

Caffyns

Caffyns plc Interim Report 2016



ŠKODA



VAUXHALL



Volkswagen



Contents

Summary/Highlights	01
Interim Management Report	02
Condensed Consolidated Statement of Financial Performance	05
Condensed Consolidated Statement of Comprehensive Income	06
Condensed Consolidated Statement of Financial Position	07
Consolidated Statement of Changes in Equity	08
Condensed Consolidated Cash Flow Statement	10
Notes to the Set of Financial Information	11
Independent Review Report	19



Volkswagen, Eastbourne



Summary

	2016 £'000	2015 £'000
Revenue	105,188	95,481
Underlying EBITDA	2,068	2,120
Underlying profit before tax	1,012	989
Profit for the period before tax (including discontinued businesses)	5,492	1,711
	Pence	Pence
Underlying earnings per share	30.2	29.9
Basic earnings per share (including discontinued businesses)	164.3	51.4
Interim dividend per ordinary share	7.50	7.25

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. In order for comparative information to be presented consistently, the 2015 results have been restated.

Highlights

- Underlying profit before tax up 2.3% to £1.01 million (2015: £0.99 million)
- Profit before tax generated on business disposal of £4.68 million
- Profit before tax up 221% to £5.49 million (2015: £1.71 million)
- Like-for-like new car unit sales up by 2.2%
- Like-for-like used car unit sales up by 11.8%
- Basic earnings per share up 220% to 164.3 pence (2015: 51.4 pence)
- Adjusted earnings per share up 1.0% to 30.2 pence (2015: 29.9 pence)
- Net bank borrowings significantly reduced to £5.39 million (2015: £9.80 million)
- Increased interim dividend declared of 7.50 pence (2015: 7.25 pence)

Simon Caffyn, Chief Executive, commented:

“Following a solid trading performance in the first six months, the Group finished the period with cash reserves and low gearing and is now ideally placed to exploit future business opportunities. These funds will enable us to invest further in Caffyns Cars, our in-house brand of used cars, with the recent acquisition of 2.1 acres of land in Ashford and also in a new site to expand our Audi business in Worthing.”

Interim Management Report

Summary

I am pleased to report that the Group grew its underlying profit before tax by 2.3% to £1.01 million in the six months to 30 September 2016 (2015: £0.99 million). In a challenging marketplace our businesses have continued to trade well.

Revenue from continuing operations increased by 10% to £105.19 million compared to £95.48 million in the comparative period. The Group reported like-for-like sales growth across all departments: new car unit sales, used car unit sales, service and parts.

Underlying earnings per share were 30.2 pence (2015: 29.9 pence), an increase of 1.0%.

At the beginning of this financial year, shareholders approved the sale of our Land Rover business in Lewes. We were very pleased to secure excellent terms, generating a profit on disposal, net of costs and before tax, of £4.68 million. The total cash consideration for the sale was £7.51 million.

Profit before tax for the period, which included the one-off gain on the disposal of the Land Rover business, more than trebled to £5.49 million (2015: £1.71 million) with basic earnings per share of 164.3 pence (2015: 51.4 pence).

The Group finished the period with cash reserves and low gearing and is now ideally placed to exploit future business opportunities. These funds will enable us to invest further in Caffyns Cars, our in-house brand of used cars, with the recent acquisition of 2.1 acres of land in Ashford and also in a new site to expand our Audi business in Worthing. The Board continues to evaluate further investment opportunities.

Operating review

New and used cars

- New car unit sales were up by 2.2% on a like-for-like basis in the half year period, which compared very favourably to the 3.9% fall in registrations in the UK retail and small business

market segment in which we principally operate. For used cars, like-for-like unit sales were up 11.8% on the comparative period as our investment in this area of the business continues to yield strong returns. During the period we upgraded our website and this has significantly enhanced our customers' online searching abilities, leading to an easier, more enjoyable car-buying experience. Over a three-year period, the Group has now recorded 35% like-for-like growth in the number of used cars sold and we continue to see this part of the business as providing a major opportunity for future growth.

Aftersales

- The growth in the new car market over the last four years has led to an increase in the number of one to three-year old cars in circulation. Strong sales of both new and used cars has meant our three-year car parc has also grown considerably. It is encouraging to see service revenue has risen by 9.4% on a like-for-like basis as we continue to realise improvements to our customer retention processes. Our parts business also reported strong sales growth, up by 6.6% on a like-for-like basis from the comparative period.

Operations

- The redevelopment of our Volkswagen dealership in Eastbourne was completed in May and now comprises a twelve-car showroom with extended used car display areas as well as a state-of-the-art new workshop. The completion of this project will now enable the site to grow in the second half of the current year. More widely for the brand, the manufacturer has commenced the roll-out of the remedial work for cars affected by the defeat-device issue and this is being carried out at authorised Volkswagen dealerships. Although this has been a carefully managed programme, the nature of the work passing through our service departments has been



low margin and has involved certain added costs, such as extra courtesy cars. In the short term it has therefore had a negative impact on service profitability. In addition, we have seen some impact on our Volkswagen sales which have fallen from last year's level, broadly similar to the manufacturer's national registrations' performance. We remain confident that the strength of the brand and the excellent model range will lead to improvements in the trading performance of our Volkswagen division.

- Our Audi businesses have seen strong year-on-year growth and we have now secured planning approval to relocate our dealership in Worthing to a new, and significantly larger, site to ensure this business can better fulfil its potential.
- Our Volvo business in Eastbourne has traded very strongly, assisted by new model launches. Both the new XC90 and, more recently, the S90 and V90 have been particularly well received by customers. We are planning to invest in an expansion of our showroom facility in order to better accommodate these extra models and expect the business to continue to grow.
- In Tunbridge Wells, our SEAT business has gained considerable extra traction, having almost quadrupled its new car sales from the comparative prior year period, and together with the adjacent Skoda business, the site has delivered significant improvements in profitability.

Property

- Capital expenditure in the half year was £1.43 million, of which £0.83 million was incurred on the purchase of freehold land at Worthing in order to facilitate the relocation of Audi Worthing.

- In April, we completed on the sale of our Land Rover business in Lewes. Under the terms of the sale, the purchaser has been granted a lease to operate from the premises for a two to three-year period after which it will revert to the Group. The Board has commenced the process of evaluating future opportunities for the site.
- In October, after the end of the six-month period under review, the purchase was completed of the remaining two parcels of freehold land at Worthing which will complete the site for the relocation of Audi Worthing. We anticipate construction will commence early next year. Also in October, we acquired some 2.1 acres of additional land adjacent to Caffyns Cars, our used car centre in Ashford. This investment will almost double the footprint of our existing operations at Ashford and will enable us to further grow the exciting used car concept as well as our Vauxhall and Skoda operations at the site. Caffyns Cars has been very well received by our customers who particularly value the Caffyns brand. The business has traded profitably since its inception in October 2014 and we are now in a position for significant expansion of this operation.

Strategy

- The significant proceeds from the sale of our Land Rover business in Lewes, coupled with the Group's low gearing, has provided us with flexibility to expand upon our recent successes, particularly in the used car arena, and to evaluate and invest in future growth. In addition to investing in freehold land, in Ashford and Worthing, we are assessing a number of further opportunities.

Interim Management Report

Pensions

- The unprecedented falls in gilt and bond yields in the period have had a significant adverse impact on the net funding position of the Group's defined-benefit pension, in line with most similar schemes. Despite a strong performance from the scheme's investments, the deficit at the period end had widened to £11.58 million net of tax (£13.95 million gross of tax). This compared with a deficit of £4.09 million net of tax at 31 March 2016 (£4.98 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 £0.15 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 patience shown by our employees. In particular, our front line staff who have continued to work tirelessly to address potential customer concerns regarding the Volkswagen emissions issue. Across the Group the hard work and professional application of our employees has been rewarded with strong growth in both our sales and aftersales businesses.
- As previously announced, Mark Harrison, our Finance Director, retired during the period and I would like to thank him for his outstanding contribution since his appointment to the Board in April 2001 and to wish him well for the future. In his place, we were pleased to appoint Mike Warren as Finance Director at the Annual General Meeting and to welcome

him to the Board. Mike brings a wealth of experience to the position, having been Finance Director at H.R. Owen Plc between 2007 and 2015.

Dividend

- The Board has declared an interim dividend of 7.50 pence per ordinary share, an increase of 3.4% from last year. This will be paid on 6 January 2017 to shareholders on the register at close of business on 16 December 2016. The shares will be marked ex-dividend on 15 December 2016.

Current trading and outlook

- The six months to 30 September 2016 have seen us deliver new car sales ahead of the market in addition to impressive growth in used car sales and aftersales. Low interest rates and attractive marketing offers have continued to underpin the motor retail sector with the majority of cars now sold under contracts rather than by outright purchase. In addition, the bi-annual registration plate change in September produced a stronger than anticipated trading performance. However, the Board remains cautious for the second half of the year given market consensus for a smaller new car market in 2017, coupled with the wider challenge to the UK economy from the weakness in sterling and the uncertainty surrounding the Brexit process. Following a solid trading performance in the first six months, with low gearing and cash reserves, the Group is now well placed to exploit future business opportunities.

Simon G M Caffyn

Chief Executive

24 November 2016



Condensed Consolidated Statement of Financial Performance

for the half year to 30 September 2016

		Unaudited Half year to 30 September 2016 Total £'000	Unaudited Half year to 30 September 2015 Total £'000	Restated and Unaudited Year to 31 March 2016 Total £'000
	Note			
Continuing operations:				
Revenue		105,188	95,481	186,401
Cost of sales		(93,099)	(84,231)	(162,401)
Gross profit		12,089	11,250	24,000
Operating expenses		(10,918)	(9,742)	(21,846)
Operating profit before other income		1,171	1,508	2,154
Other income		246	287	341
Operating profit		1,417	1,795	2,495
Operating profit before non-underlying items		1,479	1,544	2,544
Non-underlying items within operating profit	3	(62)	251	(49)
Operating profit		1,417	1,795	2,495
Finance expense	4	(467)	(555)	(1,079)
Non-underlying net finance expense on pension scheme	3	(81)	(87)	(173)
Net finance expense		(548)	(642)	(1,252)
Profit before taxation		869	1,153	1,243
Profit before tax and non-underlying items		1,012	989	1,465
Non-underlying items within operating profit	3	(62)	251	(49)
Non-underlying net finance expense on pension scheme	3	(81)	(87)	(173)
Profit before taxation		869	1,153	1,243
Income tax expense	5	(148)	(198)	(70)
Profit for the period from continuing operations		721	955	1,173
Discontinued operations:				
Profit on disposal of discontinued operations	9	3,888	–	–
(Loss)/profit attributed to discontinued operations	9	(51)	463	1,314
Profit for the period from discontinued operations		3,837	463	1,314
Profit for the period		4,558	1,418	2,487
Earnings per share				
Basic	6	164.3p	51.4p	90.1p
Diluted	6	164.2p	50.7p	88.7p
Non-GAAP measure				
Underlying basic earnings per share	6	30.2p	29.9p	48.8p
Underlying diluted earnings per share	6	30.2p	29.4p	48.0p

Condensed Consolidated Statement of Comprehensive Income

for the half year to 30 September 2016

	Unaudited Half year to 30 September 2016 £'000	Unaudited Half year to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
Profit for the period	4,558	1,418	2,487
Items that will never be reclassified to profit and loss:			
Remeasurement of net pension scheme obligation	(9,055)	(661)	296
Deferred tax on remeasurement of pension scheme obligation	1,539	132	(59)
Other comprehensive (expense)/income, net of tax	(7,516)	(529)	237
Total comprehensive (expense)/income for the period	(2,958)	889	2,724



Condensed Consolidated Statement of Financial Position

at 30 September 2016

	Unaudited 30 September 2016 £'000	Unaudited 30 September 2015 £'000	Audited 31 March 2016 £'000
Non-current assets			
Property, plant and equipment	32,974	37,275	38,218
Investment property	7,032	–	1,167
Goodwill	286	286	286
Deferred tax asset	41	–	–
Total non-current assets	40,333	37,561	39,671
Current assets			
Inventories	27,425	33,840	32,925
Trade and other receivables	8,048	8,399	8,449
Cash and cash equivalents	6,231	1,824	219
Total current assets	41,704	44,063	41,593
Total assets	82,037	81,624	81,264
Current liabilities			
Bank overdraft	500	–	–
Interest-bearing loans and borrowings	500	500	500
Trade and other payables	31,931	36,602	36,368
Tax liabilities	469	515	416
Total current liabilities	33,400	37,617	37,284
Net current assets	8,304	6,446	4,309
Non-current liabilities			
Interest-bearing loans and borrowings	10,625	11,125	10,875
Preference shares	812	1,237	812
Deferred tax liability	–	613	617
Pension scheme obligation	13,953	5,997	4,980
Total non-current liabilities	25,390	18,972	17,284
Total liabilities	58,790	56,589	54,568
Net assets	23,247	25,035	26,696
Shareholders' equity			
Ordinary share capital	1,439	1,439	1,439
Share premium	272	272	272
Capital redemption reserve	707	282	707
Non-distributable reserve	1,724	1,724	1,724
Other reserve	–	106	132
Retained earnings	19,105	21,212	22,422
Total equity	23,247	25,035	26,696

Consolidated Statement of Changes in Equity

for the half year to 30 September 2016

	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 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 expense for the period	–	–	–	–	–	(2,958)	(2,958)
Transactions with owners:							
Dividends	–	–	–	–	–	(401)	(401)
Purchase of own shares for treasury	–	–	–	–	–	(383)	(383)
Sale of own shares	–	–	–	–	–	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 half year to 30 September 2015

	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 2015	1,439	272	282	1,724	81	20,696	24,494
Total comprehensive income							
Profit for the period	–	–	–	–	–	1,418	1,418
Other comprehensive expense	–	–	–	–	–	(529)	(529)
Total comprehensive income for the period	–	–	–	–	–	889	889
Transactions with owners:							
Dividends	–	–	–	–	–	(373)	(373)
Share-based payment	–	–	–	–	25	–	25
At 30 September 2015 (unaudited)	1,439	272	282	1,724	106	21,212	25,035



for the year to 31 March 2016

	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 2015	1,439	272	282	1,724	81	20,696	24,494
Total comprehensive income							
Profit for the year	–	–	–	–	–	2,487	2,487
Other comprehensive income	–	–	–	–	–	237	237
Total comprehensive income for the year	–	–	–	–	–	2,724	2,724
Transactions with owners:							
Dividends	–	–	–	–	–	(573)	(573)
Preference shares bought back	–	–	425	–	–	(425)	–
Share-based payment	–	–	–	–	51	–	51
At 31 March 2016 (audited)	1,439	272	707	1,724	132	22,422	26,696

Condensed Consolidated Cash Flow Statement

for the half year to 30 September 2016

	Unaudited Half year to 30 September 2016 £'000	Unaudited Half year to 30 September 2015 £'000	Restated and Unaudited Year to 31 March 2016 £'000
Cash flows from operating activities			
Profit before taxation from continuing operations	869	1,153	1,243
Adjustments for:			
Preference share redemption premium and costs	–	–	292
Net finance expense and service cost	570	691	1,350
Depreciation and amortisation	589	576	1,148
Contribution to pension scheme obligation	(182)	(163)	(324)
Gain on disposal of property, plant and equipment	–	(272)	(317)
Share-based payments	21	25	51
(Loss)/profit generated from discontinued operations before tax	(61)	558	1,392
Decrease/(increase) in inventories	3,579	(1,944)	(1,029)
Decrease/(increase) in trade and other receivables	401	(235)	(1,235)
(Decrease)/increase in payables	(4,321)	671	241
Cash generated from operations	1,465	1,060	2,812
Income taxes	–	(183)	(325)
Interest paid	(470)	(583)	(1,135)
Net cash generated from operating activities	995	294	1,352
Investing activities			
Proceeds on disposal of property, plant and equipment (net of sale costs)	–	1,304	2,736
Proceeds generated on sale of Land Rover business, net of costs	6,707	–	–
Purchases of property, plant and equipment	(1,428)	(897)	(3,825)
Net cash generated from/(used in) investing activities	5,279	407	(1,089)
Financing activities			
Secured loans repaid	(250)	(250)	(500)
Purchase of own preference shares	–	–	(717)
Purchase of own shares for treasury	(383)	–	–
Issue of shares – SAYE scheme	272	–	–
Dividends paid to shareholders	(401)	(373)	(573)
Net cash used in financing activities	(762)	(623)	(1,790)
Net increase/(decrease) in cash and cash equivalents	5,512	78	(1,527)
Cash and cash equivalents at beginning of period	219	1,746	1,746
Cash and cash equivalents at end of period	5,731	1,824	219
Cash and cash equivalents	6,231	1,824	219
Bank overdraft	(500)	–	–
Net cash and cash equivalents	5,731	1,824	219



Notes to the Set of Financial Information

for the half year to 30 September 2016

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 interim financial statements for the half year to 30 September 2016 and similarly for the half year to 30 September 2015 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 2016.

The figures for the year ended 31 March 2016 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. There has been a restatement of certain items from these audited statutory accounts in order to disclose comparative information for the amounts relating to discontinued operations.

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 24 November 2016.

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 2016.

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 Set of Financial Information

for the half year to 30 September 2016

2. ACCOUNTING POLICIES (continued)

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.



3. NON-UNDERLYING ITEMS

	Half year to 30 September 2016 £'000	Half year to 30 September 2015 £'000	Year to 31 March 2016 £'000
Other income:			
Net profit on disposal of property, plant and equipment	–	272	317
Within operating expenses:			
Preference share premium paid on redemption	–	–	(156)
Preference share redemption costs	–	–	(136)
Service cost on pension scheme	(19)	(21)	(42)
Redundancy costs	(43)	–	(32)
	(62)	(21)	(366)
Non-underlying items within operating profit	(62)	251	(49)
Net finance expense on pension scheme	(81)	(87)	(173)
Total non-underlying items within profit before taxation	(143)	164	(222)

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

There were branch specific redundancy costs of £43,000 (2015: £nil).

In the prior period, the Group sold most of its freehold property in Upperton Road, Eastbourne for £1,581,000 generating gains on disposal of £281,000. In January 2016, a portion of land in Goring Road, Worthing was sold for £360,000 generating net gains of £71,000. Other losses on disposal totalled £35,000 with £9,000 of these generated in the period to 30 September 2015.

In February 2016, the Company purchased 218,268 First Preference shares for 108 pence each and 206,664 New Preference shares for 167 pence each pursuant to a redemption option offered to shareholders. Given the nature of the transaction, the associated legal and professional costs of this purchase have been treated as non-underlying together with the premium paid on redemption.

Notes to the Set of Financial Information

for the half year to 30 September 2016

4. FINANCE EXPENSE

	Half year to 30 September 2016 £'000	Half year to 30 September 2015 £'000	Year to 31 March 2016 £'000
Interest payable on bank borrowings	119	162	292
Vehicle stocking plan interest	269	288	596
Financing costs amortised	43	54	104
Preference dividends	36	51	87
Total finance costs	467	555	1,079

5. TAXATION

	Half year to 30 September 2016 £'000	Half year to 30 September 2015 £'000	Year to 31 March 2016 £'000
Current UK corporation tax			
Charge for the period	(53)	(252)	(415)
Adjustment in respect of prior years	–	–	121
Total current tax charge	(53)	(252)	(294)
Deferred tax			
Origination and reversal of timing differences	(979)	(90)	(87)
Adjustments recognised in the period due to change in rate of corporation tax	–	–	184
Adjustments recognised in the period for deferred tax of prior periods	98	49	49
Total deferred tax (charge)/credit	(881)	(41)	146
Total tax charged in the Statement of Financial Performance	(934)	(293)	(148)
The tax (charge)/credit arises as follows:			
On normal trading	(173)	(165)	(119)
Non-underlying items	25	(33)	49
Continuing operations	(148)	(198)	(70)
Discontinued operations	(786)	(95)	(78)
Total tax charge	(934)	(293)	(148)

Taxation of trading items for the half year has been provided at the effective rate of taxation of 17.1% (2015: 17.1%) expected to apply to the full year on ordinary trading. Tax on disposal gain from discontinued operations items is 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 2016 £'000	Half year to 30 September 2015 £'000	Year to 31 March 2016 £'000
Basic			
Profit for the period	4,558	1,418	2,487
Basic earnings per share	164.3p	51.4p	90.1p
Diluted earnings per share	164.2p	50.7p	88.7p
Adjusted			
Profit before tax	869	1,153	1,243
Adjustment: Non-underlying items (note 3)	143	(164)	222
Underlying profit for the period	1,012	989	1,465
Taxation on normal trading (note 5)	(173)	(165)	(119)
Underlying earnings	839	824	1,346
Underlying earnings per share	30.2p	29.9p	48.8p
Diluted earnings per share	30.2p	29.4p	48.0p

The number of fully paid ordinary shares in issue at the period end was 2,879,298 (2015: 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 2,773,616 (2015: 2,759,678). The shares granted under the Company's SAYE scheme are dilutive. The number of dilutive shares under option at fair value was 2,011 (2015: 39,133) giving a total diluted weighted average number of shares of 2,775,627 (2015: 2,798,811).

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

Notes to the Set of Financial Information

for the half year to 30 September 2016

7. DIVIDENDS

Ordinary shares of 50p each

The interim dividend proposed at the rate of 7.50 pence per share (2015: 7.25 pence) is payable on 6 January 2017 to shareholders on the register at the close of business on 16 December 2016. The shares will be marked ex-dividend on 15 December 2016.

Preference shares

Preference dividends were paid in October 2016. The next preference dividends are payable in April 2017. 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 2016. 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 2016 and in the period to 30 September 2015, and which complies with the accounting requirements of IAS 19 (revised).

The net liability for defined benefit obligations has increased from £4,980,000 at 31 March 2016 to £13,953,000 at 30 September 2016. The increase of £8,973,000 comprises the net charge to the Statement of Financial Performance of £100,000 and a net remeasurement loss charged to the Statement of Comprehensive Income of £9,055,000 less contributions of £182,000. Although assets have increased, the liabilities have increased by a greater amount as a result of a decrease in the discount rate from 3.35% at 31 March 2016 to 2.20% at 30 September 2016.

9. DISCONTINUED OPERATIONS

In April, 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 period of up to three years from 29 April 2016 subject to a two-year tenant-only break clause.

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



9. DISCONTINUED OPERATIONS (continued)

	Half year to 30 September 2016 £'000	Half year to 30 September 2015 £'000	Year to 31 March 2016 £'000
Revenue	5,828	22,196	46,089
Cost of sales	(5,516)	(19,942)	(41,169)
Gross profit	312	2,254	4,920
Operating expenses	(370)	(1,668)	(3,473)
Operating (loss)/profit	(58)	586	1,447
Finance expense	(3)	(28)	(55)
(Loss)/profit before taxation	(61)	558	1,392
Income tax credit/(expense)	10	(95)	(78)
(Loss)/profit attributed to discontinued operations	(51)	463	1,314
Profit on sale of business net of deferred tax	3,888	–	–
Profit for the period from discontinued operations	3,837	463	1,314

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

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

Notes to the Set of Financial Information

for the half year to 30 September 2016

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. 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

24 November 2016

M Warren

Finance Director



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 2016 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.

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-yearly financial report for the six months ended 30 September 2016 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

Auditor

Gatwick

24 November 2016



Our Dealerships



AUDI

BRIGHTON: 200 Dyke Road, Brighton BN1 5AT (01273 610654)

EASTBOURNE: Edward Road, Eastbourne BN23 8AS (01323 344383)

WORTHING: Broadwater Road, Worthing BN14 8AH (01903 373028)



SEAT

TUNBRIDGE WELLS: North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 256211)

ŠKODA



SKODA

ASHFORD: The Boulevard, Ashford TN24 0GA (01233 273075)

TUNBRIDGE WELLS: North Farm Industrial Estate, Tunbridge Wells TN2 3EL (01892 256407)



VAUXHALL

VAUXHALL

ASHFORD: Monument Way, Orbital Park, Ashford TN24 0HB (01233 273072)



Volkswagen

VOLKSWAGEN

WORTHING: Nightingale Avenue, Worthing BN12 6FH (01903 373048)

HAYWARDS HEATH: Station Garage, Market Place, Haywards Heath RH16 1DB (01444 650164)

EASTBOURNE: Hammonds Drive, Eastbourne BN23 6PW (01323 344393)

HOVE: Victoria Road, Portslade BN41 1XD (01273 610604)

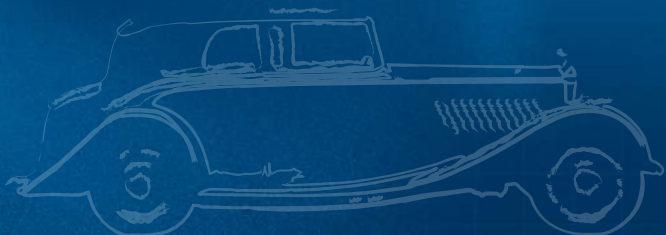
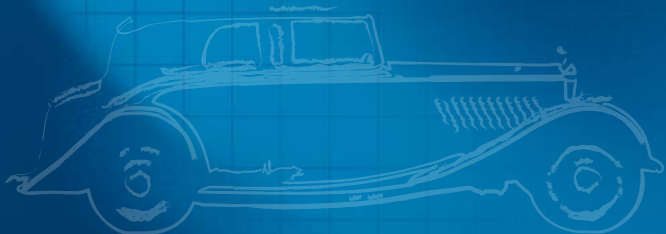
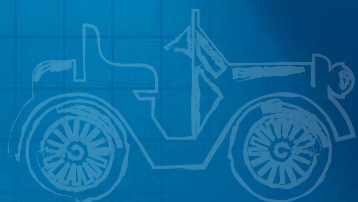
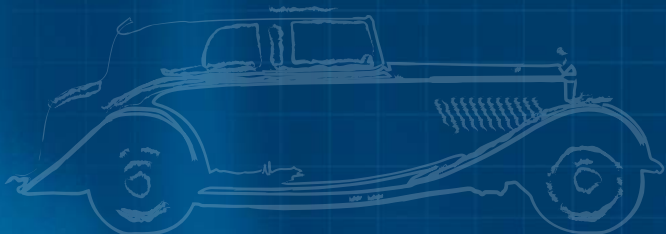
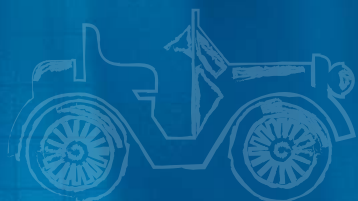
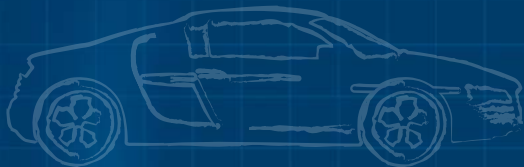


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