CAFFYNS

Half Year Report ***2013***

Contents

Summary

Strong performance in the first half

	2013	2012*
	£'000	£'000
Revenue	**93,370**	82,571
Underlying† profit before tax	**1,027**	439
Profit before tax	**727**	314
Underlying† EBITDA	**1,935**	1,351
	p	p
Underlying† earnings per share	**33.5**	13.4
Basic earnings per share	**30.8**	9.9
Interim dividend per ordinary share	**6.0**	5.0

† Underlying results exclude items that have non-trading attributes due to their size, nature or incidence.
* Restated to reflect the impact of the adoption of IAS 19 (2011).

Highlights

- Underlying profit before tax up 134% to £1,027,000 (2012: £439,000)
- Profit before tax up 132% to £727,000 (2012: £314,000)
- Like for like new car unit sales up by 20.8%
- Like for like used car unit sales up by 17.6%
- Net cash generated by operating activities of £1.83m (2012: outflow £1.03m)
- Underlying earnings per share increased to 33.5p (2012: 13.4p)
- Basic earnings per share increased to 30.8p (2012: 9.9p)
- Dividend per ordinary share increased to 6.0p (2012: 5.0p)

The Chief Executive, Simon Caffyn, commented:

"I am delighted that we have increased underlying profit before tax to £1,027,000 from £439,000 last year, up 134%, and increased underlying earnings per share to 33.5p from 13.4p. Our new car unit sales in the half year were up by 20.8% and our used car unit sales were up by 17.6%, both on a like for like basis."

Interim Management Report

for the half year ended 30 September 2013

Summary

I am pleased to report that the Group has increased underlying profit before tax in the six months to 30 September 2013 to £1.03m, up from £0.44m last year. This increase follows the successful completion of our restructuring programme in 2012 and continued improvement in new and used car sales.

Revenue has increased by 13% to £93.4m from £82.6m.

Profit before tax is £727,000 compared to £314,000 (as restated) last year. Last year's profit before tax has been restated following the implementation of the amended accounting standard IAS 19 "Employee Benefits". This change is referred to below in the section on "Pensions".

Basic earnings per share are 30.8p (2012: 9.9p, as restated) and underlying earnings per share are 33.5p (2012: 13.4p, as restated).

The net cash inflow from operating activities was £1.83m (2012: outflow £1.03m).

Operating Review

New and Used Cars

- Over the half year period, total UK new car registrations rose by 12.6%. Within this, the private and small business sector in which we operate rose by 19.5%. Our new unit sales are up by 20.8% on a like for like basis as we continue to outperform the market.
- Our used car unit sales in the period are up 17.6% on last year like for like.

Aftersales

- The reduced new car market over the last three years has led to a consequential decline in the number of one to three year old cars in circulation. It is encouraging to see our aftersales revenue rise by 1.8% on a like for like basis as compared to the same period last year.

Operations

- Work on the construction of our new Volkswagen dealership in Worthing, which began in May 2013, is progressing on time and on budget and the site is scheduled to open in February 2014.
- The refurbishment and expansion of the showroom in our Volkswagen dealership in Haywards Heath was completed in May 2013.
- The freehold property we acquired in February 2013 immediately adjacent to our Land Rover dealership in Lewes, has been refurbished as an aftersales facility and has delivered the expected operating efficiencies.
- We are now trading as a full Seat dealership in Tunbridge Wells alongside our Skoda dealership and early sales are very encouraging.
- In Ashford, having agreed to continue our representation with Vauxhall, the site is enjoying strong trading activity and improved profitability.
- Work on the construction of our new Skoda dealership in Ashford, which began in August 2013, is progressing on plan towards a scheduled opening at the end of December 2013.

Property

- Capital expenditure in the six months was £2.74m (2012: £0.57m), of which £1.60m was incurred on the new Volkswagen dealership in Worthing, £0.34m on the refurbishment of the Volkswagen dealership in Haywards Heath and £0.42m on the newly acquired workshop facility in Lewes for Land Rover.
- The refurbishment of the workshop facility in Lewes, acquired in February 2013, adjacent to our new Land Rover showrooms, was completed during the period with minimal disruption to trading. A planning application for part of the site excess to requirements has recently been lodged and it is intended to market this development site for sale in due course.
- Following the exchange of contracts to sell our freehold property in Folkestone in May 2013, proceeds of £452,000 net of costs of sale were subsequently received in August 2013.
- On 14 November 2013, the Company announced the purchase of a freehold site adjacent to its existing Volkswagen dealership in Eastbourne, East Sussex, for £0.75m. The site of 0.77 acres includes a commercial building of approximately 10,000 square feet. When added to the Company's existing site of 1.3 acres, this further site will enable the Company to increase the scale of its sales and aftersales operations of this important site. Completion will take place on 10 January 2014 and the consideration is payable in cash.

Pensions

- The IAS 19 net pension position at 30 September 2013 was a deficit of £9.03m net of tax (£11.29m gross of tax) compared with a deficit of £10.50m net of tax at 31 March 2013 (£13.64m gross of tax). The lower deficit reflects the impact on liabilities of an increase in the discount rate from 4.3% at 31 March 2013 to 4.4% at 30 September 2013 and lower inflation.
- The Recovery Plan agreed with the trustees requires a cash payment of £346,000 in the year to 31 March 2014, increasing by 3.4% per annum thereafter.
- The amended accounting standard, IAS 19 has been implemented in the half year to 30 September 2013 by replacing the expected return on assets with a return based upon the discount rate. This has given rise to a charge in the half-year of £300,000. The net credit shown in the Half Year Report for the period to 30 September 2012 was £29,000. Following implementation of the revised standard, the charge for that period has been restated to £169,000, reducing profit before tax by £198,000. However, the net actuarial losses in the Consolidated Statement of Comprehensive Income have also reduced by £198,000. Consequently, there are no changes to balance sheets previously reported. The pension cost under IAS 19, as in the previous year, continues to be charged as a non-underlying cost.

People

- I am very grateful for the dedication shown by our employees during the period of significant change and it is encouraging to see their efforts rewarded.
- On 25 September we announced the appointment of Nigel Gourlay to the Board as an independent non-executive director. Andrew Goodburn retired from the Board on 25 October and I, and other members of the Board, would like to thank him for his valuable contribution over more than nine years' service.

Bank Facilities

- On 28 November 2013, the Company completed a £5m Term Loan with Volkswagen Bank to assist in the funding of various property developments, principally the new Volkswagen dealership in Worthing. The loan is secured on certain freehold properties and is repayable in equal instalments over ten years. Interest is payable at 1.75% over Finance House Base Rate.

Dividend

- The Board has decided to increase the interim dividend to 6.0p per Ordinary Share (2012: 5.0p per Ordinary Share). This will be paid on 10 January 2013 to shareholders on the register at close of business on 13 December 2013.

Current Trading and Outlook

- The strategic and operational changes that we have made to the Group are now delivering improved profits. Currently, the UK Market is more buoyant than in other parts of Europe and, while our new car order book is ahead of the same time last year, the outcome for the full year will be dependent on the crucial month of March 2014.

Simon G M Caffyn
Chief Executive

Condensed Consolidated Statement of Financial Performance

for the half year ended 30 September 2013

	Note	Underlying £'000	Non-underlying (note 3) £'000	Total £'000
Revenue		**93,370**	**–**	**93,370**
Cost of sales		**(82,143)**	**–**	**(82,143)**
Gross profit		**11,227**	**–**	**11,227**
Operating expenses		**(9,741)**	**(11)**	**(9,752)**
Operating profit		**1,486**	**(11)**	**1,475**
Other income (net)	3	**–**	**–**	**–**
Operating profit		**1,486**	**(11)**	**1,475**
Finance expense	4	**(459)**	**–**	**(459)**
Net finance expense on pension scheme		**–**	**(289)**	**(289)**
Net finance costs		**(459)**	**(289)**	**(748)**
Profit before taxation		**1,027**	**(300)**	**727**
Income tax (expense)/credit	5	**(97)**	**226**	**129**
Profit for the period from continuing operations		**930**	**(74)**	**856**
Continuing operations earnings per share				
Basic	6			**30.8p**
Diluted	6			**30.6p**

Non GAAP measure

	Note	Underlying
Underlying basic earnings per share	6	**33.5p**
Underlying diluted earnings per share	6	**33.3p**

* See note 2 for details of restatement

Half year to 30 September 2012		Year ended 31 March 2013	
Underlying (as restated)* £'000	Total (as restated)* £'000	Underlying (as restated)* £'000	Total (as restated)* £'000
74,684	82,571	150,847	164,965
(65,221)	(71,926)	(131,969)	(144,086)
9,463	10,645	18,878	20,879
(8,545)	(10,480)	(16,768)	(20,245)
918	165	2,110	634
–	800	–	1,718
918	965	2,110	2,352
(479)	(494)	(892)	(917)
–	(157)	–	(317)
(479)	(651)	(892)	(1,234)
439	314	1,218	1,118
(67)	(39)	(186)	(140)
372	275	1,032	978
	9.9p		35.3p
	9.6p		34.3p
13.4p		37.3p	
13.0p		36.2p	

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 September 2013

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 (as restated)* £'000	Year to 31 March 2013 (as restated)* £'000
Profit for the period	**856**	275	978
Other comprehensive income			
Actuarial gains/(losses) recognised in defined benefit pension scheme	**2,468**	(5,551)	(7,439)
Deferred tax on actuarial gains/(losses)	**(494)**	1,276	1,711
Adjustment recognised in the period due to change in rate of corporation tax	**(409)**	–	–
Other comprehensive income, net of tax	**1,565**	(4,275)	(5,728)
Total comprehensive income for the period	**2,421**	(4,000)	(4,750)

* See note 2 for details of restatement

Condensed Consolidated Statement of Financial Position

at 30 September 2013

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
Non-current assets			
Property, plant and equipment	**33,363**	27,468	31,073
Investment property	**525**	530	528
Goodwill	**286**	286	286
Deferred tax asset	**969**	1,409	1,743
Total non-current assets	**35,143**	29,693	33,630
Current assets			
Inventories	**25,224**	21,124	25,650
Trade and other receivables	**6,417**	6,201	6,174
Cash and cash equivalents	**21**	576	1,159
Non-current assets held for sale	**–**	2,108	446
Total current assets	**31,662**	30,009	33,429
Total assets	**66,805**	59,702	67,059
Current liabilities			
Interest bearing loans and borrowings	**3,114**	2,393	3,500
Trade and other payables	**26,005**	20,370	25,658
Tax liabilities	**208**	208	208
Total current liabilities	**29,327**	22,971	29,366
Net current assets	**2,335**	7,038	4,063
Non-current liabilities			
Interest bearing loans and borrowings	**7,500**	7,500	7,500
Preference shares	**1,237**	1,237	1,237
Retirement benefit obligations	**11,290**	11,805	13,641
Total non-current liabilities	**20,027**	20,542	22,378
Total liabilities	**49,354**	43,513	51,744
Net assets	**17,451**	16,189	15,315
Equity			
Share capital	**1,439**	1,439	1,439
Share premium account	**272**	272	272
Capital redemption reserve	**282**	282	282
Non-distributable reserve	**2,390**	2,390	2,390
Other reserve	**4**	108	120
Retained earnings	**13,064**	11,698	10,812
Total equity	**17,451**	16,189	15,315

Consolidated Statement of Changes in Equity

for the half year ended 30 September 2013

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2013	1,439	272	282	2,390	120	10,812	15,315
Total comprehensive income							
Profit for the period	–	–	–	–	–	856	856
Other comprehensive income	–	–	–	–	–	1,565	1,565
Total comprehensive income for the period	–	–	–	–	–	2,421	2,421
Transactions with owners:							
Dividends	–	–	–	–	–	(195)	(195)
Purchase of own shares	–	–	–	–	–	(386)	(386)
Issue of own shares – SAYE scheme	–	–	–	–	–	284	284
Share-based payment	–	–	–	–	12	–	12
Share-based payment transfer	–	–	–	–	(128)	128	–
At 30 September 2013	**1,439**	**272**	**282**	**2,390**	**4**	**13,064**	**17,451**

for the half year ended 30 September 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Other reserve £'000	Retained earnings (as restated)* £'000	Total (as restated)* £'000
At 1 April 2012	1,439	272	282	2,390	96	15,891	20,370
Total comprehensive income							
Profit for the period	–	–	–	–	–	275	275
Other comprehensive income	–	–	–	–	–	(4,275)	(4,275)
Total comprehensive income for the period	–	–	–	–	–	(4,000)	(4,000)
Transactions with owners:							
Dividends	–	–	–	–	–	(193)	(193)
Share-based payment	–	–	–	–	12	–	12
At 30 September 2012	1,439	272	282	2,390	108	11,698	16,189

for the year ended 31 March 2013

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Other reserve £'000	Retained earnings (as restated)* £'000	Total (as restated)* £'000
At 1 April 2012	1,439	272	282	2,390	96	15,891	20,370
Total comprehensive income							
Profit for the period	–	–	–	–	–	978	978
Other comprehensive income	–	–	–	–	–	(5,728)	(5,728)
Total comprehensive income for the year	–	–	–	–	–	(4,750)	(4,750)
Transactions with owners:							
Dividends	–	–	–	–	–	(332)	(332)
Issue of shares – SAYE scheme	–	–	–	–	–	3	3
Share-based payment	–	–	–	–	24	–	24
At 31 March 2013	1,439	272	282	2,390	120	10,812	15,315

* See note 2 for details of restatement

Condensed Consolidated Cash Flow Statement

for the half year ended 30 September 2013

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 (as restated)* £'000	Year to 31 March 2013 (as restated)* £'000
Cash flows from operating activities			
Profit before taxation	**727**	314	1,118
Adjustments for:			
Net finance expense	**748**	651	1,234
Depreciation and amortisation	**449**	476	916
Change in retirement benefit obligations	**(172)**	(163)	(375)
Impairment of property, plant and equipment	**–**	–	178
Gain on disposal of property, plant and equipment	**(3)**	(800)	(1,896)
Share-based payments	**12**	12	24
Decrease/(increase) in inventories	**426**	4,598	(26)
(Increase)/decrease in trade and other receivables	**(243)**	511	546
Increase/(decrease) in payables	**347**	(6,131)	(843)
Cash generated from/(used) by operations	**2,291**	(532)	876
Interest paid	**(459)**	(494)	(917)
Net cash generated/(used) in operating activities	**1,832**	(1,026)	(41)
Investing activities			
Proceeds on disposal of property, plant and equipment (net of sale costs)	**452**	1,164	2,896
Purchases of property, plant and equipment	**(2,739)**	(565)	(3,670)
Net cash used in investing activities	**(2,287)**	599	(774)
Financing activities			
Purchase of own shares	**(386)**	–	–
Issue of shares – SAYE scheme	**284**	–	3
Dividends paid to shareholders	**(195)**	(193)	(332)
Net cash used in financing activities	**(297)**	(193)	(329)
Net decrease in cash and cash equivalents	**(752)**	(620)	(1,144)
Cash and cash equivalents at beginning of period	**(2,341)**	(1,197)	(1,197)
Cash and cash equivalents at end of period	**(3,093)**	(1,817)	(2,341)

* See note 2 for details of restatement

Notes to the Set of Financial Information

for the half year ended 30 September 2013

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.

These condensed consolidated interim financial statements for the half year to 30 September 2013 and similarly for the half year to 30 September 2012 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 2013.

The figures for the year ended 31 March 2013 have been extracted from the statutory accounts, filed with the Registrar of Companies on which the auditors 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 auditors 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 29 November 2013.

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 Services 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 2013 apart from in relation to the amendments required by IAS 19 'Employee Benefits'. The principal amendment is the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit obligation. The new standard requires retrospective application and impacts the Group's Statement of Financial Performance and Statement of Comprehensive Income as a result of the changes in assessing the return on pension scheme assets. A prior year restatement has been made to reflect these changes as set out below.

Restatement

As a result of the amendments to IAS 19 'Employee Benefits', the Group has changed its accounting policy with respect to determining the income or expense related to its defined benefit pension scheme. The standard prescribes that an interest expense or income is calculated on the net defined benefit liability/(asset) by applying the discount rate to the net defined benefit liability/(asset). This replaces the interest expense on the defined benefit obligation and the expected return on plan assets. The revised standard requires retrospective application. The table below reflects the adjustments made to the comparative amounts for the period to 30 September 2012 and year ended 31 March 2013. The associated tax has also been restated. All amounts subject to the change are non-underlying in nature. There are no associated changes to the balance sheets previously published. The consolidated cash flow statement reflects the changes to the profit before taxation and the adjustment for the net finance expense.

Consolidated Statement of Financial Performance	Half year to 30 September 2012 £'000	Year to 31 March 2013 £'000
Increase in finance expense	(157)	(317)
Decrease in finance income	(41)	(87)
Decrease in income tax expense	46	93
Decrease in profit for the period	(152)	(311)
Decrease in basic earnings per share (pence)	(5.5)p	(11.3)p
Decrease in diluted earnings per share (pence)	(5.3)p	(10.9)p
Consolidated statement of comprehensive income		
Other comprehensive income:		
Decrease in defined benefit actuarial losses	198	404
Decrease in income tax income	(46)	(93)
Increase in other comprehensive income	152	311

There are a number of accounting standards that have become effective in the current period. However, there is no material impact upon the financial statements.

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 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.

3. Non-underlying items

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 (as restated)* £'000	Year to 31 March 2013 (as restated)* £'000
Impairment of property, plant and equipment	**–**	–	(178)
Net profit on disposal of property, plant and equipment	**–**	800	1,896
Other income (net)	**–**	800	1,718
Losses incurred on closed businesses	**–**	(600)	(1,067)
Redundancy costs	**–**	(156)	(414)
Net finance income and service cost on pension scheme	**(300)**	(169)	(337)
Other costs	**(300)**	(925)	(1,818)
Net costs before taxation	**(300)**	(125)	(100)

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

* Restated to reflect the impact of the adoption of IAS 19 (2011) (see note 2).

4. Finance expense

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 £'000	Year to 31 March 2013 £'000
Interest payable on bank borrowings	**161**	189	329
Vehicle stocking plan interest	**221**	191	370
Financing costs amortised	**26**	63	116
Preference dividends	**51**	51	102
Total finance costs	**459**	494	917

Interest payable on bank borrowings is after capitalising interest in additions to freehold properties of £20,000 (2012: Nil) at a rate of 3.6%.

5. Taxation

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 (as restated)* £'000	Year to 31 March 2013 (as restated)* £'000
Current UK corporation tax			
Charge for the period	**–**	–	–
Deferred tax			
Origination and reversal of timing differences	**(204)**	(81)	(182)
Adjustment for change in rate of corporation tax:			
On normal trading	**131**	42	42
Non-underlying	**202**	–	–
Total credit/(charge)	**129**	(39)	(140)
Total tax credited/(charged) in the Statement of Financial Performance	**129**	(39)	(140)
The tax charge arises as follows:			
On normal trading	**(97)**	(67)	(186)
Non-underlying	**226**	28	46
Total credit/(charge)	**129**	(39)	(140)

Taxation for the half year has been provided at the effective rate of taxation of 23% (2012: 24%) expected to apply to the whole year on ordinary trading. Tax on non-underlying items is provided at the actual rate applicable. The UK corporation tax rate reduction from 23% to 21% has been enacted and will be effective from 1 April 2014 and a further reduction of 1% to 20% from 1 April 2015. The additional rate reductions were substantively enacted on 17 July 2013.

The adjustment to deferred tax arising on the change of rate attributable to unrealised capital gains on freehold properties has been treated as non-underlying.

* Restated to reflect the impact of the adoption of IAS 19 (2011) (see note 2).

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 2013 £'000	Half year to 30 September 2012 (as restated)* £'000	Year to 31 March 2013 (as restated)* £'000
Basic			
Profit before tax	**727**	314	1,118
Taxation	**129**	(39)	(140)
Earnings	**856**	275	978
Basic earnings per share	**30.8p**	9.9p	35.3p
Diluted earnings per share	**30.6p**	9.6p	34.3p
Adjusted			
Profit before tax	**727**	314	1,118
Adjustment: Non-underlying items (note 3)	**300**	125	100
Underlying profit before tax	**1,027**	439	1,218
Taxation	**(97)**	(67)	(186)
Underlying earnings	**930**	372	1,032
Underlying earnings per share	**33.5p**	13.4p	37.3p
Diluted earnings per share	**33.3p**	13.0p	36.2p

* Restated to reflect the impact of the adoption of IAS 19 (2011) (see note 2).

The number of fully paid ordinary shares in issue at the period end was 2,754,881 (2012: 2,766,779). The weighted average shares in issue for the purposes of the earnings per share calculation were 2,776,897 (2012: 2,766,779). The shares granted under the Company's SAYE scheme are dilutive. The weighted average number of dilutive shares under option at fair value was 18,107 (2012: 105,143) giving a total diluted weighted average number of shares of 2,795,004 (2012: 2,871,922).

Reductions in the future rate of UK Corporation tax from 23% to 20% have been enacted. This change has affected the amount of deferred tax as at 30 September 2013 by reducing the tax charge in the Statement of Financial Performance in the half year by £333,000 but increasing the charge in the Statement of Comprehensive Income by £409,000. Basic earnings per share have consequently been increased by 12.0p and underlying earnings per share by 4.7p as a result of these changes.

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 6.0p per share (2012: 5.0p) is payable on 10 January 2014 to shareholders on the register at the close of business on 13 December 2013. The shares will be marked ex-dividend on 11 December 2013.

Preference shares

Preference dividends have been paid in October 2013. The next preference dividends are payable in April 2014. The cost of the preference dividends has been included within finance costs.

8. Pensions

The net liability for defined benefit obligations has decreased from £13,641,000 at 31 March 2013 to £11,290,000 at 30 September 2013. The decrease of £2,351,000 comprises contributions of £183,000 plus the net charge to the Statement of Financial Performance of £300,000 and a net actuarial gain credited to Reserves of £2,468,000. The net actuarial gain has arisen principally due to increased bond yields, which determines the discount rate used and, consequently, the value of the liabilities over the period. The main assumptions subject to change are the discount rate at 4.3% (31 March 2013: 4.4%) and the rate of increase in inflation at 3.2% (31 March 2012: 3.3 %).

9. Related Party Transactions

There have been no new related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during that period and there have been no material changes in the related party transactions described in the last Annual Report that could do so.

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, manufacturers' dependency and stability, used car prices and regulatory compliance.

11. Responsibility statement

We confirm to the best of our knowledge:

a) the Half Year Report has been prepared in accordance with IAS 34 '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
29 November 2013

M S Harrison
Finance Director

Independent Review Report

to Caffyns plc

Introduction

We have reviewed the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2013 which comprises the Condensed Consolidated Statement of Financial Performance, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, 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 Year 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's members, as a body, in accordance with ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a 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 and the Company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The Half Year Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half Year 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 to the Company a conclusion on the condensed set of financial statements in the Half Year Report based on our review.

Independent Review Report

to Caffyns plc

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 Year Report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Grant Thornton UK LLP
Auditor
London
29 November 2013

Shareholder Notes

Shareholder Notes

Our Dealerships . . .

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