Ninety Eighth

Caffyns Annual Report and Accounts **2007**

Contents

Worthing Audi

Volvo, Hove

Results at a Glance

	2007 £'000	2006 £'000
Sales	**176,238**	160,076
Operating profit before exceptional items	**2,515**	1,172
Operating profit after exceptional items	**2,675**	2,144
Profit before tax	**1,443**	1,030
Earnings per share - basic	**40.4p**	26.3p
Proposed final dividend	**17.0p**	16.0p
Dividend declared per ordinary share	**25.0p**	24.0p

Financial Calendar

Ex dividend date for final dividend	**20 June 2007**
Record date for final dividend	**22 June 2007**
Annual General Meeting	**26 July 2007**
Payment for final dividend	**26 July 2007**
Announcement of half year results	**November 2007**
Payment of interim dividend	**January 2008**

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*
Regional Directors	MARTIN J BLACKABY FIMI 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

The early part of the year saw us complete the first stage of our MG Rover recovery plan and all affected sites are now refranchised, refurbished or sold. Since the half year we have been working steadily to rebuild each business and it is satisfying to see our operating profit increase to £2,515,000 from £1,172,000 and the profit before tax for the year recover to £1,443,000 (2006 – £1,030,000). Earnings per share increased from 26.3p to 40.4p.

We expect to complete on two property sales during the current year. As a result, the strengthened balance sheet will leave us well placed to take advantage of any suitable acquisition opportunities that may arise.

The new car market remains at a historically high level and we continue to make steady progress.

An interim dividend of 8.0p per ordinary share (2006 – 8.0p) was paid on 10 January 2007. An increased final dividend of 17.0p (2006 – 16.0p) is now being recommended which, if approved, will be payable on 26 July 2007 to shareholders on the register on 22 June 2007, giving a total dividend of 25.0p for the year (2006 – 24.0p).

The events of the past two years have posed significant challenges for the business. I would like to take this opportunity to thank all Caffyns employees for their hard work and dedication in making a considerable contribution to the changes we have made. While markets remain competitive, we are taking steps both to reposition our business and to train and motivate our team, so that Caffyns can compete effectively in the future. We look forward to the current year with cautious optimism.

Brian A Carte

Chairman

25 May 2007

Chief Executive's Operating Review

Results and key performance indicators

The year ended 31 March 2007 has seen the company make steady progress along our three year recovery plan, which commenced immediately after the collapse of MG Rover in April 2005.

I am very encouraged to see the dealerships that were refranchised in the early stages of the recovery plan begin to make contributions. I can also report that the final two dealership refurbishments were successfully finished during the year, enabling us to complete the first stage of our recovery plan on schedule.

Financial and operating performance has improved. Operating profit before exceptional items has risen from £1,172,000 to £2,515,000 on turnover up 10% from £160.1m to £176.2m.

Most encouragingly, underlying profit from normal trading before exceptional items has risen from £58,000 to £1,283,000. Profit before taxation increased from £1,030,000 to £1,443,000 and earnings per share increased from 26.3p to 40.4p.

With a net cash inflow of £1,180,000 in the year (2006 – outflow of £120,000) reducing bank borrowings from £7.942m to £6.762m, the proportion of total bank borrowings to shareholders funds at 31 March 2007 reduced to 35% (2006 – 44%).

Recovery and development

As I reported at the half year, the first stage of our recovery plan, the physical restructuring of our refranchised properties, is now complete. We can now concentrate on building strong businesses in these dealerships to deliver their full potential.

In September we opened our new Audi Centre in Worthing to complement our other two centres in Brighton and Eastbourne. Plans are in place to refurbish the Brighton facility during the current financial year to incorporate the latest Audi specifications.

In Tonbridge we have refurbished the site following the introduction of the Vauxhall franchise to provide the current specification showroom layout and improved servicing facilities.

In October we took action to consolidate three underperforming operations into more successful businesses. Our wholesale parts warehouse in Hove was closed and the business largely transferred to our wholesale operation in Hailsham, adding to the potential of this site.

Our East Grinstead Vauxhall satellite was closed and the Vauxhall business redirected to our neighbouring dealerships in Brighton and Tunbridge Wells with beneficial effect.

The third closure was our bodyshop business in Worthing and all our internal business processed by this site is now directed through our other bodyshops.

Acquisition

In August we acquired the Volvo dealership in Brighton to complement our successful Volvo operation in neighbouring Eastbourne. This business had been running at a loss and the negative goodwill that we received appears under exceptional items along with the closure costs of East Grinstead, Hove and Worthing. The benefits of running adjoining territories will deliver stronger results in the future.

Property

Planning issues have caused further delays to the sale of our property in Hove but we are progressing towards a sale conditional upon a satisfactory planning approval.

Our empty freehold sites in Worthing and East Grinstead have generated considerable interest and are also progressing to sale.

Pensions

I am pleased to report that the Board and Trustees have made some changes to our defined benefit scheme which, together with favourable market conditions, have produced a small surplus compared to last year's deficit.

IT

Successful negotiations with the supplier of our dealer management system have resulted in us signing a contract for the supply of improved systems. During the year we shall be looking to take advantage of this greater functionality and also to develop further our internet capabilities.

People and training

During the last twelve months we have continued to develop our training programmes and have run a highly successful in-house course on Best Practices for staff in dealership management positions.

Much time and effort has also been devoted to training for ever more stringent regulatory requirements and other legislative issues. Our dedicated in-house teams are to be congratulated on implementing their comprehensive programmes to meet these enhanced standards.

During a year of recovery I would like to recognise the contributions made by all our employees throughout the company who have worked tirelessly to deliver the encouraging results achieved.

VAT

In March this year we announced that we had received £2.978m from HM Revenue and Customs ("HMRC") In common with other motor dealers, we had made a claim in respect of VAT overpaid on demonstrator vehicle bonuses in the period 1973-1997. As a result of ongoing legal action by HMRC in relation to another unrelated company, we have not been able to take credit for this amount through our Income Statement due to the uncertainty over our retention of the sum involved. We hope that this matter will be satisfactorily resolved in our financial year 2007-08.

The future

The economy, and in particular our market place, remains steady but concerns over rising levels of personal debt may continue to temper optimism. The political scene is also in a period of change and this may or may not have an impact on economic stability.

We are now making good progress along our recovery path as we enter the second year of our programme to return to historic profitability. With further proceeds expected from property sales we shall be in a good position to take advantage of suitably attractive business opportunities as and when they arise. We anticipate making further progress in the forthcoming year.

Simon G M Caffyn

Chief Executive

27 May 2007

Report of the Directors

The directors submit their report and financial statements for the year ended 31 March 2007.

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.

Turnover

	2007	2006
The turnover of the group amounted to £176.2m (2006 – £160.1m)	**£'000**	£'000
Results and dividends		
Profit on ordinary activities before taxation	**1,443**	1,030
Taxation	**(280)**	(274)
Profit after taxation	**1,163**	756

The directors recommend a final dividend in respect of the year ended 31 March 2007 of 17.0 pence per ordinary share (2006 – 16.0 pence). An interim dividend of 8.0 pence per share (2006 – 8.0 pence) was paid during the year, making a total of 25.0 pence per share (£720,000) for the year (2006 – 24.0 pence, £691,000).

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 ("KPIs"). The main financial KPIs of the company are turnover, adjusted profit before tax (pre-exceptional items), adjusted earnings per share, gearing and cash flow from operations.

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 9 to 12. Other specific risk factors are referred to in the Accounting Policies on financial instruments on page 26 and in notes 14 and 19 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 and other factors which affect levels of consumer confidence. The market for new cars since 2004 has seen a decline. A long term decline over a number of years could adversely affect profitability, though this may be mitigated by potential increases in both the used car market and the after sales market as customers substitute nearly new for new or spend more keeping their old vehicles roadworthy.

(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 familiarity with manufacturer's brands and models.

Directors

The directors in office at 31 March 2007 are set out below:

Mr B A Carte TD FCIB FCT FIMI (age 63) 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 65) joined the board on 1 January 2004. He is currently chairman of Trustees at Serco Pension Schemes and a non-executive director of API Group plc, Vega Group plc and 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 60) 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 S G M Caffyn MA FIMI (age 46) 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 53) 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) Grad FCIPD AICSA FIMI (age 38) 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.

Mr M S Harrison and Miss S J Caffyn are retiring by rotation, and being eligible, offer themselves for re-election.

Report of the Directors

Substantial shareholdings

At 24 May 2007, the directors are aware of the following disclosable 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	180,450	6.27
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

Employees

The group 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 group 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 £7,050. No contributions were made to political organisations.

Environmental

The group is aware of its environmental responsibilities and recognises that some of its activities affect the environment. Licences are obtained from the relevant authorities where required to operate certain elements of the group'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 group seeks to minimise any adverse effects of its activities on the environment.

Health and safety

The group 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 group'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 group 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 group's health and safety officer.

Creditors payment policy and practice

It is the group'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 2007 the group's outstanding purchase ledger balances represented 26 days' purchases (2006 – 28).

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

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 14 to 16.

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 2007 the board met on six 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 two 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 is also an independent non-executive director.

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
		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 in 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 14 to 16. 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 once during the year and all members were present.

The written terms of reference for all three committees are available 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 2007) 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.

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 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 11 and 12 and those of the auditors on page 17.

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 49 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 14 and 19 to the financial statements. Statements on the fair value of property, plant and equipment are set out in note 11.

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.

Property

The company valued its portfolio of freehold and long leasehold premises as at 31 March 2005 but excluding four sites which were for sale as at that date. The valuation was carried out by CB Richard Ellis, chartered surveyors, on the basis of existing use value. The excess of the valuation over net book value as at 31 March 2005 was £4.325 million. This surplus has not been incorporated into the accounts. In the opinion of the directors, there has been no material change in values in the year to 31 March 2007.

Annual General Meeting

Resolution 8 will give the directors power to allot shares amounting to not more than 15% 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 9 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 the effect would be to increase earnings per share and 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 10 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 9, 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.

The amendments proposed in Resolutions 11 and 12 are to reflect the relaxation of the prohibition contained in the Companies Act 1985 (the "Act") against directors' indemnities, which came into force from 6 April 2005. Any provisions in the articles of association of a company or in any contract with a company are void if they seek to exempt a director, the company secretary or the auditor or other officers of the company or any associated company from liability, or indemnify such an officer or auditor against any such liability, for negligence, default, breach of duty or breach of trust.

The exceptions to this prohibition are (i) purchasing insurance for an officer or auditor; (ii) indemnifying an officer or auditor against any liability incurred in defending civil or criminal proceedings in which judgement is given in his favour or he is acquitted; and (iii) indemnifying an officer or auditor against the costs of successfully procuring an order from the court excusing the officer or auditor from liability for negligence, default of breach of duty or trust where it appears to the court hearing the case that he has acted honestly and reasonably and, having regard to all the circumstances of the case, ought fairly to be excused.

The changes to the Act mean that:

- companies will not be permitted to indemnify a director of another company in its group if the indemnity would be unlawful if it was given by the company of which the individual is a director;

- the restrictions only apply to directors and not to other “officers”;

- in the cases of liabilities arising from civil claims brought by third parties, both the costs (of the director and of the third party) and any damages may, subject to certain exclusions, be paid by the company even if the judgement goes against the director;

- in the case of liabilities owing to the company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay directors’ defence costs as they are incurred (although a director would be liable to repay his or her defence costs if his or her defence was to be unsuccessful);

- companies will not be permitted to indemnify directors against fines imposed in criminal proceedings, fines imposed by regulatory authorities or the defence costs of criminal proceedings against a director in which he is convicted; and

- indemnities permitted by the new provisions must be disclosed in the directors’ report in the Annual Accounts and made available for inspection at the company’s registered office.

Having reviewed the existing memorandum and articles of association of the Company for consistency with the new provisions of the Act, the directors propose that the memorandum and articles of association are amended expressly reflecting the amendments to the Act. The proposed new article 136 is a permissive power which tracks the wording of the provisions of the Act and allows the Company to indemnify its directors and other officers (but not its auditors) subject to those provisions.

Auditors

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

By Order of the Board
Sarah J Caffyn
Company Secretary

25 May 2007

Director's 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 two independent non-executive directors, Mr A R Goodburn (who chairs the Committee) and Mr S B Birkenhead, 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 three 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) Bonus payments
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 and the maximum performance related bonus that can be paid is 50% of basic annual salary. 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.

c) Pension arrangements
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. Compensation for early termination is based upon liquidated damages equivalent to the emoluments for the unexpired period of notice.

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 2007		As at 1 April 2006	
	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**	16,398	1,655
S B Birkenhead	**1,500**	**–**	1,500	–
A R Goodburn	**1,500**	**–**	1,500	–

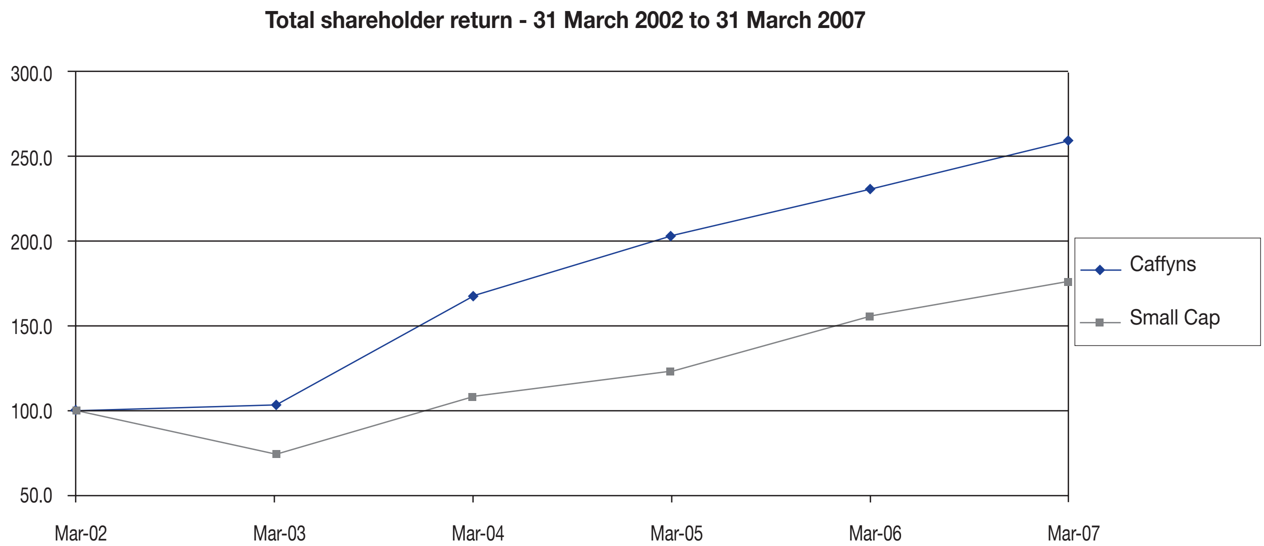
There were no changes in the directors' shareholdings between 1 April and 24 May 2007 (being less than one month prior to the notice convening the annual general meeting).

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 2007 was £10.45 and the range of market prices during the year was £9.00 and £10.50.

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.



AUDITED INFORMATION

Directors' Remuneration

	Basic salary and fees £'000	Performance related bonus £'000	Benefits £'000	Sub-total £'000	In lieu of pension contributions £'000	**2007 Total £'000**	**2007 Pension £'000**	2006 Total £'000	2006 Pension £'000
Executive Directors									
S G M Caffyn	231	39	14	284	38	**322**	**–**	231	27
M S Harrison	158	26	12	196	–	**196**	**14**	162	15
S J Caffyn	94	15	8	117	–	**117**	**13**	91	17
Non-Executive Directors									
B A Carte	51	–	1	52	–	**52**	**–**	49	–
R J M Caffyn to 31/5/05	–	–	–	–	–	**–**	**–**	4	–
S B Birkenhead	18	–	–	18	–	**18**	**–**	18	–
A R Goodburn	18	–	–	18	–	**18**	**–**	18	–
	570	80	35	685	38	**723**	**27**	573	59

Director’s Remuneration Report

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 £18,400 per annum with the exception of the chairman during the year who received a fee of £50,600 per annum. The chairman also received a health insurance benefit amounting to £590.

Pensions

Three executive directors are members of the company’s pension scheme at the year-end (2006 – 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 do 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	Total annual accrued pension at 31 March 2007	Additional accrued benefits earned in the year (excluding inflation)
	£’000	£’000	£’000
S G M Caffyn	4	79	1
M S Harrison	3	19	2
S J Caffyn	4	20	3

	Transfer value at 31 March 2007	Transfer value at 31 March 2006	Increase in transfer value less directors’ contributions
	£’000	£’000	£’000
S G M Caffyn	709	570	139
M S Harrison	162	118	32
S J Caffyn	97	79	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 2007. 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

25 May 2007

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 2007 which comprise the principal accounting policies, the group income statement, the group and parent company statement of recognised income and expense, the group and parent company balance sheets, the group and parent company cash flow statements and notes 1 to 30. 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 for use in 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 Chief Executive's operating review that is cross referred 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 2003 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 2007 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 2007;
- 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

25 May 2007

Income Statement

for the year ended 31 March 2007

Group and company	Note	**2007 £'000**	2006 £'000
Continuing operations			
Revenue		**176,238**	160,076
Cost of sales			
Exceptional MG Rover Group items	2	**–**	317
Other costs of sales		**(151,566)**	(135,658)
Total cost of sales		**(151,566)**	(135,341)
Gross profit		**24,672**	24,735
Distribution costs		**(15,098)**	(16,464)
Administrative expenses			
Exceptional items	2	**786**	858
Other costs		**(7,059)**	(6,782)
Total administrative expenses		**(6,273)**	(5,924)
Exceptional items	2	**(626)**	(203)
Operating profit			
Arising from exceptional items	2	**160**	972
On normal trading		**2,515**	1,172
Total operating profit	3	**2,675**	2,144
Finance costs	5	**(1,232)**	(1,114)
Profit before tax			
Arising from exceptional items	2	**160**	972
On normal trading		**1,283**	58
Total profit before tax		**1,443**	1,030
Tax	6	**(280)**	(274)
Profit for the year attributable to the shareholders of Caffyns plc		**1,163**	756
Earnings per share			
Basic and diluted earnings per ordinary share from continuing operations and for the profit for the year	7	**40.4p**	26.3p

See accompanying notes to the financial statements

Statement of Recognised Income and Expense

for the year ended 31 March 2007

Group and company	Note	**2007** **£'000**	2006 £'000
Profit for the year		**1,163**	756
Actuarial gains recognised	20	**3,134**	108
Deferred tax on actuarial gains	21	**(940)**	(31)
Total recognised income and expense for the year		**3,357**	833

See accompanying notes to the financial statements

Balance Sheets

at 31 March 2007

	Note	Group 2007 £'000	Group 2006 As restated* £'000	Company 2007 £'000	Company 2006 As restated* £'000
Non-current assets					
Goodwill	9	**481**	481	**481**	481
Intangible assets	10	**31**	54	**31**	54
Property, plant and equipment	11	**31,610**	31,203	**31,610**	31,203
Investment in subsidiaries	12	**–**	–	**250**	250
Retirement benefit scheme	20	**344**	–	**344**	–
Deferred tax asset	21	**1,160**	1,923	**1,160**	1,923
		33,626	33,661	**33,876**	33,911
Current assets					
Inventories	13	**23,846**	22,694	**23,846**	22,694
Trade and other receivables	14	**9,047**	8,897	**9,047**	8,897
Current tax assets		**–**	186	**–**	186
Cash and cash equivalents		**35**	39	**35**	39
Non current assets classified as held for sale	11	**990**	–	**990**	–
		33,918	31,816	**33,918**	31,816
Total assets		**67,544**	65,477	**67,794**	65,727
Current liabilities					
Bank and overdrafts and loans	15	**6,797**	7,981	**6,797**	7,981
Trade and other payables	16	**21,575**	21,057	**21,825**	21,307
Current tax payable		**230**	–	**230**	–
Obligations under finance leases	17	**29**	28	**29**	28
Short-term provisions	18	**3,203**	341	**3,203**	341
		31,834	29,407	**32,084**	29,657
Net current assets		**2,084**	2,409	**1,834**	2,159
Non-current liabilities					
Bank loans	15	**3,000**	3,000	**3,000**	3,000
Preference shares	22	**1,237**	1,237	**1,237**	1,237
Retirement benefit obligation	20	**–**	3,190	**–**	3,190
Deferred tax liabilities	21	**3,378**	3,186	**3,378**	3,186
Obligations under finance leases	17	**50**	78	**50**	78
		7,665	10,691	**7,665**	10,691
Total liabilities		**39,499**	40,098	**39,749**	40,348
Net assets		**28,045**	25,379	**28,045**	25,379
EQUITY					
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	**3,915**	3,971	**3,915**	3,971
Retained earnings	23	**22,137**	19,415	**22,137**	19,415
Total equity attributable to shareholders of Caffyns plc		**28,045**	25,379	**28,045**	25,379

The financial statements were approved by the board of directors on 25 May 2007 and were signed on its behalf by:

Brian A Carte
Mark S Harrison } Directors

*See notes 21 and 23.

Cash Flow Statement

for the year ended 31 March 2007

Group and company	Note	**2007 £'000**	2006 £'000
Net cash from operating activities	24	**4,202**	2,163
Investing activities			
Proceeds on disposal of property, plant and equipment		**1,351**	1,959
Purchases of property, plant and equipment		**(3,479)**	(3,510)
Acquisitions	25	**(176)**	–
Net cash used in investing activities		**(2,304)**	(1,551)
Financing activities			
Dividends paid		**(691)**	(691)
Repayments of obligations under finance leases		**(27)**	(41)
Net cash used in financing activities		**(718)**	(732)
Net increase/(decrease) in cash and cash equivalents		**1,180**	(120)
Cash and cash equivalents at beginning of year		**(7,942)**	(7,822)
Cash and cash equivalents at end of year		**(6,762)**	(7,942)

	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000
Cash and cash equivalents	**35**	39	46
Overdrafts	**(6,797)**	(7,981)	(7,868)
Net cash and cash equivalents	**(6,762)**	(7,942)	(7,822)

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.

New standards in issue but not effective
New standards and interpretations currently in issue but not effective for this accounting period are as follows:

Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures (effective 1 January 2007)
IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
IFRS 7 Financial Instruments: Disclosures (effective 1 January 2007, replaces disclosure aspects of IAS 32)
IFRS 8 Operating Segments (effective 1 January 2009)
IFRIC 8 Scope of IFRS 2 (effective 1 May 2006)
IFRIC 9 Reassessment of Embedded Derivatives (effective 1 June 2006)
IFRIC 10 Interim Financial Reporting and Impairment (effective 1 November 2006)
IFRIC 11 IFRS 2 - Group and Treasury Share Transactions (effective 1 March 2007)
IFRIC 12 Service Concession Arrangements (effective 1 January 2008)

The board do not consider that these standards will have any significant impact on the 2008 results and are in the process of considering the effects of standards which are extant after that period.

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 goods 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.

Principal Accounting Policies

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. 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. The associated liabilities are recorded in creditors. Cost 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.

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.

Principal Accounting Policies

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits.

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 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.

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 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 the attributes of debt. Preference dividends are accounted for as finance charges within interest payable.

Financial instruments
The company's activities expose it primarily to the financial risks of changes in interest rates. The group finances its operations through a mixture of retained profits and borrowings from banks and finance houses. The group borrows at floating rates of interest, which are negotiated at advantageous rates. There are no fixed rate borrowings other than finance leases and the preference shares referred to above. Given the relatively benign outlook for UK interest rates, the board considers that its exposure to adverse movements in base rates is a low risk position.

As regards liquidity, the group's policy is to maintain a balance between committed and uncommitted facilities and between term loans and overdrafts.

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.

In the opinion of the directors, the motor retail activities are so integral and the company's operating area so compact that the company only has the one business and geographical segment, so no further analysis is provided.

2. Exceptional items

	2007	2006
	£'000	£'000
In cost of sales		
Credit associated with the failure of the MG Rover Group		
Stock write downs	**–**	317
In administrative expenses		
Net profit on disposal of property, plant and equipment	**600**	858
Negative goodwill received on purchase of business, net of costs (see note 25)	**186**	–
	786	1,175
Restructuring costs arising from branch closures	**(626)**	(203)
Total exceptional items before taxation	**160**	972
Less tax thereon	**(48)**	(294)
Total after tax	**112**	678

The exceptional items in both 2006 and 2007 were realised/paid in cash.

3. Operating profit

Operating profit has been arrived at after charging/(crediting):	**2007**	2006
	£'000	£'000
Employee benefit expense (see note 4)	**19,686**	20,018
Amortisation of intangible assets	**23**	22
Depreciation of property, plant and equipment		
– owned assets	**1,400**	1,231
– under finance leases	**27**	37
Profit on disposal of property, plant and equipment	**(600)**	(858)
Operating lease rentals payable		
– land and buildings	**566**	452
– plant and machinery	**42**	43

Auditors' remuneration		
– Fees payable to the company's auditor for the audit of the company's annual accounts	**56**	59
– Fees payable to the company's auditor and its associates for other services		
Other services pursuant to legislation		
– Interim review	**10**	10
– IFRS review	**–**	5
– Tax services (including compliance and VAT advice)	**66**	36
– Fees in respect of the Caffyns plc Pension Scheme	**7**	6
	139	116

A description of the work of the audit committee is set out in the Corporate Governance Statement on pages 9 to 11 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

	2007	2006
Employee benefit expense during the year amounted to:	**£'000**	£'000
Wages and salaries	**17,881**	17,759
Social security costs	**1,580**	1,510
Other pension costs (note 20)	**225**	749
	19,686	20,018

The average number of employees during the year was 795 (2006: 789) all of whom were engaged in the motor retail trade.

	2007	2006
Directors' emoluments were:	**£'000**	£'000
Emoluments	**723**	573
Pension contributions	**27**	59
Pension to widow of former director	**17**	17
	767	649

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

5. Finance costs

	2007	2006
	£'000	£'000
Interest on bank overdrafts and loans	**858**	762
Stock finance charges	**265**	240
Interest on obligations under finance leases	**7**	10
Preference dividends (see note 8)	**102**	102
	1,232	1,114

6. Tax

	2007 £'000	2006 £'000
Current tax		
UK corporation tax	**85**	22
Adjustments recognised in the period for current tax of prior periods	**180**	(26)
Total	**265**	(4)
Deferred tax (see note 21)		
Current year	**136**	307
Adjustments recognised in the period for deferred tax of prior periods	**(121)**	(29)
Total	**15**	278
Total tax charged in the income statement	**280**	274

Corporation tax is calculated at 30 per cent of the estimated assessable profit for the year.

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

	2007 £'000	2006 £'000
Profit before tax	**1,443**	1,030
Tax at the UK corporation tax rate of 30%	**433**	309
Tax effect of expenses that are not deductible in determining taxable profit	**115**	140
Capital gains rolled over	**(296)**	(120)
Profits taxed at lower rate	**(31)**	–
Adjustments to tax charge in respect of prior years	**59**	(55)
Tax expense for the year	**280**	274

	2007 £'000	2006 £'000
Total current tax charge/(credit)	**265**	(4)
Deferred tax charge		
Charged in income statement	**15**	278
Charged against equity	**940**	31
Total deferred tax charge	**955**	309
Total tax charge for the year	**1,220**	305

7. 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	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Profit before tax	**1,443**	1,030	**1,443**	1,030
Adjustments:				
Exceptional items: – Property profit and restructuring costs	**26**	(655)	**–**	–
– Negative goodwill received on purchase of business	**(186)**	–	**–**	–
– MG Rover	**–**	(317)	**–**	–
Adjusted profit before tax	**1,283**	58	**1,443**	1,030
Taxation	**(232)**	20	**(280)**	(274)
Earnings	**1,051**	78	**1,163**	756
Adjusted earnings per share	**36.5p**	2.7p		
Basic earnings per share			**40.4p**	26.3p

The weighted average number of fully paid ordinary shares in issue during the year was 2,879,298 (2006 – 2,879,298)

8. Dividends

	2007	2006
	£'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 (2006 – 8.0p)	**230**	230
Final dividend paid in respect of the previous year of 16.0p (2006 – 16.0p)	**461**	461
	691	691

In addition the directors are proposing a final dividend in respect of the year ended 31 March 2007 of 17.0p per share, which will absorb £489,000 of shareholder funds (2006 – 16.0p per share absorbing £461,000). 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.

9. Goodwill

Group and company	2007	2006
	£'000	£'000
At 31 March 2007 and 31 March 2006	**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 2007/08, extrapolated over an additional four years assuming an annual growth rate of 2.5% p.a. 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.

10. Intangible assets

Group and company	Contractual rights	
	2007	2006
	£'000	£'000
Cost		
At 31 March 2007 and 31 March 2006	**90**	90
Amortisation		
At 1 April	**36**	14
Charged in year	**23**	22
31 March	**59**	36
Net book amounts		
At 31 March 2007	**31**	
At 31 March 2006		54

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.

11. 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 2005	27,972	474	3,897	5,275	37,618
Additions at cost	1,537	380	1,011	582	3,510
Transfers	(41)	–	41	–	–
Disposals	(2,202)	–	(444)	(203)	(2,849)
At 31 March 2006	27,266	854	4,505	5,654	38,279
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**
Depreciation					
At 1 April 2005	1,226	161	1,939	3,363	7,689
Charge for the year	226	59	541	442	1,268
Disposals	(329)	–	(367)	(185)	(881)
At 31 March 2006	1,123	220	2,113	3,620	7,076
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**
Net book amount					
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
At 31 March 2005	26,746	313	1,958	1,912	30,929

Following the purchase of the freehold interest in a long leasehold property during the year, there were no other long term leasehold properties at the balance sheet date (2006 – £344,000). Short term leasehold property comprised £95,000 at net book value at the balance sheet date (2006 – £290,000) in both the company and the group.

Two freehold properties held for sale at 31 March 2007 with a net book value of £990,000 fulfilled the conditions to be re-classified as non-current assets held for sale (2006 – nil). These properties are being marketed for sale and are expected to be disposed of in the financial year ending 31 March 2008.

11. Property, plant and equipment (continued)

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.

Freehold property is included as follows:

	Group and company	
	2007	2006
	£'000	£'000
Valuation – March 1995	**12,051**	12,051
At cost	**14,915**	14,092
Deemed cost, less depreciation at the year end	**26,966**	26,143
At historic cost (including property qualifying as non-current asset held for resale)	**23,995**	22,015

The freehold properties (excluding four sites which were then in the process being sold) were revalued at 31 March 2005 at fair value (open market for existing use) by CB Richard Elllis, chartered surveyors. One of these properties was sold conditional on planning consent, but such consent was not obtained. This property was being offered for sale at 31 March 2007 but did not fulfil the requirements to be classified as a non-current asset held for sale.

The value at 31 March 2005 was £29,426,000, although this valuation was not incorporated in the balance sheet. The excess of the valuation over net book value at 31 March 2005 was £4.325 million.

Depreciation is being charged on the value of freehold buildings of £14,343,000 (2006 – £11,380,000), 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 2007	**65**
Net book amount	
At 31 March 2006	92

12. 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. All subsidiary undertakings are registered in England and Wales.

	Company
	£'000
Cost	
At 31 March 2007 and at 31 March 2006	476
Provision	
At 31 March 2007 and at 31 March 2006	226
Net book amounts	
At 31 March 2007 and at 31 March 2006	**250**

13. Inventories

	2007	2006
	£'000	£'000
Group and company		
Vehicles	**15,349**	14,052
Vehicles on consignment	**6,752**	6,574
Petrol, oil, spare parts and materials	**1,730**	2,052
Work in progress	**15**	16
	23,846	22,694
Vehicle stock includes:		
Service vehicles	**6,833**	6,641
Inventories recognised as an expense during the year	**150,073**	134,193
Inventories stated at fair value less costs to sell	**1,629**	1,946
Carrying value of inventories subject to retention of title clauses	**8,421**	8,567

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 £108,000 was recognised in respect of the write down of vehicle parts inventories due to general obsolescence (2006 – £19,000).

14. Trade and other receivables

	2007	2006
	£'000	£'000
Group and company		
Trade receivables	**7,774**	6,240
Other receivables	**1,273**	2,657
	9,047	8,897

At 31 March 2007 trade receivables are shown net of an allowance for doubtful debts of £82,000 (2006 – £97,000). The expense recognised for bad debts during the year was £18,000 (2006 – £4,000).

Other receivables at 31 March 2006 included £1,478,000 in respect of consideration on the sale of a freehold property in Seaford, East Sussex.

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.

15. Bank overdrafts and loans

Group and company

	2007	2006
	£'000	£'000
Bank overdrafts	**6,797**	7,981
Bank loans	**3,000**	3,000
	9,797	10,981
The borrowings are repayable as follows:		
On demand or within one year	**6,797**	7,981
In the second year	**1,000**	1,000
In the third year	**2,000**	2,000
	9,797	10,981
Less: amount due for settlement within 12 months (shown under current liabilities)	**6,797**	7,981
Amount due for settlement after 12 months	**3,000**	3,000

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 5.8% (2006 – 5.6%). One loan of £1,000,000 is not repayable for at least a year from the balance sheet date, whilst the other loan of £2,000,000 is repayable after more than 2 years.

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

16. Trade and other payables

	2007 £'000	2006 £'000
Trade payables	**11,503**	11,301
Obligations relating to consignment stock	**6,752**	6,574
Social security and other taxes	**1,303**	1,224
Preference dividends payable	**51**	51
Accruals	**1,755**	1,521
Other creditors	**211**	386
Group total	**21,575**	21,057
Amounts owed to group undertakings	**250**	250
Company total	**21,825**	21,307

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days (2006 – 28 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.

17. Obligations under finance leases

Group and company	Minimum lease payments		Present value of minimum lease payments	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Amounts payable under finance leases:				
Within one year	**34**	34	**29**	28
In the second to fifth years inclusive	**53**	87	**50**	78
	87	121	**79**	106
Less: Future finance charges	**(8)**	(15)	**N/A**	N/A
Present value of lease obligations	**79**	106	**79**	106
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(29)**	(28)
Amount due for settlement after 12 months			**50**	78

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 2007, the average effective borrowing rate was 6.8 per cent (2006 – 6.8 per cent). 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.

18. Short term provisions

Group and company

	MG Rover £'000	VAT £'000	Total £'000
At 1 April 2006	341	–	341
VAT repayment received	–	2,978	2,978
Transfer to income statement in 2007	(116)	–	(116)
At 31 March 2007	**225**	**2,978**	**3,203**

MG Rover

The MG Rover provision is expected to be utilised over the three years ending 31 March 2008 and makes 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.

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. The amount received comprises the claim of £1.378m and interest of £1.6m. This claim had previously not been paid pending clarification on a point of law which has still not yet been resolved. While HMRC has decided to pay the company's claim at this stage, HMRC is appealing to the House of Lords against two decisions made during 2006 in cases concerning other businesses unrelated to the company. This appeal is scheduled to be heard in the House of Lords in the last quarter of 2007. The decision following this appeal may determine whether the company will be required to repay £2.978m, plus interest calculated from 20 March 2007.

Due to the uncertainty relating to the retention by the company of the monies received, a provision for the repayment to HMRC of £2.978m has been incorporated in the company's balance sheet pending resolution of the legal issues. Consequently, there will not be a benefit to the company's Income Statement until the matter has been resolved.

19. Borrowings – fair value comparison

Group and company

Fair values

Set out below is a comparison of the fair values and book values of all the group and company financial instruments by category:

	Book value 2007 £'000	**Fair value 2007 £'000**	Book value 2006 £'000	Fair value 2006 £'000
Short term financial liabilities and current portion of long term borrowings	**6,827**	**6,827**	8,009	8,011
Long term borrowings	**4,286**	**4,439**	4,315	4,591
	11,113	**11,266**	12,324	12,602

Fair value has been calculated by adjusting the book value of the loans by the net present value of the difference between the interest payable over the term of the loan and the interest that would be payable if the market rate as at the year end were used. The fair value of current assets and liabilities is similar to book value.

Financial instruments

The company seeks to ensure that liquidity is sufficient to meet funding needs as they arise. If external capital is required, the current policy is to obtain either fixed or floating debt. In deciding on the nature of the funding the company will consider the existing debt profile and maintain a balance between fixed and floating debt depending upon the nature of the security used and the interest rates prevailing at the time. The company does not currently seek to hedge any interest rate risk.

20. Retirement benefits obligation

Defined benefit pension scheme

Description of scheme

The company operates a pension scheme, the Caffyns Pension Scheme ("CPS"), providing benefits based on final pensionable pay until 31 March 2007. 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, a 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 £66.6 million 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 and 31 March 2007 respectively by Watson Wyatt, qualified independent actuaries, for the requirements of IAS 19. Details are set out below:

Actuarial assumptions	**2007**	2006	2005
	%	%	%
Rate of increase in salaries	**3.50**	4.55	4.50
Rate of increase for pensions in payment	**3.00**	2.80	2.75
Discount rate	**5.40**	5.10	5.55
Inflation	**3.00**	2.80	2.75
Expected return on scheme assets	**6.27**	6.14	6.55
Rate of increase for deferred pensioners	**3.00**	2.80	2.75

Mortality assumptions

Life expectancy at age 65 (in years):	**2007**	**2007**	2006	2006	2005	2005
	Male	**Female**	Male	Female	Male	Female
Member currently aged 65	**20.9**	**23.8**	19.0	22.1	18.7	21.8
Member currently aged 45	**22.1**	**25.0**	20.8	23.9	20.6	23.7

20. Retirement benefit obligations (continued)

Amounts recognised in income in respect of the defined benefit scheme are as follows:

	2007	2006	2005
	£'000	£'000	£'000
Current service cost	**862**	1,253	1,222
Interest cost	**3,999**	3,802	3,597
Expected return on scheme assets	**(4,656)**	(4,306)	(3,995)
Total included within staff costs (see note 4)	**205**	749	824

The charge for the year has been included in administrative expenses.

The actual return on scheme assets was £3,052,000 (2006 – £11,127,000).

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit scheme is as follows:

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

Movements in the fair value of scheme assets in the current period were as follows:

	2007	2006	2005
	£'000	£'000	£'000
At 1 April	**76,746**	66,260	60,959
Expected return on scheme assets	**4,656**	4,306	3,995
Actuarial gains and losses	**(1,604)**	6,821	2,359
Contributions from the company	**605**	745	753
Contributions from scheme members	**605**	719	719
Benefits paid	**(3,053)**	(2,105)	(2,525)
At 31 March	**77,955**	76,746	66,260

Movements in the present value of defined benefit obligations in the current period were as follows:

	2007	2006	2005
	£'000	£'000	£'000
At 1 April	**79,936**	69,554	63,827
Service cost	**862**	1,253	1,222
Interest cost	**3,999**	3,802	3,597
Contributions from scheme members	**605**	719	719
Actuarial gains and losses	**(4,738)**	6,713	2,714
Benefits paid	**(3,053)**	(2,105)	(2,525)
At 31 March	**77,611**	79,936	69,554

20. Retirement benefit obligations (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		
	2007	2006	2005	**2007**	2006	2005
	%	%	%	**£'000**	£'000	£'000
Equity instruments	**7.50**	7.60	7.90	**40,561**	39,767	34,424
Bonds	**5.40**	5.10	5.55	**15,575**	14,878	13,690
Gilts	**4.45**	4.10	4.55	**17,400**	16,262	13,704
Property	**5.40**	5.10	5.55	**3,559**	3,232	3,288
Other assets	**4.00**	3.80	3.75	**860**	2,607	1,154
	6.27	6.14	6.53	**77,955**	76,746	66,260

Equity instruments includes shares in Caffyns plc, which are detailed in note 26.

Analysis of the movement in the balance sheet liability

	2007	2006	2005
	£'000	£'000	£'000
At 1 April	**(3,190)**	(3,294)	(2,868)
Total expense as above	**(205)**	(749)	(824)
Contributions	**605**	745	753
Net actuarial gains/(losses)	**3,134**	108	(355)
At 31 March	**344**	(3,190)	(3,294)

Cumulative actuarial gains and losses recognised in equity

	2007	2006	2005
	£'000	£'000	£'000
At 1 April	**(247)**	(355)	–
Net actuarial gains/(losses) recognised in the year	**3,134**	108	(355)
At 31 March	**2,887**	(247)	(355)

The company expects to contribute £580,000 to its pension scheme in the year ending 31 March 2008.

21. Deferred tax

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 2005	(769)	(973)	988	(32)	22	931	167
(Charge)/credit to income	(167)	(140)	–	–	–	29	(278)
Transfer to the SORIE	–	–	(31)	–	–	–	(31)
Transfer from liabilities directly associated with assets for sale	–	(59)	–	–	–	–	(59)
At 31 March 2006	(936)	(1,172)	957	(32)	22	960	(201)
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)**

The restatement of the opening balances arises 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 two years ended 31 March 2007 is not materially affected.

Although the deferred tax assets are expected to be recoverable against future tax liabilities, the timing is uncertain so the deferred tax assets and liabilities have not been offset. The following is the analysis of the deferred tax balances for financial reporting purposes (2006 as restated):

	2007 £'000	2006 As restated £'000
Deferred tax liabilities	**(3,378)**	(3,186)
Deferred tax assets	**1,160**	1,923
	(2,218)	(1,263)

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

	2007 £'000	2006 £'000
Authorised		
500,000 6.5% Cumulative First Preference Shares of £1 each	**500**	500
1,250,000 10% Cumulative Second 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 (2006 – 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 divided 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 2005	1,439	272	282	4,837	19,469	26,299
Net profit	–	–	–	–	756	756
Actuarial gain	–	–	–	–	108	108
Deferred tax on actuarial gain	–	–	–	–	(31)	(31)
Dividends	–	–	–	–	(691)	(691)
Transfer	–	–	–	(866)	866	–
At 31 March 2006	1,439	272	282	3,971	20,477	26,441

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**

24. Notes to the cash flow statement

	2007 £'000	2006 £'000
Profit before taxation	**1,443**	1,030
Adjustment for finance costs	**1,232**	1,114
Operating profit	**2,675**	2,144
Adjustments for:		
Depreciation of property, plant and equipment	**1,427**	1,268
Amortisation of intangible assets	**23**	22
Negative goodwill received	**(186)**	–
Gain on disposal of property, plant and equipment	**(600)**	(858)
Increase/(decrease) in provisions	**2,862**	(268)
Operating cash flows before movements in working capital	**6,201**	2,308
(Increase)/decrease in inventories	**(871)**	1,747
(Increase)/decrease in receivables	**(150)**	68
Increase/(decrease) in payables	**496**	(800)
(Decrease)/increase in pensions	**(400)**	4
Cash generated by operations	**5,276**	3,327
Income taxes received/(paid)	**151**	(50)
Interest paid	**(1,225)**	(1,114)
Net cash from operating activities	**4,202**	2,163

25. Acquisitions

The company acquired the business and certain assets of the Volvo dealership in Hove, Sussex on 21 August 2006. The consideration comprised:

	2007 £'000
Net assets	
Property, plant and equipment	**96**
Inventories	**281**
Liabilities	**(15)**
	362
Less: negative goodwill received (net of costs)	**(186)**
Net assets acquired, discharged by cash	**176**

The net book value of the assets acquired was the same as their fair value.

The directors estimate that had the acquired business been held for the whole of the 2007 financial year, the results of the group and the company for that year would not have been materially different from the published profit.

26. Related parties

Directors' remuneration

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 14 to 16.

	2007	2006
	£'000	£'000
Short term employee benefits	**723**	573
Post employment benefits	**27**	59
	750	632

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	
	2007	2006
	£'000	£'000
Shares held		
125,570 (2006 – 125,570) ordinary shares of 50p each	**1,312**	1,184
12,862 (2006 – 12,862) 10% cumulative preference shares of £1 each	**15**	15
	1,327	1,199

c) At 31 March 2007 there was no balance due by the Pension Fund (2006 – £25,000).

d) During 2007 the company met management fees of £185,000 on behalf of the pension fund (2006 – £188,000).

27. Operating leases

The total future minimum lease payments payable under existing operating lease agreements may be analysed by date of expiry of the lease as follows:

	Group and company 2007		Group and company 2006	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Leases expiring:				
Within 1 year	**–**	**–**	–	4
In 2 to 5 years	**990**	**100**	546	106
Beyond 5 years	**2,475**	**–**	4,246	–
	3,465	**100**	4,792	110

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.

28. Capital commitments

The group and company had no capital commitments at 31 March 2007 (2006 – £1,214,000).

29. Contingent liabilities

The group and company had no contingent liabilities at 31 March 2007 or 31 March 2006.

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 assumptions adopted in the valuation as at 31 March 2007 are set out in note 20 and were made following advice from the company's actuarial advisors.

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.

Ten Year Review

	UK GAAP							IFRS		
	1998	1999	2000	2001	2002	2003	2004	**2005**	**2006***	**2007**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Profit and Loss Account										
Sales	162,593	151,610	147,305	143,401	160,234	148,483	153,104	**155,684**	**160,076**	**176,238**
Operating profit										
– continuing operations	3,155	2,877	2,842	2,901	3,749	3,728	3,889	**2,473**	**1,172**	**2,515**
Exceptional items and losses on discontinued operations	(107)	3	5	(1,209)	(244)	1,589	(209)	**1,504**	**972**	**160**
Interest payable	(1,134)	(1,022)	(696)	(600)	(720)	(574)	(571)	**(1,117)**	**(1,114)**	**(1,232)**
Profit before tax	1,914	1,858	2,151	1,092	2,785	4,743	3,109	**2,860**	**1,030**	**1,443**
Profit after taxation	1,636	1,643	1,806	1,200	2,362	4,270	2,638	**1,970**	**756**	**1,163**
Dividends										
– Preference payable	(91)	(92)	(102)	(102)	(102)	(102)	(102)	**–**	**–**	**–**
– Ordinary payable to 2004; paid since 2005	(465)	(482)	(499)	(509)	(552)	(604)	(648)	**(662)**	**(691)**	**(691)**
Retained	1,080	1,069	1,205	589	1,708	3,564	1,888	**1,308**	**65**	**472**
Basic earnings per ordinary share	46.6p	46.7p	51.3p	32.8p	66.5p	144.0p	88.1p	**68.4p**	**26.3p**	**40.4p**
Adjusted earnings per ordinary share as reported	46.6p	46.7p	51.3p	52.1p	66.5p	88.1p	95.5p	**31.8p**	**2.7p**	**36.5p**
Interest cover	2.7	2.8	4.1	2.8	4.9	9.3	6.4	**3.6**	**1.9**	**2.2**
Dividend per ordinary share payable in respect of the year	14.0p	14.5p	15.0p	15.0p	18.0p	21.0p	22.5p	**24.0p**	**24.0p**	**25.0p**
Balance sheet										
Shareholders' funds	21,894	22,967	24,179	24,790	24,112	27,517	29,406	**26,299**	**25,379**	**28,045**
Bank borrowings	10,027	9,732	5,735	6,525	6,623	3,445	11,382	**10,969**	**11,048**	**9,841**
Debt/shareholders' funds (gearing)	46%	42%	24%	26%	27%	13%	39%	**42%**	**44%**	**35%**

1998 to 2004 have been prepared using UK GAAP; 2005 to 2007 have been prepared using IFRS. 1998 to 2000 have not been adjusted to reflect the impact of adopting FRS19.

*As restated.

Preference dividends have been included with interest payable for 2005 onwards.

The main adjustments that would have to be applied to the UK GAAP numbers for 1998 to 2004 inclusive if they were to be comparable with the IFRS numbers for 2005 to 2007 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 NINETY EIGHTH ANNUAL GENERAL MEETING of the Company will be held at the Hydro Hotel, Mount Road, Eastbourne, on **26 July 2007 at 11.30am** to consider and, if thought fit, pass the following Resolutions:

As ordinary resolutions:

1. To receive, approve and adopt the Report of the Directors, the Reports of the Independent Auditors and the audited financial statements for the year ended 31 March 2007.

2. To receive, approve and adopt the Directors' Remuneration Report for the financial year ended 31 March 2007.

3. To approve the directors' recommendation of a final ordinary dividend of 17.0 pence per share being declared for the year ended 31 March 2007.

4. To re-elect Mr M S Harrison as a director, who retires by rotation.

5. To re-elect Miss S J Caffyn as a director, who retires by rotation.

6. To re-appoint Grant Thornton UK LLP as auditors from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting.

7. To empower the directors to set the auditors' remuneration.

8. That the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") and in substitution for any existing power to allot relevant securities (within the meaning of sub-section 2 of the said section 80) up to an aggregate nominal amount of £215,947 provided that this authority shall expire on 27 October 2008 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and nothwithstanding such expiry the directors may allot relevant securities in pursuance of such agreements.

As special resolutions:

9. That the Company be generally and unconditionally authorised to make market purchases, within the meaning of Section 163(3) of the Act 1985, of ordinary shares of 50 pence each in the capital of the Company ('ordinary shares') provided that:

(a) The maximum number of ordinary shares hereby authorised to be acquired is 431,894.

(b) The minimum price (exclusive of expenses) which may be paid for any such ordinary share is 50 pence, the nominal value of that share.

(c) The maximum price which may be paid for any ordinary share is 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 ordinary share is contracted to be purchased.

(d) The authority conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 or on 27 October 2008 if earlier; but a contract for purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of ordinary shares may be made in pursuance of any such contract.

10. That the directors be and they are hereby empowered pursuant to section 95 of the Act (i) to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 8 set out in this Notice; and (ii) to transfer equity securities (within the meaning of section 94 of the Act) which are held by the Company in treasury, as if section 89(1) of the Act did not apply to such allotment or transfer.

11. That the articles of association of the Company be amended by the deletion of article 136 and its replacement with the following:

136 INDEMNITY

136 (A) Subject to the provisions of and so far as may be permitted by the Statutes, every director or other officer of the Company (excluding the Company's auditors) shall be entitled to be indemnified by the Company (and the Company shall also be able to indemnify directors of any associated company (as defined in section 309A of the Act) out of the Company's assets against all liabilities incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office, provided that no director of the Company or any associated company is indemnified by the Company against:

(i) any liability incurred by the director or the officer to the Company or any associated company; or

(ii) any liability incurred by the director or the officer to pay a fine imposed in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirements of a regulatory nature; or

(iii) any liability incurred by the director or the officer:

(a) in defending any criminal proceedings in which he is convicted;

(b) in defending civil proceedings brought by the Company or any associated company in which final judgment (within the meaning set out in section 309B of the Act) is given against him; or

(c) in connection with any application under sections 144(3) or 144(4) or 727 of the Act for which the court refuses to grant him relief.

(B) Subject to the provisions of and so far as may be permitted by the Statutes, and without prejudice to article 136(A), the board shall have power to purchase and maintain insurance at the expense of the Company for or for the benefit of any persons who are or were at any time directors, officers or employees of any Relevant Company (as defined in article 136(C)) or who are or were at any time trustees of any pension fund or employees' share scheme in which employees of any Relevant Company are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to a Relevant Company arising out of any act or omission in the actual or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to their duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme.

(C) For the purpose of article 136(B), "Relevant Company" shall mean the Company, any holding company of the Company or any other body, whether or not incorporated, in which the Company or such holding company or any of the predecessors of the Company or of such holding company has or had any interest whether direct or indirect or which is in any way allied to or associated with the Company, or any subsidiary undertaking of the Company or of such other body.

(D) For the purpose of article 136, the "Statutes" means the Act, the Companies Act 1989, the Companies Act 2006 including any statutory modification or re-enactment for the time being in force and all other statutes, orders, prospectus rules (including the Prospectus Rules published by the Financial Services Authority (in its capacity as a competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000), listing rules (including the AIM Rules published by the London Stock Exchange and the Listing Rules published by the Financial Services Authority, transparency rules (including the Disclosure and Transparency Rules published by the Financial Services Authority), regulations and other subordinate legislation for the time being in force concerning companies so far as they apply to the Company.

12. That clause 4(Y) of the memorandum of association of the Company be amended by the addition, after the words "promoting the said business" of the words "and to indemnify the Directors and other officers of the Company against any liabilities incurred by them in relation or in connection with their duties, powers or office to the full extent permissible by law".

By Order of the Board
S J Caffyn
Secretary

Registered Office:
MEADS ROAD,
EASTBOURNE,
East Sussex,
BN20 7DR

25 May 2007

Mr M S Harrison and Miss S J Caffyn are respectively the Finance Director and Human Resources Director of the Company.

Any members of the Company entitled to attend and vote may appoint another person (whether a member or not) as their proxy to attend and vote instead of them. Proxies will be accepted up to 48 hours before the time of the meeting. A pre-paid form of proxy for use in connection with the Annual General Meeting is enclosed with the accompanying Annual Report.

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register not later than 11.30am on 24 July 2007 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Copies of directors' service contracts are available for inspection at the registered office of the Company between 8.30am and 5.00 pm on any weekday (Saturday excepted) from the date of this Notice until the date of the meeting and at the place of the meeting for 15 minutes prior to the meeting until its conclusion. The dividend, if approved, will be paid to ordinary shareholders who were registered in the books of the Company on 22 June 2007. Warrants will be posted on 26 July 2007.

Shareholder's Notes

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

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 Cresent, 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) 425600

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

PARTS CENTRES
Ashford, Kent. Monument Way. (01233) 504614†
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Tunbridge Wells, Kent. Lamberts Road. (01892) 515700

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