



**Caffyns plc**

Interim Report for the six months ended  
**30 September 2021**



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# Results at a Glance

## Summary

	6 months to 30 September 2021 £'000	6 months to 30 September 2020 £'000
Revenue	110,785	85,352
Profit before tax	2,295	1,414
Underlying EBITDA (see note 1 below)	3,950	3,218
Underlying profit before tax (see note 1 below)	2,396	1,534
	<b>Pence</b>	Pence
Underlying basic earnings per share	73.0	55.9
Basic earnings per share	69.9	52.3
Interim dividend per ordinary share	7.5	–

Note 1: Underlying results exclude items that have non-trading attributes due to their size, nature or incidence. Non-underlying items for the period totalled £0.10 million (2020: £0.12 million) and are detailed in Note 4 to these Condensed Consolidated Financial Statements. Underlying EBITDA of £3.95 million (2020: £3.22 million) represents Operating profit before non-underlying items of £2.97 million (2020: £2.23 million) and Depreciation and amortisation of £0.98 million (2020: £0.99 million).

Note 2: Like-for-like comparisons exclude from the current year the impact of the Lotus and MG businesses at Ashford, both of which were opened during the period, as well as the LEVC business in Eastbourne, which opened during the prior year period. All other businesses operated throughout both the current and prior six-month periods.

## Financial and Operational Review

- Underlying profit before tax of £2.40 million (2020: £1.53 million)
- Profit before tax of £2.30 million (2020: £1.41 million)
- Like-for-like revenue increase for the period of 29% (see note 2 above)
- Underlying basic earnings per share up by 31% to 73.0 pence (2020: 55.9 pence)
- Basic earnings per share up by 34% to 69.9 pence (2020: 52.3 pence)
- Resumption of dividend payment reflecting first half performance
- Net bank borrowings at 30 September 2021 of £8.7 million (2020: £12.2 million)

Simon Caffyn, Chief Executive, commented:



**Our results to September benefited from an unprecedented used car performance. We have also implemented greater operational efficiencies throughout the group and I am proud of the way our operational and support teams have risen to the challenges to deliver this strong performance.**



# Interim Management Report

## Summary

The board is very pleased to report a strong underlying profit before tax of £2.40 million for the half-year ended 30 September 2021 (the “period”). This is a considerable improvement on the £1.53 million recorded for the comparative period in 2020. Trading in the period, especially for used cars, has been robust and actions implemented over the last year have strengthened the resilience of the business, including against the adverse effects of the covid-19 pandemic. During the period, the Company utilised the support made available by Government from reductions in business rates for retail premises and to a lesser extent from Coronavirus Job Retention Scheme furlough grants, which assisted us to maintain employment. New car availability for the important September bi-annual registration plate change on 1 September was constrained by the global shortage of semiconductors, adversely affecting car production levels and we expect this issue also to affect the second half of the current financial year.

Revenue for the period increased by 30% to £110.8 million (2020: £85.4 million). The increase resulted primarily from business activity in the prior period being heavily restricted in two of the six months due to covid-19, but partially offset by the global shortage of semiconductors affecting the availability of new cars in the period. Underlying basic earnings per share were 73.0 pence (2020: 55.9 pence).

The Company’s defined-benefit pension scheme deficit, calculated in accordance with the requirements of IAS 19 Pensions, showed an encouraging reduction of £4.5 million from the last financial year-end at 31 March 2021 to £4.9 million at 30 September 2021. The Scheme’s investments performed well, outpacing the increase in the present value of the Scheme’s pension liabilities, resulting in a welcome narrowing of the deficit.

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

Profit before tax for the period was £2.30 million (2020: £1.41 million) with basic earnings per share of 69.9 pence (2020: 52.3 pence).

The board is aware of the importance of dividend payments to its shareholders and is mindful that it has not paid a dividend for two years due to the inherent uncertainty the covid-19 pandemic has placed on the business. Having considered the interests of all stakeholders and, in light of the strong financial performance and associated cash generation in the period and the longer-term prospects for the business, the board has judged that it is appropriate to resume payment of dividends and has declared an interim dividend of 7.5 pence per ordinary share (2020: Nil pence per ordinary share).

## Operating review

### New and used cars

Our new car deliveries in the period rose by 12% from the previous year on a like-for-like basis with our VAG-branded new car deliveries performing strongly, ahead of the increase in the UK market. Nationally, the SMMT reported a 19% increase in new car registrations in the retail and small business market segment in which we primarily operate. Used car sales volumes for the period rose by 36% on a like-for-like basis. A number of improvements have been made to our online presence and customer journeys over the last year which have helped to make for a much more enjoyable customer experience. Demand was further boosted by customers switching into used car purchases due to the lack of availability of new cars towards the end of the period.

### Aftersales

Our aftersales revenues rose by 21% in the period on a like-for-like basis, despite a slow start to the period in April and May as that two-month period coincided with the twelve-month anniversary of the first covid-19 lockdown in 2020. The period also faced the headwind of staff shortages from the “pingdemic” and from social distancing requirements adversely affecting productivity levels. Throughout the period, we have continued to realise improvements to our customer retention processes.

### Operations

Given the headwinds to trading that the business has experienced in the period from the background covid-19 pandemic and

the growing lack of availability of new cars, it was extremely pleasing that all six of our established franchise businesses reported improved profitability in comparison to the previous period. Our Audi and Volkswagen businesses, in particular, performed very strongly. Our Motorstore used car operation performed satisfactorily in the period, particularly as the business was disrupted by building improvement works at its base in Ashford.

During the period, we commenced representation with Lotus and MG, opening in Ashford on 1 July 2021. Both businesses have performed well, and we are encouraged by the starts that they have made.

The Company benefited in the period from the Government’s business rates holiday for retail premises with savings of £0.5 million (2020: £0.6 million). Savings will continue until March 2022, albeit at a lower level. The Company also utilised the Government’s Coronavirus Job Retention Scheme, receiving £0.1 million in the period (2020: £1.7 million).

### Property

Capital expenditure in the period was £1.2 million (2020: £0.2 million). This included £0.7 million of assets in the course of construction associated with an upgrade to our Volvo site in Eastbourne, to allow for an expansion of the showroom facility to better represent Volvo’s extended model range. This upgrade will be completed in the second half of the year.

## Interim Management Report continued

We operate primarily from freehold sites and our property portfolio provides additional stability to our business model. Annually, we obtain an independent assessment of the values of our freehold properties against their carrying value in our accounts and had an unrecognised surplus to carrying value of £12.3 million at 31 March 2021, our last financial year-end. The board does not consider there to have been any material movement in the value of the Company's freehold properties since the year-end.

As part of the sale of the Land Rover business in April 2016, our freehold premises in Lewes had been leased to a third party but that lease came to an end in early June 2021. The Board is evaluating future opportunities for the site.

### Pensions

The Company's defined-benefit pension scheme (the "Scheme") started the period with a net deficit of £9.4 million. The board has little control over the key assumptions in the valuation calculations as required by accounting standards and the size and nature of the Scheme's underlying assets and liabilities means that the deficit can be subject to significant change. However, the board was pleased to note a significant reduction in the assessed level of the deficit at 30 September 2021, to £4.9 million. Net of deferred tax, the net deficit was £4.0 million at 30 September 2021 (2020: £10.8 million) and £7.6 million at 31 March 2021. In the period, growth in the value of the Scheme's gross assets was good, increasing in value by £5.8 million, whilst the Scheme's liabilities increased by just £1.3 million.

The pension cost under IAS 19 is recognised in the Condensed Consolidated Statement of Financial Performance and continues to be charged as a non-underlying cost, amounting to £101,000 in the period (2020: £113,000).

As the Scheme is in deficit, the Company has in place a recovery plan which has been agreed with the trustees, and which was last updated in May 2021. During the period, the Company made cash payments into the Scheme of £1.4 million, which included a one-off payment of £1.0 million in June 2021. The recurring element of these payments increase by a minimum of 2.25% per annum.

### Bank and other funding facilities

The Company has banking facilities with HSBC which comprise a term loan, originally of £7.5 million, and a revolving-credit facility of £7.5 million, both of which will become renewable in March 2023. HSBC also provides an overdraft facility of £3.5 million, renewable annually. In addition, there is an overdraft facility of £4.0 million provided by Volkswagen Bank, renewable annually, together with a term loan, originally of £5.0 million, which is repayable over the ten years to November 2023.

The Company has been cash generative during the period with £2.7 million (2020: £4.4 million) generated from operating activities, including a favorable working capital improvement of £1.0 million (2020: £2.0 million).

Bank borrowings, net of cash balances, at 30 September 2021 were £8.7 million (2020: £12.2 million), down from £10.3 million at 31 March 2021.

As a proportion of shareholders' funds, bank borrowings, net of cash balances were 27% at 30 September 2021 (2020: 50%).

### Taxation

The tax charge for the period has been based on an estimation of the effective tax rate on profits for the full financial year of 20% (2020: 22%). The current year effective tax rate is marginally higher than the standard rate of corporation tax in force for the year of 19% due to the effect of items disallowable for tax purposes.

Payments of corporation tax in the period, net of refunds, were £0.3 million (2020: refund of £0.1 million).

The narrowing of the deficit of the Company's defined-benefit pension scheme in the period contributed to the recognition of a deferred tax liability on the Statement of Financial Position at 30 September 2021 of £0.4 million (2020: deferred tax asset of £1.1 million).

### People

The health and safety of our employees and customers during the ongoing covid-19 pandemic has been our paramount concern with policies implemented so that our showroom and workshop activities continue to be undertaken in a responsible and socially distanced way. The response from everyone in the Company to the pandemic continues to be outstanding and the board would like to express its gratitude to them for their hard work and professional application. Our results to September benefited from an unprecedented used car performance. We have also implemented greater operational

efficiencies throughout the group and our operational and support teams have risen to the challenges to deliver this strong performance.

### Dividend

The Company has not declared a dividend since the interim dividend in late 2019. The board is aware of the importance of dividend payments to its shareholders, and for the need to resume dividend payments once it is appropriate to do so. Despite the uncertainty that remains over the covid-19 pandemic and the ongoing supply chain issues the industry is facing, the judgement of the board is that the first-half performance and longer-term prospects mean that it is now appropriate to resume dividend payments. Accordingly, it has declared an interim dividend of 7.5 pence per ordinary share (2020: Nil pence per ordinary share). This interim dividend will be paid to shareholders on 10 January 2022 to those shareholders on the register at close of business on 10 December 2021. The ordinary shares will be marked ex-dividend on 9 December 2021.

### Strategy

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

## Interim Management Report continued

We concentrate on stronger markets so as 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.

### **Current trading and outlook**

Customer demand for used cars remains strong, with few signs of slowing. The Company's forward-order bank for new cars is at a historically high level, which is especially encouraging for 2022 when it is hoped that new car availability will improve. However, in the short term, new cars are expected to remain in short supply and the high level of national covid-19 infections continues to be a concern as winter approaches. Given these uncertainties, the board remains cautious for the second half of the financial year.

Our balance sheet is appropriately funded and our freehold property portfolio is a source of substantial stability. We have taken several actions over the last eighteen months that have significantly enhanced our online presence, as well as improving our productivity and increasing the resilience of the business. We remain confident in the longer-term prospects for the Company and are ready to explore future business opportunities as they arise.

### **Simon G M Caffyn**

Chief Executive  
25 November 2021

# Condensed Consolidated Statement of Financial Performance

for the half year ended 30 September 2021

		<b>Unaudited Half year to 30 September 2021 Total £'000</b>	Unaudited Half year to 30 September 2020 Total £'000	Audited Year ended 31 March 2021 Total £'000
	Note			
<b>Revenue</b>		<b>110,785</b>	85,352	165,085
Cost of sales		<b>(95,058)</b>	(73,884)	(142,304)
<b>Gross profit</b>		<b>15,727</b>	11,468	22,781
Operating expenses		<b>(13,036)</b>	(9,618)	(20,798)
<b>Operating profit before other income</b>		<b>2,691</b>	1,850	1,983
Other income (net)	3	<b>259</b>	360	909
Operating profit		<b>2,950</b>	2,210	2,892
Operating profit before non-underlying items		<b>2,966</b>	2,229	3,142
Non-underlying items within operating profit	4	<b>(16)</b>	(19)	(250)
<b>Operating profit</b>		<b>2,950</b>	2,210	2,892
Net finance expense	5	<b>(570)</b>	(695)	(1,266)
Non-underlying net finance expense on pension scheme	4	<b>(85)</b>	(101)	(202)
Net finance expense		<b>(655)</b>	(796)	(1,468)
Profit before taxation		<b>2,295</b>	1,414	1,424
Profit before tax and non-underlying items		<b>2,396</b>	1,534	1,876
Non-underlying items within operating profit	4	<b>(16)</b>	(19)	(250)
Non-underlying net finance expense on pension scheme	4	<b>(85)</b>	(101)	(202)
<b>Profit before taxation</b>		<b>2,295</b>	1,414	1,424
Taxation	6	<b>(410)</b>	(5)	(14)
<b>Profit for the period</b>		<b>1,885</b>	1,409	1,410
<b>Earnings per share</b>				
Basic	7	<b>69.9p</b>	52.3p	52.4p
Diluted	7	<b>69.0p</b>	52.3p	52.1p
<b>Non-GAAP measure</b>				
Underlying basic earnings per share	7	<b>73.0p</b>	55.9p	66.0p
Underlying diluted earnings per share	7	<b>72.0p</b>	55.9p	65.6p

# Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 September 2021

		<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
	Note			
<b>Profit for the period</b>		<b>1,885</b>	1,409	1,410
<b>Items that will never be reclassified to profit and loss:</b>				
Remeasurement of net pension scheme obligation	12	<b>3,224</b>	(4,025)	(301)
Deferred tax on remeasurement of pension scheme obligation		<b>(612)</b>	765	57
<b>Other comprehensive income/ (expense), net of tax</b>		<b>2,612</b>	(3,260)	(244)
<b>Total comprehensive income/ (expense) for the period</b>		<b>4,497</b>	(1,851)	1,166

# Condensed Consolidated Statement of Financial Position

at 30 September 2021

		Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Audited 31 March 2021 £'000
	Note			
<b>Non-current assets</b>				
Right-of-use assets	9	550	768	610
Property, plant and equipment	9	38,060	38,206	37,624
Investment properties	10	7,703	7,994	7,751
Interest in lease		473	643	557
Goodwill		286	286	286
Deferred tax asset		–	1,080	412
<b>Total non-current assets</b>		<b>47,072</b>	<b>48,977</b>	<b>47,240</b>
<b>Current assets</b>				
Inventories		27,703	31,309	36,562
Trade and other receivables		4,003	8,106	5,072
Interest in lease		171	175	173
Current tax recoverable		–	–	34
Cash and cash equivalents		4,958	5,273	5,735
<b>Total current assets</b>		<b>36,835</b>	<b>44,863</b>	<b>47,576</b>
<b>Total assets</b>		<b>83,907</b>	<b>93,840</b>	<b>94,816</b>
<b>Current liabilities</b>				
Interest-bearing overdrafts, loans and borrowings		1,875	4,875	3,875
Trade and other payables		30,735	35,737	39,338
Lease liabilities		434	493	495
Current tax payable		165	320	306
<b>Total current liabilities</b>		<b>33,209</b>	<b>41,425</b>	<b>44,014</b>
<b>Net current assets</b>		<b>3,626</b>	<b>3,438</b>	<b>3,562</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		11,750	12,625	12,187
Lease liabilities		695	1,115	783
Preference shares		812	812	812
Pension scheme obligation	12	4,920	13,310	9,434
Deferred tax liability		411	–	–
<b>Total non-current liabilities</b>		<b>18,588</b>	<b>27,862</b>	<b>23,216</b>
<b>Total liabilities</b>		<b>51,797</b>	<b>69,287</b>	<b>67,230</b>
<b>Net assets</b>		<b>32,110</b>	<b>24,553</b>	<b>27,586</b>
<b>Shareholders' equity</b>				
Ordinary share capital		1,439	1,439	1,439
Share premium		272	272	272
Capital redemption reserve		707	707	707
Non-distributable reserve		1,724	1,724	1,724
Retained earnings		27,968	20,411	23,444
<b>Total equity</b>		<b>32,110</b>	<b>24,553</b>	<b>27,586</b>

## Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 September 2021 (unaudited)

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

for the half year ended 30 September 2020 (unaudited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2020</b>	<b>1,439</b>	<b>272</b>	<b>707</b>	<b>1,724</b>	<b>22,238</b>	<b>26,380</b>
<b>Total comprehensive income/(expense)</b>						
Profit for the period	-	-	-	-	1,409	1,409
Other comprehensive expense	-	-	-	-	(3,260)	(3,260)
<b>Total comprehensive expense for the period</b>					<b>(1,851)</b>	<b>(1,851)</b>
Transactions with owners:						
Share-based payment	-	-	-	-	24	24
<b>At 30 September 2020 (unaudited)</b>	<b>1,439</b>	<b>272</b>	<b>707</b>	<b>1,724</b>	<b>20,411</b>	<b>24,553</b>

for the year ended 31 March 2021 (audited)

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non- distributable reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2020</b>	1,439	272	707	1,724	22,238	26,380
<b>Total comprehensive income/(expense)</b>						
Profit for the year	–	–	–	–	1,410	1,410
Other comprehensive expense	–	–	–	–	(244)	(244)
<b>Total comprehensive income for the year</b>					1,166	1,166
Transactions with owners:						
Issue of shares – SAYE	–	–	–	–	3	3
Share-based payment	–	–	–	–	37	37
<b>At 31 March 2021 (audited)</b>	<b>1,439</b>	<b>272</b>	<b>707</b>	<b>1,724</b>	<b>23,444</b>	<b>27,586</b>

# Condensed Consolidated Cash Flow Statement

for the half year ended 30 September 2021

	Unaudited Half year to 30 September 2021 £'000	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation	2,295	1,414	1,424
Adjustments for:			
Net finance expense and pension scheme service cost	655	796	1,468
Depreciation of property, plant and equipment, investment properties and right-of-use assets	984	989	1,982
Impairment against investment properties	–	–	184
Cash payments into the defined-benefit pension scheme	(1,391)	(262)	(526)
Loss on disposal of property, plant and equipment	–	1	3
Share-based payments	27	24	37
Decrease in inventories	8,859	1,221	3,484
Decrease/(increase) in receivables	1,069	(3,788)	(754)
(Decrease)/increase in payables	(8,881)	4,601	697
Cash generated from operations	3,617	4,996	7,999
Net tax (paid)/recovered	(307)	66	(31)
Interest paid	(562)	(683)	(1,244)
Net cash generated from operating activities	2,748	4,379	6,724
<b>Investing activities</b>			
Proceeds generated on disposal of property, plant and equipment	–	–	–
Purchases of property, plant and equipment	(913)	(198)	(394)
Receipt from investment in lease	93	–	185
Net cash used in investing activities	(820)	(198)	(209)
<b>Financing activities</b>			
Bank revolving-credit facility repaid	(2,000)	(1,000)	(2,000)
Revolving-credit facility utilised	–	–	1,000
Secured loans (repaid)/utilised	(437)	781	(657)
Issue of shares – SAYE scheme	–	–	3
Repayment of lease liabilities	(268)	(167)	(604)
Net cash used in financing activities	(2,705)	(386)	(2,258)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(777)</b>	<b>3,795</b>	<b>4,257</b>
Cash and cash equivalents at beginning of period	5,735	1,478	1,478
<b>Cash and cash equivalents at end of period</b>	<b>4,958</b>	<b>5,273</b>	<b>5,735</b>
Cash and cash equivalents	4,958	5,273	5,735
Bank revolving-credit facility	(1,000)	(4,000)	(3,000)
	<b>3,958</b>	<b>1,273</b>	<b>2,735</b>

# Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 September 2021

## 1. General Information

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

These Condensed Consolidated Financial Statements for the half year to 30 September 2021 and similarly for the half year to 30 September 2020 are unaudited. They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 March 2021.

The comparative financial information for the year ended 31 March 2021 in these Condensed Consolidated Financial Statements does not constitute statutory accounts for that year. The statutory accounts for 31 March 2021 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

These Condensed Consolidated Financial Statements have been reviewed by the Company's auditor and a copy of their review report is set out at the end of these statements.

These Consolidated Interim Financial Statements were approved by the directors on 25 November 2021.

## 2. Accounting Policies

The annual financial statements of Caffyns plc are prepared in accordance with UK adopted International Accounting Standards. The set of Condensed Consolidated Financial Statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting'. As required by the disclosure guidance and transparency rules of the Financial Conduct Authority, this set of Condensed Consolidated Financial Statements has been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31 March 2021.

### 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.

# Notes to the Condensed Consolidated Financial Statements *continued*

for the half year ended 30 September 2021

## 2. Accounting Policies (continued)

### Basis of preparation: Going concern

These Condensed Consolidated Financial Statements have been prepared on a going concern basis which the directors consider appropriate for the reasons set out below.

The directors have considered the going concern basis and have undertaken a detailed review of trading and cash flow forecasts for a period in excess of one year from the date of approval of this Interim Report. This has focused primarily on the achievement of the Company's banking covenants. These comprise two covenant tests, the first of which requires the Company's underlying profit before interest for the rolling twelve-month period to the testing date to exceed 200% of interest paid in that period on bank borrowings. The second covenant test requires that the Company's bank borrowings at the testing date remain below 70% of the open-market value of its freehold properties that have been charged as security. Both bank covenant tests were passed for the period under review.

The Company has modelled the period to the end of 2022, including the biannual registration plate change months of March and September 2022, and has concluded that there is headroom that would allow for a significant reduction in expected new and used units over this period. External market commentary provided by the Society of Motor Manufacturers and Traders ("SMMT") indicate that new car registrations for the final quarter of the calendar year to 31 December 2021 are forecast to be 345,000, some 11% lower than the same three-month period to December 2020, but thereafter with an 18% increase in new car registrations being forecast for the 2022 calendar year. The Company's current new car forward-order book for delivery in December and beyond is significantly ahead of this time last year. The used car market has remained stable over the past four years, has been growing strongly in 2021, and is expected to remain healthy in 2022.

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 overdrafts, medium-term revolving credit facilities and term loans. At the period-end, the medium-term banking facilities included a term loan with an outstanding balance of £6.4 million and a revolving credit facility of £7.5 million from HSBC, its primary bankers, with both facilities being renewable in March 2023. HSBC also make available a short-term overdraft facility of £3.5 million, which is due for its next annual renewal in August 2022. The Company also has a ten-year term loan from VW Bank with a balance outstanding at 30 September 2021 of £1.3 million which is repayable to November 2023, and a short-term overdraft facility of £4.0 million, which is renewable annually with the next scheduled renewal in August 2022. 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.

## 2. Accounting Policies (continued)

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

### Non-underlying items

Non-underlying items are those items that are unusual because of their size, nature or incidence. Management considers that these items should be disclosed separately to enable a full understanding of the operating results. Profits and losses on disposal of property, plant and equipment and property impairment charges are disclosed as non-underlying, as are certain redundancy costs and costs attributable to vacant properties held pending their disposal.

The net financing return and service cost on pension obligations in respect of the defined-benefit pension scheme is presented as a non-underlying item due to the inability of management to influence the underlying assumptions from which the charge is derived. The defined-benefit pension scheme is closed to future accrual.

All other activities are treated as underlying.

## 3. Other Income (Net)

	<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
Rent receivable	205	361	710
Local Government covid-19 support grants	54	–	202
Loss on disposal of tangible fixed assets	–	(1)	(3)
<b>Total other income</b>	<b>259</b>	<b>360</b>	<b>909</b>

# Notes to the Condensed Consolidated Financial Statements *continued*

for the half year ended 30 September 2021

## 4. Non-Underlying Items

	<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
Other income:			
Net loss on disposal of property, plant and equipment	–	1	3
Within operating expenses:			
Service cost on pension scheme	<b>16</b>	12	23
Redundancy and restructuring costs	–	6	40
Property impairments	–	–	184
	<b>16</b>	18	247
Total non-underlying items within operating profit	<b>16</b>	19	250
Net finance expense on pension scheme	<b>85</b>	101	202
Total non-underlying items within profit before taxation	<b>101</b>	120	452

## 5. Net Finance Expense

	<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
Interest in lease interest receivable	<b>(5)</b>	–	–
Interest payable on bank borrowings	<b>156</b>	227	367
Interest payable on inventory stocking loans	<b>306</b>	367	681
Interest on lease liabilities	<b>14</b>	12	21
Financing costs amortised	<b>63</b>	53	125
Preference dividends	<b>36</b>	36	72
Finance expense	<b>570</b>	695	1,266

## 6. Taxation

	<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
<b>Current UK corporation tax</b>			
Charge for the period	239	320	401
Reversal of impairment of Advanced Corporation Tax asset	–	(302)	–
Adjustments recognised in the period for current tax of prior periods	(40)	–	(33)
<b>Total current tax charge</b>	<b>199</b>	<b>18</b>	<b>368</b>
<b>Deferred tax</b>			
Origination and reversal of timing differences	211	(12)	(381)
Adjustments recognised in the period for deferred tax of prior periods	–	(1)	27
<b>Total deferred tax charge/(credit)</b>	<b>211</b>	<b>(13)</b>	<b>(354)</b>
<b>Total tax charged in the Income Statement</b>	<b>410</b>	<b>5</b>	<b>14</b>

The tax charge arises as follows:

	<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
On normal trading	429	27	100
Non-underlying items	(19)	(22)	(86)
<b>Total tax charge</b>	<b>410</b>	<b>5</b>	<b>14</b>

Taxation of trading items for the half year has been provided at the current rate of taxation of 20% (2020: 22%), which is expected to apply to the full year. This effective rate is marginally higher than the standard rate of corporation tax in force of 19% due to the effect of items disallowable for tax purposes.

# Notes to the Condensed Consolidated Financial Statements continued

for the half year ended 30 September 2021

## 7. Earnings Per Share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. Treasury shares are treated as cancelled for the purposes of this calculation.

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

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

	<b>Unaudited Half year to 30 September 2021 £'000</b>	Unaudited Half year to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
<b>Basic</b>			
Profit after tax for the period	<b>1,885</b>	1,409	1,410
Basic earnings per share	<b>69.9p</b>	52.3p	52.4p
Diluted earnings per share	<b>69.0p</b>	52.3p	52.1p
<b>Underlying</b>			
Profit before tax	<b>2,295</b>	1,414	1,424
Adjustment: Non-underlying items (note 4)	<b>101</b>	120	452
Underlying profit for the period	<b>2,396</b>	1,534	1,876
Taxation on normal trading (note 6)	<b>(429)</b>	(27)	(100)
Underlying earnings	<b>1,967</b>	1,507	1,776
Underlying basic earnings per share	<b>73.0p</b>	55.9p	66.0p
Underlying diluted earnings per share	<b>72.0p</b>	55.9p	65.6p

The number of fully paid ordinary shares in issue at the period-end was 2,879,298 (2020: 2,879,298). Excluding the shares held for treasury, the weighted average shares in issue for the purposes of the earnings per share calculation were 2,695,376 (2020: 2,694,790).

The shares granted under the Company's current SAYE scheme for the period, and for the year ended 31 March 2021, are dilutive. The weighted average number of shares in issue for the purposes of the diluted earnings per share calculation were 2,733,587 (2020: 2,694,790). The shares granted under the Company's previous SAYE scheme, in place for the comparative period, have not been treated as dilutive as the market price of the Company's ordinary shares at 30 September 2020 of £2.70 was less than the option price of £3.99.

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

## 8. Dividends

### Ordinary shares of 50p each

An interim dividend of 7.5 pence per ordinary share has been declared and will be paid to shareholders on 10 January 2022 to those shareholders on the register at the close of business on 10 December 2021. The ordinary shares will be marked ex-dividend on 9 December 2021. No interim dividend was declared in respect of the half year ended 30 September 2020 and no final dividend was declared in respect of the year ended 31 March 2021.

### Preference shares

Preference dividends were paid in October 2021. The next preference dividends are payable in April 2022. The cost of the preference dividends has been included within finance costs.

## 9. Property, Plant And Equipment and Right-Of-Use Assets

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

	Unaudited Half year to 30 September 2021 £'000
Property, plant and equipment:	
Property, plant and equipment at 1 April 2021	37,624
Less: Depreciation charges	(772)
Less: Net book value of disposals	–
Add: Purchases	545
Add: Assets in the course of construction	663
Property, plant and equipment at 30 September 2021	38,060

At 30 September 2021, assets in the course of construction amounting to £295,000 had been invoiced but not settled.

	Unaudited Half year to 30 September 2021 £'000
Right-of-use assets:	
Right-of-use assets at 1 April 2021	610
Less: Amortisation of right-of-use assets	(164)
Add: Purchases	104
Right-of-use assets at 30 September 2021	550

# Notes to the Condensed Consolidated Financial Statements *continued*

for the half year ended 30 September 2021

## 10. Investment Properties

The following is a reconciliation of changes in the balances of Investment Properties.

	Unaudited Half year to 30 September 2021 £'000
Investment properties:	
Investment properties at 1 April 2021	7,751
Less: Depreciation charges	(48)
Property plant and equipment at 30 September 2021	7,703

## 11. Loans and Borrowings

	Bank loans £'000	Revolving credit facilities £'000	Lease liabilities £'000	Preference shares £'000	Liabilities arising from financing activities £'000	Bank and cash balances £'000	Net debt £'000
At 1 April 2021 (audited)	8,062	8,000	1,278	812	18,152	(5,735)	12,417
Cash movement	(437)	(2,000)	(268)	–	(2,705)	777	(1,928)
Other movements	–	–	119	–	119	–	119
<b>At 30 September 2021 (unaudited)</b>	<b>7,625</b>	<b>6,000</b>	<b>1,129</b>	<b>812</b>	<b>15,566</b>	<b>(4,958)</b>	<b>10,608</b>
Current liabilities/(assets)	875	1,000	434	–	2,309	(4,958)	(2,649)
Non-current liabilities	6,750	5,000	695	812	13,257	–	13,257
<b>At 30 September 2021</b>	<b>7,625</b>	<b>6,000</b>	<b>1,129</b>	<b>812</b>	<b>15,566</b>	<b>(4,958)</b>	<b>10,608</b>

## 12. Pensions

The pension scheme deficit reflects a defined-benefit obligation that has been updated to reflect its valuation as at 30 September 2021. 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 2021 and in the period to 30 September 2020, and which complies with the accounting requirements of IAS 19 Pensions (revised).

The net liability for defined-benefit obligations has decreased from £9,434,000 at 31 March 2021 to £4,920,000 at 30 September 2021. The reduction of £4,514,000 comprises the net charge to the Condensed Consolidated Statement of Financial Performance of £101,000, a net remeasurement surplus credited to the Condensed Consolidated Statement of Comprehensive Income of £3,224,000 and contributions of £1,391,000.

Asset values increased significantly in the period, by £5,763,000, despite divestments to pay pension transfers and benefits in the period of £1,981,000. Despite these transfers and pensions that were paid in the period, pension liabilities also increased by £1,249,000, as a result of an increase in the CPI inflation assumption rate from 2.75% at 31 March 2021 to 3.00% at 30 September 2021. The discount rate applied to discount the scheme's liabilities to their net present value remained unchanged at 30 September 2021, at 1.95%.

## 13. Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The board believes these risks and uncertainties to be consistent with those disclosed in our latest Annual Report, including the ongoing covid-19 pandemic and 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.

## 14. Capital Commitments

At 30 September 2021, the Company had capital commitments of £0.9 million (2020: £Nil) relating to the redevelopment of one dealership's premises.

## 15. Contingent Liabilities

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

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

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

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

Accordingly, no provision for liability has been made in these Condensed Consolidated Financial Statements.

## **16. Responsibility Statement**

We confirm that to the best of our knowledge:

- a. these Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b. these Condensed Consolidated Financial Statements include a fair review of the information required by DTR 4.2.7R of the disclosure guidance and transparency rules (indication of important events during the first six months and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c. the Half Year Report includes a fair review of the information required by DTR 4.2.8R of the disclosure and guidance transparency rules (disclosure of related parties' transactions and changes therein).

By order of the board

**S G M Caffyn**

Chief Executive

**M Warren**

Finance Director

25 November 2021

# Independent Review Report to Caffyns plc

## Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half year report for the six months ended 30 September 2021, which comprises the Condensed Consolidated Statement of Financial Performance, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Consolidated Changes in Equity, the Condensed Consolidated Cash Flow Statement and the notes to the set of financial information.

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 consolidated set of financial statements.

## 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half year 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 Financial Reporting Council 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 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 consolidated set of financial statements in the half-yearly report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## Use of our report

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

### **BDO LLP**

Chartered Accountants  
Southampton  
25 November 2021

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







# Shareholder Notes

## Our Dealerships



### AUDI

BRIGHTON:  
EASTBOURNE:  
WORTHING:

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



### MG

ASHFORD:

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



### LEVC

EASTBOURNE:

Lottbridge Drove, Eastbourne, BN23 6PJ (01323 418312)



### LOTUS

ASHFORD:

Monument Way, Orbital Park, Ashford, TN24 0HB (01233 504630)



### SEAT

TUNBRIDGE WELLS:

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



ŠKODA

### SKODA

ASHFORD:  
TUNBRIDGE WELLS:

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



### VAUXHALL

ASHFORD:

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



### VOLKSWAGEN

BRIGHTON:  
EASTBOURNE:  
HAYWARDS HEATH:  
WORTHING:

Victoria Road, Portslade, BN41 1YD (01273 425600)  
Lottbridge Drove, Eastbourne, BN23 6PW (01323 647141)  
Market Place, Haywards Heath, RH16 1DN (01444 451511)  
Nightingale Avenue, Worthing, BN12 6FH (01903 837878)



### VOLVO

EASTBOURNE:  
WORTHING:

Lottbridge Drove, Eastbourne, BN23 6PJ (01323 418300)  
Palatine Road, Worthing, BN12 6JH (01903 507124)



### MOTORSTORE

ASHFORD:

Monument Way, Orbital Park, Ashford, TN24 0HB (01233 504624)



### HEAD OFFICE

EASTBOURNE:

Meads Road, Eastbourne, BN20 7DR (01323 730201)

**Caffyns plc**

Meads Road  
Eastbourne  
East Sussex  
BN20 7DR

[www.caffyns.co.uk](http://www.caffyns.co.uk)



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