

HALF YEAR REPORT

for the half year ended 30 September 2017

Summary

	6 months to 30 September 2017 £'000	6 months to 30 September 2016 £'000
Revenue	106,504	105,188
Underlying EBITDA	1,817	2,068
Underlying profit before tax	743	1,012
Discontinued operations profit from business disposal before deferred tax expense	-	4,684
Profit before tax (including discontinued businesses)	682	5,492
	Pence	Pence
Underlying basic earnings per share	20.8	30.2
Basic earnings per share (including discontinued businesses)	19.1	164.3
Interim dividend per ordinary share	7.50	7.50

Note: Underlying results exclude items that have non-trading attributes due to their size, nature or incidence. Following a business disposal that occurred in April 2016, the 2016 results have been presented between continuing and discontinued operations. Underlying EBITDA of £1,817,000 (2016: £2,068,000) represents Operating profit before non-underlying items of £1,203,000 (2016: £1,479,000) and Depreciation and amortisation of £614,000 (2016: £589,000).

Financial and operational review

- Underlying profit before tax of £0.74 million (2016: £1.01 million)
- Profit before tax of £0.68 million compared to the prior year profit of £5.49 million which included a £4.68 million gain from a business disposal
- Like-for-like new car unit sales down by 7.4% compared to an 11.7% fall in national retail and small business market segment registrations
- Like-for-like used car unit sales up by 4.6%
- Adjusted basic earnings per share of 20.8 pence (2016: 30.2 pence)
- Basic earnings per share of 19.1 pence (2016: 164.3 pence)
- Net bank borrowings higher at £10.3 million (2016: £5.39 million)
- Interim dividend declared unchanged at 7.50 pence (2016: 7.50 pence)

Simon Caffyn, Chief Executive, commented:

"In a challenging trading environment, we have generated an underlying profit before tax of £0.74 million and finished the period with a stronger than anticipated September performance. It is encouraging for the second half that our manufacturer new car sales targets have been adjusted to take into account the reduced national new car market, providing an increased bonus potential."

Enquiries:

Caffyns plc

Simon Caffyn, Chief Executive
Mike Warren, Finance Director

Tel: 01323 730201

Headland

Francesca Tuckett

Tel: 020 3805 4822

INTERIM MANAGEMENT REPORT

Summary

Revenue from continuing operations increased by 1.3% to £106.5 million (2016: £105.2 million). Turnover from new cars was unchanged from the previous year with a reduction in volume being fully mitigated by an increase in average transaction values. Turnover from used cars and aftersales increased by 2.7% and 3.3% respectively.

The Company operated in a challenging environment in the six months to 30 September 2017:

- Increases in rates of vehicle excise duty were amended from 1 April 2017 which caused some customers to accelerate the timing of their purchases from April 2017 into March 2017. Whilst this benefitted our previous financial year, it resulted in a very slow start to this current financial year with a consequent negative impact on profitability. Looking across a period of the first nine months of the calendar year, turnover and underlying profit before tax increased by 6.2% and 9.8% respectively against the comparative nine-month period in 2016;
- The Government's re-rating of commercial properties was implemented in April 2017 which resulted in an annualised increase in the cost of business property rates to the Company of some £0.25 million; and
- The national backdrop of a declining new car market which showed a year-on-year increase of 6.3% in the first quarter of the calendar year but then fell to a 9.6% decrease over the following two quarters.

Despite these significant challenges we have generated an underlying profit before tax of £0.74 million (2016: £1.01 million) and finished the period with a strong September performance. A key element of our profitability is the bonuses we receive from manufacturers for achieving new car sales targets and it is encouraging for our second half that these targets have been adjusted to take account of the expected reduced national new car market.

Underlying basic earnings per share were 20.8 pence (2016: 30.2 pence).

Profit before tax for the period was £0.68 million with basic earnings per share of 19.1 pence (2016: 164.3 pence). The profit for the previous financial period of £5.49 million included a profit on disposal, net of costs and before tax, of £4.68 million arising from the sale of our Land Rover business in Lewes in April 2016.

The Company continues to operate at low levels of gearing and remains well placed to exploit future business opportunities including the continued expansion of our used car business.

Operating review

New and used cars

New car unit sales were down by 7.4% on a like-for-like basis in the half-year period, which outperformed the 11.7% fall in registrations in the national retail and small business market segment in which we principally operate. Used cars like-for-like unit sales were up 4.6% on the comparative period as our investment in this area of the business continues to yield useful returns. This is an encouraging result in the light of recently released national used car sales figures showing a 1.4% fall. Over a three-year period, the Company has now recorded 30% like-for-like growth in the number of used cars sold and we continue to see this part of the business as providing an opportunity for future growth. We have enhanced our website further to improve our customers' online searching abilities which, in turn, makes for an easier, more enjoyable car-buying experience.

Our performance in the bi-annual registration plate change month of September was pleasing, producing a stronger than anticipated trading performance and a 7% year-on-year growth in the number of new cars sold, despite a 9% weakening in national national registrations in that month.

Aftersales

The number of one to three-year old cars in circulation continues to increase. Historically strong sales of both new and used cars has meant our three-year car parc has also grown. It was encouraging to see like-for-like service revenues grow by

4.7% as we continued to realise improvements to our customer retention processes. Our parts business also reported sales growth, up by 1.7% on a like-for-like basis from the comparative period.

Operations

Our Audi businesses have continued to perform well. The planned relocation of our dealership in Worthing to a new, and significantly larger, site in the summer of 2018 will ensure that this business can better fulfil its potential.

The performance of our Volkswagen division in the period has been disappointing with new and used car sales declining by 7% and 3% respectively from last year's levels. However, we are encouraged for our second half that our manufacturer new car sales targets have been reduced and tactical bonus opportunities improved. We remain confident that the strength of the brand, the excellent model range and exciting new products will lead to improvements in its future trading performance.

Our Volvo business in Eastbourne is in a period of transition as we look to further develop our site and the manufacturer continues to launch new models. These have been positively received by customers and we are confident this will be reflected in the profitability of the business.

Our SEAT business in Tunbridge Wells, together with the adjacent Skoda business, has delivered healthy levels of profitability.

Our used car business in Ashford continues to expand with significant increases in like-for-like sales volumes being achieved in the first six months of this financial year. The concept has been very well received by our customers who particularly value the link to the Caffyns brand. The business has traded profitably since its inception in October 2014 and we have now started a further significant expansion of this operation. During the period, the Company utilised cash balances of £2.0 million, primarily as a result of the purchase of a freehold property and from short-term movements in working capital balances at the period end.

Property

Capital expenditure in the half year was £1.04 million (2016: £1.43 million) of which £0.87 million was incurred on the purchase in August 2017 of a freehold industrial unit in Eastbourne to facilitate the expansion of Volvo Eastbourne.

In September 2017, we commenced construction of a new Audi site in Angmering which will allow for the relocation of Audi Worthing. We anticipate that this development will be completed by June 2018.

In Ashford, we have submitted a planning application to fully utilise the additional land acquired adjacent to our existing Skoda and Vauxhall operations. This investment will almost double our local footprint and will enable us to further grow the exciting used car concept as well as our franchised operations at the site.

The Government implemented its rating revaluation for all commercial property on 1 April 2017. Although nationally this was not targeted to raise additional revenues, the increases have fallen disproportionately on the South-East region in which we operate, where property values have increased the most over the previous seven years since the last valuation exercise was undertaken. As a result, our annualised cost of business property rates has risen by almost £0.25 million to £1.06 million.

Pensions

The unprecedented low yields of gilts and bonds continues to have a significant impact on the net funding position of the Company's defined-benefit pension, in line with most similar schemes, although it was pleasing to note an increase in the discount rate in the period. The scheme's investments performed well and the combination of these two factors helped the deficit at the period-end narrow to £5.03 million net of tax (£6.06 million gross of tax). This compared with a deficit of £7.10 million net of tax at 31 March 2017 (£8.55 million gross of tax) and a deficit of £11.58 million net of tax at 30 September 2016 (£13.95 million gross of tax).

The scheme's recovery plan, which was agreed with the trustees following the actuarial valuation in March 2014, resulted in a total cash payment of £0.16 million being made in the first six months of this financial year. Under the terms of the recovery plan, it has been agreed that this payment will increase in future financial years by 2.25% per annum.

People

I am very grateful for the dedication and professionalism shown by our employees. The marketplace in which we have operated in the first half of the financial year has been very challenging and their hard work and professional application has

been instrumental in achieving growth in both our used car sales and aftersales businesses and, whilst our new car sales are reduced, in again outperforming our target sales market.

Dividend

Despite the reduction in profitability experienced in this six-month period, the Board remains confident in the longer-term prospects of the Company and has therefore declared an unchanged interim dividend of 7.50 pence per ordinary share. This will be paid on 8 January 2018 to shareholders on the register at close of business on 18 December 2017. The ordinary shares will be marked ex-dividend on 17 December 2017.

Strategy

The Company's continued low gearing levels provides us with the flexibility to expand upon our recent successes in used car sales, opportunities to invest in additional freehold premises and assess further opportunities for organic growth.

Current trading and outlook

Our performance in the bi-annual registration plate change month of September was stronger than anticipated. The importance to the Company's full year result of a continued recovery in the financial performance of the Volkswagen division, as well as a successful next bi-annual registration plate change month in March 2018 means that the Board remains cautious for the second half of the year. Other factors prompting caution include the consensus for an overall smaller new car market in 2017, the wider challenge to the economy from the weakness in sterling, likely further increases in interest base rates and the uncertainty surrounding the Brexit process. However, it is encouraging for our second half that our manufacturer new car sales targets have been adjusted to take into account the reduced national new car market, providing an increased bonus potential.

Simon G M Caffyn

Chief Executive

23 November 2017

Condensed Consolidated Statement of Financial Performance

for the half year ended 30 September 2017

	Note	Unaudited Half year to 30 September 2017 Total £'000	Unaudited Half year to 30 September 2016 Total £'000	Audited Year ended 31 March 2017 Total £'000
Continuing operations:				
Revenue		106,504	105,188	212,581
Cost of sales		(94,157)	(93,099)	(187,971)
Gross profit		12,347	12,089	24,610
Operating expenses		(11,396)	(10,918)	(22,400)
Operating profit before other income		951	1,171	2,210
Other income (net)		293	246	541
Operating profit		1,244	1,417	2,751
Operating profit before non-underlying items		1,203	1,479	2,981
Non-underlying items within operating profit	3	41	(62)	(230)
Operating profit		1,244	1,417	2,751
Finance expense	4	(460)	(467)	(930)
Non-underlying net finance expense on pension scheme	3	(102)	(81)	(162)
Net finance expense		(562)	(548)	(1,092)
Profit before taxation		682	869	1,659
Profit before tax and non-underlying items		743	1,012	2,051
Non-underlying items within operating profit	3	41	(62)	(230)
Non-underlying net finance expense on pension scheme	3	(102)	(81)	(162)
Profit before taxation		682	869	1,659
Taxation	5	(167)	(148)	(375)
Profit for the period from continuing operations		515	721	1,284
Discontinued operations:				
Profit on disposal of discontinued operations net of deferred tax	9	-	3,888	3,888
Loss after tax attributed to discontinued operations	9	-	(51)	(49)
Profit for the period from discontinued operations		-	3,837	3,839
Profit for the period		515	4,558	5,123
Earnings per share				
Basic	6	19.1p	164.3p	186.3p
Diluted	6	19.0p	164.2p	186.3p
Non GAAP measure				
Underlying basic earnings per share	6	20.8p	30.2p	58.0p
Underlying diluted earnings per share	6	20.7p	30.2p	58.0p

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 September 2017

	Unaudited Half year to 30 September 2017 £'000	Unaudited Half year to 30 September 2016 £'000	Audited Year to 31 March 2017 £'000
Profit for the period	515	4,558	5,123
Items that will never be reclassified to profit and loss:			
Remeasurement of net pension scheme obligation	2,436	(9,055)	(3,725)
Deferred tax on remeasurement of pension scheme obligation	(414)	1,539	633
Other comprehensive income/(expense), net of tax	2,022	(7,516)	(3,092)
Total comprehensive income/(expense) for the period	2,537	(2,958)	2,031

Condensed Consolidated Statement of Financial Position

at 30 September 2017

	Note	Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Non-current assets				
Property, plant and equipment		36,090	32,974	35,623
Investment property		6,939	7,032	6,986
Goodwill		286	286	286
Deferred tax asset		-	41	-
Total non-current assets		43,315	40,333	42,895
Current assets				
Inventories		28,981	27,425	29,904
Trade and other receivables		8,456	8,048	7,838
Cash and cash equivalents		305	6,231	2,321
Total current assets		37,742	41,704	40,063
Total assets		81,057	82,037	82,958
Current liabilities				
Bank overdraft		-	500	-
Interest-bearing loans and borrowings		500	500	500
Trade and other payables		32,522	31,931	34,179
Tax liabilities		113	469	197
Total current liabilities		33,135	33,400	34,876
Net current assets		4,607	8,304	5,187
Non-current liabilities				
Interest-bearing loans and borrowings		10,125	10,625	10,375
Preference shares		812	812	812
Deferred tax liability		1,248	-	805
Pension scheme obligation	8	6,063	13,953	8,554
Total non-current liabilities		18,248	25,390	20,546
Total liabilities		51,383	58,790	55,422
Net assets		29,674	23,247	27,536
Shareholders' equity				
Ordinary share capital		1,439	1,439	1,439
Share premium		272	272	272
Capital redemption reserve		707	707	707
Non-distributable reserve		1,724	1,724	1,724
Other reserve		5	-	-
Retained earnings		25,527	19,105	23,394
Total equity		29,674	23,247	27,536

Consolidated Statement of Changes in Equity

for the half year ended 30 September 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2017	1,439	272	707	1,724	23,394	27,536
Total comprehensive income						
Profit for the period	-	-	-	-	515	515
Other comprehensive expense	-	-	-	-	2,022	2,022
Total comprehensive expense for the period	-	-	-	-	2,537	2,537
Transactions with owners:						
Dividends	-	-	-	-	(404)	(404)
Share-based payment	-	-	-	-	5	5
At 30 September 2017 (unaudited)	1,439	272	707	1,724	25,532	29,674

for the half year ended 30 September 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	1,439	272	707	1,724	132	22,422	26,696
Total comprehensive income							
Profit for the period	-	-	-	-	-	4,558	4,558
Other comprehensive expense	-	-	-	-	-	(7,516)	(7,516)
Total comprehensive income for the period	-	-	-	-	-	(2,958)	(2,958)
Dividends	-	-	-	-	-	(401)	(401)
Purchase of own shares for treasury	-	-	-	-	-	(383)	(383)
Issue of shares – SAYE scheme	-	-	-	-	-	272	272
Share-based payment	-	-	-	-	21	-	21
Transfer – SAYE scheme (2013)	-	-	-	-	(153)	153	-
At 30 September 2016 (unaudited)	1,439	272	707	1,724	-	19,105	23,247

for the year ended 31 March 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	1,439	272	707	1,724	132	22,422	26,696
Total comprehensive income							
Profit for the year	-	-	-	-	-	5,123	5,123
Other comprehensive income	-	-	-	-	-	(3,092)	(3,092)
Total comprehensive income for the year	-	-	-	-	-	2,031	2,031
Transactions with owners:							
Dividends	-	-	-	-	-	(603)	(603)
Purchase of own shares for treasury	-	-	-	-	-	(919)	(919)
Issue of shares – SAYE scheme	-	-	-	-	-	310	310
Share-based payment	-	-	-	-	21	-	21
Transfer – SAYE scheme	-	-	-	-	(153)	153	-
At 31 March 2017 (audited)	1,439	272	707	1,724	-	23,394	27,536

Condensed Consolidated Cash Flow Statement

for the half year ended 30 September 2017

	Unaudited Half year to 30 September 2017 £'000	Unaudited Half year to 30 September 2016 £'000	Audited Year to 31 March 2017 £'000
Cash flows from operating activities			
Profit before taxation from continuing operations	682	869	1,659
Adjustments for:			
Net finance expense and pension scheme service cost	578	570	1,092
Depreciation and amortisation	614	589	1,196
Contribution to pension scheme obligation	(172)	(182)	(350)
Loss on disposal of property, plant and equipment	4	-	1
Share-based payments	5	21	21
Loss generated from discontinued operations before tax	-	(61)	(61)
Decrease in inventories	923	3,579	1,100
(Increase)/decrease in trade and other receivables	(618)	401	611
Decrease in payables	(1,657)	(4,321)	(2,034)
Cash generated from operations	359	1,465	3,235
Income taxes	(222)	-	(557)
Interest paid	(460)	(470)	(935)
Net cash (used in)/generated from operating activities	(323)	995	1,743
Investing activities			
Proceeds generated on sale of Land Rover business, net of costs	-	6,707	6,707
Purchases of property, plant and equipment	(1,039)	(1,428)	(4,636)
Net cash (used in)/generated from investing activities	(1,039)	5,279	2,071
Financing activities			
Secured loans repaid	(250)	(250)	(500)
Purchase of own shares for treasury	-	(383)	(919)
Issue of shares – SAYE scheme	-	272	310
Dividends paid to shareholders	(404)	(401)	(603)
Net cash used in financing activities	(654)	(762)	(1,712)
Net (decrease)/increase in cash and cash equivalents	(2,016)	5,512	2,102
Cash and cash equivalents at beginning of period	2,321	219	219
Cash and cash equivalents at end of period	305	5,731	2,321
Cash and cash equivalents	305	6,231	2,321
Bank overdraft	-	(500)	-
Net cash and cash equivalents	305	5,731	2,321

Notes to the Set of Financial Information

for the half year ended 30 September 2017

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 unaudited condensed consolidated interim financial statements for the half year to 30 September 2017 and similarly for the half year to 30 September 2016 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2017.

The figures for the year ended 31 March 2017 have been extracted from the statutory accounts, filed with the Registrar of Companies on which the auditor gave an unqualified opinion and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

These 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 23 November 2017.

2. ACCOUNTING POLICIES

The annual financial statements of Caffyns plc are prepared in accordance with IFRSs as adopted by the European Union. The set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. This interim financial report has been prepared under the historical cost convention as modified by the fair value accounting of defined benefit schemes and share-based payment transactions. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this set of financial statements has been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31 March 2017.

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.

Basis of preparation: Going concern

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

The Group meets its day to day working capital requirements through short-term stocking loans and bank overdraft and medium-term revolving-credit facilities. The overdraft and revolving-credit facilities include certain covenant tests. The failure of a covenant test would render these facilities repayable on demand at the option of the lenders.

The directors have undertaken a detailed review of trading and cash flow forecasts for a period in excess of one year from the date of this Half Year Report which projects that the facility limits are not exceeded over the duration of the forecasts. These forecasts have made assumptions in respect of future trading conditions, particularly volumes and margins of new and used car sales, aftersales and operational improvements together with the timing of capital expenditure. The forecasts take into account these factors to an extent which the directors consider to be reasonable, based on the information that is available to them at the time of approval of this financial information. These forecasts indicate that the Group will be able to operate within the financing facilities that are available to it and meet the covenant tests with sufficient margin for reasonable adverse movements in expected trading conditions.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For those reasons, they continue to adopt the going concern basis in preparing this Half Year Report.

Discontinued operations

A discontinued operation represents an individually significant component of the Group that is either held for sale or has been disposed of. The Statement of Financial Performance discloses the results of a discontinued operation separately with comparative information being restated where applicable. The assets and liabilities are presented separately on the Statement of Financial Position, although comparative information is not restated.

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 are also disclosed as non-underlying, as are certain redundancy costs and costs attributable to vacant properties held pending their disposal.

The net financing return and service cost on pension obligations in respect of the defined benefit pension scheme is presented as a non-underlying item due to the volatility of this amount. The defined benefit pension scheme is closed to future accrual.

All other activities are treated as underlying.

3. NON-UNDERLYING ITEMS

	Half year to 30 September 2017 £'000	Half year to 30 September 2016 £'000	Year to 31 March 2017 £'000
Other income:			
Net loss on disposal of property, plant and equipment	(4)	-	(1)
Within operating expenses:			
Service cost on pension scheme	(15)	(19)	(37)
Redundancy costs	-	(43)	(43)
Dilapidation provision release/(charge)	60	-	(149)
	45	(62)	(229)
Non-underlying items within operating profit	41	(62)	(230)
Net finance expense on pension scheme	(102)	(81)	(162)
Total non-underlying items within profit before taxation	(61)	(143)	(392)

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

There were no branch specific redundancy costs (2016: £43,000).

The Company exercised a break clause of its lease for a site in Tonbridge in June 2017. The Company negotiated a total cost for the remedial work on this property of £80,000 with a further £9,000 incurred in associated professional fees in the period. The remaining provision held was credited to operating expenses as a non-underlying item.

4. FINANCE EXPENSE

	Half year to 30 September 2017 £'000	Half year to 30 September 2016 £'000	Year to 31 March 2017 £'000
Interest payable on bank borrowings	95	119	190
Vehicle stocking plan interest	291	269	569
Financing costs amortised	38	43	99
Preference dividends	36	36	72
Total finance costs	460	467	930

5. TAXATION

	Half year to 30 September 2017 £'000	Half year to 30 September 2016 £'000	Year to 31 March 2017 £'000
Current UK corporation tax			
Charge for the period	(138)	(53)	(338)
Total current tax charge	(138)	(53)	(338)
Deferred tax			
Origination and reversal of timing differences	(29)	(979)	(919)
Adjustments recognised in the period due to change in rate of corporation tax	-	98	98
Total deferred tax charge	(29)	(881)	(821)
Total tax charged in the Statement of Financial Performance	(167)	(934)	(1,159)
The tax charge arises as follows:			
On normal trading	(182)	(173)	(455)
Non-underlying items	15	25	80
Continuing operations	(167)	(148)	(375)
Discontinued operations	-	(786)	(784)
Total tax charge	(167)	(934)	(1,159)

Taxation of trading items for the half year has been provided at the current rate of taxation of 19% (2016: 20%) expected to apply to the full year. Tax on the disposal gain from discontinued operations items in the prior year was provided at the substantially enacted rate of 17%.

6. EARNINGS PER 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 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.

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

	Half year to 30 September 2017 £'000	Half year to 30 September 2016 £'000	Year to 31 March 2017 £'000
Basic			
Profit for the period	515	4,558	5,123
Basic earnings per share	19.1p	164.3p	186.3p
Diluted earnings per share	19.0p	164.2p	186.3p
Adjusted			
Profit before tax	682	5,492	6,282
Profit before tax relating to discontinued operations	-	(4,623)	(4,623)
Adjustment: Non-underlying items (note 3)	61	143	392
Underlying profit for the period	743	1,012	2,051
Taxation on normal trading (note 5)	(182)	(173)	(455)
Underlying earnings	561	839	1,596
Underlying basic earnings per share	20.8p	30.2p	58.0p
Diluted earnings per share	20.7p	30.2p	58.0p

The number of fully paid ordinary shares in issue at the period end was 2,879,298 (2016: 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 2,694,790 (2016: 2,773,616). The shares granted under the Company's SAYE scheme are dilutive. The number of dilutive shares under option at fair value was 12,374 (2016: 2,011) giving a total diluted weighted average number of shares of 2,707,164 (2016: 2,775,627).

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

7. DIVIDENDS

Ordinary shares of 50p each

The interim dividend proposed at the rate of 7.50 pence per share (2016: 7.50 pence) is payable on 8 January 2018 to shareholders on the register at the close of business on 8 December 2017. The shares will be marked ex-dividend on 7 December 2017.

Preference shares

Preference dividends were paid in October 2017. The next preference dividends are payable in April 2018. The cost of the preference dividends has been included within finance costs.

8. PENSIONS

The pension scheme deficit reflects a defined benefit obligation that has been updated to reflect its valuation as at 30 September 2017. 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 2017 and in the period to 30 September 2016, and which complies with the accounting requirements of IAS 19 (revised).

The net liability for defined benefit obligations has decreased from £8,554,000 at 31 March 2017 to £6,063,000 at 30 September 2017. The decrease of £2,491,000 comprises the net charge to the Statement of Financial Performance of £117,000 and a net remeasurement gain credited to the Statement of Comprehensive Income of £2,436,000 and contributions of £172,000. Although assets have decreased, the liabilities have decreased by a greater amount as a result of an increase in the discount rate from 2.40% at 31 March 2017 to 2.55% at 30 September 2017.

9. DISCONTINUED OPERATIONS

In the prior financial year, in April 2016, the Group sold the business and assets (excluding the freehold property) of its Land Rover business to Harwoods Limited ("Harwoods"). Cash consideration of £7.5 million comprised £5.5 million for goodwill together with £0.2 million for property, plant and equipment and £1.9 million for inventories less £0.1 million in respect of liabilities transferred. The total consideration was received at completion on 29 April 2016.

Ownership of the freehold property in Lewes from which Harwoods will continue to operate the Land Rover business remains with the Group, and is being leased to Harwoods for a four year period to 29 April 2020.

As a result of this transaction, the operating activities attributed to that business have been disclosed as a discontinued operation.

	Half year to 30 September 2017 £'000	Half year to 30 September 2016 £'000	Year to 31 March 2017 £'000
Revenue	-	5,828	5,828
Cost of sales	-	(5,516)	(5,516)
Gross profit	-	312	312
Operating expenses	-	(370)	(370)
Operating loss	-	(58)	(58)
Finance expense	-	(3)	(3)
Loss before taxation	-	(61)	(61)
Income tax credit	-	10	12
Loss attributed to discontinued operations	-	(51)	(49)
Profit on sale of business net of deferred tax	-	3,888	3,888
Profit for the period from discontinued operations	-	3,837	3,839

The results of the business shown above represent its trading from the start of the financial year until disposal on 29 April 2016.

	Half year to 30 September 2017 £'000	Half year to 30 September 2016 £'000	Year to 31 March 2017 £'000
Proceeds generated on sale of business	-	7,512	7,512
Sale of property, plant and equipment	-	(218)	(218)
Transfer of inventories	-	(1,921)	(1,921)
Transfer of liabilities	-	116	116
	-	5,489	5,489
Associated transaction costs:			
Professional fees	-	(470)	(470)
Adjustments arising on completion	-	(230)	(230)
Provision for onerous costs	-	(105)	(105)
Net transaction costs	-	(805)	(805)
Net gain on sale of business	-	4,684	4,684
Deferred tax expense	-	(796)	(796)
Profit on sale of business net of deferred tax	-	3,888	3,888

10. 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 general economic factors, their impact on the Group's defined benefit pension scheme, liquidity and financing, the Group's dependency on its manufacturers' and their stability, used car prices and regulatory compliance. Following the UK's decision to leave the EU, a degree of uncertainty in the UK economy has been created and we believe that the main risks to arise from this relate to consumer confidence and the potential impact that Sterling/Euro exchange rates may have on vehicle prices.

11. CONTINGENT LIABILITIES

In September 2015, Volkswagen Aktiengesellschaft announced that certain diesel vehicles manufactured by Volkswagen, Skoda, SEAT and Audi, which contain 1.2, 1.6 and 2.0 litre EA 189 diesel engines were fitted with software which is thought to have operated such that when the vehicles were experiencing test conditions, the characteristics of nitrogen oxides ("NOx") were affected. The vehicles remain safe and roadworthy.

Technical measures have been approved by the German type approval authority, the Kraftfahrt-Bundesamt (the "KBA") in respect of Volkswagen and Audi branded vehicles, by the UK type approval authority, the Vehicle Certification Agency (the "VCA") in respect of Skoda branded vehicles, and by the Ministerio de Industria, Energía y Turismo (the "MDI") in respect of SEAT branded vehicles. The KBA and VCA have confirmed for all affected vehicles that the implementation of all technical measures does not adversely impact fuel consumption figures, CO2 emissions figures, engine output, maximum torque and noise emissions. The MDI is also content that the technical measures be applied to those SEAT vehicles for which they are the relevant approval authority.

We understand that to date in the region of 810,000 affected UK vehicles have now had the technical measures applied.

Notwithstanding the above, claims on behalf of multiple claimants, arising out of or in relation to their purchase or ownership of a Volkswagen Group vehicle affected by the NOx issue, have been brought or intimated against a number of Volkswagen entities and dealers, including Caffyns. To date, one firm of solicitors acting on behalf of sixteen claimants has threatened legal action against Caffyns in respect of the NOx issue, claiming breach of contract and a breach of the Consumer Protection from Unfair Trading Regulations 2008. As litigation progresses further, there is the potential for the number of claimants bringing claims against Caffyns to increase.

A claim in respect of one of the sixteen claimants has been issued protectively in the High Court (due to the limitation period being close to expiry), served and stayed by consent pending the determination of the Group Litigation Order ("GLO") application. On 28 October 2016, one of the claimant firms served its application for a GLO. During a hearing in the High Court on 30 January 2017, the Senior Master adjourned by consent the hearing of the application for a GLO to 12 and 13 October 2017. The hearing was further adjourned by consent to a date to be agreed at a directions hearing scheduled for 27 November 2017. As at 23 November 2017 no other claim form has been served on Caffyns in relation to the NOx issue.

At present, litigation with the potential to coalesce into a group civil claim in respect of the NOx issue is in its early stages, and therefore at this stage it is too early to assess reliably the merit of any such claim. Accordingly, no provision for liability has been made in these financial statements.

Notwithstanding the early stage of the litigation, Volkswagen has agreed to indemnify Caffyns 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 the litigation and the conduct of the Volkswagen Group. The possibility, therefore, of an economic cost to Caffyns resulting from the defence of the litigation is remote.

12. RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- a) the Half Year Report has been prepared in accordance with IAS34 'Interim Financial Reporting';
- b) the Half Year Report includes a fair review of the information required by DTR 4.2.7R of the Disclosure 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 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

23 November 2017

INDEPENDENT REVIEW REPORT

to Caffyns plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report of Caffyns plc for the six months ended 30 September 2017 which comprises the Condensed Consolidated Statement of Financial Performance, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Crawley
23 November 2017