

Caffyns plc

Preliminary Results for the year ended 31 March 2023

Summary

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

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

Overview

- Revenue up 12% to £251.4 million (2022: £223.9 million)
- Like-for-like new car unit deliveries up by 34%
- Like-for-like used car unit sales down by 4%
- Like-for-like aftersales revenues up by 9% to £27.0 million
- Underlying profit before tax of £3.1 million (2022: £4.6 million)
- Final dividend of 15.0 pence per Ordinary share (2022: 15.0 pence per Ordinary share)
- Net bank borrowings at 31 March 2023 were £8.1 million (2022: £10.4 million)
- Property portfolio revaluation at 31 March 2023 showed a reduced surplus to net book value of £11.5 million (2022: £13.3 million) due to a general softening in the property market. This surplus is not recognised in these accounts).

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

Commenting on the results Simon Caffyn, Chief Executive, said: “Underlying profit before tax for the year of £3.1 million, whilst lower than the £4.6 million recorded for the prior year, was a strong result and still remained significantly ahead of that reported in the years running up to the covid-19 pandemic.”

Enquiries:

Caffyns plc

Simon Caffyn, Chief Executive

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Mike Warren, Finance Director

Operational and Business Review

Summary

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

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

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

Statutory profit before tax for the year was £3.1 million (2022: £4.4 million). Basic earnings per share for the year were 93.6 pence (2022: 111.3 pence). Underlying earnings per share for the year were 95.1 pence (2022: 117.0 pence). The Company’s defined benefit pension scheme deficit, calculated in accordance with the requirements of IAS 19 Pensions, increased significantly to £8.8 million at 31 March 2023 (2022: £2.8 million). Although higher interest rates led to significant reductions in the net present value of the Scheme’s liabilities, they also resulted in sharp falls in the value of certain of the Scheme’s investments, and the investment performance during the year was adversely affected by volatile market movements.

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

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

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

Omni-channel retailing

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

Our people

I am very grateful for the dedication of our employees and the effort they applied throughout the year to provide our customers with a first-class experience. As a result of the hard work and professionalism shown by everyone involved, the business remains in a strong position in the competitive retail environment in which we operate and we continue to be an employer of choice in our Kent and Sussex area of operations.

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

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

New and used car sales

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

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

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

Aftersales

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

Operations

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

Our Volvo businesses had a transitional year, with the redevelopment of our Eastbourne business completing in the year and that at Worthing about to commence. The brand continues to reap the benefits of an excellent model range of cars, which are being positively received by customers.

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

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

During the year, we opened an additional business for Lotus, in Lewes, to operate alongside our original Lotus business at Ashford in Kent. The business was constrained from a lack of new car product in the year but deliveries of the Emira began in earnest in March 2023. Lotus' second new model, the Eletre, was launched to much acclaim and, with deliveries expected in the current year, the board remains encouraged with the opportunity for this brand. Trading at Caffyns Motorstore, our used car business in Ashford, remained subdued as the business struggled to source used cars. However, we remain reassured that the concept continues to be well received by our customers, who particularly value the reassurance of the Caffyns brand. A second Performance Motorstore was opened during the year, alongside our Lotus business in Lewes.

Groupwide projects

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

New brands and models

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

Zero-emission vehicle ("ZEV") targets

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

Climate-related emissions

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

Property

We operate primarily from freehold sites, which provides additional stability to our business model. As in previous years, our freehold premises were revalued at the balance sheet date by chartered surveyors CBRE Limited, based on an existing use valuation. The excess of the valuation over net book value of our freehold properties at 31 March 2023 was £11.5 million (2022: £13.3 million). The reduction in the valuation in the year reflected the general softening of the property market. In accordance with our accounting policies, this surplus has not been incorporated into our accounts.

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

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

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

Bank facilities and borrowings

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

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

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

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

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

Taxation

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

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

Pension scheme

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

The Scheme operates with a fiduciary manager and the board, together with the independent pension fund trustees, continues to review options to reduce the cost of operation and its deficit. Actions that could further reduce the risk profile of the assets and more closely match the nature of the Scheme's assets to its liabilities continue to be considered.

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

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

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

Dividend

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

Strategy

Our continuing strategy is to focus on growing our loyal customer base through representing premium and premium-volume franchises, maximising opportunities for premium used cars and delivering an excellent after sales service. We recognise that we operate in a rapidly changing environment and continue to carefully monitor the appropriateness of this strategy. We continue to seek opportunities to invest in the future growth of our business. We are concentrating on business opportunities in stronger markets to deliver higher returns from fewer but bigger sites. We continue to seek to deliver performance improvement, in particular in our used car and aftersales operations, and to enhance both the purchasing and aftersales experience for our customers.

Annual General Meeting

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

Outlook

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

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

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

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

S G M Caffyn

Chief Executive

1 June 2023

Group Income Statement

for the year ended 31 March 2023

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

Group Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Profit for the year		2,524	2,999
Items that will never be reclassified to profit and loss:			
Remeasurement of net defined benefit liability		(6,715)	5,045
Deferred tax on remeasurement	17	1,679	(1,261)
Effect of change in deferred tax rate	17	—	511
Total other comprehensive (expense)/income, net of taxation		(5,036)	4,295
Total comprehensive (expense)/income for the year		(2,512)	7,294

Group Statement of Financial Position

at 31 March 2023

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

Group Statement of Changes in Equity

for the year ended 31 March 2023

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

for the year ended 31 March 2022

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

Group Cash Flow Statement

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net cash inflow from operating activities	18	4,237	3,390
Investing activities			
Proceeds on disposal of property, plant and equipment		1	—
Purchases of property, plant and equipment		(902)	(2,837)
Receipt from investment in lease		185	185
Net cash outflow from investing activities		(716)	(2,652)
Financing activities			
Revolving-credit facility repaid		—	(2,000)
Secured loans repaid		(875)	(875)
Bank refinancing arrangement fees		—	(98)
Issue of shares – SAYE scheme		3	—
Dividends paid		(606)	(202)
Repayment of lease liabilities		(576)	(539)
Net cash outflow from financing activities		(2,054)	(3,714)
Net increase/(decrease) in cash and cash equivalents		1,467	(2,976)
Cash and cash equivalents at beginning of year		2,759	5,735
Cash and cash equivalents at end of year		4,226	2,759

Notes

for the year ended 31 March 2023

1. GENERAL INFORMATION

Caffyns plc is a company domiciled in the United Kingdom. The address of the registered office is Saffrons Rooms, Meads Road, Eastbourne BN20 7DR. The registered number of the Company is 105664.

This financial information has been extracted from the consolidated financial statements which were approved by the directors on 1 June 2023.

2. ACCOUNTING POLICIES

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

Whilst the financial information included in this announcement has been computed in accordance with IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information set out does not constitute the Company's statutory accounts for the year ended 31 March 2023, but is derived from those accounts. Statutory accounts for the year ended 31 March 2022 have been delivered to the Registrar of Companies and those for the year ended 31 March 2023 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

A copy of the annual report for the year ended 31 March 2023 will be available at www.caffynsplc.co.uk and will be posted to shareholders by 10 July 2023.

3. GOING CONCERN

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

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

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

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

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

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

Information concerning the Company's liquidity and financing risk are set out in the financial statements on page 14 and note 21.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

Certain critical accounting estimates in applying the Company's accounting policies are listed below.

Retirement benefit obligation

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

Impairment

The carrying value of property, plant and equipment and goodwill are tested annually for impairment as described in notes 11, 12, 13 and 15. For the purposes of the annual impairment testing, the directors recognise Cash Generating Units (CGUs) to be those assets attributable to an individual dealership, which represents the smallest group of assets which generate cash inflows that are independent from other assets or CGUs. The recoverable amount of each CGU is based on the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell of each CGU is based upon the market value of any property contained within it and is determined by an independent valuer, and its value in use is determined through discounting future cash inflows (as described in detail in note 15). As a result of this review, the directors considered that no impairments were required to the carrying value of its property assets (2022: no impairments) (see notes 11, 12, 13 and 14).

Surplus ACT recoverable

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

5. Non-underlying items

The following amounts have been presented as non-underlying items in these financial statements:

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

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

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

6. Finance expense

	2023 £'000	2022 £'000
Interest payable on bank borrowings	621	297
Interest payable on inventory stocking loans	856	581
Interest on lease liabilities	51	37
Finance costs amortised	104	141
Preference dividends (see note 9)	72	72
Finance income on interest in lease	(17)	(12)
Finance expense	1,687	1,116

7. Tax

	2023 £'000	2022 £'000
Current tax		
UK corporation tax	152	432
Adjustments recognised in the period for current tax of prior periods	—	(5)
Total charge	152	427
Deferred tax (see note 17)		
Origination and reversal of temporary differences	442	312
Change in corporation tax rate	10	647
Adjustments recognised in the period for deferred tax of prior periods	(38)	—
Total charge	414	959
Tax charged in the Income Statement	566	1,386

	2023 £'000	2022 £'000
The tax charge arises as follows:		
On normal trading	576	1,422
On non-underlying items (see note 5)	(10)	(36)
Tax charged in the Income Statement	566	1,386

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

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

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

The total tax charge for the year is made up as follows:

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

Factors affecting the future tax charge

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

8. Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Treasury shares are treated as cancelled for the purposes of this calculation.

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

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

	Underlying		Basic	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Profit before tax	3,090	4,385	3,090	4,385
Adjustments:				
Non-underlying items (note 5)	50	189	—	—
Profit before tax	3,140	4,574	3,090	4,385
Tax (note 7)	(576)	(1,422)	(566)	(1,386)
Profit after tax	2,564	3,152	2,524	2,999
Earnings per share (pence)	95.1p	117.0p	93.6p	111.3p
Diluted earnings per share (pence)	93.9p	115.2p	92.4p	109.6p

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

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

9. Dividends

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

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

10. Right-of-use assets

	£'000
Deemed cost	
At 1 April 2022	2,323
Additions in the year	1,308
At 31 March 2023	3,631
Accumulated depreciation	
At 1 April 2022	910
Depreciation for the year	373
At 31 March 2023	1,283
Net book value	
At 31 March 2023	2,348

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

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

The interest expense on the associated lease liability of £51,000 (2022: £37,000) is disclosed in note 6.

Payments made in the year on the above leases were £391,000 (2022: £353,000).

11. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Plant & machinery £'000	Total £'000
Cost or deemed cost					
At 1 April 2022	42,697	728	5,629	5,076	54,130
Additions at cost	327	—	314	169	810
Disposals	—	—	(448)	(505)	(953)
At 31 March 2023	43,024	728	5,495	4,740	53,987
Accumulated depreciation					
At 1 April 2022	6,729	654	4,368	3,404	15,155
Depreciation charge for the year	673	74	500	393	1,640
Disposals	—	—	(448)	(505)	(953)
At 31 March 2023	7,402	728	4,420	3,292	15,842
Net book value 31 March 2023	35,622	—	1,075	1,448	38,145

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

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

The Company valued its portfolio of freehold premises and investment properties as at 31 March 2023. The valuation was carried out by CBRE Limited, Chartered Surveyors, in accordance with the Royal Institution of Chartered Surveyors valuation – global and professional standards requirements. The valuation is based on existing use value which has been calculated by applying various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites including ground and groundwater contamination. Management are satisfied that this valuation is materially accurate. The excess of the valuation over net book value as at 31 March 2023 of those sites was £11.5 million (2022: £13.3 million). In accordance with the Company's accounting policies, this surplus has not been incorporated into these financial statements.

12. Investment properties

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

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

As described in note 11, the total excess of the valuation of all of the Company's freehold properties over net book value as at 31 March 2023 was £11.5 million (2022: £13.3 million). Investment properties accounted for £0.7 million (2022: £0.8 million) of this surplus.

13. Net investment in lease

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

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

14. Goodwill

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

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

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

Valuation basis

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

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

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

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

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

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

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

Discount rate

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

Terminal growth rate

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

Conclusion

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

Sensitivity to changes in key assumptions

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

15. Inventories

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

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

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

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

16. Trade and other payables

	2023 £'000	2022 £'000
Trade payable	21,810	14,034
Obligations relating to consignment stock	10,229	3,969
Vehicle stocking loans	7,511	7,327
Social security and other taxes	1,204	823
Accruals	2,342	2,732
Deferred income	493	532
Other creditors	85	78
At 31 March 2022	43,674	29,495

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

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

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

The Group utilises vehicle stocking loans to assist with the purchase of certain used car inventory. Facilities are available from both its manufacturer partners and a third-party finance provider and are generally available for a period of 90 days from the date of purchase. These vehicle stocking loans attract interest at a commercial rate.

Interest charges on consignment stocking loans and vehicle stocking loans described above for the year ended 31 March 2023 were £856,000 (2022: £581,000).

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

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

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

17. Deferred tax

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

	Accelerated tax depreciation £'000	Unrealised capital gains £'000	Retirement benefit obligations £'000	Short-term temporary differences £'000	Recoverable ACT £'000	Total £'000
At 1 April 2022	(940)	(1,784)	700	189	537	(1,298)
Change in tax rates and prior year adjustments	(252)	—	—	—	280	28
Utilisation of ACT	—	—	—	—	(475)	(475)
Timing differences	202	94	(179)	(85)	—	32
Recognised in other comprehensive income	—	—	1,679	—	—	1,679
At 31 March 2023	(990)	(1,690)	2,200	104	342	(34)

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

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

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

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

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

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

18. Notes to the cash flow statement

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

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

Reconciliation of debt

Group and Company:	Bank loans £'000	Revolving credit facilities £'000	Lease liabilities £'000	Preference shares £'000	Liabilities arising from financing activities £'000	Bank and cash balances £'000	Net debt £'000
At 1 April 2022	7,187	6,000	1,930	812	15,929	(2,759)	13,170
Cash movement	(875)	—	(576)	—	(1,451)	(1,467)	(2,918)
Non-cash movement	—	—	1,360	—	1,360	—	1,360
At 31 March 2023	6,312	6,000	2,714	812	15,838	(4,226)	11,612
Current liabilities	875	1,000	511	—	2,386	(4,226)	(1,840)
Non-current liabilities	5,437	5,000	2,203	812	13,452	—	13,452
At 31 March 2023	6,312	6,000	2,714	812	15,838	(4,226)	11,612

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