b>	259	390

### 4. Non-Underlying Items

	<b>Unaudited Half year to 30 September 2022 £'000</b>	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
Other income:			
Liquidation distribution received	38	–	–
Net loss on disposal of property, plant and equipment	–	–	–
Within operating expenses:			
Service cost on pension scheme	(11)	(16)	(23)
<b>Total non-underlying items within operating profit</b>	<b>27</b>	(16)	(23)
Net finance expense on pension scheme	(35)	(85)	(166)
<b>Total non-underlying items within profit before taxation</b>	<b>(8)</b>	(101)	(189)

During the 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 2022

## 5. Net Finance Expense

	Unaudited Half year to 30 September 2022 £'000	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
Interest in lease interest receivable	(8)	(5)	(12)
Interest payable on bank borrowings	245	156	297
Interest payable on inventory stocking loans	312	306	581
Interest on lease liabilities	24	14	37
Financing costs amortised	52	63	141
Preference dividends	36	36	72
Finance expense	661	570	1,116

## 6. Taxation

	Unaudited Half year to 30 September 2022 £'000	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
<b>Current UK corporation tax</b>			
Charge for the period	76	239	432
Adjustments recognised in the period for current tax of prior periods	–	(40)	(5)
Total current tax charge	76	199	427
<b>Deferred tax</b>			
Origination and reversal of timing differences	209	211	312
Change in corporation tax rate	–	–	647
Adjustments recognised in the period for deferred tax of prior periods	5	–	–
Total deferred tax charge	214	211	959
Total tax charged in the Income Statement	290	410	1,386

## 6. Taxation (continued)

The tax charge arises as follows:

	<b>Unaudited Half year to 30 September 2022 £'000</b>	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
On normal trading	291	429	1,422
Non-underlying items	(1)	(19)	(36)
<b>Total tax charge</b>	<b>290</b>	410	1,386

Taxation of trading items for the half year has been provided at the current rate of taxation of 19% (2021: 20%) expected to apply to the full year. This effective rate is the same as the standard rate of corporation tax in force of 19%.

## 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 2022

## 7. Earnings Per Share (continued)

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

	<b>Unaudited Half year to 30 September 2022 £'000</b>	Unaudited Half year to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
<b>Basic</b>			
Profit after tax for the period	<b>1,268</b>	1,885	2,999
Basic earnings per share	<b>47.0p</b>	69.9p	111.3p
Diluted earnings per share	<b>46.4p</b>	69.0p	109.6p
<b>Underlying</b>			
Profit before tax	<b>1,558</b>	2,295	4,385
Adjustment: Non-underlying items (note 4)	<b>8</b>	101	189
Underlying profit for the period	<b>1,566</b>	2,396	4,574
Taxation on normal trading (note 6)	<b>(291)</b>	(429)	(1,422)
Underlying earnings	<b>1,275</b>	1,967	3,152
Underlying basic earnings per share	<b>47.3p</b>	73.0p	117.0p
Underlying diluted earnings per share	<b>46.6p</b>	72.0p	115.2p

The number of fully paid ordinary shares in issue at the period end was 2,879,298 (2021: 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 2,695,586 (2021: 2,695,376).

The shares granted under the Company's current SAYE scheme for the period, and for the year ended 31 March 2021, are dilutive. The weighted average number of shares in issue for the purposes of the diluted earnings per share calculation were 2,732,604 (2021: 2,733,587).

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

## 8. Dividends

### Ordinary shares of 50p each

An interim dividend of 7.5 pence per Ordinary share has been declared and will be paid to shareholders on 9 January 2023 to those shareholders on the register at the close of business on 9 December 2022. The Ordinary shares will be marked ex-dividend on 8 December 2022. An interim dividend of 7.5 pence per Ordinary share was declared in respect of the half-year ended 30 September 2021 and a final dividend of 15.00 pence per Ordinary share was declared in respect of the year ended 31 March 2022.

### Preference shares

Preference dividends were paid in October 2022. The next preference dividends are payable in April 2023. 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 2022 £'000
Property, plant and equipment at 1 April 2022	38,975
Less: Depreciation charges	(826)
Less: Net book value of disposals	–
Add: Purchases	647
Property, plant and equipment at 30 September 2022	38,796

Purchases in the period included assets in the course of construction of £301,000 (2021: £663,000). In the prior year, £295,000 of the assets in the course of construction had been invoiced but not settled.

### Right-of-use assets:

	Unaudited Half year to 30 September 2022 £'000
Right-of-use assets at 1 April 2022	1,413
Less: Amortisation of right-of-use assets	(172)
Right-of-use assets at 30 September 2022	1,241

# Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2022

## 10. Investment Properties

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

	Unaudited Half year to 30 September 2022 £'000
Investment properties:	
Investment properties at 1 April 2022	7,646
Less: Depreciation charges	(58)
Investment properties at 30 September 2022	7,588

## 11. Loans and Borrowings

	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 2022 (audited)	7,187	6,000	1,930	812	15,929	(2,759)	13,170
Cash movement	(437)	–	(271)	–	(708)	(455)	(1,163)
Non-cash movement	–	–	24	–	24	–	24
<b>At 30 September 2022 (unaudited)</b>	<b>6,750</b>	<b>6,000</b>	<b>1,683</b>	<b>812</b>	<b>15,245</b>	<b>(3,214)</b>	<b>12,031</b>
Current liabilities/(assets)	1,875	–	289	–	2,164	(3,214)	(1,050)
Non-current liabilities	4,875	6,000	1,394	812	13,081	–	13,081
<b>At 30 September 2022</b>	<b>6,750</b>	<b>6,000</b>	<b>1,683</b>	<b>812</b>	<b>15,245</b>	<b>(3,214)</b>	<b>12,031</b>

## 12. Pensions

The pension scheme deficit reflects a defined benefit obligation that has been updated to reflect its valuation as at 30 September 2022. 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 2022 and in the period to 30 September 2021, and which complies with the accounting requirements of IAS 19 Pensions (revised).

The net liability for defined benefit obligations decreased from £2,797,000 at 31 March 2022 to £1,482,000 at 30 September 2022. The reduction of £1,315,000 comprised the net charge to the Condensed Consolidated Statement of Financial Performance of £46,000, a net remeasurement surplus credited to the Condensed Consolidated Statement of Comprehensive Income of £958,000 and contributions of £403,000.

Asset values fell significantly in the period, by £24,235,000, including divestments to pay pension transfers and benefits in the period of £2,133,000. The net present value of pension liabilities also fell, by £25,550,000, due to an increase in the rate applied to discount the Scheme's liabilities from 2.65% at 31 March 2022 to 5.15% at 30 September 2022. The assumption on future CPI inflation assumption rate remained unchanged from 31 March 2022 at 3.30%.

## 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 2022, the Company had no capital commitments (2021: £0.9 million). The commitments in the prior period related to the redevelopment of a dealership premises.

# Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2022

## 15. Contingent Liabilities

Since 2015, the Company has been named as co-defendant in a number of legal actions that have been initiated against certain of the vehicle manufacturers which it represents. These actions contend that customers have been unfairly treated as a result of their vehicles having been fitted with software which is suggested by the claimant law firms to have operated such that when the vehicles were experiencing test conditions, the emission levels of nitrogen oxides (“NOx”) were affected. The vehicles remain safe and roadworthy.

These claims on behalf of multiple claimants, arising out of or in relation to their purchase or acquisition on finance of a vehicle affected by the NOx issue, have been brought against a number of Jaguar Land Rover, Vauxhall, Volkswagen Audi, SEAT and Skoda group entities and dealers, including the Company. The Company has been named as a defendant on a number of claim forms alleging fraudulent misrepresentation, breach of contract, breach of statutory duty, breach of the Consumer Credit Act 1974 and a breach of the Consumer Protection from Unfair Trading Regulations 2008, although not all of these causes of action are being brought against the Company specifically.

In all cases brought to date, the relevant vehicle manufacturers listed above have agreed to indemnify the Company for the reasonable legal costs of defending the litigation and any damages and adverse legal costs that Caffyns may be liable to pay to the claimants as a result of these legal actions. The possibility, therefore, of an economic cost to the Company resulting from the defence of these legal actions is remote.

At present, no timetable can be determined for the resolution of these continuing cases and the relevant issues of liability, loss and causation have not yet been decided. It is therefore too early to assess reliably the merit of any claim and so we cannot confirm that any future outflow of resources is probable.

Accordingly, no provision for liability has been made in these condensed consolidated financial statements.

## 16. 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

24 November 2022

# 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 2022 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 2022 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.

## 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 statements 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  
24 November 2022

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







## Shareholder Notes

## Our Dealerships



### AUDI

BRIGHTON:  
EASTBOURNE:  
WORTHING:

200 Dyke Road, Brighton, BN1 5AT (01273 553061)  
Edward Road, Eastbourne, BN23 8AS (01323 525700)  
Roundstone Lane, Worthing, BN16 4BD (01903 231111)



### MG

ASHFORD:

Monument Way, Orbital Park, Ashford, TN24 0HB (01233 504620)



### LEVC

EASTBOURNE:

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### LOTUS

KENT:  
SUSSEX:

Monument Way, Orbital Park, Ashford, TN24 0HB (01233 504630)  
Brooks Road, Lewes, BN7 2DN (01903 444148)



### SEAT

TUNBRIDGE WELLS:

North Farm Industrial Estate, Tunbridge Wells, TN2 3EL (01892 515700)



ŠKODA

### SKODA

ASHFORD:  
TUNBRIDGE WELLS:

The Boulevard, Ashford, TN24 0GA (01233 504600)  
North Farm Industrial Estate, Tunbridge Wells, TN2 3EL (01892 515700)



### VAUXHALL

ASHFORD:

Monument Way, Orbital Park, Ashford, TN24 0HB (01233 504604)



### VOLKSWAGEN

BRIGHTON:  
EASTBOURNE:  
HAYWARDS HEATH:  
WORTHING:

Victoria Road, Portslade, BN41 1YD (01273 425600)  
Lottbridge Drove, Eastbourne, BN23 6PW (01323 647141)  
Market Place, Haywards Heath, RH16 1DN (01444 451511)  
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V O L V O

### VOLVO

EASTBOURNE:  
WORTHING:

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Palatine Road, Worthing, BN12 6JH (01903 507124)



### MOTORSTORE

ASHFORD:

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### HEAD OFFICE

EASTBOURNE:

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