Ninety Ninth

Caffyns Annual Report and Accounts 2008

Contents


Volvo, Eastbourne


Audi, Brighton

Land Rover, Lewes

Results at a Glance

	2008	2007
	£'000	£'000
Revenue	**182,029**	176,238
Profit before tax	**2,579**	1,443
Earnings per share - basic	**73.9p**	40.4p
Proposed final dividend	**17.0p**	17.0p
Dividend per ordinary share	**25.0p**	25.0p

Financial Calendar

Ex dividend date for final dividend	**11 June 2008**
Record date for final dividend	**13 June 2008**
Annual General Meeting	**23 July 2008**
Payment for final dividend	**23 July 2008**
Announcement of half year results	**November 2008**
Payment of interim dividend	**January 2009**

Directors and Advisers

Honorary President	ALAN M CAFFYN DL C ENG MI MechE FIMI
Directors	BRIAN A CARTE TD FCIB FCT FIMI *Chairman*
	SIMON G M CAFFYN MA FIMI *Chief Executive*
	MARK S HARRISON FCA FIMI *Finance*
	SARAH J CAFFYN BSc (Hons) FCIPD AICSA FIMI *Human Resources*
	S BRIAN BIRKENHEAD BSc (Hons) FCMA FID *Senior Independent non-executive*
	ANDREW R GOODBURN FCA *Independent non-executive*
	NICHOLAS W HOLLINGWORTH BSc *Independent non-executive*
Regional Directors	MARTIN J BLACKABY FIMI ROBERT L BRADBURY CHRISTOPHER J FULLALOVE FIMI JOHN RATCLIFFE FIMI TONY RICHARDS FMAAT FIMI NIGEL C WELLS FIMI
Bankers	HSBC BANK plc, 94 Terminus Road, Eastbourne, BN21 3ND
	NATIONAL WESTMINSTER BANK plc, Turnpike House, 123 High Street, Crawley, RH10 1DQ
Independent Auditors	GRANT THORNTON UK LLP, Registered Auditors, Chartered Accountants, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP
Company Secretary	SARAH J CAFFYN BSc (Hons) FCIPD AICSA FIMI
Registered Office	Meads Road, Eastbourne, East Sussex, BN20 7DR Telephone (01323) 730201

Chairman's Statement

During the first half, we made steady progress with pre-exceptional profit up 18% from £643,000 to £759,000. The second half saw a worsening in the economic environment with prices of essential goods such as food, transport and energy rising above inflation. This, coupled with the effects of tax increases in April 2007 and the developing credit crunch, had a significant effect on our margins caused by reducing customer confidence and competitive pressures.

Profit before tax for the year improved to £2.579m (2007 – £1.443m) after exceptional credits of £2.776m (2007 – £0.16m) with the underlying trading result a loss of £197,000 (2007 – profit £1.283m). Earnings per share increased from 40.4p to 73.9p.

Encouragingly, our turnover improved from £176.2m to £182.0m creating a broader customer base to service.

An interim dividend of 8.0p per ordinary share (2007 – 8.0p) was paid on 9 January 2008. An unchanged final dividend of 17.0p (2007 – 17.0p) is now being recommended which, if approved, will be payable on 23 July 2008 to shareholders on the register on 13 June 2008, giving a total dividend of 25.0p for the year (2007 – 25.0p).

As we finally emerge from the extensive redevelopment work of the last three years, I would like to again thank all Caffyns employees for their hard work and dedication to ensure we are stronger and better placed to take advantage of improvements in trading conditions.

In March 2008 we appointed Nicholas Hollingworth as a non-executive director. He brings considerable experience and expertise, particularly of the retail sector, and we welcome him to the board.

The year ahead promises to be difficult for all retailers. Attention to costs and basic trading principles will continue to be the focus for us this year. Whilst progress against plan in April is encouraging, the outlook for the six months to 30 September 2008 remains uncertain.

Brian A Carte
Chairman

29 May 2008

Chief Executive's Operating Review

Results and Key Performance Indicators

The year ended 31 March 2008 has seen the company continue to make progress with turnover of £182m up from £176m in 2007. Our new franchise developments are now all complete and at various stages of progress in their individual business plans ranging from their first full year of operations to their third.

During the second half of the year we experienced increased pressure on gross profit margins and, whilst we have been able to establish our new franchise operations with improved sales, the expected early costs combined with lower margins have led to a full year trading loss of £197,000. However, profits from exceptional items of £2.776m, principally VAT refunds, give a final profit before tax of £2.579m, up from £1.443m last year.

As indicated in the announcement of our interim result, trading conditions in the second half of the year became difficult following the worsening crisis in the banking system, coupled with increasing prices of basic commodities and car tax costs. These events have given rise to challenging market conditions in our sector.

With net cash outflow in the year of £4.373m (2007 – inflow £1.180m) the proportion of total bank borrowings to shareholder funds at 31 March 2008 increased to 47% (2007 – 35%). While stocks temporarily peaked at the end of our financial year, they have now returned to more normal, lower levels.

Operational Developments

It is very unfortunate that the downturn in the economy coincided with the third year of our recovery plan. However, we continue to make good progress in establishing these new businesses and expect significant progress this year. While trading in April is in line with plan, trading performance in the year ahead is dependent on consumer confidence.

A number of redevelopments are underway to reinvest the proceeds from earlier property sales and the VAT refund.

In Brighton, we are fully refurbishing our Audi dealership to the latest corporate standards. This has involved closing the onsite bodyshop and expanding the workshop and showroom facilities.

In our Lewes Land Rover dealership, we have relocated our valeting and service parking off site to allow improvements to the showroom and servicing facilities.

In Hailsham we are installing advanced bodyshop facilities to allow us to expand this profitable business and take on the authorised repairer status for the Volkswagen Audi Group, previously held in our Brighton Audi dealership.

Property

In May 2008 we completed on the sale of our former site in Worthing and the cash proceeds of £1.075m have now been received. We are making progress towards the sale of our site in East Grinstead although this remains dependent on a satisfactory planning permission being achieved.

The proposed development of our land in Hove has yet to achieve planning approval. An amended scheme is currently under consideration with the developer.

The company valued its portfolio of freehold premises as at 31 March 2008 but excluding three sites which were for sale as at that date and one further site undergoing a major refurbishment. The valuation was carried out on the basis of existing use value. The excess of the valuation over net book value as at 31 March 2008 was £6.9m. In accordance with the company's accounting policies, this surplus has not been incorporated into the accounts.

Pensions

Against the backdrop of a difficult period for the stock market in general, it is encouraging to see that the pension scheme continues to show a small surplus.

IT

Developments include an upgrading of our current website to take advantage of the continued rapid growth in the use of this marketing medium. The new site will be launched later this year.

Similarly we are using the internet to enhance significantly our operational reporting, enabling easy comparison of best practice across the dealership network.

People & Training

During a difficult year we have seen high levels of commitment and professionalism across the group for which I am most grateful. Much effort has been extended on improving processes across the company which should deliver benefits during the coming year.

Training continues across all functional areas, fully supported by our Internal Auditing process reporting on best practice.

I am delighted to announce that Robert Bradbury has been promoted to Regional Director with responsibility for our Volkswagen dealerships.

VAT

As the Chairman stated in his half year report, HM Revenue & Customs confirmed in July 2007 that the VAT monies, paid to the company in respect of a claim relating to VAT overpaid on demonstrator vehicle bonuses in March 2007, could be retained.

The monies received (less professional costs incurred) amounting to £2.9m, have been treated as exceptional income in the company's Income Statement for the year ended 31 March 2008.

The Future

Trading conditions remain challenging but, through improved working practices, we started the year profitably despite stricter controls on vehicle stocks to counter falling used car values.

The economy is under pressure and consumers are assailed by increasing inflation on essentials such as fuel and food, whilst borrowing costs remain higher. Cost control and the maximising of gross profits will be essential if we are to realise our potential in uncertain market conditions in the forthcoming year.

Simon G M Caffyn
Chief Executive

29 May 2008

Report of the Directors

The directors submit their report and financial statements for the year ended 31 March 2008.

Principal activities and business review

The group is engaged as motor retailers. A review of the past year and future developments is contained in the Chairman's Statement on page 3 and the Chief Executive's Review on pages 4 and 5.

Revenue

The revenue of the group amounted to £182.0m (2007 – £176.2m).

	2008	2007
	£'000	£'000
Results and dividends		
Profit on ordinary activities before taxation	**2,579**	1,443
Taxation	**(451)**	(280)
Profit after taxation	**2,128**	1,163

The directors recommend a final dividend in respect of the year ended 31 March 2008 of 17.0 pence per ordinary share (2007 – 17.0 pence). An interim dividend of 8.0 pence per share (2007 – 8.0 pence) was paid during the year, making a total of 25.0 pence per share (£720,000) for the year (2007 – 25.0 pence, £720,000).

The operating performance of the company is covered in the Chief Executive's Review on pages 4 and 5 including an analysis of financial Key Performance Indicators.

Principal risks and uncertainties

Risk is an accepted part of doing business and the group has a risk assessment process that facilitates the identification and mitigation of risk. While the risk factors listed below could cause our actual future results to differ materially from expected results, other factors could also adversely affect the group and they should therefore not be considered to be a complete set of all potential risks and uncertainties. The risk factors should be considered in connection with the statement on internal control and risk management included in the Corporate Governance Report on pages 12 to 15. Other specific risk factors are referred to in notes 15 and 17 to the financial statements.

(i) Business conditions and the UK economy

The profitability of the group could be adversely affected by a worsening of general economic conditions, including changes in interest rates, fuel prices, indirect taxation, the availability and cost of credit and other factors which affect levels of consumer confidence. In the event of an economic downturn, there is likely to be an oversupply of new vehicles leading to reduced margins. Whilst a short term deterioration in UK economic conditions should not significantly adversely impact profitability in our aftersales business, reduced profits in this area would be likely if a downturn continued for a number of years.

(ii) Franchise agreements

Caffyns operates franchised motor car dealerships. These franchises are awarded to the group by the motor car manufacturers. Failure to continue to hold franchises could result in a significant reduction in the profits of the group. By representing fifteen marques, the group believes that this diversity reduces the potential impact on the group.

(iii) Vehicle manufacturer dependencies

The group relies on its manufacturer partners for its revenue and profits. The demise of MG Rover, for example, highlighted the effect that the loss of a manufacturer can have on short term profitability. The group has attempted to mitigate this risk by having trading relationships with a large number of manufacturers so that the impact of any one manufacturer failing would be reduced. Vehicle manufacturers provide sales incentives/warranty and other programmes that are intended to promote new vehicle sales. A withdrawal or reduction in these programmes would have an adverse impact on our business.

(iv) Government legislation

The group is subject to regulatory compliance risk which could arise from a failure to comply fully with the laws, regulations or codes applicable. For example, non-compliance with the regulations of the Financial Services Authority could lead to fines, enforced suspension from sales of general insurance products or public reprimand. Government policy on transport could adversely affect the group's profitability if customers choose to use alternative forms of transport.

(v) Information systems

The group is dependent upon certain business critical systems which, if interrupted for any length of time, could have a material effect on the efficient running of the group's businesses. The board has implemented a series of contingency plans which would enable the group to resume operations within a short space of time, thus mitigating the likelihood of material loss.

(vi) Competition

Caffyns competes with other franchised vehicle dealerships, private buyers and sellers, internet based dealers, independent service and repair shops and manufacturers who have entered the retail market. The sale of new and used vehicles, the performance of warranty repairs, routine maintenance business, bodyshop repairs and the supply of spare parts operate in highly competitive markets. The principle competitive factors are price, customer service and knowledge of a manufacturer's brands and models.

Directors

The directors in office at 31 March 2008 are set out below:

Mr B A Carte TD FCIB FCT FIMI (age 64) joined the board on 3 June 1996 and was appointed non-executive chairman on 1 May 2003. He was chief executive of Lombard North Central Plc from 1989 until his retirement in 1996. He was previously managing director of National Westminster Insurance Services Limited and was deputy chairman of First National Bank plc from 1998 to 2003.

Mr S B Birkenhead BSc (Hons) FCMA FID (age 66) joined the board on 1 January 2004. He is currently chairman of Trustees at Serco Pension Schemes and a non-executive director of Euro Trust A/S. Previously, he has been a non-executive director of a number of public and private companies, was the group finance director of National Power plc from 1988 to 1996 and from 1995 to 1997 was chairman of the Hundred Group of Finance Directors.

Mr A R Goodburn FCA (age 61) joined the board on 1 February 2004. He was finance director of Ricardo plc until 31 December 2006 at which date he retired, having formerly spent 11 years in various financial and commercial roles within the Bowthorpe Group, followed by 13 years in management consulting before joining Ricardo in 1993.

Mr N W Hollingworth BSc (age 56) joined the board on 1 March 2008. He graduated from Birmingham University in 1973 having read chemistry. He is currently Group Chief Executive of Austin Reed Group Limited, formerly Austin Reed plc which de-listed from the London Stock Exchange in January 2007, having formerly held senior management roles within Arcadia Group plc, Etam plc and The Burton Group plc.

Mr S G M Caffyn MA FIMI (age 47) joined the board on 16 July 1992 and was appointed chief executive on 1 May 1998. He graduated from Cambridge in 1983 having read engineering, and subsequently worked for Andersen Consulting. He joined the company in 1990.

Mr M S Harrison FCA FIMI (age 54) joined the board on 17 April 2000. A Chartered Accountant, he was previously finance director of Faupel Trading Group plc for 9 years. Having qualified with Grant Thornton, he joined KPMG. Subsequent commercial appointments were in the property, retail and distribution sectors.

Miss S J Caffyn BSc (Hons) FCIPD AICSA FIMI (age 39) joined the board on 28 April 2003 as human resources director. She joined the company on 27 April 1998 as group personnel manager and was appointed company secretary in 1999. A Chartered Company Secretary, she was previously an HR manager at St Mary's NHS Trust, Paddington.

On the recommendation of the Nominations Committee, Mr N W Hollingworth has been appointed a director since the last AGM and, in accordance with the Articles of Association, will be offering himself for re-appointment at the forthcoming AGM.

Mr S B Birkenhead and Mr S G M Caffyn are retiring by rotation and, being eligible, offer themselves for re-election.

Report of the Directors

Appointment and replacement of the company's directors
The rules for the appointment and replacement of the company's directors are detailed in the company's Articles of Association. Directors are appointed by ordinary resolution at a general meeting of holders of ordinary shares or by the Board either to fill a vacancy or as an addition to the existing Board. The appointment of non-executive directors is on the recommendation of the Nomination Committee; the procedure is detailed in the Corporate Governance Report on page 13.

Powers of the company's directors
Subject to the company's Memorandum and Articles of Association, relevant legislation and any directions given by special resolution, the company and its group are managed by its board of directors. The directors have been authorised to make market purchases of the company's ordinary shares. These powers are exercised under authority of resolutions of the company passed at its Annual General Meeting. Further details of resolutions the company is seeking are set out in the explanatory notes to the notice of Annual General Meeting.

Directors' indemnity and insurance
The company's Articles of Association permit the board to grant the directors indemnities in relation to their duties as directors in respect of liabilities incurred by them in connection with any negligence, default, breach of duty or breach of trust in relation to the company. In line with market practice, during 2007, a deed of indemnity was granted to each director. The company has also purchased insurance cover for the directors against liabilities arising in relation to the company, as permitted by the Companies Act 2006. This insurance does not cover fraudulent activity.

Compensation for loss of office
In the event of an executive director's employment with the company being terminated, Mr S G M Caffyn is entitled to receive from the company a sum equivalent to twice his annual emoluments which applied immediately before his termination and Mr M S Harrison and Miss S J Caffyn are entitled to receive from the company a sum equivalent to their annual emoluments which applied immediately before their termination. Emoluments include a proportion of the available bonus which the expired part of the measured period for bonus bears to the whole of such measurement period. If there is change in control of either the composition of the board, the policy of the company in General Meeting or 30% or more of the issued equity capital of the company, Mr S G M Caffyn is entitled to elect for an early retirement pension which shall not be reduced due to early payment. The executive directors' service contracts commenced from the date of their appointment to the board.

In the event of a non-executive director's employment with the company being terminated, he is entitled to receive from the company a sum equivalent to one month's salary.

Share capital
As at 31 March 2008, the issued share capital of the company comprised of ordinary shares of 50 pence each and three classes of preference share namely 6.5% Cumulative First Preference Shares of £1 each, 10% Cumulative Preference Shares of £1 each and 6% Cumulative Second Preference Shares of 10p each. Details of the share capital of the company are set out in note 22 to the accounts. The company did not issue any shares during the period under review. The rights and obligations attaching to the company's shares are set out below and in the company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

Rights and obligations attaching to shares
Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the company may by ordinary resolution decide.

Holders of ordinary shares are entitled to attend and speak at general meetings of the company, to appoint one or more proxies (and, if they are corporations, corporate representatives) and to exercise voting rights. Holders of ordinary shares are entitled to receive a dividend, and receive a copy of the company's annual report and accounts.

Holders of Cumulative First Preference Shares are entitled in priority to any payment of dividend on any other class of shares to a fixed cumulative preferential dividend at the rate of 6.5% per annum.

Subject to the rights of the holders of Cumulative First Preference Shares, holders of 6% Cumulative Second Preference Shares of 10p each are entitled in priority to any payment of dividend on any other class of shares to a fixed cumulative preferential dividend at the rate of 6% per annum.

Subject to the rights of the holders of Cumulative First Preference Shares and 6% Cumulative Second Preference Shares of 10p, holders of 10% Cumulative Preference Shares of 10p each are entitled in priority to any payment of dividend on any other class of shares to a fixed cumulative preferential dividend at the rate of 10% per annum.

The percentage of the total share capital represented by each class is as follows:

Authorised	£'000	%
500,000 6.5% Cumulative First Preference Shares of £1 each	500	12.35
1,250,000 10% Cumulative Preference Shares of £1 each	1,250	30.86
3,000,000 6% Cumulative Second Preference Shares of 10p each	300	7.41
4,000,000 Ordinary Shares of 50p each	2,000	49.38
	4,050	100.00

Allotted, called up and fully paid		
389,000 6.5% Cumulative First Preference Shares of £1 each	389	14.54
648,000 10% Cumulative Preference Shares of £1 each	648	24.22
2,000,000 6% Cumulative Second Preference Shares of 10p each	200	7.47
Total preference shares recognised as a financial liability	1,237	46.23
2,879,298 Ordinary Shares of 50p each	1,439	53.77
	2,676	100.00

Voting rights, restrictions on voting rights and deadlines for voting rights

Shareholders (other than any who, under the provisions of the Articles of Association or the terms of the shares they hold, are not entitled to receive such notices from the company) have the right to receive notice of, and attend, and to vote at all general meetings of the company. The company's auditors have similar rights except that they may not vote. A resolution put to the vote at any general meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is properly demanded.

Every member present in person at a general meeting has, upon a show of hands, one vote for every Ordinary Share of 50p nominal amount of share capital of which he is the holder and one vote for every 6% Cumulative Second Preference Share of 10p nominal amount of share capital of which he is the holder. In the case of joint holders of a share, the vote of the member whose name stands first in the register of members is accepted to the exclusion of any vote tendered by any other joint holder. Unless the board decides otherwise, a shareholder may not vote at any general or class meeting or exercise any rights in relation to meetings while any amount of money relating to his shares remains outstanding.

A member is entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting. Further details regarding voting at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting.

To be effective, paper proxy appointments and voting instructions must be received by the company's registrars no later than 48 hours before a general meeting.

Voting rights, restrictions on voting rights and deadlines for voting rights (continued)

There are no restrictions on the transfer of ordinary shares in the company other than certain restrictions which may be imposed pursuant to the Articles of Association of the company, certain restrictions which may from time to time be imposed by laws and regulations (for example in relation to insider dealing), restrictions pursuant to the company's share dealing code whereby directors and certain employees of the company require prior approval to deal in company's shares, and where a person has been served with a disclosure notice and has failed to provide the company with information concerning the interests in those shares.

The company is not aware of any arrangements or agreements between shareholders that may result in restrictions on the transfer of ordinary shares or on voting rights.

Repurchase of shares

Details of the company's share capital are given in note 22 to the financial statements. The company has not repurchased any of its own shares during the year.

Resolution 8 at the forthcoming Annual General Meeting will give the directors power to allot shares amounting to not more than one third of the company's issued ordinary share capital. This would give the company the required authority to allot treasury shares, as detailed below.

The board is seeking a general authority from shareholders in Resolution 12 to make market purchases of up to 15% of the issued Ordinary Shares. The proposal will be put to the Annual General Meeting as a special resolution. If approved, the board would only make purchases if it believed that to do so would be in the best interests of shareholders generally.

The purchase price for any shares cannot be more than 5% above the average middle market value quotation taken from the Official List for the five business days preceding any purchase. The authority will only be exercised if market conditions make it advantageous for the company to do so.

Listed public companies are now permitted, subject to certain restrictions, to hold their own shares which they purchase in treasury for resale or transfer at a later date, rather than being obliged to cancel them. Although the company is not permitted to exercise any rights, such as voting rights, in respect of such treasury shares, statutory pre-emption rights do still apply to shares held in treasury and so the authority sought in Resolution 13 in the Notice of Meeting also enables the board to sell any treasury shares held by the company for cash, free of these statutory pre-emption rights. If the company were to purchase any of its own shares pursuant to the authority conferred by Resolution 12, it would consider holding them as treasury stock provided that the number does not at any one time exceed 15% of the company's issued share capital. This would give the company the ability to transfer treasury shares quickly and cost effectively and would provide the company with additional flexibility in the management of its capital base.

Sharesave scheme

The company would like to encourage share ownership through the provision of a save as you earn (SAYE) scheme, administered by the Yorkshire Building Society (the "Caffyns 2008 Sharesave Scheme"). Details of the proposed scheme are enclosed with the explanatory notes to the Notice of Annual General Meeting. A special resolution will be put to shareholders proposing the adoption of the scheme.

Articles of Association

The company's existing Articles of Association (adopted by special resolution passed on 16 July 1993, as amended by special resolutions on 29 July 2004 and 26 July 2007) may only be amended by special resolution at a general meeting of the shareholders. At the Annual General Meeting to be held on 23 July 2008, a special resolution will be put to shareholders proposing the adoption of new Articles of Association. A summary of the key proposed changes is enclosed with the explanatory notes to the Notice of Annual General Meeting.

Significant direct or indirect shareholdings

At 28 May 2008, the directors are aware of the following interests in 3% or more of the nominal value of the ordinary share capital:

	Ordinary Shares	%
GAM UK Diversified Fund	207,000	7.19
T & I Limited	203,650	7.07
R J M Caffyn	138,823	4.82
HSBC Republic Bank Suisse SA	128,349	4.46
Caffyns Pension Fund	125,570	4.36
Newfortress Holdings Limited	113,400	3.94
A M Caffyn	108,336	3.76
D J M Caffyn	104,804	3.64
GAM Exempt UK Opportunities Fund	90,000	3.13
M I Caffyn	90,000	3.13

Significant Agreements

The company has entered into a number of franchise agreements which, in aggregate, are significant and ordinarily would be terminable upon a change of control of the company. Our dealerships operate under franchised new vehicle dealer agreements and authorised repairer agreements with various vehicle manufacturers. Without a franchise agreement, it is not generally possible to obtain new vehicles from a manufacturer or display vehicle manufacturer trade marks. Whilst some of the franchise agreements contain provisions entitling the vehicle manufacturers to terminate in the event of a change of control, this entitlement is circumscribed by the applicable EC Regulation 1400/2002 (commonly known as the motor vehicle Block Exemption). In the event of a change of control, a vehicle manufacturer is unable to terminate either the franchise agreements or authorised repairer agreements held by the group if the new controlling entity already holds that manufacturers' brand of franchise.

Employees

The company supports the recruitment of disabled people wherever possible. Priority is given to those who become disabled during their employment. They all have opportunities for training, career development and promotion in accordance with their skills and abilities. The company continues its practice of keeping all its employees informed on matters affecting them by means of a periodic newsletter, and takes account of the views of employees wherever possible.

Charitable and political contributions

Donations to charitable organisations amounted to £9,956. No contributions were made to political organisations.

Environmental

The company is aware of its environmental responsibilities arising from its motor retailing and aftersales activities and recognises that some of its activities affect the environment. The company's policy is to promote and operate processes and procedures which, so far as is reasonably practicable, avoid or minimise the contamination of water, air or the ground. Licences are obtained from the relevant authorities where required to operate certain elements of the company's business. Waste is disposed of by authorised contractors and is recycled where possible. Special care is taken in the storage of fuel, oils and paints and their associated equipment. Through the management of these activities, the company seeks to minimise any adverse effects of its activities on the environment.

Health and safety

The company recognises its responsibility to members of staff and others working or visiting its facilities to provide, so far is reasonably practicable, an environment which is safe and without risk to their health. The company's policy is to identify potential hazards and assess the risks presented by its activities and to provide systems and procedures which allow staff to take responsible decisions in their work in relation to their own and others safety. The company promotes awareness of potential risks and hazards and implementation of corresponding preventative or remedial actions through its on-line health and safety systems, operations manuals and monthly communication on topical issues. With clear lines of operating unit responsibility, staff are supported by specialist guidance from the company's health and safety officer.

Creditors payment policy and practice

It is the company's policy to settle the terms of payment with all its suppliers at the time an order is placed, ensuring that suppliers are aware of the terms of payment and to abide by the agreed terms. At 31 March 2008 the group's outstanding purchase ledger balances represented 27 days' purchases (2007 – 26).

Capital Gains Tax

The market values of the company's listed shares, adjusted in the case of Ordinary Shares for the bonus issue of 10% Preference Shares in August 1978, were:

	6 April 1965	31 March 1982
Ordinary Shares	82.151p	127.5p
6.5% Cumulative First Preference Shares	93.75p	32.5p
10% Cumulative Preference Shares	89.245p	64.5p

Report of the Directors

Corporate Governance

Compliance

The board is committed to maintaining high standards of corporate governance, the process by which the group is directed and managed, risks are identified and controlled and effective accountability is assured.

The Listing Rules require the board to report on compliance with the provisions set out in the Combined Code on Corporate Governance ("the Code"), the guiding principle of which is to "comply or explain". This corporate governance report explains the key features of the company's corporate governance structure, how the company applies the principles of the Code and the extent to which the company complies with the Code. This report should be read in conjunction with the Directors' Remuneration Report on pages 16 to 19.

The board considers that the company has complied with the Code throughout the year, except as noted below:

One director has a service contract which runs for more than 12 months which does not comply with Code provision B.1.6 (see Directors' Remuneration Report). This does not comply with the Code requirement that such periods should be for one year or less. The Remuneration Committee has reviewed the position and decided that the existing contract should not be changed. The Committee considered that it was not in the best interests of shareholders to pay for a reduced notice period.

The Audit and Remuneration Committees include the chairman of the company as a committee member. This does not comply with provisions B.2.1 and C.3.1 which requires that both committees should comprise solely independent non-executive directors. The committees both concluded that it was in the best interests of the company for the chairman to be a member of both committees in order to provide the necessary continuity and additional experience.

The Board

The board is responsible for approving the group's policy and strategy. It meets at least six times per year and has a schedule of matters specifically reserved to it for decision (such as approval of published financial information, major capital expenditure and major acquisitions and disposals). In the year ended 31 March 2008 the board met on eight occasions at which all directors were present. Management supply the board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. Training is available for new directors and other directors as necessary and new directors are also subject to a formal induction process.

The board consists of the chairman, three executive directors who hold the key operational positions in the company, and three other non-executive directors who bring a breadth of relevant experience and knowledge. The non-executive directors are independent of management and any significant business or other relationship which could interfere with the exercise of their independent judgement. This provides a balance whereby an individual or small group cannot dominate the board's decision making.

The chairman of the board is Mr B A Carte who is responsible for running the board. The board is responsible to shareholders for the overall direction and control of the company, and the company's chief executive, Mr S G M Caffyn, is responsible to the board for management of the company within parameters set by the board. The board has named Mr S B Birkenhead as the senior independent non-executive director and Mr A R Goodburn and Mr N W Hollingworth are also independent non-executive directors.

All directors are subject to re-election every three years and, on appointment, at the first AGM after appointment.

Board Committees

The membership of the Board Committees is as follows:

Audit Committee	Remuneration Committee	Nominations Committee
S B Birkenhead (chairman)	A R Goodburn (chairman)	B A Carte (chairman)
B A Carte	B A Carte	S B Birkenhead
A R Goodburn	S B Birkenhead	A R Goodburn
N W Hollingworth	N W Hollingworth	N W Hollingworth
		S G M Caffyn

The Audit Committee has written terms of reference which include reviewing the annual and interim financial statements before they are approved by the board, and monitoring the internal and external auditing processes. The Committee considers the independence and objectivity of the external auditors and the level of fees payable for both audit and non-audit work. Details of the non-audit related fees are shown in note 3 to the financial statements. The Committee met three times during the year and all members were present.

The Audit Committee reviews all published accounts (including interim reports) and post audit findings before their presentation to the board, focusing in particular on accounting policies, compliance, management judgement and estimates. It also monitors the group's internal audit and risk management regime (including the effectiveness of the internal audit function and the appropriateness of "whistleblowing" procedures) and financial reporting. The Audit Committee is also responsible for advising the board on the appointment of auditors, assessing their independence and formulating policy on the award of non-audit work. Non-audit work is only awarded to the auditors after due consideration of matters of objectivity, independence, costs, quality of service and efficiency.

Non-audit services provided by the company's auditors are kept under review by the Audit Committee. These will generally be other compliance services in the field of taxation advice. The Audit Committee ensures that the auditors' objectivity and independence are safeguarded through the use of separate teams of staff and by ensuring that the level of fees is not material to either the group or the auditors.

The Remuneration Committee's responsibilities extend to determining both the company's broad policy for executive remuneration and the terms and conditions of employment of the executive directors, including their remuneration. Details of the activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 16 to 20. The Committee met three times during the year and all members were present.

The Nominations Committee has written terms of reference including making recommendations to the board concerning the appointment of directors. The Committee met twice during the year to consider the appointment of an additional non-executive director. All members of the Committee were present at both meetings.

The written terms of reference for all three committees are available on the company's website or on request from the company's registered office.

Further significant commitments of the chairman

The external commitments of Mr B A Carte comprise three other non-executive directorships. These other appointments do not prevent the chairman from undertaking his commitments to the company.

Performance evaluation

The board has established a procedure to evaluate its own performance, its committees and individual directors. The directors completed detailed questionnaires and debated the matters arising at board meetings.

Individual director evaluation showed that each director (including those seeking re-election at the annual general meeting in 2008) continues to demonstrate commitment to the role. The non-executive directors, led by the senior independent non-executive director, carried out a performance evaluation of the chairman after taking account of the views of the executive directors. The board intends to carry out further performance evaluations but will keep under review the method and frequency.

Relations with shareholders

The board values the views of its shareholders and recognises their interest in the group's strategy and performance, board membership and quality of management. The views of major shareholders are reported back to the board as appropriate. The non-executive directors do not normally attend meetings with major shareholders but are available to do so on request. The principal methods of communication with private investors are the Interim Statement, the Annual Report and the Annual General Meeting. Information on the company is also included on its website.

The AGM is used to communicate with investors and they are encouraged to participate. The chairmen of the Audit, Remuneration and Nominations Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given

Relations with shareholders (continued)

proper consideration and there is a resolution to approve the Annual Report and Accounts. The company counts all proxy votes, and after it has been dealt with by a show of hands, will indicate the level of proxies lodged on each resolution.

Accountability and audit

The Annual Report provides information on and an assessment of the group's business, operations, financial position and prospects. The responsibilities of the directors as regards the accounts are described on pages 14 and 15 and those of the auditors on page 20.

The board is responsible for maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management, and reviews the effectiveness of the system at least annually in order to safeguard shareholders' investment and the group's assets. The system is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group, that has been in place for the year under review and up to the date of approval of the Annual Report and Accounts, and that this process is regularly reviewed by the board.

The board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a regular basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe, customer or supplier actions and regulatory requirements.

The process used by the board is to review the effectiveness of the system of internal control including a review of legal compliance, health and safety and environmental issues on a six monthly basis. Insurance and risk management and treasury issues are reviewed annually or more frequently if necessary. In addition, the Audit Committee reviews the scope of audits, the half yearly and annual financial statements (including compliance with legal and regulatory requirements) and reports to the board on financial issues raised by both the internal and external audit reports. Financial control is exercised through an organisation structure which has clear management responsibilities with segregation of duties, authorisation procedures and appropriate information systems. The system of annual budgeting with monthly reporting and comparisons to budget is a key control over the business.

There is an ongoing programme of internal audit visits to monitor financial and operational controls throughout the group. The executive directors receive regular reports from the internal audit and health and safety monitoring functions which include recommendations for improvement.

Going concern

After reviewing company cash balances, borrowings and projected cash flows, the directors believe that the company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors' independence

The company has reviewed its relationship with its auditors, Grant Thornton UK LLP and concluded that there are sufficient controls and processes to ensure the required level of independence. Consequently, there are no plans to replace Grant Thornton UK LLP, whose re-appointment is proposed as set out in the Notice of Annual General Meeting on page 59 of this Annual Report.

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. The directors are required to adopt suitable accounting policies and then apply them consistently, make reasonable and prudent judgements and estimates in the preparation of the financial statements and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The directors also confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

In preparing those financial statements the directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group. They are also responsible for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the report of the directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Statements regarding financial risk management are set out in the accounting policies and in notes 15 and 17 to the financial statements. Statements on the fair value of property, plant and equipment are set out in note 12.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Property

The company valued its portfolio of freehold premises as at 31 March 2008 but excluding three sites which were for sale as at that date and one further site undergoing a major refurbishment. The valuation was carried out by CB Richard Ellis Limited, chartered surveyors, on the basis of existing use value. The excess of the valuation over net book value as at 31 March 2008 was £6.9m. In accordance with the company's accounting policies, this surplus has not been incorporated into the accounts.

Post balance sheet events

On 14 May 2008 the company completed the sale of its freehold property in Worthing, West Sussex for a consideration of £1.075m. The cash proceeds were received on 28 May 2008. The surplus arising on the disposal was approximately £450,000.

Auditors

Grant Thornton UK LLP has indicated its willingness to continue as independent auditor and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

By order of the Board
Sarah J Caffyn
Company Secretary

29 May 2008

Directors' Remuneration Report

UNAUDITED INFORMATION

The Remuneration Committee

The Remuneration Committee determines, on behalf of the board, the company's policy on executive directors' remuneration and the individual remuneration packages of executive directors within the framework of this policy. The membership of the remuneration committee comprises three independent non-executive directors, Mr A R Goodburn (who chairs the Committee), Mr S B Birkenhead and Mr N W Hollingworth, together with the chairman of the company, Mr B A Carte. The Remuneration Committee has access to independent advice where it considers it appropriate.

The terms of reference of the Committee are that it determines, without reference to the board, the pay and benefits of the executive directors in the light of the recommendations of the Chief Executive (other than in relation to himself). It is also responsible for reviewing and recommending appropriate incentive schemes for directors and employees.

Remuneration policy

The policy is to ensure that the directors are fairly rewarded for their individual contribution to the group's overall performance. Executive directors' remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to achieve the group's objectives and to ensure that the group is managed successfully in the interests of shareholders. In assessing the appropriate level and structure of remuneration for each individual, regard is given to the necessity to pay a competitive basic rate. Any incentives paid in addition are linked to both corporate and individual performance. It is not the group's policy to operate a directors' share option scheme. There are four main elements to the executive directors' remuneration packages:

a) Basic annual salary and benefits in kind

The Committee reviews each executive director's basic salary annually with effect from 1 April in each year. In deciding upon appropriate levels of remuneration, the Committee has regard to rates of pay for similar jobs in comparable companies in the sector as well as internal factors such as performance. Benefits provided include use of a company car and membership of the company's medical insurance scheme.

b) Annual bonus

The Committee awards annual bonuses to executive directors based upon their performance and that of the group in the financial year. The bonuses are set on a tapering scale based upon profits before tax and exceptional items of £1.4m (at which no bonus is payable) to £4.0m at which 45% bonus of basic annual salary is payable. A 5% bonus is payable dependent on the achievement of certain specified individual targets.

c) Long term bonus

Starting from 1 April 2006 an additional element was introduced to the bonus scheme to reward the executive directors based on increasing the adjusted earnings per share over a three year period ending 31 March 2009. The bonuses are set on a tapering scale commencing from the achievement of an average annual adjusted earnings per share over the three year period of 50 pence (at which no bonus is payable) rising to 60 pence at which 30% of the basic annual salary at the end of the three year period is payable. Adjusted earnings per share excludes exceptional items.

d) Pensions

Executive directors are eligible to join the company's staff pension scheme on the same terms as staff generally. In accordance with the rules of the company pension scheme, applicable to all members of the scheme, bonuses are pensionable. As a result of the changes in pensions legislation effective from 6 April 2006, the company has paid a salary supplement to the Chief Executive in lieu of the employers' contribution to the company's pension scheme.

Directors' service contracts

Mr S G M Caffyn has a two-year rolling service contract. It is the Remuneration Committee's view that this contract is fully in the company's interest and indeed it would be disadvantageous to the company to seek to revoke this contract in order to enforce a change in the terms. Policy with regard to new contracts entered into with executive directors in the future will take into account all relevant factors, including the need to attract and retain high quality executive talent and the most appropriate balance between length of notice period, remuneration and other aspects of employment contracts. The terms covering compensation for loss of office are set out on page 8.

Mr M S Harrison and Miss S J Caffyn have one-year rolling contracts. The non-executive directors do not hold service contracts with the company.

Interests in shares

The interests of the directors and their families in the shares of the company are as follows:

	As at 31 March 2008		As at 1 April 2007*	
	Ord	**10% Pref**	Ord	10% Pref
B A Carte	**1,000**	**–**	1,000	–
S G M Caffyn	**40,774**	**1,600**	40,774	1,600
M S Harrison	**3,500**	**–**	3,500	–
S J Caffyn	**20,398**	**1,655**	20,398	1,655
S B Birkenhead	**1,500**	**–**	1,500	–
A R Goodburn	**1,500**	**–**	1,500	–
N W Hollingworth	**–**	**–**	–	–

*or date of appointment, if later

There were no changes in the directors' shareholdings between 1 April and 28 May 2008 (being less than one month prior to the notice convening the Annual General Meeting).

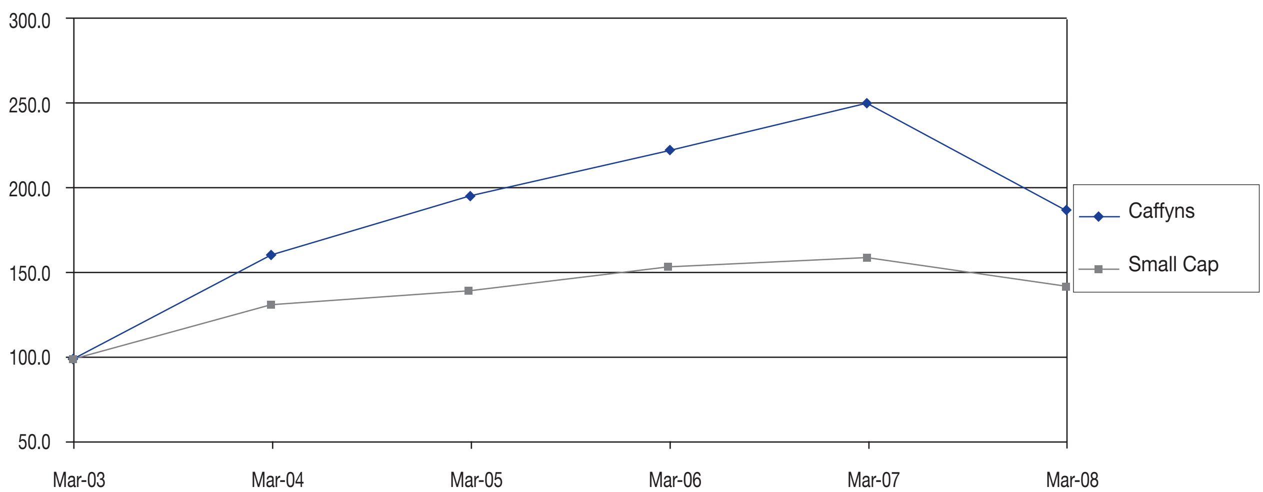
Mr S G M Caffyn and Miss S J Caffyn are directors of Caffyns Pension Fund Trustees Limited which owns 125,570 Ordinary Shares representing 4.4% of the issued Ordinary Share capital and 12,862 10% Cumulative Preference Shares. They are also directors of Caffyn Family Holdings Limited which owns all of the 2,000,000 6% Cumulative Second Preference shares which have full voting rights.

The market price of the company's Ordinary Shares at 31 March 2008 was £7.675 and the range of market prices during the year was £11.50 and £7.675.

Share price performance graph

The following graph shows the company's performance, measured by total shareholder return, ("TSR"), in comparison to the FTSE Small Cap Index for the past five years. TSR represents share value growth, assuming that dividends paid are reinvested. The company has been benchmarked against the FTSE Small Cap Index, which is considered to be an appropriate comparison to other public companies of a similar size.

Total shareholder return - 31 March 2003 to 31 March 2008



AUDITED INFORMATION

Director's Remuneration

	Basic salary and fees £'000	Performance related bonus £'000	Benefits £'000	Sub-total £'000	In lieu of pension contributions £'000	**2008 Total £'000**	**2008 Pension £'000**	2007 Total £'000	2007 Pension £'000
Executive Directors									
S G M Caffyn	241	12	14	267	40	**307**	**–**	322	–
M S Harrison	165	8	11	184	–	**184**	**15**	196	14
S J Caffyn	98	5	8	111	–	**111**	**17**	117	13
Non-Executive Directors									
B A Carte	53	–	1	54	–	**54**	**–**	52	–
S B Birkenhead	19	–	–	19	–	**19**	**–**	18	–
A R Goodburn	19	–	–	19	–	**19**	**–**	18	–
N W Hollingworth	2	–	–	2	–	**2**	**–**	–	–
	597	25	34	656	40	**696**	**32**	723	27

Remuneration of non-executive directors

The non-executive directors receive a fee which is agreed by the board, following a recommendation by the executive directors. They currently receive a fee of £19,200 per annum with the exception of the chairman during the year who received a fee of £52,900. The chairman also received a health insurance benefit amounting to £519.

Pensions

Three executive directors are members of the company's pension scheme at the year-end (2007 – 3). Executive directors' pensions are provided by the Caffyns Pension Scheme, which provides a pension of a maximum of two thirds of final salary in respect of benefits accrued up to 31 March 2006. With effect from 1 April 2006, the accrued benefits of these directors will be on a "career average" basis and based upon earnings in each financial year. There is a widow's pension of half the director's pension and a death in service benefit of three times salary.

Executive directors are eligible for a pension of up to two-thirds of total salary excluding benefits at normal retirement age of 65. Pensions for executives are provided on a contributory basis through the group pension scheme. The value of share options or other benefits does not form part of pensionable salary. The pension scheme provides for the payment of benefits on death or disability. The following pension benefits accrued to directors from the company:

	Additional accrued benefits earned in the year £'000	Total annual accrued pension at 31 March 2008 £'000	Additional accrued benefits earned in the year (excluding inflation) £'000
S G M Caffyn	8	88	5
M S Harrison	4	22	3
S J Caffyn	4	24	3

	Transfer value at 31 March 2008	Transfer value at 31 March 2007	Increase in transfer value less directors' contributions
	£'000	£'000	£'000
S G M Caffyn	879	709	169
M S Harrison	217	162	39
S J Caffyn	118	97	4

The changes in the year exclude the elements due to inflation and transferred-in benefits.

Normal retirement age is 65. The directors' current ages are as stated on page 7. On early retirement before age 65, accrued pension is discounted by 4% per annum simple, except where the company consents to early retirement between 60 and 65, and then no discount would be applied in respect of accrued benefits earned up to 31 March 2008. Pensions paid increase in line with Limited Price Indexation. On death, a one-half spouse's pension is due. Children's allowances to a maximum, including spouse's pension, of 100% of the executive's pension may be payable. Allowance is made in transfer value payments for discretionary benefits.

The non-executive directors are not members of the company's pension scheme.

Andrew R Goodburn
Chairman of the Remuneration Committee

29 May 2008

Report of the Independent Auditors

to the Members of Caffyns plc

We have audited the group and parent company financial statements (the "financial statements") of Caffyns plc for the year ended 31 March 2008 which comprise the principal accounting policies, the group income statement, the group and parent company balance sheets, the group and parent company statements of recognised income and expenses, the group and parent company cash flow statements, and notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Chief Executive's Operating Review that is cross referenced from the Results and dividends section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Chief Executive's Operating Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;

- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and

- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditors & Chartered Accountants

London
29 May 2008

Income Statement

for the year ended 31 March 2008

Group and company	Note	2008 £'000	2007 £'000
Revenue		**182,029**	176,238
Cost of sales			
Exceptional item – VAT refund	2	**1,310**	–
Other costs of sales		**(158,351)**	(151,566)
Total cost of sales		**(157,041)**	(151,566)
Gross profit		**24,988**	24,672
Distribution costs		**(16,191)**	(15,755)
Administrative expenses			
Exceptional items	2	**–**	786
Other costs		**(7,094)**	(7,059)
Total administrative expenses		**(7,094)**	(6,273)
Exceptional items	2	**(134)**	(626)
Operating profit analysed as:			
Before exceptional items		**393**	1,858
Arising from exceptional items	2	**1,176**	160
Total operating profit	3	**1,569**	2,018
Finance expense	5	**(1,310)**	(1,232)
Finance income (net)	6	**720**	657
Finance income – exceptional interest on VAT refund	6	**1,600**	–
Net finance income/(expense)		**1,010**	(575)
Profit/(loss) before tax			
Before exceptional items		**(197)**	1,283
Arising from exceptional items	2	**2,776**	160
Total profit before tax		**2,579**	1,443
Tax	7	**(451)**	(280)
Profit for the year attributable to equity shareholders of Caffyns plc		**2,128**	1,163

	Note	2008	2007
Earnings per share			
Basic and diluted earnings per ordinary share from continuing operations and for the profit for the year	8	**73.9p**	40.4p

See accompanying notes to the financial statements

Statement of Recognised Income and Expense

for the year ended 31 March 2008

Group and company	Note	2008 £'000	2007 £'000
Profit for the year		**2,128**	1,163
Actuarial gains recognised	20	**960**	3,134
Deferred tax on actuarial gains	21	**(270)**	(940)
Total recognised income and expense for the year		**2,818**	3,357

See accompanying notes to the financial statements

Balance Sheets

at 31 March 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Non-current assets					
Property, plant and equipment	12	**32,141**	31,610	**32,141**	31,610
Goodwill	10	**481**	481	**481**	481
Intangible assets	11	**9**	31	**9**	31
Investment in subsidiaries	13	**–**	–	**250**	250
Retirement benefit scheme	20	**1,864**	344	**1,864**	344
		34,495	32,466	**34,745**	32,716
Current assets					
Inventories	14	**27,238**	23,846	**27,238**	23,846
Trade and other receivables	15	**8,837**	9,047	**8,837**	9,047
Cash and cash equivalents		**29**	35	**29**	35
Non current assets classified as held for sale	12	**990**	990	**990**	990
		37,094	33,918	**37,094**	33,918
Total assets		**71,589**	66,384	**71,839**	66,634
Current liabilities					
Interest bearing loans and borrowings	16	**11,196**	6,826	**11,196**	6,826
Trade and other payables	18	**22,801**	21,575	**23,051**	21,825
Current tax payable		**626**	230	**626**	230
Provisions	19	**27**	3,203	**27**	3,203
		34,650	31,834	**34,900**	32,084
Net current assets		**2,444**	2,084	**2,194**	1,834
Non-current liabilities					
Interest bearing loans and borrowings	16	**3,017**	3,050	**3,017**	3,050
Preference shares	22	**1,237**	1,237	**1,237**	1,237
Deferred tax liabilities	21	**2,542**	2,218	**2,542**	2,218
		6,796	6,505	**6,796**	6,505
Total liabilities		**41,446**	38,339	**41,696**	38,589
Net assets		**30,143**	28,045	**30,143**	28,045
Capital and reserves					
Share capital	22	**1,439**	1,439	**1,439**	1,439
Share premium account	23	**272**	272	**272**	272
Capital redemption reserve	23	**282**	282	**282**	282
Non-distributable reserve	23	**3,892**	3,915	**3,892**	3,915
Retained earnings	23	**24,258**	22,137	**24,258**	22,137
Total equity attributable to shareholders of Caffyns plc		**30,143**	28,045	**30,143**	28,045

The financial statements were approved by the board of directors on 29 May 2008 and were signed on its behalf by:

Brian A Carte
Mark S Harrison } Directors

See accompanying notes to the financial statements

Cash Flow Statement

for the year ended 31 March 2008

Group and company	Note	**2008 £'000**	2007 £'000
Net cash from operating activities	24	**(1,597)**	4,202
Investing activities			
Proceeds on disposal of property, plant and equipment		**–**	1,351
Purchases of property, plant and equipment		**(2,023)**	(3,479)
Acquisitions		**–**	(176)
Net cash used in investing activities		**(2,023)**	(2,304)
Financing activities			
Dividends paid		**(720)**	(691)
Repayments of obligations under finance leases		**(33)**	(27)
Net cash used in financing activities		**(753)**	(718)
Net (decrease)/increase in cash and cash equivalents		**(4,373)**	1,180
Cash and cash equivalents at beginning of year		**(6,762)**	(7,942)
Cash and cash equivalents at end of year		**(11,135)**	(6,762)

	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Cash and cash equivalents	**29**	35	39
Overdrafts	**(11,164)**	(6,797)	(7,981)
Net cash and cash equivalents	**(11,135)**	(6,762)	(7,942)

See accompanying notes to the financial statements

Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with adopted IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based upon management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the directors in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

Adoption of new and revised standards and new standards and interpretations not yet adopted

In the current year, the group has adopted IFRS 7 'Financial instruments: Disclosures' and the related amendments to IFRS 4 'Insurance Contracts' and IAS 1 'Presentation of Financial Statements' which is effective for annual reporting periods beginning on or after 1 January 2007. IFRS 4 does not have an impact on the group. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital (see note 17). Five interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies'; IFRIC 8 'Scope of IFRS 2'; IFRIC 9 'Reassessment of Embedded Derivatives'; IFRIC 10 'Interim Financial Reporting and Impairment' and IFRIC 11 'IFRS 2 Group and Treasury Share Transactions'. The adoption of these interpretations has not led to any changes in the group's accounting policies.

The following Standards and Interpretations have been published, endorsed by the EU, and are available for early adoption but have not yet been applied by the group in these financial statements:

IFRS 8 'Operating segments' introduced the 'management approach' to segment reporting. IFRS 8 becomes effective for the group's 2010 financial statements and the group has not yet determined the potential impact on the consolidated financial statements.

The following have been published but have not yet been endorsed by the EU:

IAS 23 Revised 'Borrowing costs' removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a cost of that asset. The revised IAS 23 will become mandatory for the Group's 2010 financial statements. The group does not presently capitalise borrowing costs and will change its accounting policy for the 2009 financial statements.

IFRIC 12 'Service Concession Arrangements' provides guidance on certain recognition and measurement issues that rise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the group's 2009 financial statements is not expected to have any impact on the consolidated financial statements.

IFRIC 13 'Customer Loyalty Programmes' addresses the accounting by entities who operate customer loyalty programmes with their customers which offer free or discounted goods or redemption of credits. IFRIC 13, which becomes mandatory for the group's 2010 financial statements, is not expected to have any impact on the consolidated financial statements.

Adoption of new and revised standards and new standards and interpretations not yet adopted (continued)
IFRIC 14 'IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addressed when a MFR might give rise to a liability. IFRIC 14, which becomes mandatory for the group's 2009 financial statements with retrospective application required, is not expected to have any impact on the consolidated financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to 31 March each year. All subsidiaries are currently dormant so the income, expenses and cash flows are the same for the group and the company.

The results of businesses and subsidiaries acquired or disposed of during the year are included in the consolidated income statement using the purchase method from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Acquisition
On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Intangible assets
Intangible assets comprise benefits arising from contractual rights acquired with businesses and, upon acquisition, are capitalised separately from goodwill if the asset is separable and if fair value can be measured reliably on initial recognition. Intangible assets so acquired are carried at cost less accumulated amortisation and any impairment losses. The group has no internally generated intangible assets.

Amortisation is provided on a straight line basis over the expected useful lives. This is normally 4 years, being the minimum period that the company expects to benefit from those rights.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired, and is tested annually for impairment. Any impairment is recognised immediately in the profit and loss account and is not subsequently reversed. Gains and losses on subsequent disposal of the assets acquired include any related goodwill.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and annually thereafter.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of motor vehicles, parts and accessories are recognised when the significant risks and rewards of ownership have been transferred to the buyer. In general this occurs when vehicles or parts are delivered to the customer and title has passed. Servicing and bodyshop sales are recognised on completion of the agreed work.

Exceptional items
Exceptional items will be material items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence because of their relevance to understanding the entity's financial performance.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the terms of the relevant lease.

Borrowing costs
All borrowing costs are recognised in the income statement in the period in which they are incurred.

Operating profit
Operating profit is stated after charging restructuring costs but before finance costs.

Retirement benefit costs
The group operates a defined benefit pension scheme for its employees funded jointly by contributions from the company and employees. The company has adopted the IAS 19 amendment from transition. The scheme assets are measured at fair value. Scheme liabilities are discounted at high quality corporate bond rates that have terms to maturity approximating to the term of the related liability.

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statement of Recognised Income and Expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Actuarial gains and losses have been recognised in full in the Statement of Recognised Income and Expense.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. Tax balances are not discounted.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. The tax base of an item takes into account its intended method of recovery by either sale or use.

Property, plant and equipment

Land and buildings used in the business are stated in the Balance Sheet at cost, or deemed cost, being the open market value at 31 March 1995, for those properties acquired before that date.

Depreciation on buildings is charged to income. On the subsequent sale of a property, the attributable surplus remaining in the non-distributable reserve is transferred directly to accumulated profits.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees but excludes borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties are regarded as purchased or sold on the date on which contracts for the purchase or sale become unconditional.

Other assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost less residual values of assets, other than land and properties under construction, over their estimated useful lives using the straight-line method, on the following basis:

Freehold buildings	– 50 years
Leasehold buildings	– Period of lease
Plant and machinery, fixtures and fittings	– 3 to 10 years

The leasehold land is accounted for as an operating lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. No further depreciation is provided once assets are classified as held for sale.

Impairment

a) Impairment of goodwill
Goodwill is tested annually for impairment. If an impairment provision is made, it cannot subsequently be reversed.

b) Impairment of intangible assets and property, plant and equipment
At each balance sheet date the company reviews the carrying amounts of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Vehicle stock includes service vehicles. Consignment vehicles are regarded as being effectively under the control of the group and are included within inventories on the balance sheet as the group has the significant risks and rewards of ownership even though legal title has not yet passed. The corresponding liability is included in trade and other payables. Parts inventories are based upon an average purchase cost principle and are written down to net realisable value by providing for obsolescence on a time and stock based formula approach.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Trade receivables

Trade receivables do not carry any interest and are stated at their fair value on initial recognition as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included at cost, less amounts written off if the investment is determined to be impaired and are included in the parent company's separate financial statements.

Financial liabilities

All financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value.

Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at their fair value on initial recognition (normally the proceeds received less transaction costs that are directly attributable to the financial liability) and subsequently at amortised cost under the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their fair value on initial recognition.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Preference shares

All the preference shares are accounted for as non-current liabilities, as they have the attributes of debt. Preference dividends are accounted for as finance charges within interest payable.

Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value.

A financial instrument is recognised if the group becomes party to the contractual provisions of the instrument. Financial instruments are derecognised if the group's contractual rights to the cash flows from the financial asset expire. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured as the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Warranty costs on new and used vehicles are normally paid for by the motor manufacturers. Warranties have been issued by the company to honour the unexpired term of the MG Rover warranties, after that group went into administration.

Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring that has been communicated to affected parties.

1. General information

Caffyns plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 2. Its revenue is attributable to the sole activity of operating as a motor retailer in the South East of the United Kingdom and comprises revenue from:

	2008 £'000	2007 £'000
Sale of goods	166,602	160,396
Rendering of services	15,427	15,842
	182,029	176,238

Taking into account current accounting standards, in the opinion of the directors, the company only has the one business and geographical segment, so no further analysis is required.

2. Exceptional items

	2008 £'000	2007 £'000
In cost of sales		
VAT refund (net of costs) on demonstrator vehicle bonuses in the period 1973 to 1997	1,310	–
In administrative expenses		
Net profit on disposal of property, plant and equipment	–	600
Negative goodwill received on purchase of business, net of costs	–	186
	1,310	786
Restructuring costs arising from branch closures	(134)	(626)
	1,176	160
In finance income		
Interest received on VAT refund	1,600	–
Total exceptional items before taxation	2,776	160
Less tax thereon	(457)	(48)
Total after tax	2,319	112

The exceptional items in both 2007 and 2008 were realised/paid in cash.

3. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2008 £'000	2007 £'000
Employee benefit expense (see note 4)	**19,263**	19,686
Amortisation of intangible assets	**22**	23
Depreciation of property plant and equipment		
– owned assets	**1,440**	1,400
– under finance leases	**24**	27
Loss/(profit) on disposal of property, plant and equipment	**28**	(600)
Operating lease rentals payable		
– land and buildings	**564**	566
– plant and machinery	**43**	42

	2008 £'000	2007 £'000
Auditors' remuneration		
– Fees payable to the company's auditor for the audit of the company's annual accounts	**59**	56
– Fees payable to the company's auditor and its associates for other services		
Other services pursuant to legislation – Interim review	**8**	10
– Tax services (including compliance and VAT advice in respect of refund)	**78**	66
– Fees in respect of the audit of the Caffyns plc Pension Scheme	**7**	7
– Other services	**1**	–
	153	139

A description of the work of the audit committee is set out in the Corporate Governance Statement on pages 12 and 13 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4. Employee benefit expense

Employee benefit expense during the year amounted to:	2008 £'000	2007 £'000
Wages and salaries	**17,638**	17,881
Social security costs	**1,602**	1,580
Contributions to defined contribution plans	**23**	13
Decrease in liability for defined benefit plans	**(720)**	(657)
	18,543	18,817

The average number of employees during the year was 738 (2007 – 795) all of whom were engaged in the motor retail trade.

Directors' emoluments were:	2008 £'000	2007 £'000
Emoluments	**696**	723
Pension contributions	**32**	27
Pension to widow of former director	**18**	17
	746	767

Details of the directors' remuneration and pension contributions are provided in the Directors' Remuneration Report.

5. Finance expense

	2008 £'000	2007 £'000
Interest payable on bank borrowings	**823**	858
Vehicle stocking plan interest	**378**	265
Interest payable on finance leases	**7**	7
Preference dividends (see note 9)	**102**	102
Interest expense in respect of financial liabilities held at amortised cost	**1,310**	1,232

6. Finance income

	2008 £'000	2007 £'000
Defined benefit pension scheme net finance income (see note 20)	**720**	657
Exceptional interest on VAT refund (see note 2)	**1,600**	–

The defined benefit pension scheme net finance income has formerly been included in distribution costs but is now analysed as finance income (net). The comparatives have been re-analysed to reflect this change of presentation.

7. Tax

	2008 £'000	2007 £'000
Current tax		
UK corporation tax	**650**	85
Advance corporation tax recovered	**(253)**	–
Adjustments recognised in the period for current tax of prior periods	**–**	180
Total	**397**	265
Deferred tax (see note 21)		
Origination and reversal of timing differences	**408**	136
Adjustment recognised in the period due to change in rate of corporation tax	**(219)**	–
Adjustments recognised in the period for deferred tax of prior periods	**(135)**	(121)
Total	**54**	15
Total tax charged in the Income Statement	**451**	280
The tax charge arises as follows:		
On normal trading	**(6)**	232
On exceptional items (see note 2)	**457**	48
	451	280

7. **Tax** (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008	2007
	£'000	£'000
Profit before tax	**2,587**	1,443
Tax at the UK corporation tax rate of 30%	**776**	433
Tax effect of expenses that are not deductible in determining taxable profit	**29**	115
Capital gains rolled over	**–**	(296)
Profits taxed at lower rate	**–**	(31)
Change in rate of corporation tax from 30% to 28%	**(219)**	–
Adjustments to tax charge in respect of prior years	**(135)**	59
Tax expense for the year	**451**	280

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

	2008	2007
	£'000	£'000
Total current tax charge	**397**	265
Deferred tax charge		
Charged in Income Statement	**54**	15
Charged against equity	**270**	940
Total deferred tax charge	**324**	955
Total tax charge for the year	**721**	1,220

Factors affecting the future tax charge

The corporation tax applicable to the company is to change from 30% to 28% with effect from 1 April 2008. The deferred tax liability has been calculated at 28% as timing differences will reverse after 1 April 2008. The benefit of this decrease in rate is estimated at £219,000 and is reflected as a reduction in the deferred tax expense for the year. The company has unrelieved advance corporation tax of approximately £0.9m (2007 – £1.14m) which is available to be utilised against future mainstream corporation tax liabilities and is accounted for in deferred tax (see note 21).

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.

The calculation of diluted earnings per share would be 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. At both year ends there were no unissued shares, so the diluted earnings per share are the same as the basic earnings.

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

	Adjusted		Basic	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Profit before tax	**2,579**	1,443	**2,579**	1,443
Adjustments:				
Exceptional items (note 2)	**(2,776)**	(160)	**–**	–
Adjusted (loss)/profit before tax	**(197)**	1,283	**2,579**	1,443
Taxation	**6**	(232)	**(451)**	(280)
Earnings	**(191)**	1,051	**2,128**	1,163
Adjusted (loss)/earnings per share	**(6.7p)**	36.5p		
Basic earnings per share			**73.9p**	40.4p

The weighted average number of fully paid ordinary shares in issue during the year was 2,879,298 (2007 – 2,879,298).

9. Dividends

	2008	2007
Paid	**£'000**	£'000
Preference		
6.5% Cumulative First Preference	**25**	25
10% Cumulative Preference	**65**	65
6.0% Cumulative Second Preference	**12**	12
Included in finance costs (see note 5)	**102**	102
Ordinary		
Interim dividend paid in respect of the current year of 8.0p (2007 – 8.0p)	**230**	230
Final dividend paid in respect of the previous year of 17.0p (2007 – 16.0p)	**490**	461
	720	691

Proposed

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2008 of 17.0p per share, which will absorb £490,000 of shareholder funds (2007 – 17.0p per share absorbing £490,000). The proposed final dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

10. Goodwill

Group and company	2008 £'000	2007 £'000
At 31 March 2008 and 31 March 2007	**481**	481

For the purposes of impairment testing of goodwill, the directors recognise the group's Cash Generating units ("CGU") to be individual motor dealerships. The recoverable amount of each CGU's goodwill is based on value in use using board approved budgeted projections for 2008/09, extrapolated over an additional four years, and a risk adjusted discount rate reflecting the group's weighted average cost of capital is applied in order to calculate each CGU's terminal value.

At each half-year end the directors have reviewed the goodwill for possible impairment and concluded that no impairment provision is required.

11. Intangible assets

	Contractual rights	
Group and company	**2008 £'000**	2007 £'000
Cost		
At 31 March 2008 and 31 March 2007	**90**	90
Amortisation		
At 1 April	**59**	36
Charged in year	**22**	23
At 31 March	**81**	59
Net book amounts		
At 31 March 2008 and 31 March 2007	**9**	31

The amortisation charge is recognised within administrative expenses in the income statement.

At each year end the directors have reviewed the intangible assets for possible impairment and concluded that no impairment provision is required.

12. Property, plant and equipment

	Freehold property £'000	Leasehold property £'000	Fixtures & fittings £'000	Plant & machinery £'000	Total £'000
Group and company					
Cost or deemed cost					
At 1 April 2006	27,266	854	4,505	5,654	38,279
Additions at cost	2,449	38	621	467	3,575
Transfers	379	(573)	194	–	–
Transfer to assets held for sale	(1,060)	–	–	–	(1,060)
Disposals	(716)	(113)	(169)	(174)	(1,172)
At 31 March 2007	28,318	206	5,151	5,947	39,622
At 1 April 2007	28,318	206	5,151	5,947	39,622
Additions at cost	895	35	652	441	2,023
Disposals	–	–	(62)	(150)	(212)
At 31 March 2008	**29,213**	**241**	**5,741**	**6,238**	**41,433**
Depreciation					
At 1 April 2006	1,123	220	2,113	3,620	7,076
Charge for the year	264	35	675	453	1,427
Transfers	63	(63)	–	–	–
Transfer to assets held for sale	(70)	–	–	–	(70)
Disposals	(28)	(81)	(130)	(182)	(421)
At 31 March 2007	1,352	111	2,658	3,891	8,012
Depreciation					
At 1 April 2007	1,352	111	2,658	3,891	8,012
Charge for the year	278	22	709	455	1,464
Disposals	–	–	(50)	(134)	(184)
At 31 March 2008	**1,630**	**133**	**3,317**	**4,212**	**9,292**
Net book amount					
At 31 March 2008	**27,583**	**108**	**2,424**	**2,026**	**32,141**
At 31 March 2007	26,966	95	2,493	2,056	31,610
At 31 March 2006	26,143	634	2,392	2,034	31,203

12. Property, plant and equipment (continued)

Short term leasehold property comprised £108,000 at net book value at the balance sheet date (2007– £95,000) in both the company and the group.

Two freehold properties held for sale at 31 March 2008 with a net book value of £990,000 fulfilled the conditions to be re-classified as non-current assets held for sale (2007 – £990,000). Contracts for the sale of these properties were exchanged in the year ended 31 March 2008 subject to certain conditions being met. Completion took place on one property on 14 May 2008 and the cash proceeds of £1.075m received on 28 May 2008. The second property is sold subject to obtaining a satisfactory planning permission and, if achieved, is expected to be disposed of in the financial year ending 31 March 2009.

Valuations

The freehold properties were revalued externally at 31 March 1995 by Lambert Smith Hampton, Chartered Surveyors, at open market value for existing use (which the directors are satisfied is close to the then fair value). Freehold properties acquired since that date and the other assets listed above are stated at cost in accordance with IAS 16.

Freehold property is included as follows:

	Group and company	
	2008	2007
	£'000	£'000
Valuation – March 1995	**12,051**	12,051
At cost	**15,532**	14,915
Deemed cost, less depreciation at the year end	**27,583**	26,966
At historic cost (including property qualifying as non-current asset held for resale)	**24,890**	23,995

A contract for the sale of one property took place in the year ended 31 March 2008 subject to obtaining a satisfactory planning consent, but such consent has not yet been obtained. Consequently, at 31 March 2008 this property did not fulfil the requirements to be classified as a non-current asset held for sale.

The freehold properties (excluding three sites which were then in the process of being sold and one site which was being substantially refurbished) were revalued at 31 March 2008 at fair value (open market for existing use) by CB Richard Ellis Limited, Chartered Surveyors. The excess of the valuation over the net book value of the properties subject to the valuation as at 31 March 2008 was £6.9m. In accordance with the company's accounting policies, this surplus is not incorporated in these accounts.

Depreciation is being charged on the value of freehold buildings of £15,238,000 (2007 – £14,343,000), the balance relating to freehold land which is not depreciated.

Assets held under finance leases
Group and company

	Plant & Machinery £'000
Net book amount	
At 31 March 2008	**41**
Net book amount	
At 31 March 2007	65

Future capital expenditure which has been contracted for but not yet provided in the financial statements amounted to £1,107,000 (2007 – Nil).

13. Investments in subsidiaries

The company owns the whole of the issued ordinary share capital of Caffyns Wessex Limited, Caffyns Properties Limited and Fasthaven Limited, all of which are now dormant. The amount at which the investments are stated is equivalent to the net assets of the subsidiaries. All subsidiary undertakings are registered in England and Wales.

	Company
	£'000
Cost	
At 31 March 2008 and at 31 March 2007	476
Provision	
At 31 March 2008 and at 31 March 2007	226
Net book amounts	
At 31 March 2008 and at 31 March 2007	**250**

14. Inventories

	2008	2007
	£'000	£'000
Group and company		
Vehicles	**17,522**	15,349
Vehicles on consignment	**8,157**	6,752
Petrol, oil, spare parts and materials	**1,544**	1,730
Work in progress	**15**	15
	27,238	23,846
Vehicle stock includes:		
Service vehicles	**7,186**	6,833
Inventories recognised as an expense during the year	**156,800**	150,073
Inventories stated at fair value less costs to sell	**1,442**	1,629
Carrying value of inventories subject to retention of title clauses	**9,557**	8,421

All vehicle stocks held under consignment stocking agreements are deemed to be assets of the group and are included on the balance sheet from the point of consignment. The corresponding liabilities to the manufacturers are included within trade and other payables. Stocks are held on consignment for a maximum consignment period of 365 days. Interest is payable in certain cases for part of the consignment period, at various rates linked to the Finance House Base Rate.

During the year £11,000 was recognised in respect of the write down of vehicle parts inventories due to general obsolescence (2007– £108,000).

15. Trade and other receivables

	2008 £'000	2007 £'000
Group and company		
Trade receivables	**7,297**	7,774
Other receivables	**1,540**	1,273
	8,837	9,047

All amounts are due within one year.

Of the trade receivables, 87% are not past due payment date (2007 – 89%). The majority of the trade receivables beyond due date are aged between 30 and 120 days. The group makes an impairment provision for all debts that are considered unlikely to be collected. At 31 March 2008 trade receivables are shown net of an allowance for impairment of £99,000 (2007 – £82,000). The expense recognised for impairment losses during the year was £162,000 (2007 – £18,000).

Credit Risk

The company's principal financial assets are bank balances and cash, trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade receivables which are all due on presentation of the invoice. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. Consequently the directors consider that the carrying amount of trade and other receivables approximates their fair value.

16. Interest bearing loans and borrowings

Group and company

Current liabilities	2008 £'000	2007 £'000
Unsecured bank overdrafts	**11,164**	6,797
Finance lease liabilities (see note 27)	**32**	29
	11,196	6,826
Non-current liabilities		
In the second year	**3,000**	1,000
In the third year	**–**	2,000
Finance lease liabilities (see note 27)	**17**	50
	3,017	3,050

All the company's overdrafts and bank loans are held in Sterling, unsecured and subject to interest at bank base rate plus 1%, thus exposing the group to cash flow interest rate risk. The average effective interest rate on bank overdrafts approximated to 6.45% (2007 – 5.82%).

The directors estimate that there is no material difference between the fair value of the company's borrowings and their book value.

17. Financial instruments and derivatives

Financial risk management

The group is exposed to the following risks from its use of financial instruments.

Funding and liquidity risk – the risk that the group will not be able to meet its obligations as they fall due
Credit risk – the risk of financial loss to the group on the failure of a customer or counterparty to meet its obligations as they fall due
Market risk – the risk that changes in market prices such as interest rates have on the group's financial performance

The group's quantitative exposure to these risks is explained throughout these financial statements whilst the group's objectives and management of these risks is set out below.

Treasury policy and procedures

The company's activities expose it primarily to the financial risks of changes in interest rates. There are no fixed rate borrowings other than finance leases and preference shares.

Funding and liquidity management

The group finances its operations through a mixture of retained profits and borrowings from banks and finance houses. The group's policy is to maintain a balance between committed and uncommitted facilities and between term loans and overdrafts. Facilities are maintained at levels in excess of planned requirements.

Interest rate management

The objective of the group's interest rate policy is to minimise interest costs while protecting the group from adverse movements in interest rates. Borrowings at variable rates expose the group to cash-flow interest rate risk whereas borrowings at fixed rates expose the group to fair value interest rate risk. The company does not currently seek to hedge any interest rate risk.

Interest rate risk sensitivity analysis

As all of the group's borrowings and vehicle stocking credit lines are floating rate instruments, they therefore have a sensitivity to changes in market rates of interest. The table below shows the effect of a 100 basis points change in interest rates for floating rate instruments outstanding at the period end, showing how profit or loss would have varied in the period on the assumption that the instruments at the period end were outstanding for the entire period.

	Profit/(loss) 2008 £'000	Profit/(loss) 2007 £'000
100 basis points increase	**(142)**	(98)
Tax effect	**42**	30
	(100)	(68)
100 basis point decrease	**142**	98
Tax effect	**(42)**	(30)
	100	68

Credit risk management

The group is exposed to credit risk primarily in respect of its trade receivables and financial assets. Trade receivables are stated net of provision for estimated impairment losses. Exposure to credit risk in respect of trade receivables is mitigated by the group's policy of only granting credit to certain customers after an appropriate evaluation of credit risk. Credit risk arises in respect of amounts due from manufacturers in relation to bonuses and warranty receivables. This risk is mitigated by the range of manufacturers dealt with, the group's procedures in effecting timely collection of amounts due and management's belief that it does not expect any manufacturer to fail to meet its obligations. Finance assets comprise cash balances. The counterparties are banks with sound credit ratings and management does not expect any counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of the financial asset in the balance sheet.

17. Financial instruments and derivatives (continued)

Capital management

The Board's policy is to maintain a strong capital base to maintain market confidence and to sustain the development of the business, whilst maximising the return on capital to the group's shareholders. The group attempts to maintain an optimal balance between borrowings and equity. After tax return on equity for 2007–08 was 7.1%.

The group has occasionally repurchased its own shares in the market and cancelled them. There is no predetermined plan for doing this although the group has permission from shareholders to buy back up to 15% of its equity at any one time. The group may purchase its own shares in order to promote growth in earnings per share or to satisfy share incentives issued to employees of the group.

There were no changes in the approach to the group's capital management in the year.

Cash and cash equivalents

	Carrying value & fair value 2008 £'000	Carrying value & fair value 2007 £'000
Bank balances and cash equivalents	**29**	35

Borrowings

	Carrying value & fair value 2008 £'000	Carrying value & fair value 2007 £'000
Non-current:		
Bank borrowings	**3,000**	3,000
Finance leases	**17**	50
Total non-current	**3,017**	3,050
Current:		
Bank borrowings	**11,164**	6,797
Finance leases	**32**	29
Total borrowings	**14,213**	9,876

17. Financial instruments and derivatives (continued)

The effective interest rates for all borrowings are based on bank base rates. Finance leases are effectively held at fixed rates of interest with a weighted average of 6.81%. Information regarding classification of balances and interest, the range of interest rates applied in the year to 31 March 2008 is set out in the following table:

	Carrying value & fair value £'000	Classification	Interest classification	Interest rate range
Bank balances and cash equivalents	**29**	Amortised cost	Floating	N/A
Borrowings				
Non-current:				
Bank borrowings	**3,000**	Amortised cost	Floating	6.25% – 6.75%
Finance leases	**17**	Amortised cost	Fixed	6.81%
Total non-current	**3,017**			
Current:				
Bank borrowings	**11,164**	Amortised cost	Floating	6.25% – 6.75%
Finance leases	**32**	Amortised cost	Fixed	6.81%
	14,213			

The maturity of non-current borrowings is as follows:

	2008 £'000	2007 £'000
Between 1 and 2 years	**3,012**	3,033
Between 2 and 5 years	**5**	17
	3,017	3,050

The group has the following undrawn borrowing facilities:

	2008 £'000	2007 £'000
Expiring in 1 year or less	**6,486**	10,853
Expiring in more than 1 year but not more than 2 years	**–**	–
Expiring in more than 2 years	**–**	–
	6,486	10,853

18. Trade and other payables

	2008	2007
	£'000	£'000
Trade payables	**11,978**	11,503
Obligations relating to consignment stock	**8,157**	6,752
Social security and other taxes	**949**	1,303
Preference dividends payable	**51**	51
Accruals	**1,597**	1,755
Other creditors	**69**	211
Group total	**22,801**	21,575
Amounts owed to group undertakings	**250**	250
Company total	**23,051**	21,825

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2007 – 26 days).

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

The obligations relating to consignment stock are all secured on the assets to which they relate.

19. Short term provisions

Group and company

	MG Rover	VAT	Total
	£'000	£'000	£'000
At 1 April 2007	225	2,978	3,203
Transfer to income statement in 2008	(198)	(2,978)	(3,176)
At 31 March 2008	**27**	**–**	**27**

MG Rover

The MG Rover provision was expected to be utilised over the three years ending 31 March 2008 and made provision against potential warranty claims from customers who purchased MG Rover cars which were registered after 1 April 2002, as the company has no recourse to the manufacturer in respect of warranty claims by customers following its demise in April 2005. The balance outstanding at 31 March 2008 is expected to satisfy any such claims.

VAT

The company received £2.978m during the year ended 31 March 2007 from HM Revenue & Customs ("HMRC") in respect of a claim made as a result of the Marks & Spencer European Court case, relating to VAT overpaid on demonstrator vehicle bonuses in the period 1973 to 1997. There was uncertainty relating to the retention by the company of the monies pending the outcome of a case due to be heard in the House of Lords. Following a change of view by HMRC, confirmation was received in July 2007 that the monies could be retained by the company and that their retention was no longer dependent on the outcome of the case. Following clarification of the legal position concerning retention of these monies by the group, the amount received of £2.978m less professional fees of £68,000, was included in the Income Statement for the year ended 31 March 2008.

20. Retirement benefit scheme

Defined Benefit Pension Scheme

Group and company

Description of scheme

The company operates a pension scheme, the Caffyns Pension Scheme ("CPS"), providing benefits based on final pensionable pay until 31 March 2006. For new members joining the CPS since 1 April 2001, benefits are based upon career average salaries. Depending upon the proportion of pensionable pay purchased, the company contribution rates vary between 4% and 15%.

With effect from 1 April 2006, the scheme closed to new entrants and all members in the final salary section were transferred to the career average section for future service and certain benefits were reduced.

The assets of the CPS, scheme administered by trustees, are held separately from those of the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 March 2005.

Results of most recent actuarial valuation

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the long term investment returns would be 6.75% per annum, that salary increases would average 4.5% per annum and that present and future pensions would increase at the rate of 2.75% per annum. The actuarial valuation as at 31 March 2005 showed that the market value of the CPS assets was £66.6m and that the actuarial value of those assets represented 101% of the value of the benefits that had accrued to employees at that date.

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuations carried out at 31 March 2005 were updated to 31 March 2006, 31 March 2007 and 31 March 2008 respectively by Watson Wyatt, qualified independent actuaries, for the requirements of IAS 19. Details are set out below:

IAS 19 assumptions	**2008**	2007	2006	2005
	%	%	%	%
Rate of increase in salaries	**4.00**	3.50	4.55	4.50
Rate of increase for pensions in payment:				
Pension accrued before 1 April 2006	**3.40**	3.00	2.80	2.75
Pension accrued after 1 April 2006	**2.40**	2.50	–	–
Discount rate	**6.70**	5.40	5.10	5.55
Inflation	**3.50**	3.00	2.80	2.75
Expected return on scheme assets	**6.90**	6.27	6.14	6.55
Rate of increase for deferred pensioners	**3.50**	3.00	2.80	2.75

The discount rate adopted is based upon the yields on high quality corporate bonds of appropriate duration.

20. Retirement benefit scheme (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return				Fair value of assets			
	2008	2007	2006	2005	**2008**	2007	2006	2005
	%	%	%	%	**£'000**	£'000	£'000	£'000
Equity instruments	**8.60**	7.50	7.60	7.90	**36,789**	40,561	39,767	34,424
Bonds	**6.88**	5.40	5.10	5.55	**6,345**	15,575	14,878	13,690
Gilts	**4.54**	4.45	4.10	4.55	**26,495**	17,400	16,262	13,704
Property	**6.88**	5.40	5.10	5.55	**2,878**	3,559	3,232	3,288
Other assets	**–**	4.00	3.80	3.75	**–**	860	2,607	1,154
	6.90	6.27	6.14	6.53	**72,507**	77,955	76,746	66,260

The overall expected return on assets reflects the directors' long term view of future returns taking into account market conditions at the year end and asset allocation of the scheme.

Equity instruments includes shares in Caffyns plc, which are detailed in note 25.

The assumptions used by the actuary are the best estimates based on market conditions chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The IAS assumptions have been updated at 31 March 2008 and differ from those used for the earlier independent statutory actuarial valuation explained above.

Mortality assumptions

Life expectancy at age 65 (in years):

	2008	**2008**	2007	2007	2006	2006
	Male	**Female**	Male	Female	Male	Female
Member currently aged 65	**20.9**	**23.8**	20.9	23.8	19.0	22.1
Member currently aged 45	**22.1**	**25.0**	22.1	25.0	20.8	23.9

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the value of the scheme's liabilities, which is derived from cash flow projections over long periods and thus inherently uncertain, are:

Scheme assets and liabilities

	2008	2007	2006	2005
	£'000	£'000	£'000	£'000
Fair value of scheme assets	**72,507**	77,955	76,746	66,260
Present value of defined benefit obligations	**(70,643)**	(77,611)	(79,936)	(69,554)
Asset/(liability) recognised in the balance sheet	**1,864**	344	(3,190)	(3,294)

An asset is included in the balance sheet as the scheme rules entitle the company to offset a scheme asset against future funding.

20. Retirement benefit scheme (continued)

Analysis of the movement in the net asset for defined benefit obligations recognised in the balance sheet

	2008 **£'000**	2007 £'000
At 1 April	**344**	(3,190)
Expense recognised in the income statement	**–**	(205)
Contributions received	**560**	605
Net actuarial gains recognised in equity	**960**	3,134
At 31 March	**1,864**	344

The actual return on scheme assets was a loss of £3,472,000 (2007– gain of £3,052,000).

Total expense recognised in income statement

	2008 **£'000**	2007 £'000
Interest cost	**4,107**	3,999
Expected return on scheme assets	**(4,827)**	(4,656)
Interest – net (see notes 4 and 6)	**(720)**	(657)
Current service cost	**720**	862
	–	205

The expense is recognised in the following line items in the income statement:

	2008 **£'000**	2007 £'000
Administrative expenses	**720**	862
Finance costs	**4,107**	3,999
Finance income	**(4,827)**	(4,656)
	–	205

Cumulative actuarial gains and losses recognised in equity

	2008 **£'000**	2007 £'000
At 1 April	**2,887**	(247)
Net actuarial gains recognised in the year	**960**	3,134
At 31 March	**3,847**	2,887

The company expects to contribute £583,000 to its pension scheme in the year ending 31 March 2009.

20. Retirement benefit scheme (continued)

Amounts recognised in the statement of recognised income and expense

	2008 £'000	2007 £'000
Difference between actual and expected return on scheme assets	**(8,299)**	(1,604)
Changes in assumptions underlying the present value of scheme obligations	**9,259**	4,738
	960	3,134

Changes in the present value of defined benefit obligation

	2008 £'000	2007 £'000
At 1 April	**77,611**	79,936
Service cost	**720**	862
Interest cost	**4,107**	3,999
Contributions from scheme members	**561**	605
Actuarial gains and losses	**(9,259)**	(4,738)
Benefits paid	**(3,097)**	(3,053)
At 31 March	**70,643**	77,611

Movement in the fair value of scheme assets

	2008 £'000	2007 £'000
At 1 April	**77,955**	76,746
Expected return on scheme assets	**4,827**	4,656
Actuarial gains and losses	**(8,299)**	(1,604)
Contributions from the company	**560**	605
Contributions from scheme members	**561**	605
Benefits paid	**(3,097)**	(3,053)
At 31 March	**72,507**	77,955

History of experience adjustments

	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of scheme assets	**72,507**	77,955	76,746	66,260
Present value of defined benefit obligations	**(70,643)**	(77,611)	(79,936)	(69,554)
Scheme surplus/(deficit)	**1,864**	344	(3,190)	(3,294)
Experience adjustments on scheme liabilities				
Amount	**–**	–	1,259	304
Percentage of scheme liabilities	**–**	–	1.6%	0.4%
Experience adjustments on scheme assets				
Amount	**8,299**	1,604	(6,821)	(2,359)
Percentage of scheme assets	**11.5%**	2.1%	(8.9%)	(3.6%)

21. Deferred tax

Group and company

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

	Accelerated tax depreciation £'000	Unrealised capital gains £'000	Retirement benefit obligations £'000	Goodwill £'000	Provisions £'000	Recoverable ACT £'000	Total £'000
At 1 April 2006	(936)	(1,172)	957	(32)	22	960	(201)
Prior year adjustment (see note below)	–	(1,046)	–	–	–	(16)	(1,062)
As restated	(936)	(2,218)	957	(32)	22	944	(1,263)
(Charge)/credit to income	(87)	(2)	(120)	–	–	194	(15)
Transfer to the SORIE	–	–	(940)	–	–	–	(940)
At 31 March 2007	(1,023)	(2,220)	(103)	(32)	22	1,138	(2,218)
At 1 April 2007	(1,023)	(2,220)	(103)	(32)	22	1,138	(2,218)
(Charge)/credit to income	(90)	90	(154)	–	–	(254)	(408)
Adjustment due to change in rate of corporation tax	68	145	5	2	(1)	–	219
Prior year adjustments	17	118	–	–	–	–	135
Transfer to the SORIE	–	–	(270)	–	–	–	(270)
At 31 March 2008	**(1,028)**	**(1,867)**	**(522)**	**(30)**	**21**	**884**	**(2,542)**

The restatement of the opening balances in the year ended 31 March 2007 arose following a reassessment of the taxation position relating to the rollover relief claimed in respect of realisations of capital assets in prior years. The current tax charge for the year ended 31 March 2007 was not materially affected.

Deferred income 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. Consequently, the deferred income tax asset previously categorised as a non-current asset in the balance sheet at 31 March 2007 has now been netted off against the deferred income tax liability. The offset amounts are as follows:

	2008 £'000	2007 £'000
Deferred tax liabilities	**(3,447)**	(3,378)
Deferred tax assets	**905**	1,160
	(2,542)	(2,218)

The unrealised capital gains includes 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.

22. Called up share capital

	2008 £'000	2007 £'000
Authorised		
500,000 6.5% Cumulative First Preference Shares of £1 each	**500**	500
1,250,000 10% Cumulative Preference Shares of £1 each	**1,250**	1,250
3,000,000 6% Cumulative Second Preference Shares of 10p each	**300**	300
4,000,000 Ordinary Share of 50p each	**2,000**	2,000
	4,050	4,050
Allotted, called up and fully paid		
389,000 6.5% Cumulative First Preference Shares of £1 each	**389**	389
648,000 10% Cumulative Preference Shares of £1 each	**648**	648
2,000,000 6% Cumulative Second Preference Shares of 10p each	**200**	200
Total preference shares recognised as a financial liability (see note below)	**1,237**	1,237
2,879,298 (2007 – 2,879,298) Ordinary Shares of 50p each	**1,439**	1,439
	2,676	2,676

The 6.5% Cumulative First Preference Shares and the 10% Cumulative Preference Shares have rights to a fixed dividend and, in the event of a winding-up, a preference to the ordinary shares for a capital repayment. The shares do not have voting rights unless the dividend is more than six months in arrears.

The 6% Cumulative Second Preference Shares have identical rights to the other classes of preference shares except that they have full voting rights along with the Ordinary Shares.

Although the articles of association of the company give the directors discretion to only pay the preference dividend if they consider there are adequate profits, such dividends are cumulative. For this reason, the directors consider that the preference shares have the characteristic of a financial liability rather than equity, and consequently the preference shares are included as a non-current liability. None of the preference shares have rights of conversion or rights to capital repayment.

23. Statement of changes in shareholders' equity

The group and the company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2006	1,439	272	282	3,971	20,477	26,441
Prior year adjustment (see note 21)	–	–	–	–	(1,062)	(1,062)
As restated	1,439	272	282	3,971	19,415	25,379
Net profit	–	–	–	–	1,163	1,163
Actuarial gain	–	–	–	–	3,134	3,134
Deferred tax on actuarial gain	–	–	–	–	(940)	(940)
Dividends	–	–	–	–	(691)	(691)
Transfer	–	–	–	(56)	56	–
At 31 March 2007	1,439	272	282	3,915	22,137	28,045

The group and the company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2007	1,439	272	282	3,915	22,137	28,045
Net profit	–	–	–	–	2,128	2,128
Actuarial gain	–	–	–	–	960	960
Deferred tax on actuarial gain	–	–	–	–	(270)	(270)
Dividends	–	–	–	–	(720)	(720)
Transfer	–	–	–	(23)	23	–
At 31 March 2008	**1,439**	**272**	**282**	**3,892**	**24,258**	**30,143**

The non-distributable reserve relates to the excess of the value of certain freehold properties subject to revaluation at 31 March 1995 over the net book value at that date (see note 12).

24. Notes to the cash flow statement

	2008 £'000	2007 £'000
Profit before taxation	**2,579**	1,443
Adjustment for net finance expense	**590**	575
	3,169	2,018
Adjustments for:		
Depreciation of property, plant and equipment	**1,464**	1,427
Amortisation of intangible assets	**22**	23
Negative goodwill received	**–**	(186)
Change in retirement benefit obligations	**160**	257
Loss/(gain) on disposal of property, plant and equipment	**28**	(600)
Increase/(decrease) in provisions	**(3,108)**	2,862
Operating cash flows before movements in working capital	**1,735**	5,801
Increase in inventories	**(3,392)**	(871)
Decrease/(increase) in receivables	**210**	(150)
Increase in payables	**1,160**	496
Cash generated by operations	**(287)**	5,276
Income taxes received	**–**	151
Interest paid	**(1,310)**	(1,225)
Net cash from operating activities	**(1,597)**	4,202

25. Related parties

Directors

The remuneration of the directors, who are key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 16 to 19.

	2008 £'000	2007 £'000
Short term employee benefits	**696**	723
Post employment benefits	**32**	27
	728	750

The 2,000,000 6% Cumulative Second Preference Shares have full voting rights along with the ordinary shares. These shares are beneficially owned by Caffyn Family Holdings Limited ("Holdings"). Mr S G M Caffyn and Miss S J Caffyn are directors of Holdings. The whole of the issued share capital of Holdings is held by close relatives of these directors. Holdings controls directly 41.0% of the voting rights of Caffyns plc. The directors and shareholders of Holdings are also beneficial holders of 619,425 ordinary shares in Caffyns plc representing a further 12.7% of the voting rights. It is therefore considered that the Caffyn family is the ultimate controlling party.

Directors of the company and their immediate relatives control 1.6% of the issued ordinary share capital of the company.

25. Related parties (continued)

Caffyns Pension Fund

a) Details of contributions are disclosed in note 20.

b) The Pension Fund held the following investments in the company:

	Fair value 2008 £'000	Fair value 2007 £'000
Shares held		
125,570 (2007 – 125,570) ordinary shares of 50p each	**964**	1,312
12,862 (2007 – 12,862) 10% cumulative preference shares of £1 each	**15**	15
	979	1,327

c) At 31 March 2008 there was no balance due by the Pension Fund (2007 – £nil).

d) During 2008 the company met management fees of £187,000 on behalf of the pension fund (2007 – £185,000).

26. Operating leases

The group as lessee

The total future minimum lease payments payable under non-cancellable operating leases may be analysed by date of expiry of the lease as follows:

	Group and company 2008		Group and company 2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Leases expiring:				
Within 1 year	**20**	**–**	–	–
In 2 to 5 years	**654**	**100**	990	100
Beyond 5 years	**3,145**	**–**	2,475	–
	3,819	**100**	3,465	100

The total minimum lease payments for land and buildings are until the next break point in the lease. All rentals are fixed until either the termination of the lease, or in the case of land and buildings, the next break point.

The group leases a number of properties, the majority of which are motor vehicle showrooms with workshop and parts retail facilities, with varying lease periods. None of these leases include contingent rentals. In addition, there are other leases in respect of items of plant and equipment and the rental of motor vehicles used in the company's bodyshop activities.

The group as lessor

Property rental income earned during the year was £41,000 (2007 – £48,000). No contingent rents were recognised in income (2007 – £nil).

At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments:

	2008 £'000	2007 £'000
Leases expiring:		
Within 1 year	**41**	41
In 2 to 5 years	**–**	–
Beyond 5 years	**–**	–
	41	41

27. Obligations under finance leases

Group and company

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Amounts payable under finance leases:				
Within one year	**34**	34	**33**	29
In the second to fifth years inclusive	**18**	53	**16**	50
	52	87	**49**	79
Less: Future finance charges	**(3)**	(8)	**N/A**	N/A
Present value of lease obligations	**49**	79	**49**	79
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(32)**	(29)
Amount due for settlement after 12 months			**17**	50

The company leases certain of its fixtures and fittings under finance leases. The average lease term is 4 years. For the year ended 31 March 2008, the average effective borrowing rate was 6.8% (2007 – 6.8 %). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the company's lease obligations approximates their carrying amount.

The company's obligations under finance leases are secured by the lessor's charges over the leased assets.

28. Capital commitments

The group and company had capital commitments at 31 March 2008 of £1,107,000 (2007 – £nil).

29. Contingent liabilities and assets

The group and company had no contingent liabilities at 31 March 2008 or 31 March 2007.

VAT

Along with many other motor dealers, a claim has been lodged with HM Revenue and Customs in connection with the repayments of VAT received in September 2004 and March 2007. Interest on these repayments was paid on a simple interest basis whereas the company's claim is that it should have been on a compound interest basis. The company's claim is now joined in a Group Litigation Order with many claims from other businesses. In the event that a claim is successful, any further amount payable to the company would depend upon the rate of interest decided by the courts. In view of the early stage of the legal process, no amount in respect of this claim has been included in these financial statements. If successful, the claim is likely to have a material affect on the company's financial statements.

30. Critical accounting judgments when applying the group's accounting policies

Certain critical accounting judgments in applying the group's accounting policies are listed below.

Retirement benefits obligation

The group has a defined benefit pension plan. The obligations under this plan 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 according to prevailing economic conditions. Details of assumptions used are provided in note 20.

Goodwill impairment

The carrying value of goodwill is tested annually for impairment by using cash flow projections for each cash generating unit. These projections are based upon actual and short term planned results which are then extrapolated using a discount rate of 6%.

Intangible assets

A review has been undertaken of intangible assets pertinent to the group's business. This included customer lists, franchise rights, brands and other intangible assets. The review concluded that for acquisitions undertaken since 1 April 2004 intangible assets amounting to £90,000 had been acquired.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Income tax

The actual tax on the group's profit is determined according to complex laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for tax to be paid on past profits which are recognised in the financial statements. The group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

31. Post balance sheet events

A final dividend of 17.0p per share (2007 – 17.0p) has been recommended by the directors.

On 14 May 2008 the company completed the sale of its freehold property in Worthing, West Sussex for a consideration of £1.075m. The cash proceeds were received on 28 May 2008. The surplus arising on the disposal was approximately £450,000.

Ten Year Review

	UK GAAP						IFRS			
	1999	2000	2001	2002	2003	2004	**2005**	**2006**	**2007**	**2008**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Profit and Loss Account										
Revenue	151,610	147,305	143,401	160,234	148,483	153,104	**155,684**	**160,076**	**176,238**	**182,029**
Operating profit – continuing operations	2,877	2,842	2,901	3,749	3,728	3,889	**2,075**	**668**	**1,858**	**393**
Exceptional items and losses on discontinued operations	3	5	(1,209)	(244)	1,589	(209)	**1,504**	**972**	**160**	**2,776**
Finance costs	(1,022)	(696)	(600)	(720)	(574)	(571)	**(1,117)**	**(1,114)**	**(1,232)**	**(1,310)**
Finance income (net)	–	–	–	–	–	–	**398**	**504**	**657**	**720**
Profit before tax	1,858	2,151	1,092	2,785	4,743	3,109	**2,860**	**1,030**	**1,443**	**2,579**
Profit after taxation	1,643	1,806	1,200	2,362	4,270	2,638	**1,970**	**756**	**1,163**	**2,128**
Dividends										
– Preference payable	(92)	(102)	(102)	(102)	(102)	(102)	**–**	**–**	**–**	**–**
– Ordinary payable to 2004; paid since 2005	(482)	(499)	(509)	(552)	(604)	(648)	**(662)**	**(691)**	**(691)**	**(720)**
Retained	1,069	1,205	589	1,708	3,564	1,888	**1,308**	**65**	**472**	**1,408**
Basic earnings per ordinary share	46.7p	51.3p	32.8p	66.5p	144.0p	88.1p	**68.4p**	**26.3p**	**40.4p**	**73.9p**
Adjusted earnings per ordinary share as reported	46.7p	51.3p	52.1p	66.5p	88.1p	95.5p	**31.8p**	**2.7p**	**36.5p**	**(6.7p)**
Interest cover	2.8	4.1	2.8	4.9	9.3	6.4	**3.6**	**1.9**	**2.2**	**5.4**
Dividend per ordinary share payable in respect of the year	14.5p	15.0p	15.0p	18.0p	21.0p	22.5p	**24.0p**	**24.0p**	**25.0p**	**25.0p**
Balance sheet										
Shareholders' funds	22,967	24,179	24,790	24,112	27,517	29,406	**26,299**	**25,379***	**28,045**	**30,143**
Bank borrowings	9,732	5,735	6,525	6,623	3,445	11,382	**10,969**	**11,048**	**9,841**	**14,184**
Debt/shareholders' funds (gearing)	42%	24%	26%	27%	13%	39%	**42%**	**44%**	**35%**	**47%**

1999 to 2004 have been prepared using UK GAAP; 2005 to 2008 have been prepared using IFRS. 1999 to 2000 have not been adjusted to reflect the impact of adopting FRS19.

* As restated for a deferred tax adjustment.

Preference dividends have been included with interest payable for 2005 onwards. Finance income (net) represents the difference between the interest cost and the expected return on net assets of the retirement benefit obligation and the operating profit in the income statements has been restated for 2005 onwards.

The main adjustments that would have to be applied to the UK GAAP numbers for 1999 to 2004 inclusive if they were to be comparable with the IFRS numbers for 2005 to 2008 are:

a) recognition of the defined benefit assets or liabilities and elimination of the SSAP24 debtor.

b) recognition of all potential deferred tax liabilities.

c) not including the proposed final ordinary dividends as liabilities at the balance sheet date.

d) reclassify the preference shares as a financial liability.

Notice of Annual General Meeting

NOTICE is hereby given that the annual general meeting of Caffyns Plc (the "Company") will be held at Hydro Hotel, Mount Road, Eastbourne on **Wednesday 23 July 2008 at 11:30 am** for the following purposes.

Ordinary Business

1. To receive, approve and adopt the Report of the Directors, the Report of the Independent Auditors and the audited financial statements for the year ended 31 March 2008.

2. To receive, approve and adopt the Directors' Remuneration Report for the year ended 31 March 2008.

3. To re-elect Mr S B Birkenhead, who retires by rotation and offers himself for re-appointment by general meeting, as a director of the Company.

4. To re-elect Mr S G M Caffyn, who retires by rotation and offers himself for re-appointment by general meeting, as a director of the Company.

5. To re-appoint as a director of the Company Mr N W Hollingworth, who has been appointed since the last annual general meeting and offers himself for re-appointment in accordance with the Company's articles of association.

6. To re-appoint Grant Thornton UK LLP as auditors and to authorise the directors to determine the auditors' remuneration.

7. To declare a final dividend of 17 pence per share on each of the Company's ordinary shares for the financial year ended 31 March 2008.

Special Business

As special business to consider and, if thought fit, pass resolutions 8, 9 and 10 as ordinary resolutions and resolutions 11 to 13 (inclusive) as special resolutions.

8. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £479,883. This authority shall, unless previously revoked, varied or renewed by the Company in general meeting, expire on the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, the date 15 months after the date of passing this resolution, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.

9. That, without prejudice to article 35 of the Company's articles of association which authorises the Company to use electronic communications, the Company be and is hereby authorised (subject to the provisions of the 2006 Act and the Disclosure and Transparency Rules made by the Financial Services Authority (the "DTR")) to use electronic means to convey any notice, document or information to shareholders or debt securities holders. For the purposes of this resolution, the terms "electronic means", "shareholders" and "debt securities holders" shall bear the respective meanings applicable under the DTR.

10. That the Company hereby adopts the rules of the Caffyns plc 2008 Sharesave Scheme (the "Sharesave Scheme"), taking the form (or substantially the form) of the rules produced to this meeting and initialled for the purpose of identification by the Chairman of the meeting, as summarised in the explanatory notes to this notice and in appendix 2 and that the board of directors be authorised to take all actions necessary to carry the Sharesave Scheme into effect including making such changes as may be requested by HM Revenue & Customs in order for the Sharesave Scheme to be approved by HM Revenue & Customs and/or such other approvals as the directors may consider necessary or desirable and that the directors be authorised to establish further schemes based on the Sharesave Scheme but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the Sharesave Scheme.

11. That the articles of association contained in the document produced to the meeting (and signed by the chairman for the purposes of identification), as summarised in the explanatory notes to this notice and in appendix 1 hereto, be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

12. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (as defined in section 163 of the Act) of ordinary shares of £0.50 each in the capital of the Company ("Ordinary Shares") in such manner and on such terms as the directors of the Company may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 162D of the Act, including for the purpose of its employee share schemes, provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 431,894;

(b) the minimum purchase price which may be paid for any Ordinary Share is 50 pence (exclusive of expenses);

(c) the maximum purchase price which may be paid for any Ordinary Share is the higher of (in each case exclusive of expenses):

(i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and

(ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange's trading system known as SETSqx; and

(d) this authority shall take effect on the date of passing of this resolution and shall (unless previously revoked, renewed or varied) expire on the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

13. That, subject to the passing of resolution 8 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by resolution 8 above or otherwise in the case of treasury shares (as defined in section 162(3) of the Act), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with or pursuant to a rights issue, open offer or other pro-rata issue made to the holders of shares in the company and other persons entitled to participate therein, in the proportion (or as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the respective number of shares which such other persons are for these purposes deemed to hold), but subject to such exclusions or other arrangements as the directors may feel necessary or expedient to deal with fractional entitlements or the regulations or requirements of any recognised regulatory body or any stock exchange in any territory;

(b) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company (including the Sharesave Scheme); and

(c) the allotment of equity securities, other than pursuant to sub-paragraphs (a) and (b) above of this resolution, up to an aggregate nominal amount of £71,982.

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, on the date 15 months after the passing of such resolution, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "That, subject to the passing of resolution 8 above," were omitted.

By order of the Board
Sarah J Caffyn
Company Secretary

Registered Office:
Meads Road
Eastbourne
East Sussex
BN20 7DR

Company number: 105664

Notes:

1. At the date of this notice, the issued share capital of the Company was 2,879,298 ordinary shares of £0.50 each and the total number of voting rights was 4,879,298.
2. Only holders of Ordinary Shares and 6% Second Cumulative Preference Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting and at any adjournment of it. Such a member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A proxy need not be a member. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting. (If you are not a holder of Ordinary Shares or 6% Second Cumulative Preference Shares but you have been nominated by a member of the Company to enjoy information rights, you do not have any right to appoint one or more proxies and should read note 8 below.)
3. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited at the registered office of the Company, by not later than forty-eight hours before the start of the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.
4. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 11:30 am on Monday 21 July 2008 shall be entitled to attend and vote at this annual general meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after 11:30 a.m. on Monday 21 July 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. Copies of the service agreements of the executive directors, the letters of appointment of the non-executive directors, the rules of the proposed Sharesave Scheme and the proposed new articles of association will be available for inspection during normal business hours from the date of dispatch of this notice until the date of the meeting (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the office of the Company's solicitors (Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX - articles of association only) and will also be made available for inspection at the place of the annual general meeting for a period of 15 minutes prior to and during the continuance of the meeting. In addition, a copy of the proposed new articles of association will be available for inspection on the Company's website, at www.caffynsplc.co.uk.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for our annual general meeting to be held on Wednesday 23 July 2008 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:
   (a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID R035) by the latest time(s) for receipt of proxy appointments specified in this notice of the annual general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
   (b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
   (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. *Note to nominated persons* - if you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights: (a) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed, or to have someone else appointed, as a proxy for this meeting; and (b) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right, under an agreement between you and the Relevant Member, to give instructions to the Relevant Member as to the exercise of voting rights.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
10. Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so using the following means:
    calling our Company Secretary on 01323 730201; or
    writing to the Company Secretary, Caffyns plc, Meads Road, Eastbourne, East Sussex BN20 7DR
    No other methods of communication will be accepted.

Our Dealerships …

AUDI
Brighton, Sussex. 200 Dyke Road.
(01273) 553061
Eastbourne, Sussex, Edward Road.
(01323) 525700
Worthing, Sussex. Broadwater Road.
(01903) 231111

CHEVROLET
Eastbourne, Sussex, Upperton Road.
(01323) 720191
Tunbridge Wells, Kent. Lamberts Road.
(01892) 515700

CHRYSLER JEEP
Hailsham, Sussex. 49 London Road.
(01323) 845888

CITROËN
Uckfield, Sussex. 84-89 High Street.
(01825) 764255

DODGE
Hailsham, Sussex. 49 London Road.
(01323) 845888

FORD
Alton, Hampshire. Butts Road. (01420) 83993
Haslemere, Surrey. Farnham Lane.
(01428) 643222
Hove, Sussex, Victoria Road,
Portslade (01273) 429600

JAGUAR AND DAIMLER
Eastbourne, Sussex. Meads Road.
(01323) 730201 & 730204

LAND ROVER
Lewes, Sussex. Brooks Road. (01273) 473186

PEUGEOT
Sevenoaks, Kent. London Road.
(01732) 740740

NISSAN
Eastbourne, Sussex, Upperton Road
(01323) 720191

MG ROVER AFTERSALES
Brighton, Sussex. 227-233 Preston Road. (01273) 553021
Eastbourne, Sussex. Upperton Road. (01323) 720191
Lewes, Sussex. Brooks Road. (01273) 473251
Tonbridge, Kent. Sovereign Way. (01732) 770388
Uckfield, Sussex. 84-89 High Street. (01825) 764255
West Worthing, Sussex. 24-26 Goring Road. (01903) 248062
Worthing, Sussex. Broadwater Road. (01903) 231111

SKODA
Ashford, Kent. Monument Way. (01233) 504600
Tunbridge Wells, Kent. North Farm Road. (01892) 530430

VAUXHALL
Ashford, Kent. Monument Way. (01233) 504604
Brighton, Sussex. 227-233 Preston Road. (01273) 553021
Folkestone, Kent. 8-10 Bouverie Road West. (01303) 253443
Tonbridge, Kent. Sovereign Way. (01732) 770388
Tunbridge Wells, Kent. Lamberts Road. (01892) 515700

VOLKSWAGEN
Goring-By-Sea, Sussex. The Crescent, 341 Goring Road.
(01903) 504440
Haywards Heath, Sussex. Station Garage, Market Place.
(01444) 451511
Eastbourne, Sussex. Hammonds Drive. (01323) 647141
Hove, Sussex. Victoria Road, Portslade. (01273) 425600

VOLVO
Eastbourne, Sussex. 46 Lottbridge Drove. (01323) 418300
Hove, Sussex, Victoria Road, Portslade. (01273) 429600

ACCIDENT REPAIR CENTRES
Ashford, Kent. Monument Way. (01233) 504606
Hailsham, Sussex. 49 London Road. (01323) 845888
Tunbridge Wells, Kent. Lamberts Road. (01892) 515700

PARTS CENTRES
Ashford, Kent. Monument Way. (01233) 504614†
Hailsham, Sussex. 49 London Road. (01323) 845666* (01323) 847770†
Tunbridge Wells, Kent. Lamberts Road. (01892) 515700
* Unipart and Rover † Express Factors

HEAD OFFICE
Eastbourne, Meads Road, Sussex. (01323) 730201

Meads Road, Eastbourne, East Sussex, BN20 7DR

caffyns.co.uk