Caffyns Interim Report **2007**

Contents

Interim Results

for the half year ended 30 September 2007

Summary

	2007 £'000	2006 £'000
Turnover	**94,991**	85,484
Operating profit before exceptional items	**1,378**	1,213
Underlying profit before tax	**759**	643
Exceptional items	**2,826**	186
Profit before tax	**3,585**	829
Earnings per share	**95.1p**	19.6p
Underlying earnings per share	**26.4p**	15.0p
Interim dividend per share	**8.0p**	8.0p

Chairman's Statement

Results

In the six months to September 2007 turnover increased from £85.5m to £95.0m. Profit before tax and exceptional items is also ahead of last year at £759,000 against £643,000. Profit before tax after exceptional items is significantly up to £3,585,000 from £829,000 last year. This substantial increase was largely the result of a repayment for overpaid VAT.

Recovery and development

We are now half way into our three year recovery programme and, considering the inflationary pressures on consumers of higher interest rates and fuel costs, it is encouraging to see a substantial increase in turnover. Significant investment has been made in our franchised dealerships and growth in turnover will in time be followed by an improvement in performance.

In Brighton we are refurbishing our Audi Centre to enlarge the showroom and service bay capacity to cater for the success of Audi's expanding model range. To accommodate this expansion, the bodyshop business has been closed and we are refurbishing the bodyshop facility in Hailsham to enable us to continue to provide this service for all our Volkswagen and Audi customers.

VAT

In March 2007 we announced that we had received £3.0m from HM Revenue & Customs ("HMRC") in respect of a claim relating to VAT overpaid on demonstrator vehicle bonuses. The amount received comprised the claim of £1.4m and interest of £1.6m.

There was uncertainty relating to the retention by the Company of the monies received pending the outcome of a case due to be heard in the House of Lords later this year. Following a change of view by HMRC, confirmation was received in July that the monies can be retained by the Company and that their retention was no longer dependent upon the outcome of this case.

The monies received (less professional costs incurred) amounting to £2.9m have been treated as exceptional income in the Company's Income Statement for the half-year ended 30 September 2007.

Property

We announced in June 2007 that we have exchanged contracts for the sale of our vacant freehold site in Hove, Sussex, conditional upon planning, for £4.5m. The planning application has been submitted to the local authority and we now await the outcome.

In June we also exchanged contracts for the sale of our vacant freehold site in Worthing, Sussex, conditional upon demolition of the existing building and environmental remediation of the site which it is hoped will be completed by the end of our financial year. The consideration of £1.1m is due when these conditions have been satisfied.

Developments since the period end

On 19 November, we announced the sale of our vacant freehold site in East Grinstead, Sussex, conditional upon the granting of an acceptable planning permission, with the consideration of £3.1m being payable two weeks after this condition is satisfied. The net book value of the property in the Company's accounts is £656,000.

The future

Whilst it is encouraging to see good growth in our turnover, pressures on margins caused by external economic and competitive factors continue to restrict improvements in profits. Recent announcements on the rate of inflation, together with indications that house prices have levelled off and are now possibly falling, will continue to influence retail demand in the short term.

The underlying position of the Company is fundamentally strong, allowing us to build our businesses and to look forward to a further improved performance when the economy returns to a more stable level.

Your Directors have agreed to an unchanged interim dividend of 8.0p per ordinary share. This will be paid on 9 January 2008 to shareholders on the register at 5.00pm on 7 December 2007.

Brian A Carte
Chairman

23 November 2007

Consolidated Income Statement

for the half year ended 30 September 2007

	Note	**Half year to 30 September 2007 £'000**	**£'000**	Half year to 30 September 2006 £'000	£'000	Year to 31 March 2007 £'000	£'000
Revenue			**94,991**		85,484		176,238
Operating profit							
Before exceptional items		**1,378**		1,213		2,515	
Exceptional items	2	**1,226**		186		160	
Total operating profit			**2,604**		1,399		2,675
Interest receivable	2		**1,600**		–		–
Finance costs			**(619)**		(570)		(1,232)
Profit before tax							
From normal trading operations		**759**		643		1,283	
Arising from exceptional items	2	**2,826**		186		160	
			3,585		829		1,443
Tax							
On normal trading operations		**–**		(211)		(232)	
On exceptional items	2	**(848)**		(54)		(48)	
	3		**(848)**		(265)		(280)
Profit for the period	6		**2,737**		564		1,163
Earnings per share	4		**95.1p**		19.6p		40.4p
Dividend per ordinary share	5		**8.0p**		8.0p		25.0p

Consolidated Statement of Recognised Income and Expense

for the half year ended 30 September 2007

	Half year to 30 September 2007 £'000	Half year to 30 September 2006 £'000	Year to 31 March 2007 £'000
Profit for the period	**2,737**	564	1,163
Actuarial gains/(losses) recognised in defined benefit pension scheme	**2,003**	(2,690)	3,134
Deferred tax on actuarial gains/(losses)	**(554)**	807	(940)
Total recognised income/(expense) for the period	**4,186**	(1,319)	3,357

Consolidated Balance Sheet

at 30 September 2007

	Note	30 September 2007 £'000	30 September 2006 £'000	31 March 2007 £'000
Non-current assets				
Goodwill		**481**	481	481
Intangible assets		**20**	43	31
Property, plant and equipment		**31,480**	31,549	31,610
Retirement benefit scheme		**2,610**	–	344
Deferred tax asset		**593**	2,668	1,160
Total non-current assets		**35,184**	34,741	33,626
Current assets				
Inventories		**25,234**	23,965	23,846
Trade and other receivables		**7,699**	8,999	9,047
Cash and cash equivalents		**14**	62	35
Non-current assets held for sale		**990**	1,645	990
Total current assets		**33,937**	34,671	33,918
Total assets		**69,121**	69,412	67,544
Current liabilities				
Bank overdrafts and loans		**8,358**	11,309	6,797
Trade and other payables		**20,151**	20,814	21,575
Tax liabilities		**696**	159	230
Obligations under finance leases		**29**	29	29
Short-term provisions		**125**	276	3,203
Total current liabilities		**29,359**	32,587	31,834
Net current assets		**4,578**	2,084	2,084
Non-current liabilities				
Bank loans		**3,000**	3,000	3,000
Preference shares		**1,237**	1,237	1,237
Retirement benefit obligation		**–**	5,725	–
Deferred tax liabilities		**3,746**	2,139	3,378
Obligations under finance leases		**37**	63	50
Total non-current liabilities		**8,020**	12,164	7,665
Total liabilities		**37,379**	44,751	39,499
Net assets		**31,742**	24,661	28,045
EQUITY				
Share capital		**1,439**	1,439	1,439
Share premium account		**272**	272	272
Capital redemption reserve		**282**	282	282
Non-distributable reserve		**3,915**	3,961	3,915
Retained earnings	6	**25,834**	18,707	22,137
Total equity		**31,742**	24,661	28,045

Consolidated Cash Flow Statement

for the half year ended 30 September 2007

	Half year ended 30 September 2007 £'000	Half year ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Cash flows from operating activities			
Profit before taxation	**3,585**	829	1,443
Adjustments for:			
Interest receivable	**(1,600)**	–	–
Finance costs	**619**	570	1,232
Operating profit	**2,604**	1,399	2,675
Adjustments for:			
Depreciation and amortisation	**718**	700	1,450
Negative goodwill received	**–**	(186)	(186)
Loss/(profit) on disposal of property, plant and equipment	**11**	–	(600)
(Decrease)/increase in provisions	**(1,478)**	(65)	2,862
Operating cash flows before movements in working capital	**1,855**	1,848	6,201
Movements in working capital	**(1,728)**	(2,982)	(925)
Cash generated/(absorbed) by operations	**127**	(1,134)	5,276
Income taxes received	**–**	158	151
Net interest paid	**(619)**	(570)	(1,225)
Net cash (used in)/from operating activities	**(492)**	(1,546)	4,202
Investing activities			
Proceeds on disposal of property, plant and equipment	**26**	1,476	1,351
Purchases of property, plant and equipment	**(614)**	(2,584)	(3,479)
Acquisition of business	**–**	(176)	(176)
Net cash used in investing activities	**(588)**	(1,284)	(2,304)
Financing activities			
Dividends paid	**(489)**	(461)	(691)
Repayments of obligations under finance leases	**(13)**	(14)	(27)
Net cash used in financing activities	**(502)**	(475)	(718)
Net (decrease)/increase in cash and cash equivalents	**(1,582)**	(3,305)	1,180
Cash and cash equivalents at beginning of period	**(6,762)**	(7,942)	(7,942)
Cash and cash equivalents at end of period	**(8,344)**	(11,247)	(6,762)

Notes to the Interim Results

for the half year ended 30 September 2007

1. Basis of preparation

The interim financial statements for the half year to 30 September 2007 are unaudited and have been prepared under International Financial Reporting Standards (IFRS) in accordance with the accounting policies set out in the Annual Report for 2007. The figures for the year ended 31 March 2007 have been extracted from the statutory accounts, filed with the Registrar of Companies on which the auditors gave an unqualified opinion. These interim financial statements have been reviewed by the Company's auditors. A copy of their review report is set out at the end of these statements.

These interim statements comply with IAS 34 'Interim Financial Reporting' and were approved by the Directors on 23 November 2007.

2. Exceptional items

	Half year to 30 September 2007 £'000	Half year to 30 September 2006 £'000	Year to 31 March 2007 £'000
VAT refund (net of costs) on demonstrator vehicle bonuses in the period 1973 to 1997	**1,310**	–	–
Reverse goodwill received on acquisition (net of costs)	**–**	186	186
Net (loss)/profit on disposal of property, plant and equipment	**(11)**	–	600
Restructuring costs arising from branch closures	**(73)**	–	(626)
	1,226	186	160
Interest received on VAT refund	**1,600**	–	–
	2,826	186	160
Less: tax thereon	**(848)**	(54)	(48)
	1,978	132	112

3. Taxation

	Half year to 30 September 2007 £'000	Half year to 30 September 2006 £'000	Year to 31 March 2007 £'000
Current UK corporation tax at 30%			
Charge for the period	**1,033**	219	85
Advance corporation tax recovered	**(567)**	(31)	–
Adjustments in respect of prior years	**–**	–	180
Total corporation tax	**466**	188	265
Deferred tax at 28% (2006 - 30%)			
Origination and reversal of timing differences	**601**	77	136
Adjustment due to change in rate of corporation tax	**(219)**	–	–
Adjustments in respect of prior years	**–**	–	(121)
	848	265	280

Taxation for the half year has been provided at the effective rate of taxation expected to apply to the whole year on ordinary trading. The tax charge on the profit arising from normal trading operations amounting to £219,000 has been reduced to nil as a result of the reduction in the rate of tax applicable to the deferred tax account. Tax on exceptional items is provided at the actual rate applicable.

Notes to the Interim Results

for the half year ended 30 September 2007

4. Earnings per share

	Half year to 30 September 2007 £'000	Half year to 30 September 2006 £'000	Year to 31 March 2007 £'000
Basic			
Profit before tax	**3,585**	829	1,443
Taxation	**(848)**	(265)	(280)
Earnings	**2,737**	564	1,163
Earnings per share	**95.1p**	19.6p	40.4p
Underlying			
Profit before tax	**3,585**	829	1,443
Adjustments: Exceptional items (Note 2)	**(2,826)**	(186)	(160)
Underlying profit before tax	**759**	643	1,283
Taxation	**–**	(211)	(232)
Underlying earnings	**759**	432	1,051
Earnings per share	**26.4p**	15.0p	36.5p

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

5. Dividends

Ordinary shares of 50p each

The interim dividend proposed at the rate of 8.0p per share (2006: 8.0p) is payable on 9 January 2008 to shareholders on the register at the close of business on 7 December 2007. The shares will be marked ex-dividend on 5 December 2007.

Preference shares

Preference dividends have been paid in October 2007. The next preference dividends are payable in April 2008. The cost of the preference dividends has been included within finance costs.

6. Retained earnings

	Half year to 30 September 2007 £'000	Half year to 30 September 2006 £'000	Year to 31 March 2007 £'000
At the beginning of period	**22,137**	20,477	20,477
Prior year adjustment	**–**	–	(1,062)
As restated	**22,137**	20,477	19,415
Net profit	**2,737**	564	1,163
Total recognised income and expense for the period	**1,449**	(1,883)	2,194
Dividends paid	**(489)**	(461)	(691)
Transfer from revaluation reserve	**–**	10	56
At end of period	**25,834**	18,707	22,137

Independent Review Report

to Caffyns plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in APB Statements of Standards for Reporting Accountants "International Standard on Review Engagements (UK and Ireland) 2410". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Grant Thornton UK LLP

Chartered Accountants

London

23 November 2007

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