Caffyns Interim Report 2006

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Interim Results

for the half year ended 30 September 2006

Summary

	2006 £'000	2005 £'000
Turnover	**85,484**	81,503
Operating profit before exceptional items	**1,213**	1,188
Underlying profit before tax	**643**	637
Exceptional items	**186**	285
Profit before tax	**829**	922
Earnings per share	**19.6p**	22.3p
Underlying earnings per share	**15.0p**	15.4p
Interim dividend per share	**8.0p**	8.0p

"The physical restructuring of the properties affected by MG Rover is now complete and we can enjoy our first six month period free from the disruption of refranchising programmes. We are still some way from delivering the full potential of our new franchises but can now concentrate on doing so without distraction, which should lead to an improved trading performance for the year" *commented Brian Carte, Chairman of Caffyns.*

Chairman's Statement

Results

In the six months to September 2006 turnover has increased from £81.5 million to £85.5 million. Profit before tax and exceptional items are in line with last year at £643,000 against £637,000 but after exceptional items the profit before tax is £829,000 against £922,000 last year after exceptionals of £285,000.

Refranchising

In September we opened our new Audi Centre in Worthing which marked the end of the physical restructuring of the Company following the collapse of MG Rover. Our retained former MG Rover dealerships are now refranchised and we are concentrating on rebuilding business at these sites. Although many are already contributing positively, to fully develop the potential of these dealerships can take up to three years.

Acquisitions

In August 2006 we acquired the Volvo business for Brighton which borders onto our Volvo business in Eastbourne, giving us significant benefits derived from adjoining markets.

Property

Planning issues have continued to delay the sale of our properties in Hythe and Hove. As announced in October we have remarketed our site in Hove following planning refusal on a conditional sale and have received substantial new interest.

The property in Hythe is sold, subject to planning, which is likely to be granted before the end of the year.

Developments since the period end

Since the end of the half year we decided to close our bodyshop in Worthing, our wholesale parts business in Hove and our Vauxhall dealership in East Grinstead. The sites in Worthing and East Grinstead will be sold.

The parts business has been transferred to our wholesale operation in Hailsham and the Vauxhall business to our dealerships in Tunbridge Wells and Brighton. This additional business will have a beneficial effect at these sites.

The proceeds from the sale of the freeholds in East Grinstead and Worthing will be used to reduce borrowings.

The future

The physical restructuring of the properties affected by the MG Rover collapse is now complete and we can enjoy our first six month period free from the disruption of refranchising programmes. We are still some way from delivering the full potential of our new franchises but can now concentrate on doing so without distraction, which should lead to an improved trading performance for the year.

Your Directors have agreed to an unchanged interim dividend of 8.0p per ordinary share. This will be paid on 10 January 2007 to shareholders on the register at 5.00pm on 8 December 2006.

Brian A Carte
Chairman

24 November 2006

Consolidated Income Statement

for the half year ended 30 September 2006

	Note	Half year to 30 September 2006 £'000	£'000	Half year to 30 September 2005 £'000	£'000	Year to 31 March 2006 £'000	£'000
Revenue			**85,484**		81,503		160,076
Operating profit							
Before exceptional items		**1,213**		1,188		1,172	
Exceptional items	2	**186**		285		972	
Total operating profit			**1,399**		1,473		2,144
Finance costs			**(570)**		(551)		(1,114)
Profit before tax							
From normal trading operations		**643**		637		58	
Arising from exceptional items	2	**186**		285		972	
			829		922		1,030
Tax							
On normal trading operations		**(211)**		(194)		20	
On exceptional items		**(54)**		(85)		(294)	
	3		**(265)**		(279)		(274)
Profit for the period			**564**		643		756
Earnings per share	4		**19.6p**		22.3p		26.3p
Dividend per ordinary share	5		**8.0p**		8.0p		24.0p

Consolidated Statement of Recognised Income and Expense

for the half year ended 30 September 2006

	Half year to 30 September 2006 £'000	Half year to 30 September 2005 £'000	Year to 31 March 2006 £'000
Profit for the period	**564**	643	756
Actuarial (losses)/gains recognised in defined benefit pension scheme	**(2,690)**	(1,058)	108
Deferred tax on actuarial (losses)/gains	**807**	317	(31)
Total recognised income and expense for the period	**(1,319)**	(98)	833

Consolidated Balance Sheet

at 30 September 2006

	Note	30 September 2006 £'000	30 September 2005 £'000	31 March 2006 £'000
Non-current assets				
Goodwill		**481**	481	481
Intangible assets		**43**	65	54
Property, plant and equipment		**31,549**	32,243	31,203
Deferred tax asset		**2,668**	2,222	1,939
		34,741	35,011	33,677
Current assets				
Inventories		**23,965**	22,880	22,694
Trade and other receivables		**8,999**	8,311	8,897
Current tax assets		**–**	–	186
Cash and cash equivalents		**62**	45	39
		33,026	31,236	31,816
Non-current assets held for sale		**1,645**	–	–
Total assets		**69,412**	66,247	65,493
Current liabilities				
Bank overdrafts and loans		**11,309**	10,582	7,981
Trade and other payables		**20,814**	18,814	21,057
Tax liabilities		**159**	85	–
Obligations under finance leases		**29**	34	28
Short-term provisions		**276**	423	341
		32,587	29,938	29,407
Net current assets		**2,084**	1,298	2,409
Non-current liabilities				
Bank loans		**3,000**	3,000	3,000
Preference shares		**1,237**	1,237	1,237
Retirement benefit obligation		**5,725**	4,381	3,190
Deferred tax liabilities		**2,139**	1,858	2,140
Obligations under finance leases		**63**	93	78
		12,164	10,569	9,645
Total liabilities		**44,751**	40,507	39,052
Net assets		**24,661**	25,740	26,441
EQUITY				
Share capital		**1,439**	1,439	1,439
Share premium account		**272**	272	272
Capital redemption reserve		**282**	282	282
Revaluation reserve		**3,961**	4,698	3,971
Retained earnings	6	**18,707**	19,049	20,477
Total equity attributable to shareholders of Caffyns plc		**24,661**	25,740	26,441

Consolidated Cash Flow Statement

for the half year ended 30 September 2006

	Half year ended 30 September 2006 £'000	Half year ended 30 September 2005 £'000	Year ended 31 March 2006 £'000
Cash flows from operating activies			
Profit from operations	**1,399**	1,473	2,144
Non-cash adjustments	**514**	280	164
Operating cash flows before movements in working capital	**1,913**	1,753	2,308
Movements in working capital	**(3,047)**	(2,252)	1,019
Cash (absorbed)/generated by operations	**(1,134)**	(499)	3,327
Net interest	**(570)**	(551)	(1,114)
Income taxes received/(paid)	**158**	–	(50)
Net cash (used in)/from operating activities	**(1,546)**	(1,050)	2,163
Investing activities			
Proceeds on disposal of property, plant and equipment	**1,476**	783	1,959
Purchases of property, plant and equipment	**(2,584)**	(1,967)	(3,510)
Acquisition of business	**(176)**	–	–
Net cash used in investing activities	**(1,284)**	(1,184)	(1,551)
Financing activities			
Dividends paid	**(461)**	(461)	(691)
Repayments of obligations under finance leases	**(14)**	(20)	(41)
Net cash used in financing activities	**(475)**	(481)	(732)
Net decrease in cash and cash equivalents	**(3,305)**	(2,715)	(120)
Cash and cash equivalents at beginning of period	**(7,942)**	(7,822)	(7,822)
Cash and cash equivalents at end of period	**(11,247)**	(10,537)	(7,942)

for the half year ended 30 September 2006

1. Basis of preparation

The interim financial statements for the half year to 30 September 2006 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 2006. The figures for the year ended 31 March 2006 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 24 November 2006.

2. Exceptional items

	Half year to 30 September 2006 £'000	Half year to 30 September 2005 £'000	Year to 31 March 2006 £'000
Net profit on disposal of property, plant and equipment	**–**	155	858
Reverse goodwill received on acquisition (net of costs)	**186**	–	–
Credit associated with failure of MG Rover Group	**–**	319	317
Other restructuring costs	**–**	(189)	(203)
Total before tax	**186**	285	972
Less: tax thereon	**(54)**	(85)	(294)
	132	200	678

3. Taxation

	Half year to 30 September 2006 £'000	Half year to 30 September 2005 £'000	Year to 31 March 2006 £'000
Current UK corporation tax at 30%			
Charge for the period	**219**	245	22
Advance corporation tax recovered	**(31)**	(31)	–
Over-provision in respect of prior years	**–**	(5)	(26)
Total corporation tax	**188**	209	(4)
Deferred tax at 30%			
Origination and reversal of timing differences	**77**	70	278
	265	279	274

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

4. Earnings per share

	Half year to 30 September 2006 £'000	Half year to 30 September 2005 £'000	Year to 31 March 2006 £'000
Basic			
Profit before tax	**829**	922	1,030
Taxation	**(265)**	(279)	(274)
Earnings	**564**	643	756
Earnings per share	**19.6p**	22.3p	26.3p
Underlying			
Profit before tax	**829**	922	1,030
Adjustments: Exceptional items (Note 2)	**(186)**	(285)	(972)
Underlying profit before tax	**643**	637	58
Taxation	**(211)**	(194)	20
Underlying earnings	**432**	443	78
Earnings per share	**15.0p**	15.4p	2.7p

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 (2005: 8.0p) is payable on 10 January 2007 to shareholders on the register at the close of business on 8 December 2006. The shares will be marked ex-dividend on 6 December 2006.

Preference shares

Preference dividends have been paid in October 2006. The next preference dividends are payable in April 2007. The cost of the preference dividends has been included within finance costs.

6. Retained earnings

	Half year to 30 September 2006 £'000	Half year to 30 September 2005 £'000	Year to 31 March 2006 £'000
At the beginning of period	**20,477**	19,469	19,469
Total recognised income and expense for the period	**(1,319)**	(98)	833
Transfer from revaluation reserve	**10**	139	866
Dividends paid	**(461)**	(461)	(691)
At end of period	**18,707**	19,049	20,477

Independent Review Report

to Caffyns plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 which comprises the consolidated interim balance sheet at 30 September 2006, the consolidated profit and loss account, the consolidated cash flow statement, the statement of recognised income and expense for the six months then ended and the related notes 1 to 6. We have read the other information contained in the interim report which comprises only the chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company 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 interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

Grant Thornton UK LLP
Chartered Accountants
London
24 November 2006

Our Dealerships …

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Eastbourne, Sussex, Edward Road.
(01323) 525700
Worthing, Sussex. Broadwater Road.
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Uckfield, Sussex. 84-89 High Street. (01825) 764255
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