Caffyns Interim Report **2005**

Contents

Interim Results

for the half year ended 30 September 2005

Summary

	2005 £'000	2004 £'000
Turnover	**81,503**	80,117
Operating profit before exceptional items	**1,188**	1,795
Profit before tax and exceptional items	**637**	1,266
Arising from exceptional items	**285**	3,711
Profit before tax	**922**	4,977
	p	p
Basic earnings per share	**22.3**	123.9
Interim dividend	**8.0**	8.0

- Profits in the first half affected by business reorganisation caused by failure of MG Rover
- Much lower exceptional items compared to the same period last year with corresponding affect on comparative profits before tax and EPS
- Interim dividend held at 8.0p
- Good progress made in refranchising branches and in refurbishment programme

"The failure of MG Rover clearly had an affect on our trading performance in the first half. We are now well down the path of reorganising our dealership network and we can concentrate on building businesses with their new franchises"

commented Brian Carte, Chairman of Caffyns.

Chairman's Statement

In the six months to 30 September 2005, the affect on our business of the failure of MG Rover became apparent. We have nearly completed the process of managing the business away from MG Rover, a process that commenced prior to its fall into administration. Inevitably, the reorganisation has led to some disruption, with an influence on sales at the branches concerned. Trading at these branches should gradually improve once this reorganisation has been finally concluded.

Turnover increased from £80.1 million to £81.5 million but operating profit before exceptional items has reduced from £1,795,000 to £1,188,000. The accounts have been presented in accordance with International Financial Reporting Standards for the first time. Prior years' figures have been restated to reflect the changes to our accounting policies. It is worth noting that the exceptional benefit we enjoyed last year from the substantial VAT rebate, has significantly affected like for like comparisons between profit before tax and earnings per share in the period under review.

Management actions over the period included the successful trading out of our MG Rover vehicle stocks, and the full refurbishment and refranchising of the dealerships in Tunbridge Wells, Brighton and Eastbourne. The dealerships in Tonbridge, Worthing and Uckfield have also been refranchised and are scheduled to be refurbished over the coming months. This has been a major task. The Lewes dealership has been amalgamated with our neighbouring Land Rover business and the sites in Seaford and Ramsgate have been sold subject to contract. The costs of the refranchising of these dealerships impacted on the results in the first half of the year whilst the benefits will be seen in future financial periods.

I am pleased that we have managed this difficult event so well and, although we still have three sites to develop, the remaining dealerships can concentrate on building businesses with their new franchises. This will take a period of time but our core business is now stronger and our franchise representation is in line with our strategic plan.

Elsewhere in the Company we have successfully launched our new greenfield development Audi Centre in Eastbourne and the opportunity here is very encouraging. Our Volkswagen dealership covering Brighton and Hove, acquired in June 2004, is now making a strong contribution to profits.

Planning considerations continue to delay the sale of various freehold sites but we are making progress and are working to complete sales on property in Hove, Hythe, Hailsham, Seaford and Ramsgate by the end of our financial year or soon thereafter. The proceeds of these sales will be used to reduce borrowings and to reinvest in the business.

As noted above, our results are now presented in accordance with International Financial Reporting Standards. While the effect on the profit before tax in our Income Statement for this half year has not been material, a full tax charge now arises following changes to deferred taxation. The balance sheet now incorporates the impact of the deficit on our defined benefit pension scheme, reducing net assets.

Whilst it is disappointing to report a fall in operating profit before tax and exceptionals, it is encouraging to see that we have made substantial progress on our refranchising and refurbishment programme. The retail economy is tough, as reported by many others in the market, and the outlook remains challenging. We have restructured the business and when the final redevelopment work is complete, we believe we shall be in a considerably stronger position.

With this in mind, your Directors have agreed to an unchanged interim dividend of 8.0p per ordinary share amounting to £230,000. This will be paid on 11 January 2006 to shareholders on the register at 5.00pm on 9 December 2005.

Brian A Carte
Chairman

25 November 2005

Consolidated Income Statement

for the half year ended 30 September 2005

	Note	Half year to 30 September 2005 £'000	Half year to 30 September 2005 £'000	Half year to 30 September 2004 As restated £'000	Half year to 30 September 2004 As restated £'000	Year to 31 March 2005 As restated £'000	Year to 31 March 2005 As restated £'000
Revenue			**81,503**		80,117		155,684
Operating profit/(loss)							
Before exceptional items		**1,188**		1,795		2,473	
Exceptional items	2	**285**		1,811		(410)	
Total operating profit			**1,473**		3,606		2,063
Interest receivable on exceptional items	2		**–**		1,900		1,914
Finance costs			**(551)**		(529)		(1,117)
Profit before tax							
From normal trading operations		**637**		1,266		1,356	
Arising from exceptional items	2	**285**		3,711		1,504	
Total			**922**		4,977		2,860
Tax							
On normal trading operations		**(194)**		(297)		(439)	
On exceptional items		**(85)**		(1,113)		(451)	
Total	3		**(279)**		(1,410)		(890)
Profit for the period			**643**		3,567		1,970
Earnings per share	4						
Basic earnings per ordinary share from continuing operations			**22.3p**		123.9p		68.4p
Dividend per ordinary share	5		**8.0p**		8.0p		24.0p

Consolidated Statement of Recognised Income and Expense

for the half year ended 30 September 2005

	Half year to 30 September 2005 **£'000**	Half year to 30 September 2004 As restated £'000	Year to 31 March 2005 As restated £'000
Profit for the period	**643**	3,567	1,970
Actuarial (losses)/gains recognised in defined benefit pension scheme	**(1,058)**	242	(355)
Deferred tax on actuarial (losses)/gains	**317**	(73)	106
Total recognised income and expense for the period	**(98)**	3,736	1,721

Consolidated Balance Sheet

at 30 September 2005

	Note	**30 September 2005 £'000**	30 September 2004 As restated £'000	31 March 2005 As restated £'000
Non-current assets				
Goodwill		**481**	361	481
Intangible assets		**65**	47	76
Property, plant and equipment		**32,243**	29,528	30,929
Deferred tax asset		**2,222**	1,153	1,941
		35,011	31,089	33,427
Current assets				
Inventories		**22,880**	25,416	24,441
Trade and other receivables		**8,311**	11,687	7,487
Current tax assets		**–**	–	132
Cash and cash equivalents		**45**	54	46
		31,236	37,157	32,106
Non current assets classified as held for sale		**–**	–	611
Total assets		**66,247**	68,246	66,144
Current liabilities				
Bank overdrafts and loans		**10,582**	8,252	7,868
Trade and other payables		**18,814**	22,194	21,857
Tax liabilities		**85**	596	–
Obligations under finance leases		**34**	33	41
Short-term provisions		**423**	50	609
		29,938	31,125	30,375
Net current assets		**1,298**	6,032	2,342
Non-current liabilities				
Bank loans		**3,000**	3,000	3,000
Preference shares		**1,237**	1,237	1,237
Retirement benefit obligation		**4,381**	2,661	3,294
Deferred tax liabilities		**1,858**	1,564	1,774
Obligations under finance leases		**93**	115	106
		10,569	8,577	9,411
Liabilities directly associated with non-current assets Classified as held for sale		**–**	–	59
Total liabilities		**40,507**	39,702	39,845
Net assets		**25,740**	28,544	26,299
EQUITY				
Share capital		**1,439**	1,439	1,439
Share premium account		**272**	272	272
Capital redemption reserve		**282**	282	282
Revaluation reserve		**4,698**	4,845	4,837
Retained earnings	6	**19,049**	21,706	19,469
Total equity attributable to shareholders of Caffyns plc		**25,740**	28,544	26,299

Consolidated Cash Flow Statement

for the half year ended 30 September 2005

	Half year to 30 September 2005 £'000	Half year to 30 September 2004 As restated £'000	Year to 31 March 2005 As restated £'000
Cash flows from operating activies			
Profit from operations	**1,473**	3,606	2,063
Non-cash adjustments	**280**	(46)	1,224
Operating cash flows before movements in working capital	**1,753**	3,560	3,287
Movements in working capital	**(2,252)**	(3,607)	1,332
Cash (absorbed)/generated by operations	**(499)**	(47)	4,619
Net interest	**(551)**	1,371	797
Income taxes paid	**–**	(96)	(644)
Net cash (used in)/from operating activities	**(1,050)**	1,228	4,772
Investing activities			
Proceeds on disposal of property, plant and equipment	**783**	801	801
Purchases of property, plant and equipment	**(1,967)**	(879)	(3,496)
Acquisitions	**–**	(526)	(826)
Net cash used in investing activities	**(1,184)**	(604)	(3,521)
Financing activities			
Dividends paid	**(461)**	(432)	(662)
Repayments of obligations under finance leases	**(20)**	(8)	(29)
Net cash used in financing activities	**(481)**	(440)	(691)
Net (decrease)/increase in cash and cash equivalents	**(2,715)**	184	560
Cash and cash equivalents at beginning of period	**(7,822)**	(8,382)	(8,382)
Cash and cash equivalents at end of period	**(10,537)**	(8,198)	(7,822)

Principal Accounting Policies

for the half year ended 30 September 2005

Basis of accounting

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to those policies are necessary when preparing the full annual financial statements for the first time in accordance with those International Financial Reporting Standards (IFRS) adopted for use by the European Union (EU). This is because the directors have anticipated that the revised IAS 19 Employee Benefits, which has yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 March 2006 or are expected to be endorsed and effective (or available for early adoption) at 31 March 2006, the Group's first annual reporting date at which it is required to use adopted IFRS. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31 March 2006.

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.

Acquisitions

The results of businesses acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the businesses 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.

On acquisition, the assets and liabilities and contingent liabilities of a business 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.

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. Gains and losses on subsequent disposal of the assets acquired include any related goodwill.

Principal Accounting Policies

for the half year ended 30 September 2005

Intangible assets

Intangible assets comprise benefits arising from the contractual rights acquired with businesses upon acquisition.

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.

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 goods are delivered to the customer and title has passed. Servicing and bodyshop sales are recognised on completion of the agreed work.

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 profit or loss in the period in which they are incurred.

Profit from operations

Profit from operations is stated after charging restructuring costs but before finance costs.

Retirement benefit costs

The company operates a defined benefit pension scheme for its employees funded jointly by contributions from the company and employees.

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.

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. 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 revalued buildings is charged to income. On the subsequent sale of a revalued property, the attributable revaluation surplus remaining in the revaluation 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.

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

Depreciation is charged so as to write off the cost or valuation 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 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 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. Vehicles on consignment from manufacturers that are the subject of interest charges or where the group carries commercially significant rights relating to the vehicles are included at cost. Vehicles that are the subject of repurchase agreements are included at the agreed repurchase price less provisions made. In both cases the associated liabilities are recorded in creditors. Costs of parts is calculated using the replacement cost method, which approximates to a FIFO basis.

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at their fair value (normally the proceeds received less transaction costs that are directly attributable to the financial liability). Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual 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 nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Preference shares

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

Derivative financial instruments and hedge accounting

The company's activities expose it primarily to the financial risks of changes in interest rates. The company does not use derivative financial instruments to hedge its exposure to interest rate movements.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Provisions

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.

Notes to the Interim Results

for the half year ended 30 September 2005

1. Basis of preparation

The directors approved this interim statement on 25 November 2005.

The interim accounts comprise the results for the half year ended 30 September 2005, the half year ended 30 September 2004 and the year ended 31 March 2005. All of these results have been prepared in accordance with International Financial Reporting Standards and are unaudited.

The statutory accounts for the year ended 31 March 2005 prepared under UK GAAP, and on which the auditors have given an unqualified audit opinion, have been filed with the Registrar of Companies.

The interim accounts have been reviewed by the company's auditors. A copy of the auditor's review report is set out at the end of this statement.

2. Exceptional items

	Half year to 30 September 2005 £'000	Half year to 30 September 2004 £'000	Year to 31 March 2005 £'000
Net profit on disposal of property, plant and equipment	**155**	499	455
VAT refund	**–**	1,489	1,489
Credit/(cost) associated with failure of MG Rover Group	**319**	–	(2,125)
Other restructuring costs	**(189)**	(177)	(229)
Impact on operating profit	**285**	1,811	(410)
Interest received on VAT refund	**–**	1,900	1,914
Total before tax	**285**	3,711	1,504
Less: tax thereon	**(85)**	(1,113)	(451)
Total	**200**	2,598	1,053

3. Taxation

	Half year to 30 September 2005 £'000	Half year to 30 September 2004 £'000	Year to 31 March 2005 £'000
Current UK corporation tax at 30%			
Charge for the period	**245**	1,363	645
Advance corporation tax recovered	**(31)**	(801)	(239)
Over-provision in respect of prior years	**(5)**	–	(24)
Total corporation tax	**209**	562	382
Deferred tax at 30%			
Origination and reversal of timing differences	**70**	848	508
	279	1,410	890

Taxation for half year has been provided at the effective rate of taxation expected to apply to the whole year on ordinary trading. Tax on exceptional items is provided at the actual rate applicable.

Notes to the Interim Results

for the half year ended 30 September 2005

4. Earnings per share

	Half year to 30 September 2005 £'000	Half year to 30 September 2004 £'000	Year to 31 March 2005 £'000
Basic			
Profit before tax	**922**	4,977	2,860
Taxation	**(279)**	(1,410)	(890)
Earnings	**643**	3,567	1,970
Basic earnings per share	**22.3p**	123.9p	68.4p
Adjusted			
Profit before tax	**922**	4,977	2,860
Adjustments:			
Exceptional items (note 2)	**(285)**	(3,711)	(1,504)
Adjusted profit before tax	**637**	1,266	1,356
Taxation	**(194)**	(297)	(439)
Earnings	**443**	969	917
Adjusted earnings per share	**15.4p**	33.7p	31.8p

The weighted average number of ordinary shares in issue during each period was 2,879,298.

5. Dividends

Ordinary shares of 50p each

The interim dividend proposed at the rate of 8.0p per share (2004: 8.0p) is payable on 11 January 2006 to shareholders on the register at the close of business on 9 December 2005. The shares will be marked ex-dividend on 7 December 2005.

Preference shares

Preference dividends have been paid in October 2005. The next preference dividends are payable in April 2006. The cost of the preference dividends has been included within finance costs.

6. Retained earnings

	Half year to 30 September 2005 £'000	Half year to 30 September 2004 £'000	Year to 31 March 2005 £'000
At the beginning of period	**19,469**	18,166	18,166
Total recognised income and expense for the period	**(98)**	3,736	1,721
Transfer from revaluation reserve	**139**	236	244
Dividends paid	**(461)**	(432)	(662)
At end of period	**19,049**	21,706	19,469

1. Restatement of the Income Statement for the half year ended 30 September 2004

	UK GAAP 2004 £'000	Dividends (note 1) £'000	Deferred tax (note 2) £'000	Pension (note 3) £'000	Goodwill (note 7) £'000	Reclassi-fication (note 8) £'000	IFRS 2004 £'000
Revenue	80,117	–	–	–	–	–	80,117
Operating Costs	(76,645)	–	–	(233)	45	–	(76,833)
Surplus on property disposal	499	–	–	–	–	–	499
Restructuring costs	(177)	–	–	–	–	–	(177)
Operating profit	3,794	–	–	(233)	45	–	3,606
Finance costs	1,422	(51)	–	–	–	–	1,371
Profit before tax	5,216	(51)	–	(233)	45	–	4,977
Tax	(829)	–	(639)	71	(13)	–	(1,410)
Net profit	4,387	(51)	(639)	(162)	32	–	3,567
Actuarial gains charged to Statement of Recognised Income and Expense	–	–	–	242	–	–	242
Deferred tax on actuarial gains	–	–	–	(73)	–	–	(73)
Total recognised income and expense for the period	4,387	(51)	(639)	7	32	–	3,736
Dividends	(281)	(151)	–	–	–	–	(432)
Net additions to shareholders' funds for the period	4,106	(202)	(639)	7	32	–	3,304
Shareholders' funds at 1 April 2004	29,406	432	(461)	(2,900)	–	(1,237)	25,240
Shareholders' funds at 30 September 2004	**33,512**	**230**	**(1,100)**	**(2,893)**	**32**	**(1,237)**	**28,544**

2. Restatement of the Income Statement for the year ended 31 March 2005

	UK GAAP 2005 £'000	Dividends (note 1) £'000	Deferred tax (note 2) £'000	Pension (note 3) £'000	Goodwill (note 7) £'000	Reclassi-fication (note 8) £'000	IFRS 2005 £'000
Revenue	155,684	–	–	–	–	–	155,684
Operating costs	(153,506)	–	–	(447)	106	–	(153,847)
Surplus on property disposal	455	–	–	–	–	–	455
Restructuring costs	(229)	–	–	–	–	–	(229)
Operating profit	2,404	–	–	(447)	106	–	2,063
Finance costs	899	(102)	–	–	–	–	797
Profit before tax	3,303	(102)	–	(447)	106	–	2,860
Tax	(525)	–	(468)	135	(32)	–	(890)
Net profit	2,778	(102)	(468)	(312)	74	–	1,970
Actuarial losses charged to Statement of Recognised Income and Expense	–	–	–	(355)	–	–	(355)
Deferred tax on actuarial losses	–	–	–	106	–	–	106
Total recognised income and expenses for the year	2,778	(102)	(468)	(561)	74	–	1,721
Dividends	(793)	131	–	–	–	–	(662)
Net additions to shareholders' funds for the year	1,985	29	(468)	(561)	74	–	1,059
Shareholders' funds at 1 April 2004	29,406	432	(461)	(2,900)	–	(1,237)	25,240
Shareholders' funds at 31 March 2005	**31,391**	**461**	**(929)**	**(3,461)**	**74**	**(1,237)**	**26,299**

3. Reconciliation of equity at 1 April 2004 (date of transition to IFRS)

	UK GAAP 1/4/04 £'000	Dividends (note 4) £'000	Pension (note 5) £'000	Deferred tax (note 6) £'000	Reclassi-fication (note 8) £'000	IFRS 1/4/04 £'000
Goodwill	161	–	–	–	–	161
Property, plant and equipment	29,229	–	–	–	–	29,229
Deferred tax asset	–	–	–	1,960	–	1,960
Total non-current assets	29,390	–	–	1,960	–	31,350
Inventories	22,011	–	–	–	–	22,011
Trade and other receivables	9,860	–	(1,274)	–	–	8,586
Cash and cash equivalents	62	–	–	–	–	62
Total current assets	31,933	–	(1,274)	–	–	30,659
Total assets	61,323	–	(1,274)	1,960	–	62,009
Bank overdrafts and loans	8,444	–	–	–	–	8,444
Trade and other payables	19,444	51	–	–	–	19,495
Tax liabilities	130	–	–	–	–	130
Proposed dividends	483	(483)	–	–	–	–
Provisions	–	–	–	–	132	132
Current liabilities	28,501	(432)	–	–	132	28,201
Net current assets	3,432	432	(1,274)	–	(132)	2,458
Non-current liabilities						
Bank loans	3,000	–	–	–	–	3,000
Preference shares	–	–	–	–	1,237	1,237
Retirement benefit obligation	–	–	2,868	–	–	2,868
Deferred tax liabilities	271	–	–	1,179	–	1,450
Trade and other payables	13	–	–	–	–	13
Long term provisions	132	–	–	–	(132)	–
	3,416	–	2,868	1,179	1,105	8,568
Total liabilities	31,917	(432)	2,868	1,179	1,237	36,769
Net assets	**29,406**	**432**	**(4,142)**	**781**	**(1,237)**	**25,240**
Share capital	2,676	–	–	–	(1,237)	1,439
Share premium account	272	–	–	–	–	272
Capital redemption reserve	282	–	–	–	–	282
Revaluation reserve	4,500	–	–	(423)	1,004	5,081
Retained earnings	21,676	432	(4,142)	1,204	(1,004)	18,166
Total equity	**29,406**	**432**	**(4,142)**	**781**	**(1,237)**	**25,240**

4. Reconciliation of equity at 30 September 2004

	UK GAAP 30/9/04 £'000	Dividends (note 4) £'000	Pension (note 5) £'000	Deferred tax (note 6) £'000	Goodwill (note 7) £'000	Reclassi-fication (note 8) £'000	IFRS 30/9/04 £'000
Goodwill	363	–	–	–	(2)	–	361
Intangible assets	–	–	–	–	47	–	47
Property, plant and equipment	29,528	–	–	–	–	–	29,528
Deferred tax asset	–	–	–	1,153	–	–	1,153
Total non-current assets	29,891	–	–	1,153	45	–	31,089
Inventories	25,416	–	–	–	–	–	25,416
Trade and other receivables	13,159	–	(1,472)	–	–	–	11,687
Cash and cash equivalents	54	–	–	–	–	–	54
Total current assets	38,629	–	(1,472)	–	–	–	37,157
Total assets	68,520	–	(1,472)	1,153	45	–	68,246
Bank overdrafts and loans	8,252	–	–	–	–	–	8,252
Trade and other payables	22,772	51	–	–	–	–	22,823
Proposed dividends	281	(281)	–	–	–	–	–
Short term provisions	–	–	–	–	–	50	50
Current liabilities	31,305	(230)	–	–	–	50	31,125
Net current assets	7,324	230	(1,472)	–	–	(50)	6,032
Non-current liabilities							
Bank loans	3,000	–	–	–	–	–	3,000
Preference shares	–	–	–	–	–	1,237	1,237
Retirement benefit obligation	–	–	2,661	–	–	–	2,661
Deferred tax liabilities	538	–	–	1,026	–	–	1,564
Obligations under finance leases	115	–	–	–	–	–	115
Long term provisions	50	–	–	–	–	(50)	–
	3,703	–	2,661	1,026	–	1,187	8,577
Total liabilities	35,008	(230)	2,661	1,026	–	1,237	39,702
Net assets	**33,512**	**230**	**(4,133)**	**127**	**45**	**(1,237)**	**28,544**
Share capital	2,676	–	–	–	–	(1,237)	1,439
Share premium account	272	–	–	–	–	–	272
Capital redemption reserve	282	–	–	–	–	–	282
Revaluation reserve	4,239	–	–	(398)	–	1,004	4,845
Retained earnings	26,043	230	(4,133)	525	45	(1,004)	21,706
Total equity	**33,512**	**230**	**(4,133)**	**127**	**45**	**(1,237)**	**28,544**

5. Reconciliation of equity at 31 March 2005 (date of last UK GAAP financial statements)

	UK GAAP 31/3/05 £'000	Dividends (note 4) £'000	Pension (note 5) £'000	Deferred tax (note 6) £'000	Goodwill (note 7) £'000	Reclassi-fication (note 8) £'000	Assets held for sale (note 9) £'000	IFRS 31/3/05 £'000
Goodwill	451	–	–	–	30	–	–	481
Intangible assets	–	–	–	–	76	–	–	76
Property, plant and equipment	31,540	–	–	–	–	–	(611)	30,929
Deferred tax asset	–	–	–	1,941	–	–	–	1,941
Total non-current assets	31,991	–	–	1,941	106	–	(611)	33,427
Inventories	24,441	–	–	–	–	–	–	24,441
Trade and other receivables	9,137	–	(1,650)	–	–	–	–	7,487
Current tax assets	132	–	–	–	–	–	–	132
Cash and cash equivalents	46	–	–	–	–	–	–	46
Total current assets	33,756	–	(1,650)	–	–	–	–	32,106
Non current assets classified as held for sale	–	–	–	–	–	–	611	611
Total assets	65,747	–	(1,650)	1,941	106	–	–	66,144
Bank overdrafts and loans	7,868	–	–	–	–	–	–	7,868
Trade and other payables	21,806	51	–	–	–	–	–	21,857
Obligations under finance leases	41	–	–	–	–	–	–	41
Proposed dividends	512	(512)	–	–	–	–	–	–
Short term provisions	–	–	–	–	–	609	–	609
Current liabilities	30,227	(461)	–	–	–	609	–	30,375
Net current assets	3,529	461	(1,650)	–	–	(609)	–	1,731
Non-current liabilities								
Bank loans	3,000	–	–	–	–	–	–	3,000
Preference shares	–	–	–	–	–	1,237	–	1,237
Retirement benefit obligation	–	–	3,294	–	–	–	–	3,294
Deferred tax liabilities	414	–	–	1,419	–	–	(59)	1,774
Obligations under finance leases	106	–	–	–	–	–	–	106
Long term provisions	609	–	–	–	–	(609)	–	–
	4,129	–	3,294	1,419	–	628	(59)	9,411
Liabilities associated with assets held for sale	–	–	–	–	–	–	59	59
Total liabilities	34,356	(461)	3,294	1,419	–	1,237	–	39,845
Net assets	**31,391**	**461**	**(4,944)**	**522**	**106**	**(1,237)**	**–**	**26,299**
Share capital	2,676	–	–	–	–	(1,237)	–	1,439
Share premium account	272	–	–	–	–	–	–	272
Capital redemption reserve	282	–	–	–	–	–	–	282
Revaluation reserve	4,345	–	–	(423)	–	915	–	4,837
Retained earnings	23,816	461	(4,944)	945	106	(915)	–	19,469
Total equity	**31,391**	**461**	**(4,944)**	**522**	**106**	**(1,237)**	**–**	**26,299**

6. Explanatory notes

1. **IAS32 Financial Instruments** disclosure and presentation requires preference shares to be reclassified as liabilities, and it follows that the preference dividends are reclassified as finance costs. Also under **IAS10 Events after the Balance Sheet Date**, only dividends paid or declared are reflected in the accounts, so the proposed ordinary dividends have been reversed.

2. **IAS12 Income Taxes** requires deferred tax to be provided on all temporary differences and this adjustment reflects the impact of including deferred tax not previously provided. The detailed changes on deferred tax are explained in more detail in note 6 below.

3. **Under IAS19 Employee Benefits**, the SSAP24 debtor is no longer recognised and provision is made for the deficit on the defined benefit pension scheme, with the actuarial gains and losses being charged to the Statement of Recognised Income and Expense. Deferred tax relief at 30% has been recognised on these adjustments.

4. **Under IAS10, Events after the Balance Sheet Date**, proposed dividends are not recognised as a liability, so the ordinary dividends have been reversed (1 April 2004: £432,000; 30 September 2004: £230,000; 31 March 2005: £461,000). Also the declared preference dividends of £51,000 have been reclassified within trade and other payables at each balance sheet date.

5. **IAS19 Employee Benefits** requires the elimination of the SSAP24 debtor (1 April 2004: £1,274,000; 30 September 2004: £1,472,000; 31 March 2005: £1,650,000) and full provision for the net deficit on the defined benefit pension scheme (1 April 2004: £2,868,000; 30 September 2004: £2,661,000; 31 March 2005: £3,294,000) with deferred tax at 30% being provided on each amount (see note 3 above).

6. **Under IAS12 Income Taxes**, deferred tax adjustments are required in respect of:

   a) Provide in full on unrealised capital gains (with the charge to revaluation reserve) and on gains rolled over (charged to profit and loss account).

   b) All the recoverable advance corporation tax, as the directors expect there to be adequate future profits for the purpose in future.

   c) The elimination of the SSAP24 debtor and inclusion of the net deficit on the defined benefit pension scheme creates a deferred tax asset.

6. Explanatory notes (continued)

	1 Apr 2004 £'000	30 Sep 2004 £'000	31 Mar 2005 £'000
a) Provide for unrealised capital gains and gains rolled over			
Charged to revaluation reserve	(423)	(423)	(373)
Charged to retained profits	(597)	(677)	(659)
	(1,020)	(1,100)	(1,032)
b) Additional recoverable ACT now recognised	559	–	103
Balances arising from note 2	(461)	(1,100)	(929)
c) On pension adjustments	1,242	1,240	1,483
d) On goodwill (note 7)	–	(13)	(32)
	781	127	522
Included in:			
Deferred tax assets	1,960	1,153	1,941
Deferred tax liabilities	(1,179)	(1,026)	(1,419)
Net as above	781	127	522

7. In accordance with **IFRS1 First time adoption of IFRS**, the carrying value of goodwill at the transaction date has not been subject to subsequent amortisation as no impairment has been identified.

Subsequent additions arising from business combinations have been split between goodwill and intangible assets as appropriate.

This split of additions is:

	Half year ended 30 September 2004 £'000	Year ended 31 March 2005 £'000
Goodwill	200	320
Intangible assets	51	90
Total	251	410
Amortisation provided on intangible assets	4	14
Reduction in previously provided amortisation	45	106
Net book value of intangible assets	47	76

Deferred tax at 30% has been provided on the adjustments to the income statement (half year to 30 September 2004: £13,000; year to 31 March 2005: £32,000) as corporation tax relief has been available on the amortisation provided under UK GAAP.

8. The reclassifications required under IFRS are:

Provisions are now disclosed within current liabilities (1 April 2004: £132,000; 30 September 2004: £50,000; 31 March 2005: £609,000).

The £1,237,000 of preference shares fulfil the definitions within **IAS32 Financial Instruments – disclosure and presentation** to be reclassified as a liability.

IAS16 Property, plant and equipment required revaluation deficits to below cost to be charged to profit and loss account, whereas previously the net surplus was taken to revaluation reserve. The adjustment grosses up to eliminate the deficits from revaluation reserve and charges them to retained earnings (1 April 2004 and 30 September 2004: £1,004,000; 31 March 2005: £915,000).

9. At 31 March 2005, a property awaiting disposal fulfilled the requirements to be classified as available for sale per **IAS16 Property, plant and equipment** and so has been reclassified together with its associated tax liability.

Independent Review Report

to Caffyns plc

Introduction
We have been instructed by the company to review the financial information for the six months ended 30 September 2005 which comprises the consolidated balance sheet at 30 September 2005, the consolidated income statement, the consolidated cash flow statement, the statement of recognised income and expense for the six months then ended and the principal accounting policies and the related notes 1 to 6 and appendices 1 to 9. We have read the other information contained in the interim report which comprises only the chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities
The interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in the accounting policies the next annual financial statements of the group will be prepared in accordance with those International Financial Reporting Standards adopted for use by the European Union. This interim report has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards as explained in the basis of accounting on page 7.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS adopted for use by the European Union. This is because, as disclosed in the basis of accounting on page 7 the directors have anticipated that revised IAS19, which has yet to be formally adopted for use in the European Union, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

Grant Thornton UK LLP
Chartered Accountants
London
25 November 2005

Shareholder Notes

Our Dealerships …

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