One Hundredth

Caffyns Annual Report and Accounts 2009

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Results at a Glance

Summary

- Revenue £158.7m (2008 – £182.0m)
- Loss before tax and non-recurring items £2,288,000 (2008 loss – £197,000)
- Loss before tax £4,420,000 (2008 – profit £2,579,000)
- Basic (loss)/earnings per share (137.8p) (2008 – earnings 73.9p)
- Adjusted loss per share 59.8p (2008 – 6.7p)
- Proposed final dividend of 2.0p per ordinary share (2008 – 17.0p)
- Cash generated from operations £6.5m (2008 outflow – £1.6m)
- Management action taken to reduce ongoing operating costs by £2.5m per annum
- Bank borrowings reduced by £5.25m

Financial Calendar

Ex-dividend date for final dividend	**24 June 2009**
Record date for final dividend	**26 June 2009**
Annual General Meeting	**30 July 2009**
Payment for final dividend	**30 July 2009**
Announcement of half year results	**November 2009**

Directors and Advisers

Honorary President	ALAN M CAFFYN DL C ENG MI MechE FIMI
Directors	S BRIAN BIRKENHEAD BSc (Hons) FCMA FID *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*
	ANDREW R GOODBURN FCA *Independent non-executive*
	NICHOLAS W HOLLINGWORTH BSc *Independent non-executive*
Regional Directors	MARTIN J BLACKABY FIMI ROBERT L BRADBURY CHRISTOPHER J FULLALOVE FIMI TONY RICHARDS FMAAT FIMI NIGEL C WELLS FIMI
Bankers	HSBC BANK plc Global House, High Street, Crawley, RH10 1DL
	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

Operational and Business Review

Economy and Market Overview

In the year to March there was a marked deterioration in the UK economy during which the new car market fell by 23.5% in the retail and small business sectors in which we operate. In our final quarter these sectors declined by 28.9% year on year. At the same time, the used car market was affected by unprecedented falls in wholesale prices in the first nine months of our financial year with some stabilisation and a small recovery from January 2009. Leading industry sources have calculated that the average fall in used car prices during 2008 was between 15% and 25% with executive and large 4x4 vehicles being the hardest hit.

Results and Key Performance Indicators

The first half of our financial year coincided with the beginning of the serious decline in new car registrations falling 17.0% in our market segments. During this period, we also experienced unprecedented reductions in the value of used cars which affected our used car and demonstrator stock values.

Trading conditions in the second half of the year continued to deteriorate with the new car registrations in the six months to March 2009 falling 30.8% in our sectors. Used car values fell further before rallying at the end of December as demand recovered. Our unit sales of used cars increased by 18.5% in the second half on a like-for-like basis.

For the year as a whole, our new car sales volumes were down 21% with average unit prices down another 4% while used car volumes were up 6% although at prices which were lower by 9%. As a result revenue for the year was £158.7m, 13% down from last year's £182.0m, and operating profit on the continuing business fell by £1.8m to a loss of £1.4m in spite of vigorous action to reduce costs, which fell by £1.9m.

There were significant items of a non-recurring nature. Profits in the year resulting from the sales of property in Worthing and Hove have been offset by the losses arising from the closure costs of three dealerships. Asset values have also been written down. Inventories were written down following unprecedented reductions in unit prices of vehicles. Goodwill at two branches has been impaired following trading losses. In addition, given the rapid decline in the commercial property market, we concluded that one freehold property and one short leasehold site also required an impairment charge. The total net cost of these non-recurring items amounted to £2.1m contributing to pre-tax losses for the year of £4.4m.

Earnings per share fell from 73.9p to a loss of 137.8p. An interim dividend of 2.0p per ordinary share (2008 – 8.0p) was paid on 9 January 2009. A final dividend of 2.0p (2008 – 17.0p) is now being recommended which, if approved, will be payable on 30 July 2009 to shareholders on the register on 26 June 2009, giving a total dividend of 4.0p for the year (2008 – 25.0p).

During the second half of the year we took significant action to reduce our borrowings. As a result, we had positive cash inflow from operations of £6.5m for the year compared with a cash outflow of £1.6m in the previous year. Bank borrowings reduced from £14.2m to £8.9m reducing the proportion of total borrowings to shareholders' funds to 42% (2008 – 47%).

The company has recently renewed bank facilities of £18m including £8m of revolving credit loans which will provide the company with adequate facilities to support the company's operations for the foreseeable future.

Operating review

In response to the poor market conditions, we have focused on the seven key activities which we outlined in our Interim Statement last November. These are repeated below together with a short update on how these have influenced business performance:

- Improved sales performance through concentrating on lower priced and fuel efficient vehicles together with additional management focus on sale of used vehicles.

  Overall turnover has clearly been affected but sales of used cars has increased. Our effective write-down policies have helped to deliver high used car stock turn of about eleven times annually with improved margins. Demand for lower priced and fuel efficient vehicles has increased.

- Enhance margins through marketing innovations and improved use of internet communication, especially in higher margin servicing and bodyshop operations.

  Our evolving internet website enables customers to view all our new car offers by franchise as well as our group used car stocks. Our fixed price servicing offer for cars out of manufacturer's warranty is clearly set out with customers able to see detailed quotes for their specific vehicle at rates in line with national independent repairers. We continue to focus on improvements to increase our service retention of new car buyers, and especially our used car customers. Improvements to our online marketing have enabled us to reduce our expenditure on traditional and expensive marketing media.

Additionally, we have enhanced our own use of the internet to improve our internal reporting on both day-to-day operational activity and stock management across the group. This enables quick comparison of best practice across our dealership network.

- Reduce costs through closure of underperforming branches and reduction in staff numbers generally.

  Three branches have been closed with customers transferred to our nearby dealerships.

  - In Tonbridge we closed our Vauxhall dealership but are able to offer customers a more complete service from our Vauxhall site in Tunbridge Wells.

  - In Brighton we closed a second Vauxhall dealership and customers have been directed to our other three dealerships in the area.

  - In Hailsham we closed our Chrysler dealership and transferred the aftersales and used car business to our Nissan dealership in Eastbourne.

  Additional reductions in staff numbers have been made at all our sites. Overall employee numbers have fallen from 778 to 646, a reduction of 17%. Cost reduction measures taken so far have reduced the total cost base of the company by over £2.5m per annum. Redundancy costs of £455,000 incurred at our ongoing sites have been treated as a non-recurring expense. The costs of closing the three branches during the year were £754,000. We continue to monitor costs closely, identifying operating efficiencies wherever possible.

- Reduce stocks and increase stock turnover, especially of used vehicles, strengthening our monthly write down policies on used cars and demonstrator stocks to remain competitive.

  During this challenging period, we have reduced our owned stocks by £7.1m from £19.1m to £12.0m. Margins have improved and stock turn on used cars has increased to eleven times per annum. New car consignment stock has also reduced from £8.2m to £7.1m and levels of adopted stock are under tight control, ensuring our new car stocks are current. Demonstrator numbers have also been reduced lowering funding requirements and reducing running costs.

- Reduce future capital expenditure to essential work only.

  Our redevelopment work at Brighton Audi is now complete, as are the refurbishment works at our Land Rover franchise in Lewes and the bodyshop at Hailsham. We are now limiting expenditure to minimal levels. Manufacturers have taken a pragmatic view and have postponed new requirements for showroom enhancements. It is anticipated that these projects, for which we provide the funds, will be delayed until economic recovery is established and in most cases we expect will be reduced in scale and cost.

- Allocate franchises to facilities to gain maximum profitability.

  In addition to the closures and amalgamations discussed above, we have also looked to improve throughput on various sites by adding additional franchise facilities. In Brighton we successfully added the Ford franchise to our Volvo dealership with benefits to both these manufacturers and enhanced profits to the company. In Worthing we added the Volvo aftersales franchise to our small used car facilities; and in Sevenoaks we added the Citroën aftersales franchise to our Peugeot dealership.

  In Eastbourne we have reduced costs whilst enhancing expertise by amalgamating the managements of our Jaguar business with our Land Rover business in Lewes. A similar exercise has also been very successful with our Ford operations in Alton and Haslemere.

- Negotiate with manufacturers to set lower sales and bonus targets.

  In a difficult and declining new car market, manufacturers have taken pragmatic views of the likely market for 2009 and agreed realistically to lower their sales objectives. We believe the new targets make the achievement of bonus payments for us more likely in the financial year to 31 March 2010.

The actions that we have taken are showing results and it is encouraging that we made a small trading profit before non-recurring charges in the final quarter.

Property

In March 2009 we completed on the sale of our site in Hove and cash proceeds of £1.5m were received. Earlier in May 2008 we received cash of £1.075m from the sale of our site in Worthing and the resultant gains have been included as non-recurring items in the period. The cash proceeds have been used to reduce borrowings.

In East Grinstead we continue to work towards a viable scheme for a developer on our vacant site but a further revision to our existing detailed planning approval will be required. In Brighton we have two parties interested in a lease on the major part of our site on the main London Road.

The freehold properties (excluding one site which is classed as an asset held for sale) were revalued at 31 March 2009 at fair value (open market for existing use) by CB Richard Elllis Limited, Chartered Surveyors. The excess of the valuation over the net book value of the properties subject to the valuation as at 31 March 2009 was £4.0m. In accordance with the company's accounting policies, this surplus is not incorporated in the financial statements.

Pensions

The triennial valuation of the company's defined benefit pension scheme is likely to show a deficit of £7.3m following a surplus of £0.4m last time. Conditions governing the sustainability and affordability of defined benefit pension schemes generally have deteriorated in recent years and new taxation proposals announced in the budget are unlikely to materially benefit their performance.

Finance

In March we repaid £3m of term loans ahead of agreeing in May a three year term loan with HSBC amounting to £5m and with NatWest a two year loan of £3m. Overdraft facilities of £10m between the banks have also been agreed. The revised facilities include covenants relating to the level of profitability and the value of our freehold properties. The tests of our performance against these covenants will be calculated quarterly during our financial year 2009–10. As a result of the renegotiation of the facilities, the margins applicable have been amended to reflect current market pricing. The banks have been assigned security over the group's assets subject to the rights of the finance arms of manufacturers.

The major fluctuations in our requirements relate to the funding of car stocks and we were successful in reducing our owned stocks by £7.1m in the year. From a risk perspective, our funding is split between manufacturers through their related finance arms and that funded by ourselves through bank borrowings. Financing for stock other than through bank borrowings is shown in trade creditors in the balance sheet.

Tax

In July 2008 legislation was enacted whereby Industrial Buildings Allowances would be phased out over a three year period. This has resulted in a non-recurring deferred tax charge in the year of £527,000, without which there would have been a total taxation credit of £978,000. However, there will be no material impact on tax payable.

VAT

Along with many other motor dealers, a claim has been lodged with HM Revenue & Customs ("HMRC") in connection with the repayments of VAT received in September 2004 and March 2007. Interest on these repayments was paid on a simple interest basis whereas the company's claim is that it should have been on a compound interest basis. The company's claim is now joined in a group Litigation Order with many claims from other businesses. While the High Court has found in the claimant's favour, it was also held that the limitation period for bringing these particular claims to the High Court ran out in around 2002/03. Leave of appeal has been granted and the directors understand that an appeal is to be lodged. However, there is ongoing VAT tribunal litigation where different time limitation rules apply.

Operational and Business Review

In the event that a claim is successful, any further amount payable to the company would depend upon the rate of interest decided by the courts. In view of the early stage of the legal process, no amount in respect of this claim has been included in these financial statements. If successful, the claim is likely to have a material affect on the company's financial statements. Two other smaller claims have also been lodged with HMRC.

People

In a difficult year during which we have closed three sites and reduced overall staffing levels significantly, we have seen the highest levels of commitment together with positive attitudes and energetic approach to the tasks in hand.

My colleagues and I are most grateful to all employees for their untiring efforts and loyalty which is enabling us to weather the economic crisis.

Operational Strategy

Following the unprecedented downturn in our key market, we quickly adjusted our strategic direction to ensure a return to profitability in the shortest possible time. This was achieved in the final quarter of last year and we have emerged stronger, leaner and better able to achieve sustainable pre-tax profits from a reduced revenue base. This will involve significant enhancements in marketing and operations, including online sales, improved management capabilities and performance, reduced fixed costs and re-balancing of the portfolio of properties and franchises into more cost-effective sites. In the longer term we will seek to grow the business organically and by incremental site and franchise acquisitions while maintaining a prudent level of gearing.

Current Trading and Outlook

We are continuing to make good progress following the encouraging results for the last quarter of our financial year. Trading in April has seen a further improvement in used car sales with a strong aftersales performance. Although new car volumes remain depressed we made a profit in April which was ahead of the prior year's result as a consequence of actions we have taken.

The Budget in April disclosed the extent of the difficulties faced by the UK economy but also included the New Car Scrappage Scheme which, during May, has resulted in improved new car enquiries particularly for smaller cars

Conditions remain very difficult but we are stronger and leaner, with reduced borrowings and tighter control of stocks and operating processes and so better placed to face the challenges ahead.

S G M Caffyn
Chief Executive

29 May 2009

Report of the Directors

The directors present their report and financial statements for the year ended 31 March 2009.

Results and dividends

The results of the group for the year are set out in the financial statements on pages 22 to 58. An interim dividend of 2.0p per share was paid to shareholders on 9 January 2009. The board is recommending a final dividend of 2.0p per share (2008 –17.0p), making a total of 4.0p per share (2008 – 25.0p). Total dividends paid in the year amounted to £547,000. Dividends paid in the year to preference shareholders were £102,000 as set out in note 9 to the financial statements.

Principal activities and business review

Certain information required by the Companies Act 2006 to be included in the Directors' Report is contained in the Operational and Business Review Report on pages 3 to 6. The Operational and Business Review principally covers the development and performance of the business and the external environment. Other requisite disclosures are contained within the Directors' Report, which includes the principal risks and uncertainties affecting the business. The main financial KPIs of the group are turnover, profit before tax, 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 12 to 14. Other specific risk factors are referred to in notes 15 and 17 to the financial statements.

(i) Business conditions and the UK economy

The profitability of the group could be adversely affected by a worsening of general economic conditions in the United Kingdom, where all of its business is transacted, including factors such as interest rates, unemployment, fuel prices, inflation, indirect taxation, the availability and cost of credit and other factors which affect levels of consumer confidence. In the event of an economic downturn similar to that recently experienced, there is likely to be an oversupply of new vehicles leading to reduced margins. Whilst a short-term deterioration in UK economic conditions should not significantly adversely impact profitability in our aftersales business, reduced profits in this area would be likely if a downturn continued for a number of years. An adverse movement in any one or a combination of these factors could have a material negative impact on the group's trading, financial position and prospects.

(ii) Manufacturer sales incentives

A significant proportion of the group's income is generated from manufacturer sales incentive programmes. Vehicle manufacturers incentivise dealers through programmes structured to include a fixed payment once a pre-determined target level of new cars for each manufacturer is registered by a dealership. These targets are fixed for each calendar year and, in recent years, have not been adjusted to reflect declining levels of demand. Dealers then had the option of either registering new vehicles or reducing prices in order to meet sales targets. Decreasing new car prices also adversely affect prices and profit margins for used cars. While recent reductions in sales targets by manufacturers to more readily achievable levels have been made, it is unlikely that the reductions will offset the decline in demand for new cars.

(iii) Used car prices

Used car prices can decline significantly. A large proportion of the group's business comprises used car sales and these declines can have a material impact through reduced profits on sales and write-downs in the value of inventories.

(iv) 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 as our rights to source new vehicle stocks, perform warranty repairs and display vehicle manufacturer trade marks would cease. By representing twelve marques, the group believes that this diversity reduces the potential impact on the group.

(v) Vehicle manufacturer dependencies

The group relies on its manufacturer partners for its revenue and profits. 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. However, in the event that a manufacturer failed, it is inevitable that there would be short-term costs incurred and a loss of revenue while affected branches were refranchised or sold. 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.

(vi) Liquidity and financing
Liquidity and financing risks relate to our ability to pay for goods and services enabling us to trade. Our two principal sources of finance are from our bankers by way of committed borrowing facilities and trade credit from our suppliers. A withdrawal of facilities, or failure to renew them when due, could lead to a significant reduction in the trading ability of the group. The status of the group's renewal of facilities is set out in notes 17 and 31.

(vii) Regulatory Compliance
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.

(viii) 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.

(ix) 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 principal competitive factors are price, customer service and knowledge of a manufacturer's brands and models.

(x) Changes in EU legislation in relation to the distribution and sale of vehicles
The distribution and sale of vehicles is currently regulated by EU competition law contained in the Motor Vehicle Block Exemption Regulation. This Regulation enables the normal competition rules to be varied and allow restricted networks of distributors and repairers to be established. This approach is due to the relatively high value and technical complexity of motor vehicles. Changes to this legislation could adversely affect the group's trading activities. The current regulatory regime expires in 2010 and it is unclear in what form renewal will take place. The final position is unlikely to be known until autumn 2010.

(xi) Pension Scheme
The group operates a defined benefit pension plan which was closed to new entrants in 2006. The plan relies upon achieving satisfactory investment returns sufficient to meet the present value of the accrued liabilities. Reduced investment returns or higher liabilities due to increased mortality rates could adversely affect the surplus or deficit of the scheme and may result in increased cash contributions in future.

Directors

The directors in office at 31 March 2009 are set out below:

Mr S B Birkenhead BSc (Hons) FCMA FID (age 67) joined the board on 1 January 2004 and was appointed chairman on 8 August 2008 on the retirement of Mr Carte. He is currently chairman of Trustees at Serco Pension Schemes. 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 62) joined the board on 1 February 2004. He was finance director of Ricardo plc until 31 December 2006 at which date he retired, having formerly spent 11 years in various financial and commercial roles within the Bowthorpe Group, followed by 13 years in management consulting before joining Ricardo in 1993.

Mr N W Hollingworth BSc (age 57) joined the board on 1 March 2008. He graduated from Birmingham University in 1973 having read chemistry. He is currently group chief executive of Austin Reed Group Limited, formerly Austin Reed plc which de-listed from the London Stock Exchange in January 2007, having formerly held senior management roles within Arcadia Group plc, Etam plc and The Burton Group plc.

Mr S G M Caffyn MA FIMI (age 48) 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 55) joined the board on 17 April 2000. A Chartered Accountant, he was previously finance director of Faupel Trading Group plc for 9 years. Having qualified with Grant Thornton, he joined KPMG. Subsequent commercial appointments were in the property, retail and distribution sectors.

Miss S J Caffyn BSc (Hons) FCIPD AICSA FIMI (age 40) 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 B A Carte retired as chairman of the company on 8 August 2008.

Mr A R Goodburn and Mr M S Harrison are retiring by rotation and, being eligible, offer themselves for re-election.

Appointment and replacement of the company's directors

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

Powers of the company's directors

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

Directors' indemnity and insurance

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

Compensation for loss of office

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

In the event of the chairman's employment with the company being terminated, he is entitled to receive from the company a sum equivalent to six months' salary.

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

Share capital

As at 31 March 2009, the issued share capital of the company comprised ordinary shares of 50p each and three classes of preference share, namely 6.5% Cumulative First Preference Shares of £1 each, 10% Cumulative Preference Shares of £1 each and 6% Cumulative Second Preference Shares of 10p each. Details of the share capital of the company are set out in note 22 to the accounts. The company did not issue any shares during the period under review. The rights and obligations attaching to the company's shares are set out below and in the company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

Rights and obligations attaching to shares

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

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

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

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

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

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

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

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

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

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

A member is entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting. Further details regarding voting at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting. To be effective, paper proxy appointments and voting instructions must be received by the company's registrars no later than 48 hours before a general meeting.

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

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

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

Articles of Association
The company's existing Articles of Association were adopted by special resolution passed on 23 July 2008 and may only be amended by special resolution at a general meeting of the shareholders.

Significant direct or indirect shareholdings
At 27 May 2009, the directors are aware of the following interests in 3% or more of the nominal value of the ordinary share capital:

	Ordinary Shares	%
T & I Limited	203,650	7.07
GAM UK Diversified Fund	195,382	6.79
R J M Caffyn	139,323	4.84
Newfortress Holdings Limited	134,000	4.65
HSBC Republic Bank Suisse SA	128,349	4.46
Caffyns Pension Fund	125,570	4.36
A M Caffyn	108,336	3.76
D J M Caffyn	104,804	3.64
GAM Exempt UK Opportunities Fund	90,000	3.13
M I Caffyn	90,000	3.13

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

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

Charitable and political contributions
Donations to charitable organisations amounted to £5,311. No contributions were made to political organisations.

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

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

Creditors payment policy and practice
It is the company's policy to settle the terms of payment with all its suppliers at the time an order is placed, ensuring that suppliers are aware of the terms of payment and to abide by the agreed terms. At 31 March 2009 the company's outstanding purchase ledger balances represented 31 days' purchases (2008 – 27).

CORPORATE GOVERNANCE

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

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

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

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

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

The Board
The board is responsible for approving the group's policy and strategy. It meets at least eight 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 acquisitions and disposals). The board reviews the strategic direction of individual trading businesses, their annual budgets and their progress towards achievement of those budgets. The board has overall responsibility for corporate governance and policy matters affecting the company's stakeholders, the group's system of internal control, including financial control, and risk management. It also oversees the group's record on health and safety and environmental matters.

In the year ended 31 March 2009 the board met on eleven occasions at which all directors participated apart from Mr B A Carte who did not attend two meetings due to ill health and Miss S J Caffyn who did not attend nine meetings while on maternity leave. 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 S B Birkenhead 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 A R Goodburn as the senior independent non-executive director and Mr N W Hollingworth 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
A R Goodburn (chairman)	N W Hollingworth (chairman)	S B Birkenhead (chairman)
S B Birkenhead	S B Birkenhead	A R Goodburn
N W Hollingworth	A R Goodburn	N W Hollingworth
		S G M Caffyn

The Audit Committee has written terms of reference which include reviewing the annual and interim financial statements before they are approved by the board, and monitoring the internal and external auditing processes. The Committee considers the independence and objectivity of the external auditors and the level of fees payable for both audit and non-audit work. Details of the non-audit related fees are shown in note 3 to the financial statements. The Committee met three times during the year and all members were present, and such meetings are attended, by invitation, by the finance director, the head of the internal audit function and representatives of the company's external auditors, at the chairman's discretion.

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

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

The Remuneration Committee's responsibilities extend to determining both the company's broad policy for executive remuneration and the terms and conditions of employment of the executive directors, including their remuneration. Details of the activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 16 to 19. The Committee met once during the year and all members were present.

The Nominations Committee has written terms of reference including making recommendations to the board concerning the appointment of directors. The Committee met twice during the year with one of the meetings to consider the appointment of chairman of the company. All members of the Committee were present at both meetings.

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

Further significant commitments of the chairman

The external commitments of Mr S B Birkenhead comprises one chairmanship. This other appointment does 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 2009) 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 constructive views of its shareholders and recognises their interest in the group's strategy and performance, board membership and quality of management. The views of major shareholders are reported back to the board as appropriate. The non-executive directors do not normally attend meetings with major shareholders but are available to do so on request. The principal methods of communication with private investors are the Interim Statement, the Annual Report and the Annual General Meeting. Information on the company is also included on its website.

Relations with shareholders (continued)
The Annual General Meeting 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 page 15 and those of the auditors on page 20.

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

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

The board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a regular basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe, customer or supplier actions and regulatory requirements.

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

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

Going concern
The financial statements have been prepared on a going concern basis. As described in the operational and business review, the current economic environment is challenging and the group has reported an operating loss for the year. The directors have adjusted the strategic direction of the company to provide a return to profitability in the shortest possible time.

Information concerning the group's liquidity and financing risk are set out on page 8 of the Director's Report and note 17 to the financial statements. As set out within note 17, since the financial year end the group's banking facilities have been revised. Furthermore, the directors have prepared detailed financial forecasts for the foreseeable future which take into account current trading conditions and expectations for the future, together with the revised operating strategy of the group. These forecasts indicate that the group will be able to operate within the financing facilities that are available to it, with sufficient margin for reasonable adverse movements in expected trading conditions.

Accordingly, the directors are satisfied that the group will have sufficient resources to continue in operational existence for the foreseeable future and 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 reappointment is proposed as set out in the Notice of Annual General Meeting on page 60 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 group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have elected to prepare the company's financial statements under IFRS. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. The directors are required to adopt suitable accounting policies and then apply them consistently, make reasonable and prudent judgements and estimates in the preparation of the financial statements and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The directors also confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

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

In so far as the directors are aware:

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

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

To the best of the directors' knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Property

The company valued its portfolio of freehold premises as at 31 March 2009 but excluded one site which was for sale as at that date. The valuation was carried out by CB Richard Ellis Limited, chartered surveyors, on the basis of existing use value. The excess of the valuation over net book value as at 31 March 2009 was £4.0m. In accordance with the company's accounting policies, this surplus has not been incorporated into the accounts.

Auditors

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

By order of the board
Sarah J Caffyn
Company Secretary

29 May 2009

Directors' Remuneration Report

UNAUDITED INFORMATION

The Remuneration Committee

The Remuneration Committee determines, on behalf of the board, the company's policy on executive directors' remuneration and the individual remuneration packages of executive directors within the framework of this policy. The membership of the remuneration committee comprises two independent non-executive directors, Mr N W Hollingworth (who chairs the Committee) and Mr A R Goodburn, together with the chairman of the company, Mr S B Birkenhead. 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 corporate performance. There are four main elements to the executive directors' remuneration packages:

a) Basic annual salary and benefits in kind

The Committee reviews each executive director's basic salary annually with effect from 1 April in each year. In deciding upon appropriate levels of remuneration, the Committee has regard to rates of pay for similar jobs in comparable companies in the sector as well as internal factors such as performance. Benefits provided include use of a company car and membership of the company's medical insurance scheme. Given the prevailing economic conditions, base salaries of executive directors have not increased with effect from 1 April 2009.

b) Annual bonus

The Committee awards annual bonuses to executive directors based upon the performance of the group in the financial year. The bonuses are set on a tapering scale based upon a break-even result for the year ending 31 March 2010 before tax and non-recurring items, at which 12% bonus is payable, to £1.0m at which 30% bonus of basic annual salary is payable and rising to £3.5m at which 60% bonus is payable. Profit levels are measured after accruing for such bonuses and bonus earned between targets is apportioned on a straight-line basis.

c) Long term bonus

The Committee will be seeking the approval of shareholders at the forthcoming Annual General Meeting for a Long Term Incentive Plan which would give the executives a right to receive shares in the company after a three year performance period ending on 31 March 2012. The performance condition will be stretching and in line with best practice. It is likely that the Committee will set a performance condition based on the growth in adjusted earnings per share over the three year period. The principal term of the rules of the proposed Long Term Incentive Plan will be set out in the notice of the Annual General Meeting and include a two year retention period following vesting. This proposed Long Term Incentive Plan will be used instead of any long term cash bonus arrangement.

d) Pensions

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

Directors' service contracts

Mr S G M Caffyn has a two-year rolling service contract. It is the Remuneration Committee's view that this contract is fully in the company's interest and indeed it would be disadvantageous to the company to seek to revoke this contract in order to enforce a change in the terms. Policy with regard to new contracts entered into with executive directors in the future will take into account all relevant factors, including the need to attract and retain high quality executive talent and the most appropriate balance between length of notice period, remuneration and other aspects of employment contracts. The terms covering compensation for loss of office are set out on page 9.

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 2009		As at 1 April 2008*	
	Ord	**10% Pref**	Ord	10% Pref
S B Birkenhead	**1,500**	**–**	1,500	–
S G M Caffyn	**40,774**	**1,600**	40,774	1,600
M S Harrison	**3,500**	**–**	3,500	–
S J Caffyn	**20,398**	**1,655**	20,398	1,655
A R Goodburn	**1,500**	**–**	1,500	–
N W Hollingworth	**–**	**–**	–	–

* or date of appointment, if later

There were no changes in the directors' shareholdings between 1 April and the date of this report.

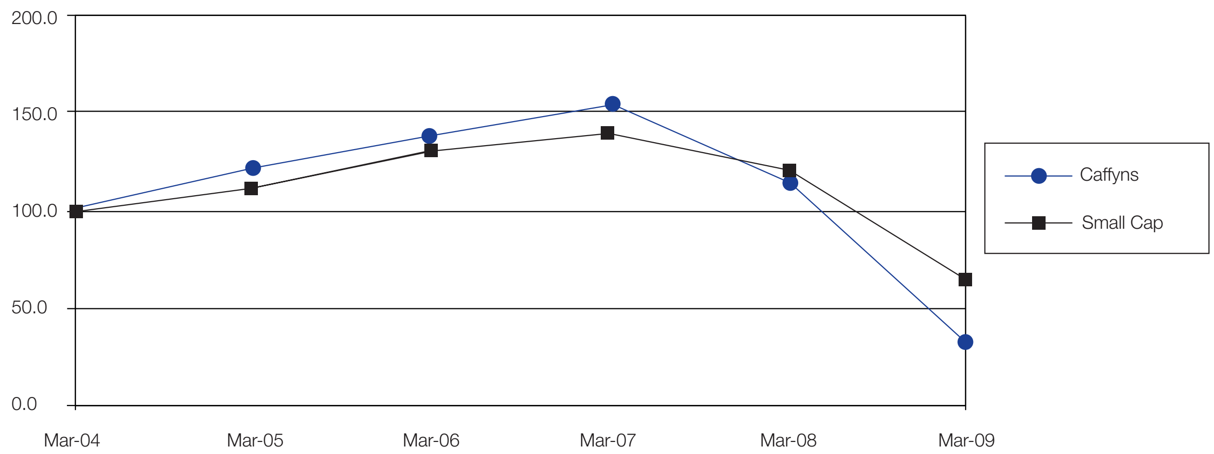
Mr S G M Caffyn and Miss S J Caffyn are directors of Caffyn Family Holdings Limited which owns all of the 2,000,000 6% Cumulative Second Preference Shares which have full voting rights.

The market price of the company's Ordinary Shares at 31 March 2009 was £2.25 and the range of market prices during the year was £2.05 and £7.675.

Share price performance graph

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

Total shareholder return – 31 March 2004 to 31 March 2009



Directors' Remuneration Report

AUDITED INFORMATION

Directors' Emoluments

	Basic salary and fees £'000	Benefits £'000	Sub-total £'000	In lieu of pension contri-butions £'000	**2009 Total £'000**	**2009 Pension £'000**	2008 Total £'000	2008 Pension £'000
Executive directors								
S G M Caffyn	249	14	263	41	**304**	**–**	307	–
M S Harrison	170	8	178	–	**178**	**14**	184	15
S J Caffyn	25	8	33	–	**33**	**7**	111	17
Non-Executive directors								
S B Birkenhead	42	–	42	–	**42**	**–**	19	–
B A Carte	20	–	20	–	**20**	**–**	54	–
A R Goodburn	20	–	20	–	**20**	**–**	19	–
N W Hollingworth	20	–	20	–	**20**	**–**	2	–
	546	30	576	41	**617**	**21**	696	32

Remuneration of non-executive directors

The non-executive directors receive a fee which is agreed by the board, following a recommendation by the executive directors. They currently receive a fee of £19,800 per annum with the exception of the chairmen during the year who received a fee at the rate of £54,500 per annum. The chairman until 8 August 2008, also received a health insurance benefit amounting to £446.

Pensions

Three executive directors are members of the company's pension scheme at the year end (2008 – 3). Executive directors' pensions are provided by the Caffyns Pension Scheme, which provides a pension of a maximum of two-thirds of final salary in respect of benefits accrued up to 31 March 2006. With effect from 1 April 2006, the accrued benefits of these directors will be on a "career average" basis and based upon earnings in each financial year. There is a widow's pension of half the director's pension and a death in service benefit of three times salary.

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

	Additional accrued benefits earned in the year £'000	Total annual accrued pension at 31 March 2009 £'000	Additional accrued benefits earned in the year (excluding inflation) £'000
S G M Caffyn	4	91	5
M S Harrison	3	25	3
S J Caffyn	3	26	3

	Transfer value at 31 March 2009 £'000	Transfer value at 31 March 2008 £'000	Increase in transfer value less directors' contributions £'000
S G M Caffyn	870	879	3
M S Harrison	245	217	14
S J Caffyn	130	118	5

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 pages 8 and 9. 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 2009. Along with other employees who were employed by the company in the year ended 31 March 1991, Mr S G M Caffyn is entitled to retire at age 60 on an unreduced basis. 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.

Nicholas W Hollingworth
Chairman of the Remuneration Committee

29 May 2009

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 2009 which comprise the group and parent company income statement, the group and parent company statements of recognised income and expenses, the group and parent company balance sheets, the group and parent company cash flow statements, principal accounting policies and notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Operational and Business 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.

Report of the Independent Auditors

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 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 and the parent company's affairs as at 31 March 2009 and of the group's and the parent company's loss for the year then ended;

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

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

Grant Thornton UK LLP

Registered Auditors & Chartered Accountants

London

29 May 2009

Income Statement

for the year ended 31 March 2009

Group and company

	Note	Before non-recurring £'000	Non-recurring (note 2) £'000	**2009 £'000**	Before non-recurring £'000	Non-recurring (note 2) £'000	2008 £'000
Revenue		158,109	544	**158,653**	182,029	–	182,029
Cost of sales		(134,173)	(1,194)	**(135,367)**	(154,386)	1,310	(153,076)
Gross profit/(loss)		23,936	(650)	**23,286**	27,643	1,310	28,953
Operating expenses							
Distribution costs		(16,563)	(653)	**(17,216)**	(17,365)	–	(17,365)
Administration expenses		(8,798)	(1,257)	**(10,055)**	(9,885)	(134)	(10,019)
Operating (loss)/profit before other income		(1,425)	(2,560)	**(3,985)**	393	1,176	1,569
Other income – gains on the sale of property		–	428	**428**	–	–	–
Operating (loss)/profit	3	(1,425)	(2,132)	**(3,557)**	393	1,176	1,569
Finance expense	5	(1,177)	–	**(1,177)**	(1,310)	–	(1,310)
Finance income	6	314	–	**314**	720	1,600	2,320
Net finance costs		(863)	–	**(863)**	(590)	1,600	1,010
(Loss)/profit before taxation		(2,288)	(2,132)	**(4,420)**	(197)	2,776	2,579
Income tax credit / (expense)	7	566	(115)	**451**	6	(457)	(451)
(Loss)/profit for the year from continuing operations		(1,722)	(2,247)	**(3,969)**	(191)	2,319	2,128
(Loss)/earnings per share continuing operations							
Basic and diluted	8			**(137.8p)**			73.9p

See accompanying notes to the financial statements

Statement of Recognised Income and Expense

for the year ended 31 March 2009

Group and company	Note	2009 £'000	2008 £'000
Actuarial (loss)/gains recognised	20	**(6,002)**	960
Deferred tax on actuarial loss/(gains)	21	**1,679**	(270)
Income and expense recognised directly in equity		**(4,323)**	690
(Loss)/profit for the year		**(3,969)**	2,128
Total recognised income and expense for the year		**(8,292)**	2,818

See accompanying notes to the financial statements

Balance Sheets

at 31 March 2009

	Note	**Group 2009 £'000**	Group 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
Non-current assets					
Property, plant and equipment	12	**32,176**	32,141	**32,176**	32,141
Goodwill	10	**286**	481	**286**	481
Intangible assets	11	**–**	9	**–**	9
Investment in subsidiaries	13	**–**	–	**250**	250
Retirement benefit obligations	20	**–**	1,864	**–**	1,864
		32,462	34,495	**32,712**	34,745
Current assets					
Inventories	14	**19,095**	27,238	**19,095**	27,238
Trade and other receivables	15	**5,926**	8,837	**5,926**	8,837
Cash and cash equivalents		**32**	29	**32**	29
Non current assets classified as held for sale	12	**564**	990	**564**	990
		25,617	37,094	**25,617**	37,094
Total assets		**58,079**	71,589	**58,329**	71,839
Current liabilities					
Interest bearing loans and borrowings	16	**8,922**	11,196	**8,922**	11,196
Trade and other payables	18	**21,899**	22,801	**22,149**	23,051
Current tax payable		**212**	626	**212**	626
Provisions	19	**–**	27	**–**	27
		31,033	34,650	**31,283**	34,900
Non-current liabilities					
Interest bearing loans and borrowings	16	**6**	3,017	**6**	3,017
Preference shares	22	**1,237**	1,237	**1,237**	1,237
Deferred tax liabilities	21	**784**	2,542	**784**	2,542
Retirement benefit obligations	20	**3,715**	–	**3,715**	–
		5,742	6,796	**5,742**	6,796
Total liabilities		**36,775**	41,446	**37,025**	41,696
Net assets		**21,304**	30,143	**21,304**	30,143
Capital and reserves					
Share capital	22	**1,439**	1,439	**1,439**	1,439
Share premium account	23	**272**	272	**272**	272
Capital redemption reserve	23	**282**	282	**282**	282
Non-distributable reserve	23	**2,901**	3,892	**2,901**	3,892
Retained earnings	23	**16,410**	24,258	**16,410**	24,258
Total equity attributable to shareholders of Caffyns plc		**21,304**	30,143	**21,304**	30,143

The financial statements were approved by the board of directors on 29 May 2009 and were signed on its behalf by:

Brian Birkenhead
Mark S Harrison } Directors

See accompanying notes to the financial statements

Cash Flow Statement

for the year ended 31 March 2009

Group and company	Note	2009 £'000	2008 £'000
Net cash from operating activities	24	**6,499**	(1,597)
Investing activities			
Proceeds on disposal of property, plant and equipment		**2,589**	–
Purchases of property, plant and equipment		**(3,253)**	(2,023)
Net cash used in investing activities		**(664)**	(2,023)
Financing activities			
Repayment of unsecured bank loans		**(3,000)**	–
Dividends paid		**(547)**	(720)
Repayments of obligations under finance leases		**(29)**	(33)
Net cash used in financing activities		**(3,576)**	(753)
Net increase/(decrease) in cash and cash equivalents		**2,259**	(4,373)
Cash and cash equivalents at beginning of year		**(11,135)**	(6,762)
Cash and cash equivalents at end of year		**(8,876)**	(11,135)

	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000
Cash and cash equivalents	**32**	29	35
Overdrafts	**(8,908)**	(11,164)	(6,797)
Net cash and cash equivalents	**(8,876)**	(11,135)	(6,762)

See accompanying notes to the financial statements

Principal Accounting Policies

Basis of preparation and statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), International Financial Reporting Interpretations Committee ("IFRIC") and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis as modified by the fair value accounting of defined benefit pension schemes. The principal accounting policies adopted are set out below. These policies have been consistently applied to the years presented.

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

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

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

The financial statements have been prepared on a going concern basis. As described in the operational and business review, the current economic environment is challenging and the group has reported an operating loss for the year. The directors have adjusted the strategic direction of the company to provide a return to profitability in the shortest possible time.

Information concerning the group's liquidity and financing risk are set out on page 8 of the Director's Report and note 17 to the financial statements. As set out within note 17, since the financial year end the group's banking facilities have been revised. Furthermore, the directors have prepared detailed financial forecasts for the foreseeable future which take into account current trading conditions and expectations for the future, together with the revised operating strategy of the group. These forecasts indicate that the group will be able to operate within the financing facilities that are available to it, with sufficient margin for reasonable adverse movements in expected trading conditions.

Accordingly, the directors are satisfied that the group will have sufficient resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements

Adoption of new and revised standards and new standards and interpretations not yet adopted
The group has adopted the following new standard and interpretation:

IFRIC 13 "Customer Loyalty Programmes" addresses the accounting by entities that operate customer loyalty programmes with their customers which offer free or discounted goods on redemption of credits. IFRIC 13 has had no impact on the financial statements.

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

IFRS 8 'Operating segments' introduces the 'management approach' to segment reporting. This will require the disclosure of segmental information based on the internal reports regularly reviewed by the board in order to assess each segment's performance and allocate resources to them. IFRS 8 becomes effective for the group's 2010 financial statements.

IFRS 8 requires entities to adopt the 'management approach' to reporting the financial performance of its operating segments. The amount of each operating segment item to be reported is the measure reported to the chief operating decision maker, which in some instances will be non-GAAP. IFRS 8 will require the group to provide an explanation of the basis on which the segment information is prepared and reconciliation to the amount recognised in the group's consolidated financial statements. The group is currently assessing the impact of these amendments on its presentation of the financial statements.

Revised IAS 1 ‘Presentation of Financial Statements (2007)’ introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. The new statement of comprehensive income may be presented as either a single statement of comprehensive income, which combines the requirements of the existing income statement and statement of recognised income and expense, or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the group’s 2010 consolidated financial statements, is expected to have an impact on the presentation of the consolidated financial statements. The group has yet to decide on whether to present combined or separate statements.

Amendment to IFRS 2 ‘Share-based Payment – Vesting Conditions and Cancellations’ clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant date fair value and provides the account treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the group’s 2010 consolidated financial statements, with retrospective application. The group has yet to determine the potential effect of the amendment.

IAS 23 “Revised Borrowing costs” removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the construction or production of a qualifying asset as a cost of that asset. The group has not applied this standard in this financial year as the impact is considered immaterial but the company will apply IAS 23 (as amended) from 1 April 2009.

IFRIC 14 “IAS 19 The Limit on a Defined Benefit Asset”, Minimum Funding Requirements and their Interaction” clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when MFR may give rise to a liability. This interpretation does not have any impact on the group’s financial statements.

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

IFRIC 12 ‘Service Concession Arrangements’ provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. There will be no impact upon the financial statements.

IFRIC 16 ‘Hedges of a Net Investment in a Foreign Operation’. There will be no impact upon the financial statements.

Amendments to IAS 32 ‘Financial Instruments: Presentation’ and IAS 1 ‘Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation’ requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another on a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the group’s 2010 consolidated financial statements are not expected to have any impact on the consolidated financial statements.

Revised IFRS 3 ‘Business Combinations (2008)’ incorporates certain changes that amend the group’s current accounting policies in respect of business combinations, the main change being that transaction costs, other than share and debt issue costs, will be expensed as incurred. Revised IFRS 3 becomes mandatory for the group’s 2010 consolidated financial statements and will be applied prospectively.

Amendment to IAS 27 ‘Consolidated and Separate Financial Statements (2008)’ addresses changes in ownership interests in subsidiaries by the group. The amendments to IAS 27 become mandatory for the group’s 2010 consolidated financial statements.

Amendment to IAS 39 ‘Financial Instruments: Recognition and Measurement’ permits reclassification of non-derivative financial assets out of the fair value through profit or loss category in particular circumstances. This amendment is not expected to have a significant impact on the consolidated financial statements.

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

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

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

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

Acquisition
On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or 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 or arises from contractual or other legal rights 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 income statement and is not subsequently reversed. Gains and losses on subsequent disposal of the assets acquired include any related goodwill.

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

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

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

Non-recurring items
Non-recurring items are those items that are unusual because of their size, nature or incidence. The group's management consider that these items should be disclosed separately to enable a full understanding of the group's operating results.

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 before finance costs.

Retirement benefit costs
The group operates a defined benefit pension plan and a defined contribution plan, for its employees funded jointly by contributions from the company and employees, the assets of which are held in independent trustee administered funds. The defined benefit pension plan assets are measured at fair value. The associated plan liabilities are discounted at high quality corporate bond rates that have terms to maturity approximating to the term of the related liability.

Pension accounting costs for the defined benefit plan is determined using the projected unit credit method after including a credit for the expected return on plan assets. Under the method, in accordance with the advice of qualified actuaries, the amounts charged in respect of employee benefits reflect the cost of benefits accruing in the year and the cost of financing accrued benefits. Actuarial gains and losses are recognised in full in the period in which they occur and presented in the Statement of Recognised Income and Expense.

The present value of pension obligations is measured by reference to market yields on high quality corporate bonds which have terms to maturity approximating to the terms of the related pension liability. Plan assets are measured at fair value. When the calculation results in a benefit to the group, the recognised asset is limited to the total value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme. An economic benefit is available to the group if it is realisable during the life of the scheme, or on settlement of the scheme liabilities. If there is an obligation for the company to pay deficit funding, this is also recognised.

A defined contribution plan is one under which the group pays fixed contributions and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due.

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.

The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually.

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. Cost represents the purchase price plus any additional costs incurred.

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

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

Trade receivables

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

Cash and cash equivalents

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

Investments in subsidiary undertakings

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

Financial liabilities

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

Interest-bearing borrowings

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

Trade payables

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

Equity

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

Share premium includes any premium received on the sale of shares. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any income tax benefits.

The non-distributable reserve within equity is a revaluation reserve which comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings includes all current and prior period retained profits.

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

Preference shares

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

Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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.

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

1. General information

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

	2009 £'000	2008 £'000
Sale of goods	**143,216**	166,602
Rendering of services	**15,437**	15,427
	158,653	182,029

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

2. Non-recurring items

	2009 £'000	2008 £'000
Within operating expenses:		
VAT refund (net of costs) on demonstrator vehicle bonuses in the period 1973 to 1997	**–**	1,310
Impairment of property, plant and equipment	**(660)**	–
Net profit on disposal of property, plant and equipment	**428**	–
Goodwill impairment	**(195)**	–
Losses incurred on closed businesses	**(754)**	(134)
Inventory write down	**(496)**	–
Redundancy costs	**(455)**	–
	(2,132)	1,176
Interest received on VAT refund	**–**	1,600
Total non-recurring items before taxation	**(2,132)**	2,776
Income tax expense – Deferred tax in respect of withdrawal of Industrial Buildings Allowances	**(527)**	–
– Tax credit/(charge) on non-recurring items	**412**	(457)
	(115)	(457)
Total after tax	**(2,247)**	2,319

The following amounts have been presented as non-recurring items in these financial statements:

Property, plant and equipment have been reviewed for possible impairment in the light of economic conditions, in particular the fall in commercial property prices. As a result of this review, an impairment charge of £660,000 has been recognised against property, plant and equipment (2008 – nil).

Goodwill impaired during the year in the light of economic conditions was £195,000 (2008 – nil).

2. Non-recurring items (continued)

The net profit on the disposal of property, plant and equipment relates to the profit on sale of two freehold properties sold in the year less the loss on disposal of certain plant and equipment.

Losses incurred in the closure of businesses amounted to £754,000 (2008 – £134,000). These costs include wind down expenses and redundancy costs. Losses of branches up to the date of closure included in operating results before non-recurring items were £437,000.

The values of used cars fell at an unprecedented rate, particularly between July and November 2008, and used car stock suffered an exceptional loss in value compared to its cost. This fall in value is not expected to recur. A stock provision of £496,000 has therefore been recognised in respect of these issues and presented as a non-recurring item.

The group undertook a programme of redundancies in its core business consequent to the current economic situation, resulting in non-recurring payments of £455,000 (2008 – nil).

In July 2008, legislation was enacted whereby Industrial Buildings Allowances will be phased out over a three year period. This results in a non-recurring deferred tax charge in the year of £527,000. There will be no material impact on tax payable.

The 2008 comparative has been disclosed as a non-recurring cost this year to ensure consistent presentation.

3. Operating profit

Operating (loss)/profit has been arrived at after charging/(crediting):	**2009**	2008
	£'000	£'000
Employee benefit expense (see note 4)	**18,725**	19,263
Amortisation of intangible assets	**9**	22
Impairment of property, plant and equipment	**660**	–
Depreciation of property plant and equipment		
– owned assets	**1,395**	1,440
– under finance leases	**24**	24
(Profit)/loss on disposal of property, plant and equipment	**(428)**	28
Impairment of goodwill	**195**	–
Operating lease rentals payable		
– land and buildings	**525**	564
– plant and machinery	**39**	43
Operating lease rentals receivable		
– land and buildings	**45**	41

Operating (loss)/profit has been arrived at after charging:	**2009**	2008
	£'000	£'000
Auditors' remuneration		
– Fees payable to the company's auditor for the audit of the company's annual accounts	**59**	59
– Fees payable to the company's auditor and its associates for other services		
– Other services pursuant to legislation – Interim review	**8**	8
– Tax services (including compliance and VAT advice in respect of refund)	**34**	78
– Fees in respect of the audit of the Caffyns plc Pension Scheme	**7**	7
– Other services	**1**	1
	109	153

3. Operating profit (continued)

IFRS 8 "Operating segments" introduced the "management approach" to segment reporting. Although IFRS 8 becomes effective for the group's 2010 financial statements, the allocation of costs against gross profit has been reviewed. The disclosed amounts for gross profit and operating expenses have consequently been changed to reflect more closely those figures included in the company's management accounts. The comparative figures have been altered accordingly by transferring £3,965,000 of costs from cost of sales to distribution costs, which increased by £1,174,000, and administrative expenses which increased by £2,791,000. The operating result is unchanged.

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

4. Employee benefit expense

The average number of people employed by the group in the following areas was:

	2009	2008
	£'000	£'000
Sales	**150**	162
Aftersales	**411**	447
Administration	**137**	149
	698	758

	2009	2008
Employee benefit expense during the year amounted to:	**£'000**	£'000
Wages and salaries	**16,357**	17,638
Social security costs	**1,507**	1,602
Redundancy costs	**748**	–
Contributions to defined contribution plans	**36**	23
Other pension costs (see note 20)	**77**	–
	18,725	19,263

	2009	2008
Directors' emoluments were:	**£'000**	£'000
Emoluments	**617**	696
Pension contributions	**21**	32
Pension to widow of former director	**19**	18
	657	746

Details of the directors' remuneration and pension contributions are provided in the Directors' Remuneration Report on pages 16 to 19.

5. Finance expense

	2009 £'000	2008 £'000
Interest payable on bank borrowings	**746**	823
Vehicle stocking plan interest	**322**	378
Interest payable on finance leases	**7**	7
Preference dividends (see note 9)	**102**	102
Finance expense	**1,177**	1,310

6. Finance income

	2009 £'000	2008 £'000
Defined benefit pension scheme net finance income (see note 20)	**301**	720
Interest receivable	**13**	–
	314	720
Non-recurring – interest on VAT refund (see note 2)	**–**	1,600

7. Tax

	2009 £'000	2008 £'000
Current tax		
UK corporation tax	**(650)**	650
Advance corporation tax recovered	**253**	(253)
Total	**(397)**	397
Deferred tax (see note 21)		
Origination and reversal of temporary differences	**(581)**	408
Adjustment recognised in the period due to change in rate of corporation tax	**–**	(219)
Adjustments recognised in the period for deferred tax of prior periods	**–**	(135)
Total	**(581)**	54
Non-recurring – adjustment due to abolition of Industrial Buildings Allowances	**527**	–
Total	**(54)**	54
Total tax (credited)/charged in the Income Statement	**(451)**	451
The tax (credit)/charge arises as follows:		
On normal trading	**(566)**	(6)
Non-recurring (see note 2)	**115**	457
	(451)	451

7. Tax (continued)

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

	2009 £'000	2008 £'000
(Loss)/profit before tax	**(4,420)**	2,579
Tax at the UK corporation tax rate of 28% (2008 – 30%)	**(1,238)**	776
Tax effect of expenses that are not deductible in determining taxable profit	**260**	29
Adjustment due to abolition of Industrial Buildings Allowances	**527**	–
Change in rate of corporation tax from 30% to 28%	**–**	(219)
Adjustments to tax charge in respect of prior years	**–**	(135)
Tax (credit)/expense for the year	**(451)**	451

The total tax (credit)/charge for the year is made up as follows:

	2009 £'000	2008 £'000
Total current tax (credit)/charge	**(397)**	397
Deferred tax (credit)/charge		
(Credited)/charged in Income Statement	**(54)**	54
(Credited)/charged against equity	**(1,679)**	270
Total deferred tax (credit)/charge	**(1,733)**	324
Total tax (credit)/charge for the year	**(2,130)**	721

Factors affecting the future tax charge

The corporation tax applicable to the company changed from 30% to 28% with effect from 1 April 2008. The company has unrelieved advance corporation tax of approximately £1.1m (2008 – £0.9) which is available to be utilised against future mainstream corporation tax liabilities and is accounted for in deferred tax (see note 21).

The tax (credit)/charge is decreased/increased by non-deductible expenses including the impairment of property, plant and equipment and non-qualifying depreciation.

8. Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share would be based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares. At both year ends there were no unissued shares, so the diluted earnings per share are the same as the basic earnings.

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

	Adjusted		Basic	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
(Loss)/profit before tax	**(4,420)**	2,579	**(4,420)**	2,579
Adjustments:				
Non-recurring items (note 2)	**2,132**	(2,776)	**–**	–
Adjusted (loss)/profit before tax	**(2,288)**	(197)	**(4,420)**	2,579
Taxation	**566**	6	**451**	(451)
Earnings	**(1,722)**	(191)	**(3,969)**	2,128
Adjusted earnings per share	**(59.8p)**	(6.7p)		
Basic earnings per share			**(137.8p)**	73.9p

The number of fully paid ordinary shares in issue during both years was 2,879,298.

9. Dividends

	2009	2008
Paid	**£'000**	£'000
Preference		
6.5% Cumulative First Preference	**25**	25
10% Cumulative Preference	**65**	65
6.0% Cumulative Second Preference	**12**	12
Included in finance costs (see note 5)	**102**	102
Ordinary		
Interim dividend paid in respect of the current year of 2.0p (2008 – 8.0p)	**58**	231
Final dividend paid in respect of the previous year of 17.0p (2008 – 17.0p)	**489**	489
	547	720

Proposed

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2009 of 2.0p per share which will absorb £58,000 of shareholders' funds (2008 – 17.0p per share absorbing £489,000). The proposed final dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

10. Goodwill

Group and company	2009 £'000	2008 £'000
Cost		
At 31 March	**481**	481
Provision for impairment		
At 1 April	**–**	–
Impairment	**195**	–
At 31 March	**195**	–
Carrying amounts:		
Volkswagen, Brighton	**200**	200
Audi, Eastbourne	**86**	86
Skoda, Tonbridge	**–**	120
Vauxhall, Tunbridge Wells	**–**	75
At 31 March	**286**	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 2009/10, extrapolated over an additional four years assuming no growth, 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. A pre-tax discount rate of 4% was applied in determining the recoverable amount of the units which the group has estimated to be the approximate weighted average cost of capital to the group. Based on these projections, adopting a discount rate of 5% would not give rise to any further impairment in respect of these three dealerships.

At each half-year end the directors have reviewed the goodwill for possible impairment and concluded that an impairment provision of £195,000 is required in the year ended 31 March 2009 and is recognised within operating expenses in the income statement.

11. Intangible assets

Group and company	Contractual rights 2009 £'000	 2008 £'000
Cost		
At 31 March 2009 and 31 March 2008	**90**	90
Amortisation		
At 1 April	**81**	59
Charged in year	**9**	22
At 31 March	**90**	81
Carrying amounts		
At 31 March	**–**	9

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

12. Property, plant and equipment

	Freehold property £'000	Leasehold property £'000	Fixtures & fittings £'000	Plant & machinery £'000	Total £'000
Group and company					
Cost or deemed cost					
At 1 April 2007	28,318	206	5,151	5,947	39,622
Additions at cost	895	35	652	441	2,023
Disposals	–	–	(62)	(150)	(212)
At 31 March 2008	29,213	241	5,741	6,238	41,433
At 1 April 2008	29,213	241	5,741	6,238	41,433
Additions at cost	2,510	78	264	401	3,253
Disposals	(1,076)	–	(341)	(173)	(1,590)
At 31 March 2009	**30,647**	**319**	**5,664**	**6,466**	**43,096**
Depreciation					
At 1 April 2007	1,352	111	2,658	3,891	8,012
Charge for the year	278	22	709	455	1,464
Disposals	–	–	(50)	(134)	(184)
At 31 March 2008	1,630	133	3,317	4,212	9,292
Depreciation					
At 1 April 2008	1,630	133	3,317	4,212	9,292
Charge for the year	274	29	697	419	1,419
Impairment provisions	359	47	254	–	660
Disposals	(27)	–	(264)	(160)	(451)
At 31 March 2009	**2,236**	**209**	**4,004**	**4,471**	**10,920**
Net book amount					
At 31 March 2009	**28,411**	**110**	**1,660**	**1,995**	**32,176**
At 31 March 2008	27,583	108	2,424	2,026	32,141
At 31 March 2007	26,966	95	2,493	2,056	31,610

Short term leasehold property comprised £110,000 at net book value at the balance sheet date (2008 – £108,000) in both the company and the group.

One freehold property held for sale at 31 March 2009 with a net book value of £564,000 fulfilled the conditions to be re-classified as non-current assets held for sale (2008 – two freehold properties with a net book value of £990,000).

Valuations

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

12. Property, plant and equipment (continued)

Freehold property is included as follows:

	Group and company	
	2009	2008
	£'000	£'000
Valuation – March 1995	**10,369**	12,051
At cost	**18,042**	15,532
Deemed cost, less depreciation at the year end	**28,411**	27,583
At historic cost (including property qualifying as non-current asset held for resale)	**26,074**	24,890

The freehold properties (excluding one site which is classed as an asset held for sale) were revalued at 31 March 2009 at fair value (open market for existing use) by CB Richard Elllis Limited, Chartered Surveyors. The excess of the valuation over the net book value of the properties subject to the valuation as at 31 March 2009 was £4.0m. In accordance with the company's accounting policies, this surplus is not incorporated in these accounts.

Depreciation is being charged on the value of freehold buildings of £16,650,000 (2008 – £15,238,000), the balance relating to freehold land which is not depreciated.

Impairment

For the purposes of impairment testing of property, plant and equipment the directors recognise the group's Cash Generating Units ("CGU") to be individual motor dealerships. Where the CGU's carrying value was not supported by the realisable value of the associated property, the recoverable amount of each CGU's property, plant and equipment is based on value in use using board approved budgeted projections for 2009/10, extrapolated over an additional four years assuming no growth, 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. A pre-tax discount rate of 4% was applied in determining the recoverable amount of the units which the group has estimated to be the approximate weighted average cost of capital to the group.

The impairment provisions in the year ended 31 March 2009 related to the following premises:	£'000
Audi, Worthing – freehold property	359
Skoda, Tonbridge – short leasehold and fixtures and fittings	301
	660

Following the closure of the Vauxhall dealership in a site in Tonbridge the Skoda dealership, which had formerly operated in Tunbridge Wells, was relocated to the vacant Tonbridge site.

Assets held under finance leases

Group and company

	Plant & Machinery £'000
Net book amount	
At 31 March 2009	**20**
Net book amount	
At 31 March 2008	41

Future capital expenditure which has been contracted for but not yet provided in the financial statements amounted to £Nil (2008 – £1,107,000).

13. Investments in subsidiaries

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

	Company
	£'000
Cost	
At 31 March 2009 and at 31 March 2008	476
Provision	
At 31 March 2009 and at 31 March 2008	226
Net book amounts	
At 31 March 2009 and at 31 March 2008	**250**

14. Inventories

	2009	2008
	£'000	£'000
Group and company		
Vehicles	**10,672**	17,522
Vehicles on consignment	**7,084**	8,157
Petrol, oil, spare parts and materials	**1,332**	1,544
Work in progress	**7**	15
	19,095	27,238
Inventories recognised as an expense during the year	**132,863**	156,800
Inventories stated at fair value less costs to sell	**1,261**	1,442
Carrying value of inventories subject to retention of title clauses	**13,143**	9,557

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.

The values of used cars fell at a dramatic rate, particularly between July and November 2008, and used car stock suffered an exceptional loss in value compared to its realisable value. The fall in value is unprecedented and is not expected to recur. A stock provision of £496,000 has therefore been recognised in respect of these issues and presented as a non-recurring item.

During the year £57,000 was recognised in respect of the write down of vehicle parts inventories due to general obsolescence (2008 – £11,000).

15. Trade and other receivables

	2009 £'000	2008 £'000
Group and company		
Trade receivables	**5,284**	7,395
Allowance for doubtful debts	**(64)**	(98)
	5,220	7,297
Other receivables	**706**	1,540
	5,926	8,837

All amounts are due within one year.

The group makes an impairment provision for all debts that are considered unlikely to be collected. At 31 March 2009 trade receivables are shown net of an allowance for impairment of £64,000 (2008 – £99,000). The credit recognised for the release of impairment provisions during the year was £34,000 (2008 – impairment losses, expense of £162,000).

Trade receivables have been classified as loan and receivables under IAS 39.

	2009 £'000	2008 £'000
The ageing of trade receivables at the reporting date was:		
Not past due	**4,748**	6,388
Past due 0-30 days	**356**	447
Past due 31-120 days	**116**	462
	5,220	7,297

	2009 £'000	2008 £'000
The movement in the allowance for impairment during the year was:		
Balance at 1 April	**98**	82
(Credit)/expense recognised	**(34)**	162
Utilisation	**–**	(146)
Balance at 31 March	**64**	98

All amounts are due within one year.

Credit Risk

The company's principal financial assets are bank balances and cash, trade 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. The group has no customer that represents more than 5% of the total balance of trade receivables.

16. Interest bearing loans and borrowings

	2009 £'000	2008 £'000
Group and company		
Current liabilities		
Unsecured bank overdrafts	**8,908**	11,164
Finance lease liabilities (see note 27)	**14**	32
	8,922	11,196
Non-current liabilities		
Unsecured bank loans	**–**	3,000
Finance lease liabilities (see note 27)	**6**	17
	6	3,017

Note 17 sets out the maturity profile of non-current liabilities.

The bank loans of £3.0m were repaid in the year in advance of a renegotiation of facility levels, details of which are set out in note 17.

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

17. Financial instruments and derivatives

The group utilises financial instruments such as bank loans and overdrafts and new and used vehicle stocking loans in order to finance its operations and to manage the interest rate and liquidity risks that arise from those operations and from its sources of finance.

	2009		2008	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Fair value of financial assets and liabilities				
Primary financial instruments held or issued to finance the group's operations:				
Short-term borrowings (note 16)	**(8,922)**	**(8,922)**	(14,213)	(14,213)
Trade and other payables (note 18)	**(21,899)**	**(21,899)**	22,801	22,801
Trade receivables (note 15)	**5,220**	**5,220**	7,297	7,297
Cash at bank and in hand	**32**	**32**	29	29
Preference share capital (note 22)	**1,237**	**1,237**	1,237	1,237

Financial risk management

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

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

Due to significant changes in the economic environment experienced during the year, the group increased its focus on managing credit and liquidity risk. The main actions the group has taken have been to reduce stocks of vehicles and focus on working capital management. The group's quantitative exposure to these risks is explained throughout these financial statements whilst the group's objectives and management of these risks is set out below.

17. Financial instruments and derivatives (continued)

Capital management

The board's policy is to maintain a strong capital base to maintain market confidence and safeguard the group's ability to continue as a going concern whilst maximising the return on capital to the group's shareholders. The group monitors its capital through closely monitoring and reviewing its cash flows. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to holders of ordinary shares, return capital to shareholders, issue new shares or sell assets to reduce debt. Capital requirements imposed externally by the group's bankers are that bank borrowings should not exceed 80% of the current value of the group's freehold properties. After tax return on equity for the year was (18.6 %) (2008 – 7.1%).

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

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

Treasury policy and procedures

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

Funding and liquidity management

The group finances its operations through a mixture of retained profits and borrowings from banks, vehicle stocking credit lines and operating cash flow. The group's policy is to maintain a balance between committed and uncommitted facilities and between term loans and overdrafts. Facilities are maintained at levels in excess of planned requirements and at 31 March 2009 the group had undrawn floating rate borrowing facilities of £9.1m (2008 – £6.5m) represented by overdrafts which would be repayable on demand.

Interest rate management

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

Interest rate risk sensitivity analysis

As all of the group's borrowings and vehicle stocking credit lines are floating rate instruments, they therefore have a sensitivity to changes in market rates of interest. The effect of a 100 basis points change in interest rates for floating rate instruments outstanding at the period end on the assumption that the instruments at the period end were outstanding for the entire period, would change interest charges by £89,000 (2008 – £100,000) before tax relief.

Credit risk management

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

These objectives, policies and strategies are consistent with those applied in the previous year.

17. Financial instruments and derivatives (continued)

Cash and cash equivalents

	Carrying value & fair value 2009 £'000	Carrying value & fair value 2008 £'000
Bank balances and cash equivalents	**32**	29

Borrowings

All borrowings are denominated in sterling. The effective interest rates for all borrowings are based on bank base rates. Finance leases are effectively held at fixed rates of interest with a weighted average of 6.81%. Information regarding classification of balances and interest, the range of interest rates applied in the year to 31 March 2009 is set out in the following table:

	Carrying value & fair value £'000	Classification	Interest classification	Interest rate range
Current:- within one year or on demand				
Bank borrowings	**8,908**	Amortised cost	Floating	2.0% – 6.25%

	Carrying value £'000	Classification	Interest classification	Interest rate range
Not repayable within one year				
Preference share capital	**1,237**	Amortised cost	Fixed	6.0% to 10.0%

The maturity of non-current borrowings is as follows:

	2009 £'000	2008 £'000
Between 1 and 2 years	**–**	3,140
Between 2 and 5 years	**–**	–
Over 5 years	**1,237**	1,237
	1,237	4,377

Post balance sheet events

Since the financial year end, the group's bank facilities have been revised in that £18.0m of overdraft facilities available at 31 March 2009 have since been changed to £10.0m and revolving credit facilities of £8.0m put in place. The average margin applying to the overdraft facilities is 3.05% over bank base rate and 3.1% over 3 month LIBOR in respect of the revolving credit facilities. The new facilities are subject to covenants with respect to debt/freehold property, trading results against budget and facility reduction based upon 50% of free cash flow. The group has granted security over certain of its assets not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks. The balance sheet value of those assets at 31 March 2009 was £42.9m. Restructuring and professional fees consequent to this restructuring are estimated to amount to 1.6% of the facilities during the year ending 31 March 2010.

18. Trade and other payables

	2009 £'000	2008 £'000
Trade payables	**10,652**	11,978
Obligations relating to consignment stock	**7,084**	8,157
Manufacturer funding	**1,538**	–
Social security and other taxes	**1,034**	949
Preference dividends payable	**51**	51
Accruals	**1,467**	1,597
Other creditors	**73**	69
Group total	**21,899**	22,801
Amounts owed to group undertakings	**250**	250
Company total	**22,149**	23,051

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2008 – 27 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. From a risk perspective, our funding is split between manufacturers through their related finance arms and that funded by ourselves through bank borrowings. Financing for used car stock other than through bank borrowings is shown above as manufacturer funding.

19. Short term provisions

Group and company

	2009 £'000	2008 £'000
At 1 April	**27**	225
Transfer to income statement	**(27)**	(198)
At 31 March	**–**	27

20. Retirement benefit scheme

Defined Benefit Pension Scheme

Group and company

Description of scheme

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

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

The assets of the CPS 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 last actuarial valuation as at 31 March 2005 showed that the market value of the CPS assets was £66.6m and that the actuarial value of those assets represented 101% of the value of the benefits that had accrued to employees at that date. While the actuarial valuation as at 31 March 2008 has not yet been finalised, the market value of the CPS assets was £72.9m and that the estimated actuarial value of those assets represented 91% of the value of the benefits that had accrued to employees at that date. The deficit arising of £7.3m compares to a surplus under IAS 19 due to different assumptions being adopted for the triennial valuation.

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuations carried out at 31 March 2005 were updated to 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 respectively by Watson Wyatt, qualified independent actuaries, for the requirements of IAS 19. Details are set out below:

	2009	2008	2007	2006	2005
IAS 19 assumptions	%	%	%	%	%
Rate of increase in salaries	**2.80**	4.00	3.50	4.55	4.50
Rate of increase for pensions in payment:					
Pension accrued before 1 April 2006	**2.70**	3.40	3.00	2.80	2.75
Pension accrued after 1 April 2006	**2.40**	2.40	2.50	–	–
Discount rate	**6.80**	6.70	5.40	5.10	5.55
Inflation	**2.80**	3.50	3.00	2.80	2.75
Expected return on scheme assets	**6.33**	6.90	6.27	6.14	6.55
Rate of increase for deferred pensioners	**2.80**	3.50	3.00	2.80	2.75

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

	Expected return		Fair value of assets	
	2009	2008	**2009**	2008
	%	%	**£'000**	£'000
Equity instruments	**8.60**	8.60	**26,250**	36,789
Bonds	**5.90**	6.88	**5,249**	6,345
Gilts	**3.76**	4.54	**21,226**	26,495
Property	**5.90**	6.88	**1,975**	2,878
Other assets	**3.80**	–	**161**	–
	6.33	6.90	**54,861**	72,507

20. Retirement benefit scheme (continued)

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

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

The assumptions used by the actuary are the best estimates based on market conditions chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The IAS assumptions have been updated at 31 March 2009 and differ from those used for the earlier independent statutory actuarial valuation explained above.

Mortality assumptions

Life expectancy at age 65 (in years):	**2009**	**2009**	2008	2008	2007	2007	2006	2006
	Male	**Female**	Male	Female	Male	Female	Male	Female
Member currently aged 65	**22.0**	**24.9**	20.9	23.8	20.9	23.8	19.0	22.1
Member currently aged 45	**23.1**	**25.9**	22.1	25.0	22.1	25.0	20.8	23.9

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

Scheme assets and liabilities

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	**54,861**	72,507	77,955	76,746	66,260
Present value of defined benefit obligations	**(58,576)**	(70,643)	(77,611)	(79,936)	(69,554)
Asset/(liability) recognised in the balance sheet	**(3,715)**	1,864	344	(3,190)	(3,294)

An asset is included in the balance sheet as the scheme rules entitle the company to offset a scheme asset against future funding. A liability is included in the balance sheet under non-current liabilities.

Analysis of the movement in the net asset/(liability) for defined benefit obligations recognised in the balance sheet

	2009	2008
	£'000	£'000
At 1 April	**1,864**	344
Expense recognised in the income statement	**(77)**	–
Contributions received	**500**	560
Net actuarial (losses)/gains recognised in equity	**(6,002)**	960
At 31 March	**(3,715)**	1,864

The actual return on scheme assets was a loss of £15,117,000 (2008 – loss of £3,472,000).

20. Retirement benefit scheme (continued)

Total expense recognised in income statement

	2009 £'000	2008 £'000
Interest cost	4,615	4,107
Expected return on scheme assets	(4,916)	(4,827)
Interest – net (see note 6)	(301)	(720)
Current service cost	378	720
	77	–

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

	2009 £'000	2008 £'000
Net finance income:		
Finance costs	4,615	4,107
Finance income	(4,916)	(4,827)
	(301)	(720)
Administrative expenses	378	720
Total included within staff costs (note 4)	77	–

Cumulative actuarial gains and losses recognised in equity

	2009 £'000	2008 £'000
At 1 April	3,847	2,887
Net actuarial (losses)/gains recognised in the year	(6,002)	960
At 31 March	(2,155)	3,847

The company expects to contribute £402,000 to its pension scheme in the year ending 31 March 2010.

Amounts recognised in the statement of recognised income and expense

	2009 £'000	2008 £'000
Difference between actual and expected return on scheme assets	(20,033)	(8,299)
Changes in assumptions underlying the present value of scheme obligations	14,031	9,259
	(6,002)	960

20. Retirement benefit scheme (continued)

Changes in the present value of defined benefit obligation

	2009 £'000	2008 £'000
At 1 April	**70,643**	77,611
Service cost	**378**	720
Interest cost	**4,615**	4,107
Contributions from scheme members	**500**	561
Actuarial gains and losses	**(14,031)**	(9,259)
Benefits paid	**(3,529)**	(3,097)
At 31 March	**58,576**	70,643

Movement in the fair value of scheme assets

	2009 £'000	2008 £'000
At 1 April	**72,507**	77,955
Expected return on scheme assets	**4,916**	4,827
Actuarial gains and losses	**(20,033)**	(8,299)
Contributions from the company	**500**	560
Contributions from scheme members	**500**	561
Benefits paid	**(3,529)**	(3,097)
At 31 March	**54,861**	72,507

The best estimate of contributions payable by the group in the year ending 31 March 2010 is £402,000.

History of experience adjustments

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Experience adjustments on scheme liabilities					
Amount	**(4,107)**	–	–	1,259	304
Percentage of scheme liabilities	**(7.0%)**	–	–	1.6%	0.4%
Experience adjustments on scheme assets					
Amount	**20,033**	8,299	1,604	(6,821)	(2,359)
Percentage of scheme assets	**36.6%**	11.5%	2.1%	(8.9%)	(3.6%)

21. Deferred tax

Group and company

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

	Accelerated tax depreciation £'000	Unrealised capital gains £'000	Retirement benefit obligations £'000	Losses £'000	Goodwill & provisions £'000	Recoverable ACT £'000	Total £'000
At 1 April 2007	(1,023)	(2,220)	(103)	–	(10)	1,138	(2,218)
(Charge)/credit to income	(90)	90	(154)	–	–	(254)	(408)
Adjustment due to change in rate of corporation tax	68	145	5	–	1	–	219
Prior year adjustments	17	118	–	–	–	–	135
Transfer to the SORIE	–	–	(270)	–	–	–	(270)
At 31 March 2008	(1,028)	(1,867)	(522)	–	(9)	884	(2,542)
At 1 April 2008	(1,028)	(1,867)	(522)	–	(9)	884	(2,542)
(Charge)/credit to income	59	89	(117)	287	9	254	581
Adjustment due to abolition of Industrial Buildings Allowances	(527)	–	–	–	–	–	(527)
Prior year adjustments	–	25	–	–	–	–	25
Transfer to the SORIE	–	–	1,679	–	–	–	1,679
At 31 March 2009	**(1,496)**	**(1,753)**	**1,040**	**287**	**–**	**1,138**	**(784)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and it is considered that this requirement is fulfilled. The offset amounts are as follows:

	2009 £'000	2008 £'000
Deferred tax liabilities	**(3,249)**	(3,447)
Deferred tax assets	**2,465**	905
	(784)	(2,542)

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.

Taxable trading losses amounting to £1.0m are available for use in future periods.

22. Called up share capital

	2009 £'000	2008 £'000
Authorised		
500,000 6.5% Cumulative First Preference Shares of £1 each	**500**	500
1,250,000 10% Cumulative Preference Shares of £1 each	**1,250**	1,250
3,000,000 6% Cumulative Second Preference Shares of 10p each	**300**	300
4,000,000 Ordinary Share of 50p each	**2,000**	2,000
	4,050	4,050
Allotted, called up and fully paid		
389,000 6.5% Cumulative First Preference Shares of £1 each	**389**	389
648,000 10% Cumulative Preference Share 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 (2008 – 2,879,298) Ordinary Shares of 50p each	**1,439**	1,439
	2,676	2,676

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

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

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

23. Statement of changes in shareholders' equity

The group and the company

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

23. Statement of changes in shareholders' equity (continued)

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 2008	1,439	272	282	3,892	24,258	30,143
Net loss	–	–	–	–	(3,969)	(3,969)
Actuarial loss	–	–	–	–	(6,002)	(6,002)
Deferred tax on actuarial loss	–	–	–	–	1,679	1,679
Dividends	–	–	–	–	(547)	(547)
Transfer	–	–	–	(991)	991	–
At 31 March 2009	**1,439**	**272**	**282**	**2,901**	**16,410**	**21,304**

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

24. Notes to the cash flow statement

	2009 £'000	2008 £'000
(Loss)/profit before taxation	**(4,420)**	2,579
Adjustment for net finance expense	**863**	590
	(3,557)	3,169
Adjustments for:		
Depreciation of property, plant and equipment	**1,419**	1,464
Amortisation of intangible assets	**9**	22
Impairment of property, fixtures and fittings	**660**	–
Goodwill impairment	**195**	–
Change in retirement benefit obligations	**(122)**	160
(Gain)/loss on disposal of property, plant and equipment	**(428)**	28
Decrease in provisions	**(27)**	(3,108)
Operating cash flows before movements in working capital	**(1,851)**	1,735
Decrease/(increase) in inventories	**8,143**	(3,392)
Decrease in receivables	**2,315**	210
(Decrease)/increase in payables	**(902)**	1,160
Cash generated/(absorbed) by operations	**7,705**	(287)
Income taxes	**(42)**	–
Interest paid	**(1,164)**	(1,310)
Net cash from operating activities	**6,499**	(1,597)

25. Related parties

Directors

The remuneration of the directors, who are key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 18 to 19.

	2009	2008
	£'000	£'000
Short term employee benefits	**617**	696
Post employment benefits	**21**	32
	638	728

The 2,000,000 6% Cumulative Second Preference Shares have full voting rights along with the ordinary shares. These shares are beneficially owned by Caffyn Family Holdings Limited ("Holdings"). Mr S G M Caffyn and Miss S J Caffyn are directors of Holdings. The whole of the issued share capital of Holdings is held by close relatives of these directors. Holdings controls directly 41.0% of the voting rights of Caffyns plc. The directors and shareholders of Holdings are also beneficial holders of 640,323 ordinary shares in Caffyns plc representing a further 13.1% of the voting rights. It is therefore considered that the Caffyn family is the ultimate controlling party.

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

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	
	2009	2008
	£'000	£'000
Shares held		
125,570 (2008 – 125,570) ordinary shares of 50p each	**251**	964
12,862 (2008 – 12,862) 10% Cumulative Preference Shares of £1 each	**15**	15
	266	979

c) At 31 March 2009 there was no balance due by the Pension Fund (2008 – £nil).

d) During the year to 31 March 2009 the company met management fees of £252,000 on behalf of the pension fund (2008 – £242,000).

26. Operating leases

The group as lessee

The total future minimum lease payments payable under non-cancellable operating leases which fall due as follows:

	Group and company 2009		Group and company 2008	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within 1 year	**45**	**39**	20	–
In 2 to 5 years	**700**	**17**	654	100
Beyond 5 years	**3,271**	**–**	3,145	–
	4,016	**56**	3,819	100

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

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

The group as lessor

Property rental income earned during the year was £45,000 (2008 – £41,000). No contingent rents were recognised in income (2008 – £nil).

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

	2009 £'000	2008 £'000
Within 1 year	**45**	41
In 2 to 5 years	**–**	–
Beyond 5 years	**–**	–
	45	41

27. Obligations under finance leases

Group and company

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Amounts payable under finance leases:				
Within one year	**15**	34	**14**	33
In the second to fifth years inclusive	**7**	18	**6**	16
	22	52	**20**	49
Less: Future finance charges	**(2)**	(3)	**N/A**	N/A
Present value of lease obligations	**20**	49	**20**	49
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(14)**	(32)
Amount due for settlement after 12 months			**6**	17

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 2009, the average effective borrowing rate was 6.8% (2008 – 6.8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

28. Capital commitments

The group and company had capital commitments at 31 March 2009 of £Nil (2008 – £1,107,000).

29. Contingent liabilities and assets

The group and company had no contingent liabilities at 31 March 2009 or 31 March 2008.

VAT

Along with many other motor dealers, a claim has been lodged with HM Revenue and Customs in connection with the repayments of VAT received in September 2004 and March 2007. Interest on these repayments was paid on a simple interest basis whereas the company's claim is that it should have been on a compound interest basis. The company's claim is now joined in a Group Litigation Order with many claims from other businesses. While the High Court has found in the claimant's favour, it was also held that the limitation period for bringing these particular claims to the High Court, ran out in around 2002/2003. Leave of appeal has been granted and the directors understand that an appeal is to be lodged. However, there is ongoing VAT Tribunal litigation where different time limitation rules apply.

In the event that a claim is successful, any further amount payable to the company would depend upon the rate of interest decided by the courts. In view of the current state of the legal process, no amount in respect of this claim has been included in these financial statements. If successful, the claim is likely to have a material affect on the company's financial statements.

Two other claims have been lodged with HM Revenue and Customs. The first claim relates to demonstrator bonuses paid to our former contract leasing business between 1983 and 1996 and is for £152,000. The second claim relates to the treatment of certain part-exchange vehicles acquired between 1973 and 1992 and is for £1.07m. The directors are not able to determine whether or not these claims are likely to prove successful and have therefore not included such claims in these financial statements.

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

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events are that believed to be reasonable under the circumstances.

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

Retirement benefits obligation

The group has a defined benefit pension plan. The obligations under this plan are recognised in the balance sheet and represent the present value of the obligation calculated by independent actuaries, with input from management. These actuarial valuations include assumptions such as discount rates, return on assets and mortality rates. These assumptions vary from time to time according to prevailing economic conditions. Details of assumptions used are provided in note 20.

Impairment

The carrying value of goodwill and property, plant and equipment 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 pre-tax discount rate of 4%.

Consignment inventories

Consignment vehicles are regarded as effectively under the control of the group and are included within inventories on the balance sheet as the group has the significant risks and rewards of ownership even though legal title has not yet passed. The corresponding liability is included in trade and other payables.

Deferred tax

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

Income tax

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

Going concern

The directors assess the appropriateness of the going concern basis for the preparation of the financial statements. In doing so they consider the ability of the group to trade within the financing facilities available to it . The conclusion of this assessment is set out in the accounting policy, "The basis of preparation and statement of compliance" on page 26.

31. Post balance sheet events

A final dividend of 2.0p per share (2008 – 17.0p) has been recommended by the directors.

Since the financial year end, the group's bank facilities have been revised in that £18.0m of overdraft facilities available at 31 March 2009 have since been changed to £10.0m and revolving credit facilities of £8.0m put in place. The average margin applying to the overdraft facilities is 3.05% over bank base rate and 3.1% over 3 month LIBOR in respect of the revolving credit facilities. The new facilities are subject to covenants with respect to debt/freehold property, trading results against budget and facility reduction based upon 50% of free cash flow. The group has granted security over certain of its assets, not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks. The balance sheet value of those assets at 31 March 2009 was £42.9m. Restructuring and professional fees consequent to this restructuring are estimated to amount to 1.6% of the facilities during the year ending 31 March 2010.

Five Year Review

	2005	2006*	2007	2008	2009
	£'000	£'000	£'000	£'000	£'000
Income Statement					
Revenue	155,684	160,076	176,238	182,029	158,653
Operating profit/(loss) before exceptional/non-recurring items	2,075	668	1,858	393	(1,425)
Exceptional/non-recurring items	1,504	972	160	2,776	(2,132)
Finance costs	(1,117)	(1,114)	(1,232)	(1,310)	(1,177)
Finance income (net)	398	504	657	720	314
Profit/(loss) before tax	2,860	1,030	1,443	2,579	(4,420)
Profit after taxation	1,970	756	1,163	2,128	(3,969)
Dividends – Ordinary payable to 2004; paid since 2005	(662)	(691)	(691)	(720)	(547)
Retained	1,308	65	472	1,408	(4,516)
Basic earnings/(loss) per ordinary share	68.4p	26.3p	40.4p	73.9p	(137.8p)
Adjusted earnings/(loss) per ordinary share	31.8p	2.7p	36.5p	(6.7p)	(59.8p)
Interest cover	3.6	1.9	2.2	5.4	(2.8)
Dividend per ordinary share payable in respect of the year	24.0p	24.0p	25.0p	25.0p	4.0p
Balance sheet					
Shareholders' funds	26,299	25,379*	28,045	30,143	21,304
Bank borrowings	10,969	11,048	9,841	14,184	8,908
Debt/shareholders' funds (gearing)	42%	44%	35%	47%	42%

* As restated for a deferred tax adjustment.

THE COMPANIES ACTS 1985 TO 2006

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Caffyns plc (the "Company") will be held at Hydro Hotel, Mount Road, Eastbourne on **Thursday 30 July 2009 at 11:30 am** for the following purposes.

Ordinary Business

1. To receive, approve and adopt the Report of the Directors, the Report of the Independent Auditors and the audited financial statements for the year ended 31 March 2009.

2. To receive, approve and adopt the Directors' Remuneration Report for the year ended 31 March 2009.

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

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

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

6. To declare a final dividend of 2p on each of the Company's Ordinary Shares for the financial year ended 31 March 2009.

Special Business

As special business to consider and, if thought fit, pass resolution 7 as an ordinary resolution and resolutions 8 to 11 as special resolutions.

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

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

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

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

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

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

(ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange's trading system known as SETSqx, and this authority shall take effect on the date of passing of this resolution and shall (unless previously revoked, renewed or varied) expire on the conclusion of the next Annual General Meeting of the Company following the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

9. That, subject to the passing of resolution 7 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by resolution 7 above or otherwise in the case of treasury shares (as defined in section 162(3) of the Act), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

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

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

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

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution or, if earlier, on the date 15 months after the passing of such resolution, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "That, subject to the passing of resolution 7 above," were omitted.

10. That the rules of the Caffyns plc Long Term Incentive Plan as summarised in the Explanatory Notes attached to the Notice of Annual General Meeting and as contained in the document initialled by the Chairman be approved and adopted.

11. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the board

Sarah J Caffyn
Company Secretary

Registered Office:

Meads Road
Eastbourne
East Sussex
BN20 7DR
Company number: 105664

29 June 2009

Notice of the Annual General Meeting

Notes:

1. At the date of this notice, the issued share capital of the Company was 2,879,298 Ordinary Shares and the total number of voting rights was 4,879,298.

2. Only holders of Ordinary Shares and 6% Second Cumulative Preference Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting and at any adjournment of it. Such a member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A proxy need not be a member. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting. (If you are not a holder of Ordinary Shares or 6% Second Cumulative Preference Shares but you have been nominated by a member of the Company to enjoy information rights, you do not have any right to appoint one or more proxies and should read note 8 below.)

3. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited at the registered office of the Company, by not later than forty-eight hours before the start of the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.

4. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 11:30 am on Tuesday 28 July 2009 shall be entitled to attend and vote at this Annual General Meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after 11:30 am on Tuesday 28 July 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6. Copies of the service agreements of the executive directors and the letters of appointment of the non-executive directors will be available for inspection during normal business hours from the date of dispatch of this notice until the date of the meeting (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the office of the Company's solicitors (5 New Street Square, London EC4A 3TW) and will also be made available for inspection at the place of the Annual General Meeting for a period of 15 minutes prior to and during the continuance of the meeting.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for our Annual General Meeting to be held on Thursday 30 July 2009 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:

   (a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID R035) by the latest time(s) for receipt of proxy appointments specified in this notice of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   (b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. *Note to nominated persons* – if you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights: (a) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed, or to have someone else appointed, as a proxy for this meeting; and (b) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right, under an agreement between you and the Relevant Member, to give instructions to the Relevant Member as to the exercise of voting rights.

9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

10. Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so using the following means:

    calling our Company Secretary on 01323 730201; or

    writing to the Company Secretary, Caffyns plc, Meads Road, Eastbourne, East Sussex BN20 7DR

No other methods of communication will be accepted.

EXPLANATORY NOTES

Report and Accounts (Resolution 1)

The directors of the Company must present the accounts to the meeting.

Directors' Remuneration Report (Resolution 2)

In line with legislation, this vote will be advisory and in respect of the overall remuneration package and not specific to individual levels of remuneration. You can find the remuneration report on pages 16 to 19 of the Company's annual report and accounts.

Re-election of directors (Resolutions 3 & 4)

The Company's articles of association require that one third of the board of directors retire by rotation every year.

At this meeting, Mr A R Goodburn and Mr M S Harrison will retire and stand for re-election as directors. Having considered the performance of and contribution made by each of the directors standing for re-election the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

Reappointment and remuneration of auditors (Resolution 5)

Resolution 5 proposes the reappointment of Grant Thornton UK LLP as auditors of the Company and authorises the directors to set their remuneration.

Declaration of a dividend (Resolution 6)

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 2p per Ordinary Share is recommended by the directors for payment to shareholders who are on the register of members at the close of business on 26 June 2009. If approved, the date of payment of the final dividend will be 30 July 2009.

Directors' authority to allot securities (Resolution 7)

Your directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by shareholders. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, this resolution seeks to grant a new authority to the directors to allot unissued share capital of the Company and will expire at the conclusion of the next Annual General Meeting of the Company in 2010 or, if earlier, on 29 October 2010 (the date which is 15 months after the date of passing of the resolution). There is no present intention of exercising this authority, which would give directors authority to allot relevant securities up to an aggregate nominal value of £479,883, approximately one-third of the Company's issued Ordinary Share capital as at 29 May 2009.

Authority to purchase own shares (Resolution 8)

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 8 seeks the authority from shareholders to continue to do so. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of Ordinary Shares that may be acquired (approximately 15% of the Company's issued Ordinary Share capital as at 29 May 2009) and the maximum and minimum prices at which they may be bought.

Resolution 8 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next Annual General Meeting of the Company in 2010 or, if earlier, 29 October 2010 (the date which is 15 months after the date of passing of the resolution).

The directors intend to seek renewal of this power at subsequent Annual General Meetings.

Disapplication of pre-emption rights (Resolution 9)
Under section 89(1) of the Act, if the directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of Ordinary Shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolution 9 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities and the grant of share options, the authority will be limited to the issue of shares for cash up to a maximum number of £71,982 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5% of the Company's issued Ordinary Share capital as at 29 May 2009. The Company undertakes to restrict its use of this authority to a maximum of 7.5% of the Company's issued Ordinary Share capital in any three year period. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire at the conclusion of the next Annual General Meeting of the Company in 2010 or, if earlier, 29 October 2010 (the date which is 15 months after the date of passing of the resolution).

Summary of the Principal Terms of the Caffyns plc Long Term Incentive Plan (Resolution 10)
The following is a brief summary of the Caffyns plc Long Term Incentive Plan (the "Plan") and is intended to present a general outline of the Plan. Full details are contained in the Plan rules, which is the definitive document. Under the Plan, employees of the Company may be granted awards to acquire shares in the Company.

1. **General**
   The Plan will be administered by the Remuneration Committee.

2. **Eligibility**
   Any individual who is an employee or executive director of the Company or a subsidiary of the Company shall be eligible to be considered for an award under the Plan.

3. **Structure of the Plan**
   Awards are rights to acquire shares in the Company for a nominal payment to the extent that stretching performance conditions are satisfied over a 3 year period.

   The performance conditions are set at the time of the award and no variation can be made to such performance conditions which makes them materially easier to satisfy unless the shareholders approve such variation.

   Shares acquired pursuant to the Awards must be retained until 5 years from the date of grant of the award, subject to the participant being able to sell sufficient shares to fund the income tax and national insurance contribution liabilities arising on the acquisition of the shares.

   Awards may only be granted within 42 days of the announcement of results for the financial year or half year, and in the first year within 42 days of the approval of the Plan by shareholders.

   Awards are not pensionable and no awards may be granted under the Plan more than 10 years after the Plan has been approved by the shareholders.

   An award granted under the Plan may be satisfied by newly issued, treasury shares or existing shares.

4. **Overall limits on the number of shares to be issued to satisfy awards under the Plan.**
   The total number of shares which may be issued in any ten year period under the Plan and any other company share incentive scheme (including any sharesave scheme) may not amount to more than ten percent of the Ordinary Share capital of the Company in issue.

   The total number of shares which may be issued in any ten year period under the Plan and any other company discretionary share scheme (such as executive schemes) may not amount to more than five percent of the Ordinary Share capital of the Company in issue.

5. **Individual limits on the awards**
The maximum value of shares which can be awarded per annum to an individual cannot exceed 75% of basic salary.

6. **Exercise and Lapse of awards**
Shares can be acquired after vesting of the awards for up to 10 years from the date of grant of the award.

Awards will lapse if an individual leaves employment, unless the individual leaves for certain "good" reasons.

On death, the award will be exercisable within 12 months of the individual's death by the personal representatives to the extent that performance conditions are satisfied at that time.

If the individual leaves employment for certain "good" reasons including injury, disability, redundancy, retirement on reaching the age of 65, early retirement with the agreement of the company the award will not lapse. Instead the award will be exercisable within 12 months of the three year period only to the extent the performance conditions are satisfied and only on a pro-rata basis. The pro-rata basis relates to the proportion of the performance period that the individual is employed compared to the three year performance period.

7. **Rights attaching to Shares**
Any shares allocated when an award is exercised will rank equally with shares then in issue except for any rights arising by reference to a record date preceding the date of allotment.

8. **Corporate Events**
Awards may be exercised at the event of a takeover, scheme of arrangement or winding up of the Company. However, there is no general waiver of the performance conditions at that stage and the awards may only be exercisable to the extent that the performance conditions are deemed to be satisfied at that stage having regard to the progress towards meeting the performance conditions at that stage. In addition, the shares vesting will be reduced on a pro-rata basis relating to the proportion of the performance period elapsing before the event compared to the three year performance period.

9. **Variation of Capital**
In the event of any variation in the share capital the board may make such adjustments as it considers appropriate to the number of shares under award or the exercise price, save that the exercise price shall not be reduced below the nominal value of the share except if certain requirements are fulfilled by the Company. Such adjustments shall be made with the intent that the aggregate exercise price payable in respect of the awards remains unchanged.

10. **Alterations to the Plan**
The Board may at any time amend the provisions of the Plan in any respect. However, no amendment may be made to the Plan that is to the advantage of the participants without the prior approval of the shareholders by ordinary resolution (except for minor amendments to benefit the administration of the Plan, to take account of a change of legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan or for the Company operating the Plan or the members of its group).

No alteration shall be made to the Plan which would adversely affect the rights of a participant unless it is made with the consent in writing of such number of participants as hold awards amounting to 75 percent of the Shares which would be issued or transferred if all awards under the Plan were exercised or 75 percent of the eligible participants vote for such alteration in person or by proxy.

The draft rules of the Plan will be available for inspection at the registered office of the Company and at the offices of Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW during normal business hours up until the close of the Annual General Meeting and will also be available at the Annual General Meeting for 15 minutes before and during the Annual General Meeting.

Notice of general meetings (Resolution 11)
Resolution 11 is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 11 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

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 AFTERSALES
Eastbourne, Sussex, Upperton Road.
(01323) 720191

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

DODGE AFTERSALES
Eastbourne, Sussex, Upperton Road.
(01323) 720191

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

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

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

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

NISSAN
Eastbourne, Sussex, Upperton Road
(01323) 720191

MG ROVER AFTERSALES
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
Folkestone, Kent. 8-10 Bouverie Road West. (01303) 253443
Tunbridge Wells, Kent. Lamberts Road. (01892) 515700

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

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

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

PARTS CENTRES
Ashford, Kent. Monument Way. (01233) 504614†
Hailsham, Sussex. 49 London Road. (01323) 845666* (01323) 847770†
Tunbridge Wells, Kent. Lamberts Road. (01892) 515700
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Meads Road, Eastbourne, East Sussex, BN20 7DR

caffyns.co.uk