

Caffyns plc Preliminary Results for the year ended 31 March 2024

Summary

	2024 £'000	2023 £'000
Revenue	262,084	251,426
Underlying EBITDA (see note A)	4,212	6,955
Underlying (loss)/profit before tax (see note A)	(566)	3,140
(Loss)/profit before tax	(1,545)	3,090

	pence	pence
Underlying (deficit)/earnings per share	(17.3)	95.1
(Deficit)/earnings per share	(44.3)	93.6
Proposed final dividend per Ordinary share	5.0	15.0
Dividend per ordinary share for the year	7.5	22.5

Note A: Underlying results exclude items that have non-trading attributes due to their size, nature or incidence. Non-underlying items for the year totalled a charge of £979,000 (2023: £50,000) and are detailed in Note 2 to these consolidated financial statements. Underlying EBITDA of £4,212,000 (2023: £6,955,000) represents Operating profit before non-underlying items of £2,114,000 (2023: £4,827,000) adding back Depreciation and Amortisation of £2,098,000 (2023: £2,128,000).

Overview

- Revenue up 4% to £262.1 million (2023: 251.4 million)
- New car unit deliveries up by 5%
- Used car unit sales up by 2%
- Aftersales revenues up by 5% to £28.5 million (2023: £27.0 million)
- Underlying loss before tax of £0.6 million (2023: profit of £3.1 million)
- Final dividend of 5.0 pence per Ordinary share (2023: 15.0 pence per Ordinary share)
- Net bank borrowings at 31 March 2024 were £11.3 million (2023: £8.1 million)
- Property portfolio valuation at 31 March 2024 showed a reduced surplus to net book value of £10.7 million (2023: £11.5 million) due to a general softening in the commercial property market. This surplus is not recognised in these accounts).

Commenting on the results Simon Caffyn, Chief Executive, said: "Turnover in the year increased by 4% to £262 million as trading for new cars and aftersales remained robust. However, the used car market suffered a significant price correction in the final calendar quarter of 2023 which, along with interest rates and energy costs at elevated levels and inflationary pressures on the cost base, had a detrimental impact on our second half performance."

Enquiries:

Caffyns plc

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Summary

Turnover in the financial year ended 31 March 2024 (the "year") increased by 4% to £262.1 million (2023: £251.4 million) as trading for new cars and aftersales remained robust. However, the used car market suffered a significant price correction in the final calendar quarter of 2023, which had a very detrimental impact on our second half performance. The challenges to profitability faced by the Company, and indeed the wider motor retail sector, from an overall weakening in the trading environment resulted in a reduction of £1.9 million in gross profits. With interest rates and energy costs at elevated levels and with inflationary pressures on the cost base remaining high, the Company recorded a loss for the year.

Underlying operating profits reduced to £2.1 million (2023: £4.8 million). The underlying loss before tax of £0.6 million for the year compared to an underlying profit of £3.1 million in the prior year.

Statutory losses before tax for the year were £1.5 million (2023: profits of £3.1 million). In addition to the trading losses incurred in the year, the Company incurred certain non-underlying costs, primarily associated with the financing and service costs of its defined-benefit pension scheme and from property impairment charges. Actuarial adjustments arising on its defined-benefit pension scheme have been taken direct to reserves. Basic losses per share for the year were 44.3 pence (2023: earnings of 93.6 pence). Underlying losses per share for the year were 17.3 pence (2023: earnings of 95.1 pence).

The Company's defined benefit pension scheme deficit, calculated in accordance with the requirements of IAS 19 Pensions, increased to £10.0 million at 31 March 2024 (2023: £8.8 million). The investment performance of the scheme's investments was adversely affected during the year by volatile market movements.

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

The board declared an interim dividend of 5.0 pence per Ordinary share (2023: 7.5 pence), which was paid in January 2024. Although the financial performance of the Company in the second half of the financial year worsened and was loss-making, the board remains confident in the prospects of the Company and declared a final dividend for the year of 5.0 pence per Ordinary share (2023: 15.0 pence).

Net bank borrowings at 31 March 2024 were £11.3 million (2023: £8.1 million), which equated to gearing of 39% (2023: 26%).

New and used car sales

The Company's total revenues increased by £10.7 million over the previous year, of which £9.4 million arose from the sale of new and used cars.

Total UK new car registrations in the year increased by 16% to 1.95 million as the major car manufacturers were able to lift new car production levels. However, the conflict in Ukraine continued to place strains on supply chains and the growing cost-of-living pressures have made customers more careful of discretionary spending. Within this total, new car registrations in the private and small business sector, in which we principally operate, actually fell by 3%. Our own retail new car deliveries rose by 5%, a better outcome than for the comparable motor retail sector.

Our volume of used cars sales rose in the year by 2%. Although not a perfect match, used car data from the Society of Motor Manufacturers and Traders showed the number of used cars being transacted in the UK rose by 5% in the 2023 calendar year. Our performance in the year was held back by falling volumes at our Motorstore non-franchised businesses in Ashford and Lewes. The used car market suffered a significant price correction in the final quarter of 2023 and, as a result, our unit margins in the year fell significantly from their level in the prior year. Lower volumes of new car registrations over the last four years have also reduced the number of less than 3-year-old used cars available in the market. In recognition of this scarcity, procedures have been strengthened to broaden our sources for replenishing inventory but the sourcing of good quality, well-priced used cars remains very challenging.

Great efforts have been made over the last twelve months to further enhance and develop our omni-channel used car offering for our customers, which allows customers to interact with us in the way that suits them best, from the traditional showroom discussion through to a fully online sales process, and any combination in between. We continue to see our used car offering providing a major opportunity for stronger growth. With market conditions volatile, we continue to actively monitor and control used car stock turn and yield. The

market conditions volatile we continue to actively monitor and control used car stock turn and yield. The number of used cars sold in the year again exceeded the number of new cars sold, although by a reduced multiple than in the prior year.

Aftersales

Our aftersales business performed well during the year with service revenues rising by 4%. We continue to place great emphasis on our customer retention programmes and in growing sales of service plans. Our parts business also reported higher sales, up by 6% from the previous year.

Our people

I am very grateful for the dedication of our employees and their efforts throughout the year to provide our customers with a first-class experience. The Company benefits from a dedicated workforce with more than a quarter of employees having more than ten years' service. As a result of their hard work and professionalism, the business remains in a strong position in the competitive retail environment in which we operate, and we continue to be an employer of choice in Kent and Sussex.

The Company has a long tradition of investing in apprenticeship programmes. Despite the pressures on the business, we have kept our apprenticeship numbers at a high level and continue to see the benefits flow through the business as more apprentices complete their training. Due to our apprentice numbers, we continued to fully utilise our apprenticeship levy payments within the stipulated time limits. We remain firmly committed to the long-term benefits of apprenticeships and our recruitment programme continues with the aim of maintaining a healthy complement in the current year, which will assist the Company to continue to grow.

Operations

Our Audi businesses produced a satisfactory financial performance in the year, although with profits much reduced from the prior year. The franchise continues to be boosted by the strength of the brand, the excellent model range, and exciting new products.

Our Volkswagen businesses underperformed in the year, partly as a result of operational issues at one of our four dealerships, but also due to supply constraints on certain new car model ranges. However, the manufacturer is the market leader in the UK and we expect a markedly improved financial performance in the coming year.

Our Volvo businesses had a transitional year, with our Worthing business being redeveloped and the manufacturer moving from supplying cars to its dealer network under the traditional wholesale transactional model to an agency model where the manufacturer sells direct to the consumer whilst the dealer facilitates delivery of the car. This transition has presented a number of challenges to both the manufacturer and the dealer network, many of which remain as work in progress. However, the brand enjoys an excellent model range of cars, which continue to be positively received by customers.

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

Our MG business in Ashford, which opened in the summer of 2021, moved into its third year of operation. The business was able to generate significant growth in the year, reflecting the increasing market share of the brand, and performed well.

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

The performance of our two Lotus businesses, in Ashford and Lewes, continued to be constrained by a lack of new car product in the year, although recent delivery levels of the Emera and Eletre models have shown signs of improvement.

Trading at Caffyns Motorstore, our used car businesses in Ashford and Lewes, remained subdued as the business struggled to source high-quality used cars. However, the concept continues to be well received by our customers, who particularly value the Caffyns brand.

Groupwide projects

We remain focused on generating further improvements in the levels of used car sales, used car finance income

and service labour sales. These three areas will be key to achieving increases in profitability in the coming years. In addition, we continue to make very good progress utilising technology to enhance customers' experience throughout their buying journey, as well as improving our aftersales retention.

Zero-emission vehicle ("ZEV") targets

With effect from 1 January 2024 the Government announced that vehicle manufacturers will be required to meet annual minimum registration targets for ZEV cars, with the target for the 2024 calendar year set at 22% of registrations. Failure to achieve the set target would result in potential financial penalties being levied on the manufacturer. Registrations of ZEV cars in the first calendar quarter of 2024 amounted to 16% of the market, some way below the stipulated minimum of 22%. However, the manufacturers that we represent are placed to meet the challenges of the transition to zero-emission vehicles.

Climate-related emissions

The board is acutely aware of the impact that the Company's operations have on the environment, its responsibility to minimise these wherever possible, and to supporting the Government's efforts to transition towards net-zero carbon emissions. To assist with this process an Environmental, Sustainability and Efficiency Committee, headed by a senior operational manager who reports directly to the Chief Executive, operated during the year, with the remit of scrutinising and reducing the Company's energy usage. The Committee was able to achieve year-on-year savings in electricity and gas usage of some 5% in the 2023 calendar year. Investments were made in the year to improve the efficiency of lighting and heating equipment, and further energy savings are expected in future periods.

Property

We operate primarily from freehold sites, which provides additional stability to our business model. As in previous years, our freehold premises were valued at the balance sheet date by chartered surveyors CBRE Limited, based on an existing use valuation. The excess of the valuation over net book value of our freehold properties at 31 March 2024 was £10.7 million (2023: £11.5 million). The reduction in the valuation in the year reflected the general softening of the commercial property market, which also necessitated impairment charges in the year of £0.6 million (2023: £Nil). In accordance with our accounting policies, this surplus of £10.7 million has not been incorporated into our accounts.

During the year, we incurred capital expenditure of £2.6 million (2023: £0.9 million). This primarily reflected the redevelopment of our Volvo premises in Worthing to the manufacturer's latest standards, along with replacement spend on existing assets and further installations of electric charging points.

The board is progressing the sale process of our freehold premises in Lewes which is currently being utilised for Lotus Sussex and Motorstore Performance, as well as being partially tenanted. Completion of this process will be dependent, among other matters, on the agreement of mutually acceptable terms with certain prospective purchasers. The board expects further progress towards a sale in the coming year. Due to the uncertainty of a successful outcome the property has continued to be shown as an investment property on the Company's balance sheet.

The Company operates two of its franchised businesses from leased premises as well as having two leased vehicle storage compounds, which are shown on the balance sheet as right of use assets. During the year, the lease for one of those premises was extended for a further five years. As a result, the valuation of that lease increased by £0.4 million, equal and opposite to an increase in its lease liability.

Bank facilities and borrowings

The Company's banking facilities with HSBC comprise a term loan, originally of £7.5 million, repayable by instalments over a twenty-year period to 2038 and a revolving credit facility of £6.0 million, both of which will next come up for their periodic review in March 2026. HSBC also provides an overdraft facility of £3.5 million, reviewed annually. The Company continues to enjoy a supportive relationship with HSBC.

In addition to its facilities with HSBC, the Company also has a revolving credit facility of £4.0 million provided by Volkswagen Bank, reviewed annually. During the year, the final repayment instalment was made to clear a term loan with Volkswagen Bank, originally of £5.0 million.

The term loan and revolving credit facilities provided by HSBC include certain covenant tests covering interest, borrowing and security levels. The covenant test relating to security levels were passed at 31 March 2024. In the light of the underlying trading losses incurred in the year and, prior to the year-end, HSBC agreed to waive the covenant tests covering interest and borrowing levels. For the coming year a new covenant test has been introduced, which will require the Company to achieve certain EBITDA hurdles in the coming financial year. The

introduced, which will require the Company to achieve certain EBITDA hurdles in the coming financial year. The existing covenant tests relating to interest and borrowing levels will then be reapplied with effect from 30 June 2025. Any failure of a covenant test could result, at the option of HSBC, in the borrowing becoming repayable on demand.

During the year, cash generated by operating activities was £0.1 million (2023: £4.2 million), reflecting the challenging trading conditions in the year. Changes in net working capital were minimal, although inventories and payables both increased as levels of new cars held on consignment from manufacturers continued to return to more normal levels. Other significant cash movements in the year included capital expenditure of £2.6 million (2023: £0.9 million), repayment of bank term loans of £0.9 million (2023: £0.9 million) and dividends paid to shareholders of £0.5 million (2023: £0.6 million). Cash balances held at 31 March 2024 were £0.4 million, a reduction of £3.8 million from the previous year-end.

Bank borrowings, net of cash balances, at 31 March 2024 were £11.3 million (2023: £8.1 million) and as a proportion of shareholders' funds at 31 March 2024 were 39% (2023: 26%). This increase in gearing level reflected cash absorbed by operating activities combined with a high requirement for capital expenditure in the year and an adverse movement in the deficit for the Company's defined-benefit pension scheme. In addition to the year-end cash balances available, but undrawn, banking facilities with HSBC and Volkswagen Bank at 31 March 2024 were £7.5 million (2023: £7.5 million).

Taxation

The year produced a tax credit of £0.3 million against losses incurred (2023: charge of £0.6 million). The effective tax rate for the year was higher than the standard rate of corporation tax in force for the year of 25% due to the effect of items disallowable for corporation tax and from the change to the rate of corporation tax in the prior year.

The Company has outstanding trading losses of £1.3 million (2023: £Nil) available for relief against profits in future accounting periods. There are no capital losses awaiting relief. Capital gains which remain unrealised, where potentially taxable gains arising from the sale of properties and goodwill have been rolled over into replacement assets, amounted to £5.9 million (2023: £6.8 million) which could equate to a future potential tax liability of £1.5 million (2023: £1.7 million). The Company was unable to utilise any of its Advanced Corporation Tax in the year, leaving an unchanged amount carried forward to future trading periods of £0.3 million (2023: £0.3 million).

Pension scheme

The Company's defined benefit scheme was closed to future accrual in 2010. The board has little control over the key assumptions in the valuation calculations as required by accounting standards and movements in yields of gilts and bonds can have a significant impact on the net funding position of the scheme. At 31 March 2024, the deficit of the scheme was £10.0 million (2023: £8.8 million). The deficit, net of deferred tax, was £7.5 million (2023: £6.6 million). The investment performance of the scheme's asset was adversely affected during the year by volatile market movements.

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

The pension cost under IAS 19 is charged as a non-underlying cost and amounted to £0.4 million in the year (2023: £0.1 million).

The latest triennial valuation as at 31 March 2023 remains ongoing. Therefore, the most recent completed triennial valuation of the Scheme was as at 31 March 2020, which was formally submitted to the Pensions Regulator in June 2021. A recovery plan to address the Scheme deficit identified from this triennial valuation was agreed with the trustees under which the annual recovery plan payment was set at a base level of £0.75 million for the year ended 31 March 2022, along with an additional one-off contribution of £1.0 million which was paid in the prior year. The recurring annual recovery plan payment for each subsequent year thereafter would then increase by 2.25%, until superseded by any future new recovery plan to be agreed between the Company and the trustees. In accordance with the recovery plan, the Company made deficit reduction contributions into the Scheme during the year of £0.8 million (2023: £1.8 million).

A revised recovery plan to deal with the Scheme's deficit position is being negotiated with the Scheme's trustees and this, and the formal triennial actuarial valuation of the Scheme as at 31 March 2023, need to be

agreed with the trustees and submitted to the Pensions Regulator by 30 June 2024. The Board remains confident of meeting this submission deadline.

Dividend

The board declared an interim dividend of 5.0 pence per Ordinary share (2023: 7.5 pence), which was paid in January 2024. Although the financial performance of the Company in the second half of the financial year worsened and was loss-making, the board remains confident in the prospects of the Company and declared a final dividend for the year of 5.0 pence per Ordinary share (2023: 15.0 pence). This will be paid on 9 August 2024 to shareholders on the register at close of business on 12 July 2024. The Ordinary shares will be marked ex-dividend on 11 July 2024.

Strategy

Our continuing strategy is to focus on growing our loyal customer base through representing premium and premium-volume franchises, maximising opportunities for premium used cars and delivering an excellent after sales service. We recognise that we operate in a rapidly changing environment and continue to carefully monitor the appropriateness of this strategy. We continue to seek opportunities to invest in the future growth of our business.

We are concentrating on business opportunities in stronger sectors to deliver higher returns from fewer but bigger sites. We continue to seek to deliver performance improvement, in particular in our used car and aftersales operations, and to enhance both the purchasing and aftersales experience for our customers.

Annual General Meeting

The Annual General Meeting will be held on 1 August 2024 and will be an open meeting, to which shareholders will be invited to attend in person.

Outlook

The Company has a strong new car forward-order book but trading conditions in the early part of the current financial year have remained challenging, with inflationary pressures and high interest rates continuing to impact on our cost base, and on our customers' confidence levels.

The current financial year will see certain manufacturers continue their transition to new agency arrangements for their dealer networks, which may result in some short-term disruption to the market. Enquiry rates from retail customers for electric cars continue to remain subdued. However, our manufacturers are well placed for the future with a pipeline of market-leading electric new car products due to come to market over the next few years.

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

S G M Caffyn

Chief Executive

6 June 2024

Group Income Statement for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Revenue		262,084	251,426
Cost of sales		(230,389)	(217,844)
Gross profit		31,695	33,582
Operating expenses			
Distribution costs		(19,913)	(19,009)
Administration expenses		(10,605)	(10,076)
Operating profit before other income		1,177	4,497
Other income (net)		356	344
Operating profit		1,533	4,841
Operating profit before non-underlying items		2,114	4,827

Non-underlying items within operating profit	5	(581)	14
Operating profit		1,533	4,841
Finance expense	6	(2,680)	(1,687)
Finance expense on pension scheme		(398)	(64)
Net finance expense		(3,078)	(1,751)
(Loss)/profit before taxation		(1,545)	3,090
(Loss)/profit before tax and non-underlying items		(566)	3,140
Non-underlying items within operating profit	5	(581)	14
Non-underlying items within finance expense on pension scheme	5	(398)	(64)
(Loss)/profit before taxation		(1,545)	3,090
Taxation	7	341	(566)
(Loss)/profit for the year		(1,204)	2,524
(Deficit)/earnings per share			
Basic	8	(44.3)p	93.6p
Diluted	8	(44.3)p	92.4p
Underlying (deficit)/earnings per share			
Basic	8	(17.3)p	95.1p
Diluted	8	(17.3)p	93.9p

Group Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
(Loss)/profit for the year		(1,204)	2,524
Items that will never be reclassified to profit and loss:			
Remeasurement of net defined benefit liability		(1,652)	(6,715)
Deferred tax on remeasurement	17	413	1,679
Total other comprehensive expense, net of taxation		(1,239)	(5,036)
Total comprehensive expense for the year		(2,443)	(2,512)

Group Statement of Financial Position at 31 March 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Right-of-use assets	10	2,343	2,348
Property, plant and equipment	11	38,714	38,145
Investment properties	12	7,216	7,531
Interest in lease	13	65	225
Goodwill	14	286	286
Deferred tax asset	17	568	-
		49,192	48,535
Current assets			
Inventories	15	42,251	39,989
Trade and other receivables		7,310	7,121
Interest in lease	13	160	164
Current tax recoverable		190	-
Cash and cash equivalents		438	4,226
		50,349	51,500
Total assets		99,541	100,035
Current liabilities			
Interest-bearing bank overdrafts and loans		1,445	1,875
Trade and other payables	16	45,597	43,674
Lease liabilities		501	511
Current tax payable		-	28
		47,543	46,088
Net current assets		2,806	5,412
Non-current liabilities			
Interest-bearing bank loans		10,308	10,437
Lease liabilities		2,106	2,203
Deferred tax liability	17	-	34
Preference shares		812	812
Retirement benefit obligations		10,036	8,799
		23,262	22,285

Total liabilities	10,805	68,313
Net assets	28,736	31,662
Capital and reserves		
Share capital	1,439	1,439
Share premium account	272	272
Capital redemption reserve	707	707
Non-distributable reserve	1,724	1,724
Retained earnings	24,594	27,520
Total equity attributable to shareholders	28,736	31,662

Group Statement of Changes in Equity for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non- distributable reserve £'000	Retained Earnings £'000	Total £'000
At 1 April 2023	1,439	272	707	1,724	27,520	31,662
Total comprehensive expense						
Loss for the year	-	-	-	-	(1,204)	(1,204)
Other comprehensive expense	-	-	-	-	(1,239)	(1,239)
Total comprehensive expense	-	-	-	-	(2,443)	(2,443)
Transactions with owners:						
Dividends	-	-	-	-	(539)	(539)
Issue of shares - SAYE	-	-	-	-	220	220
Purchase of own shares	-	-	-	-	(195)	(195)
Share-based payment	-	-	-	-	31	31
At 31 March 2024	1,439	272	707	1,724	24,594	28,736

for the year ended 31 March 2023

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

Group Cash Flow Statement for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Net cash inflow from operating activities	18	119	4,237
Investing activities			
Proceeds on disposal of property, plant and equipment		57	1
Purchases of property, plant and equipment		(2,575)	(902)

Receipt from investment in lease	185	185
Net cash outflow from investing activities	(2,333)	(716)
Financing activities		
Revolving-credit facility utilised	1,000	-
Revolving-credit facility repaid	(1,000)	-
Secured loans repaid	(875)	(875)
Unsecured loan received	350	-
Unsecured loan repaid	(35)	-
Issue of shares - SAYE scheme	220	3
Purchase of own shares for treasury	(195)	-
Dividends paid	(539)	(606)
Repayment of lease liabilities	(500)	(576)
Net cash outflow from financing activities	(1,574)	(2,054)
Net (decrease)/increase in cash and cash equivalents	(3,788)	1,467
Cash and cash equivalents at beginning of year	4,226	2,759
Cash and cash equivalents at end of year	438	4,226

Notes

for the year ended 31 March 2024

1. GENERAL INFORMATION

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

This financial information has been extracted from the consolidated financial statements which were approved by the directors on 6 June 2024.

2. ACCOUNTING POLICIES

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

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

The financial information set out does not constitute the Company's statutory accounts for the year ended 31 March 2024, but is derived from those accounts. Statutory accounts for the year ended 31 March 2023 have been delivered to the Registrar of Companies and those for the year ended 31 March 2024 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

A copy of the annual report for the year ended 31 March 2024 will be available at www.caffynsplc.co.uk and will be posted to shareholders by 8 July 2024.

3. GOING CONCERN

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

The directors have considered the going concern basis and have undertaken a detailed review of trading and cash flow forecasts for a period of one year from the date of approval of this Annual Report. This has focused primarily on the achievement of the banking covenants associated with the term loan and revolving credit facilities provided by HSBC, which cover levels of interest, borrowing and freehold property security. The covenant tests relating to security levels were easily passed at 31 March 2024 and, prior to the year-end, HSBC agreed to waive the tests covering interest and borrowing levels. For the coming year agreement was reached to implement a new covenant test which will require the Company to achieve minimum cumulative Senior EBITDA hurdles, which are £Nil for the quarter ending 30 June 2024, £1.0 million for the half-year ending 30 September, £1.5 million for the nine months ending 31 December 2024 and £3.0 million for the full financial year ending 31 March 2025. The test on 31 March 2025 will be the final test to be carried out within the twelve-month period from the anniversary of the signing of these financial statements. Based on expected borrowing levels

and levels of interest rates in the coming twelve months, the covenant hurdle for the full financial year ending 31 March 2025 equates broadly to an underlying break-even position for the Company. The existing covenant tests relating to interest and borrowing levels will then be reapplied with effect from 30 June 2025. Any failure of a covenant test would render the borrowing facilities from HSBC to become repayable on demand, at the option of the lender.

Under the Company's interest cover covenant test, to be reapplied from 30 June 2025, it will be required to make underlying profits before senior interest (that being paid to HSBC and VW Bank on its term loan and revolving credit facility borrowings), corporation tax, depreciation and amortisation ("senior EBITDA") for a rolling twelve-month period which is at least four times the level of senior interest. Under the borrowings test, the Company's borrowings from HSBC and VW Bank on its term loan and revolving credit facilities must be less than 375% of its senior EBITDA. When this covenant test is reapplied on 30 June 2025 the covenant multiple will be increased from 375% to 400%.

The Company's final covenant test over its levels of freehold property security requires that the level of its bank borrowings do not exceed 70% of the independently assessed value of its charged freehold properties. This test was passed at 31 March 2024 and will remain in place throughout the coming financial year. Property values would need to reduce by some two-thirds before this covenant test became at risk of failure.

Once reapplied on 30 June 2025, these covenants will then continue to be tested quarterly. Financial modelling for the coming twelve-month period has allowed the directors to conclude that there is satisfactory headroom in the Company's banking covenants.

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

The directors have also considered the Company's working capital requirements. The Company meets its day-to-day working capital requirements through short-term stocking loans, bank overdraft and revolving-credit facility, and medium-term revolving credit facilities and term loans. At the year-end, the medium-term banking facilities included a term loan with an outstanding balance of £5.4 million and a revolving credit facility of £6.0 million from HSBC, its primary bankers, with both facilities being next renewable in March 2026. HSBC also makes available a short-term overdraft facility of £3.5 million, which is renewed annually each August. The Company also has a short-term revolving-credit facility of £4.0 million, which is renewed annually each August, from Volkswagen Bank. In the opinion of the directors, there is a reasonable expectation that all facilities will be renewed at their scheduled expiry dates. The failure of a covenant test would render these facilities repayable on demand at the option of the lender. At 31 March 2024 the Company held cash in hand balances of £0.4 million and had undrawn borrowing facilities of £7.5 million, all of which would be immediately available.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Retirement benefit obligation

The Company has a defined benefit pension scheme. The obligations under this scheme are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets and

mortality rates. These assumptions vary from time to time depending on prevailing economic conditions. Details of the assumptions used are provided in note 24 to the 2024 Annual Report. At 31 March 2024, the net liability of the scheme included in the Statement of Financial Position was £10.0 million (2023: £8.8 million).

Impairment

The carrying value of property, plant and equipment and goodwill are tested annually for impairment as described in notes 12, 13, 14 and 16 to the 2024 Annual Report. For the purposes of the annual impairment testing, the directors recognise Cash Generating Units (CGUs) to be those assets attributable to an individual dealership, which represents the smallest group of assets which generate cash inflows that are independent from other assets or CGUs. The recoverable amount of each CGU is based on the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell of each CGU is based upon the market value of any property contained within it and is determined by an independent valuer, and its value in use is determined through discounting future cash inflows (as described in detail in note 16 to the 2024 Annual Report). As a result of this review, the directors considered that two impairments totalling £0.6 million were required to the carrying value of its property assets (2023: no impairments).

Inventory provisions

The Company carries significant inventories of new and used cars, as well as operating its own fleet of sales demonstrators and courtesy cars for service customers. These cars are valued at the lower of cost and net realisable value by reference to trade valuation guides, after adjusting for the mileage and condition of the cars. At the year-end, the Company held a provision against the cost of its used inventory of £0.3 million (2023: £0.2 million). The directors considered that this provision was sufficient to ensure that inventories were shown at the lower of cost and net realisable value.

Surplus ACT recoverable

The Company carries a balance of surplus unrelieved advanced corporation tax ("ACT") which can be utilised to reduce corporation tax payable subject to a restriction to 25% of taxable profits less shadow ACT calculated at 25% of dividends. Uncertainty arises due to the estimation of future levels of profitability, levels of dividends payable and the reversal of deferred tax liabilities in respect of accelerated capital allowances and on unrealised capital gains. For example, a reduction in the Company's profitability could result in a delay in the utilisation of surplus unrelieved ACT. However, based on the Company's current projections, the directors have a reasonable expectation that the surplus ACT will be fully relieved against future corporation tax liabilities by 31 March 2027.

Corporation tax losses

The Company has unrelieved trading losses of £1.3 million (2023: £Nil) which will be available for offset against profits made in future periods. based on the Company's current projections, the directors have a reasonable expectation that these losses will be fully relieved against future corporation tax liabilities by 31 March 2026.

5. Non-underlying items

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

	2024 £'000	2023 £'000
Net loss on disposal of property, plant and equipment	41	-
Other income, net	-	37
Within operating expenses:		
Service cost on pension scheme	(18)	(23)
Property impairments	(604)	-
	(622)	(23)
Non-underlying items within operating profit	(581)	14
Net finance expense on pension scheme	(398)	(64)
Non-underlying items within net finance expense	(398)	(64)
Total non-underlying items before taxation	(979)	(50)
Taxation credit on non-underlying items	245	10
Total non-underlying items after taxation	(734)	(40)

Underlying results exclude items that in the judgement of the directors have non-trading attributes due to their size, nature or incidence. These include disposals of fixed assets, receipts of non-trading income, impairments to freehold properties and the service and finance costs of the Company's defined-benefit pension scheme.

In the prior financial year, the Company received a final distribution of £37,000 from the liquidators of MG Rover Group Limited.

6. Finance expense

2024 2023

	2024 £'000	2023 £'000
Interest payable on bank borrowings	920	621
Interest payable on inventory stocking loans	1,454	856
Interest on lease liabilities	133	51
Finance costs amortised	122	104
Preference dividends (see note 9)	72	72
Finance income on interest in lease	(21)	(17)
Finance expense	2,680	1,687

7. Tax

	2024 £'000	2023 £'000
Current tax		
UK corporation tax	(152)	152
Adjustments recognised in the period for current tax of prior periods	-	-
Total (credit)/charge	(152)	152
Deferred tax (see note 17)		
Origination and reversal of temporary differences	(201)	442
Change in corporation tax rate	36	10
Adjustments recognised in the period for deferred tax of prior periods	(24)	(38)
Total (credit)/charge	(189)	414
Tax (credited)/charged in the Income Statement	(341)	566

	2024 £'000	2023 £'000
The tax (credit)/charge arises as follows:		
On normal trading	(96)	576
On non-underlying items (see note 5)	(245)	(10)
Tax (credited)/charged in the Income Statement	(341)	566

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

	2024 £'000	2023 £'000
(Loss)/profit before tax	(1,545)	3,090
Tax at the UK corporation tax rate of 25% (2023: 19%)	(386)	587
Tax effect of expenses that are not deductible in determining taxable profit	232	106
Movement in rolled over and held over gains	(226)	(93)
Effect of change in corporation tax rate	36	10
Other differences	27	(6)
Adjustment to tax charge in respect of prior periods	(24)	(38)
Tax (credit)/charge for the year	(341)	566

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

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

	2024 £'000	2023 £'000
Total current tax (credit)/charge	(152)	152
Deferred tax (credit)/charge		
(Credited)/charged in the Income Statement	(189)	414
Credited against other comprehensive income	(413)	(1,679)
Total deferred tax credit	(602)	(1,265)
Total tax credit for the year	(754)	(1,113)

Factors affecting the future tax charge

The Company has unrelieved trading losses of £1.3 million (2023: £Nil) which will be available for offset against profits made in future periods. A deferred tax asset totalling £0.3m (2023: £Nil) has been accounted for in deferred tax (see note 17).

The Company also has unrelieved advance corporation tax of £0.3 million (2023: £0.3 million), which is available to be utilised against future mainstream corporation tax liabilities and is accounted for in deferred tax.

8. Earnings per ordinary share

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

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

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

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

	Underlying		Basic	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
(Loss)/profit before tax	(1,545)	3,090	(1,545)	3,090
Adjustments:				
Non-underlying items (note 5)	979	50	-	-
(Loss)/profit before tax	(566)	3,140	(1,545)	3,090
Tax (note 7)	96	(576)	341	(566)
(Loss)/profit after tax	(470)	2,564	(1,204)	2,524
(Deficit)/earnings per share (pence)	(17.3)p	95.1p	(44.3)p	93.6p
Diluted (deficit)/earnings per share (pence)	(17.3)p	93.9p	(44.3)p	92.4p

	2024 £'000	2023 £'000
Underlying (deficit)/earnings after tax	(470)	2,564
Underlying (deficit)/earnings per share (pence)	(17.3)p	95.1p
Underlying diluted (deficit)/earnings per share (pence)	(17.3)p	93.9p
Non-underlying losses after tax	(734)	(40)
Losses per share (pence)	(27.0)p	(1.5)p
Diluted losses per share (pence)	(27.0)p	(1.5)p
Total (deficit)/earnings	(1,204)	2,524
(Deficit)/earnings per share (pence)	(44.3)p	93.6p
Diluted (deficit)/earnings per share (pence)	(44.3)p	92.4p

The number of fully paid Ordinary shares in circulation at the year-end was 2,726,306 (2023: 2,696,343). The weighted average number of shares in issue for the purposes of the earnings per share calculation were 2,717,861 (2023: 2,695,678). The shares granted under the Company's SAYE scheme have been treated as dilutive. For the purposes of this calculation, the weighted average number of shares in issue for the purposes of the earnings per share calculation were 2,718,023 (2023: 2,730,313).

9. Dividends

	2024 £'000	2023 £'000
Preference shares		
7% Cumulative First Preference	12	12
11% Cumulative Preference	48	48
6% Cumulative Second Preference	12	12
Included in finance expense (see note 6)	72	72
Ordinary shares		
Interim dividend of 5.0 pence per ordinary share paid in respect of the current year (2023: 7.5 pence)	135	202
Final dividend paid of 15.0 pence per Ordinary share in respect of the March 2023 year end (2022: 15.0 pence)	404	404
	539	606

A final dividend of 5.0 pence per ordinary share has been declared in respect of the year ended 31 March 2024.

10. Right-of-use assets

	£'000
Deemed cost	
At 1 April 2023	3,631
Additions in the year	393
At 31 March 2024	4,024
Accumulated depreciation	
At 1 April 2023	1,283
Depreciation for the year	398
At 31 March 2024	1,681
Net book value	
At 31 March 2024	2,343

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

in Eastbourne and Tunbridge Wells.

Depreciation charges of £398,000 (2023: £373,000) in respect of right-of-use assets were recognised within Administration Expenses in the Income Statement.

The interest expense on the associated lease liability of £133,000 (2023: £51,000) is disclosed in note 6. Payments made in the year on the above leases were £448,000 (2023: £391,000).

11. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Plant & machinery £'000	Total £'000
Cost or deemed cost					
At 1 April 2023	43,024	728	5,495	4,740	53,987
Additions at cost	240	1,267	719	349	2,575
Disposals	(14)	-	(479)	(348)	(841)
At 31 March 2024	43,250	1,995	5,735	4,741	55,721
Accumulated depreciation					
At 1 April 2023	7,402	728	4,420	3,292	15,842
Depreciation charge	698	25	459	407	1,589
Impairment charge	400	-	-	-	400
Disposals	-	-	(479)	(345)	(824)
At 31 March 2024	8,500	753	4,400	3,354	17,007
Net book value					
31 March 2024	34,750	1,242	1,335	1,387	38,714

Short-term leasehold property for both the Company and the Group comprises net book value of £1,242,000 in the Statement of Financial Position (2023: £Nil).

Depreciation charges of £1,589,000 (2023: £1,640,000) in respect of property, plant and equipment was recognised within Administration Expenses in the Income Statement. In addition, based on the valuation of the Company's freehold properties undertaken by CBRE, an impairment charge of £400,000 (2023: £Nil) was taken against the cost of one freehold property to ensure that the related cash generating unit ("CGU") remained disclosed at its fair value less costs of disposal.

The Company valued its portfolio of freehold premises and investment properties as at 31 March 2024. The valuation was carried out by CBRE Limited, Chartered Surveyors, in accordance with the Royal Institution of Chartered Surveyors valuation - global and professional standards requirements. The valuation is based on existing use value which has been calculated by applying various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites including ground and groundwater contamination. Management are satisfied that this valuation is materially accurate. The excess of the valuation over net book value as at 31 March 2024 of those sites was £10.7 million (2023: £11.5 million). In accordance with the Company's accounting policies, this surplus has not been incorporated into these financial statements.

12. Investment properties

	£'000
Cost	
At 1 April 2023 and 31 March 2024	9,650
Accumulated depreciation	
At 1 April 2023	2,119
Depreciation charge	111
Impairment charge	204
At 31 March 2024	2,434
Net book value	
At 31 March 2024	7,216

Depreciation charges of £111,000 (2023: £115,000) in respect of Investment properties were recognised within Administration Expenses in the Income Statement. In addition, based on the valuation of the Company's freehold properties undertaken by CBRE, an impairment charge of £204,000 (2023: £Nil) was taken against the cost of one freehold property to ensure that the related cash generating unit ("CGU") remained disclosed at its fair value less costs of disposal.

As described in note 11, the total excess of the valuation of all of the Company's freehold properties over net

As described in note 11, the total excess of the valuation of all of the Company's freehold properties over net book value as at 31 March 2024 was £10.7 million (2023: £11.5 million). Investment properties accounted for £0.6 million (2023: £0.7 million) of this surplus.

13. Net investment in lease

	2024 £'000	2023 £'000
Due after more than one year	65	225
Due within one year	160	164
At 31 March	225	389

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

14. Goodwill

Group and Company:	£'000
Cost	
At 1 April 2023 and 31 March 2024	481
Provision for impairment	
At 1 April 2023 and 31 March 2024	195
Carrying amounts allocated to CGUs	
Volkswagen, Brighton	200
Audi, Eastbourne	86
At 31 March 2024	286

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

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable and a potential impairment may be required. Impairment reviews have been performed for all CGUs for the years ended 31 March 2023 and 2024.

Valuation basis

The recoverable amount of each CGU is based on the higher of its fair value less selling costs and value in use. The fair value less selling costs of each CGU is based initially upon the market value of any property contained within it and is determined by an independent valuer as described in note 13. Where the fair value less selling costs of a CGU indicates that an impairment may have occurred, a discounted cash flow calculation is prepared in order to assess the value in use of that CGU, involving the application of a pre-tax discount rate to the projected, risk-adjusted pre-tax cash inflows and terminal value.

The two CGUs noted below both relate to leasehold premises and therefore only the value-in-use calculation is appropriate.

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

The recoverable amount of the Volkswagen, Brighton CGU is based on value in use. Value in use is calculated using cash flow projections for a five-year period from 1 April 2024 to 31 March 2029. These projections are based on the most recent budget which has been approved by the board being the budget for the year ending 31 March 2025. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins, and expectations around changes in the operating cost base. These assumptions are based on past experience, adjusted to expected changes, and on external sources of information. The cash flows include ongoing capital expenditure required to maintain the dealership but exclude any growth capital expenditure projects to which the Group was not committed at the reporting date.

Growth rates, ranging from -189% (2023: 1%) to 34% (2023: 12%) have been used to forecast cash flows for a further four years beyond the budget period, through to 31 March 2029. These growth rates reflect the products and markets in which the CGU operates. These growth rates do not give rise to an impairment. Growth rates are

internal forecasts based on a combination of internal and external information. Based on these forecasts, the headroom available on the total future profits is £1.4 million (2023: £1.4 million) before an impairment would be necessary.

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

The recoverable amount of the Volvo, Worthing CGU is based on value in use. Value in use is calculated using cash flow projections for a five-year period from 1 April 2024 to 31 March 2029. These projections are based on the most recent budget which has been approved by the board being the budget for the year ending 31 March 2025. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins, and expectations around changes in the operating cost base. These assumptions are based on past experience, adjusted to expected changes, and on external sources of information. The cash flows include ongoing capital expenditure required to maintain the dealership but exclude any growth capital expenditure projects to which the Group was not committed at the reporting date.

Growth rates, ranging from -940% (2023: -25%) to 8% (2023: 9%) have been used to forecast cash flows for a further four years beyond the budget period, through to 31 March 2029. These growth rates reflect the products and markets in which the CGU operates. These growth rates do not give rise to an impairment. Growth rates are internal forecasts based on a combination of internal and external information. Based on these forecasts, the headroom available on the total future profits is £0.5 million (2023: £2.4 million) before an impairment would be necessary.

Discount rate

The cash flow projections have been discounted using a rate derived from the Group's pre-tax weighted average cost of capital, adjusted for industry and market risk. The discount rate used was 12.4% (2023: 12.4%).

Terminal growth rate

The cash flows subsequent to the forecast period are extrapolated into the future over the useful economic life of the CGU using a steady or declining growth rate that is consistent with that of the product and industry. These cash flows form the basis of what is referred to as the terminal value. The growth rate to perpetuity beyond the initial budgeted cash flows used in the value in use calculations to arrive at a terminal value is 0.5% (2023: 0.5%). Terminal growth rates are based on management's estimate of future long-term average growth rates.

Conclusion

At 31 March 2024, no impairment charge in respect of goodwill was identified (2023: no impairment charge).

Sensitivity to changes in key assumptions

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

15. Inventories

	2024 £'000	2023 £'000
Group and Company:		
Vehicles	28,547	28,651
Vehicles on consignment	12,569	10,229
Oil, spare parts and materials	1,125	1,100
Work in progress	10	9
At 31 March	42,251	39,989
	2024 £'000	2023 £'000
Group and Company:		
Inventories recognised as an expense during the year	227,959	216,265
Inventories stated at net realisable value	985	976
Carrying value of inventories subject to retention of title clauses	25,384	22,519

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

During the year, £7,000 (2023: 24,000) was recognised in respect of the write-down of inventories of spare parts due to general obsolescence.

16. Trade and other payables

	2024 £'000	2023 £'000
Trade payable	21,718	21,810
Obligations relating to consignment stock	12,569	10,229
Vehicle stocking loans	8,058	7,511
Social security and other taxes	856	1,204
Accruals	1,838	2,342
Deferred income	452	493
Other creditors	106	85
At 31 March	45,597	43,674

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for these trade-related purchases was 27 days (2023: 27 days).

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

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

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

Interest charges on consignment stocking loans and vehicle stocking loans described above for the year ended 31 March 2024 were £1,454,000 (2023: £856,000).

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

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

	2024 £'000	2023 £'000
At 1 April	493	532
Utilisation of deferred income in the year	(865)	(1,021)
Income received and deferred in the year	824	982
At 31 March	452	493

17. Deferred tax

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

	Accelerated tax depreciation £'000	Unrealised capital gains £'000	Retirement benefit obligations £'000	Short-term temporary differences £'000	Trading Losses £'000	Recoverable ACT £'000	Total £'000
At 1 April 2023	(990)	(1,690)	2,200	104	-	342	(34)
Change in tax rates and prior year adjustments	23	-	-	-	-	1	24
Timing differences	(157)	225	(104)	(125)	326	-	165
Recognised in other comprehensive income	-	-	413	-	-	-	413

Income							
At 31 March 2024	(1,124)	(1,465)	2,509	(21)	326	343	568

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

The Company carries a balance of surplus unrelieved advanced corporation tax ("ACT") which can be utilised to reduce corporation tax payable subject to a restriction of 25% of taxable profits less shadow ACT calculated at 25% of shareholder Ordinary dividends. Shadow ACT has no effect on the corporation tax payable itself but any surplus shadow ACT on dividends must be fully absorbed before surplus unrelieved ACT can be utilised. At the commencement of the financial year under review on 1 April 2023 there was no Shadow ACT outstanding. During the year Shadow ACT generated by the payment of dividends was unable to be utilised so no surplus ACT could be utilised in the year. The remaining value of surplus ACT available for utilisation in future periods at 31 March 2024 was £343,000 (2023: £342,000). Shadow ACT carried forward at 31 March 2024 was £135,000 (2023: £Nil).

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

	2024 £'000	2023 £'000
Deferred tax liabilities	(2,610)	(2,680)
Deferred tax assets	3,178	2,646
At 31 March	568	(34)

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

Trading losses available for use in future periods amounted to £1.3 million (2023: £Nil). Based on forecasts prepared the Directors conclude that these losses will reverse against future profitability.

18. Notes to the cash flow statement

	2024 £'000	2023 £'000
(Loss)/profit before tax for the year	(1,545)	3,090
Adjustments for net finance expense	3,078	1,751
	1,533	4,841
Adjustments for:		
Depreciation of property, plant and equipment, investment properties and right-of-use assets	2,702	2,128
Cash payments into the defined-benefit pension scheme	(831)	(800)
Gains on disposal of property, plant and equipment	(41)	-
Share-based payments	31	46
Operating cash flows before movements in working capital	3,394	6,215
Increase in inventories	(2,262)	(12,444)
Increase in receivables	(189)	(1,857)
Increase in payables	1,944	14,296
Cash generated by operations	2,887	6,210
Tax paid, net of refunds	(68)	(320)
Interest paid	(2,700)	(1,653)
Net cash derived from operating activities	119	4,237

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

Reconciliation of debt

Group and Company:	Bank and other 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 2023	6,312	6,000	2,714	812	15,838	(4,226)	11,612
Cash movement	(559)	-	(633)	-	(1,192)	3,788	2,596
Non-cash movement	-	-	526	-	526	-	526
At 31 March 2024	5,753	6,000	2,587	812	15,172	(428)	14,734

At 31 March 2024	5,753	6,000	2,607	812	15,172	(438)	14,734
Current liabilities	445	1,000	501	-	1,946	(438)	1,508
Non-current liabilities	5,308	5,000	2,106	812	13,226	-	13,226
At 31 March 2024	5,753	6,000	2,607	812	15,172	(438)	14,734

Non-cash movements in lease liabilities relate to an extension in the year of an existing lease and the interest charge.

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