Caffyns Annual Report and Accounts **2010**

Contents

Results at a Glance

Summary

	2010	2009
	£'000	£'000
Revenue	**189,426**	158,653
Adjusted EBITDA *	**3,382**	3
Adjusted operating profit/(loss)*	**2,152**	(1,425)
Non-underlying items before tax	**118**	(2,132)
Adjusted profit/(loss) before tax*	**852**	(2,288)
Profit/(loss) before tax	**970**	(4,420)
Earnings/(loss) per share	**38.6p**	(137.8p)
Adjusted earnings/(loss) per share	**35.7p**	(59.8p)
Final proposed dividend per share	**5.0p**	2.0p

* Adjusted for non-underlying items

Highlights

- Revenue up 19.3% to £189.4m
- Return to profitability – £1m profit before tax, compared with £4.4m loss the previous year
- New car unit sales up 42% on a like for like basis
- New car market share increased
- Used car unit sales up by 4.3% on a like for like basis
- Aftersales resilient with turnover increasing by 5.5% on a like for like basis
- Proposed final dividend of 5.0p per ordinary share (2009 – 2.0p) making 10.0p for the year (2009 – 4.0p)
- Ratio of net bank borrowings to equity of 47% (2009 – 42%)
- Strong order book for new cars taken into 2010-11

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*
	GUY J AINSLEY MBA *Operations*
	SARAH J CAFFYN BSc (Hons) FCIPD AICSA FIMI *Human Resources*
	ANDREW R GOODBURN FCA *Independent non-executive*
	NICHOLAS W HOLLINGWORTH BSc *Independent non-executive*
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

Results

In the year to 31 March 2010 revenue has increased by 19.3% to £189.4m from £158.7m last year, despite the closure of three dealerships in the second half of last year. Like for like revenue is up 25.2%.

We have returned to profitable trading and report a profit before tax of £970,000 compared to a loss before tax of £4.4m last year; a turnaround of £5.4m. Earnings per share were 38.6p (2009 – loss of 137.8p).

Operating Review

- Vehicle Sales

  The UK car Scrappage Scheme, which began in May 2009, had a positive impact on the national new car market which rose 10.2% in the twelve months to March 2010. We operate mainly in the retail and small business sector which saw registrations increase by 30.5% in this period. For the year to March 2010 our new car unit sales rose by 42% on a like for like basis, indicating an increase in our market share.

  In the first half of the year we concentrated on the sale of used cars to counter a weak new car market. This resulted in an improvement in unit sales of 15.1% on a like for like basis. Increased demand and the shortage of supply drove a recovery in used vehicle values that had fallen dramatically in the previous year. The second half of the year saw demand shifting to new car sales, however, our used car unit sales for the year were up 4.3% on a like for like basis. Industry statistics for the twelve months to December 2009 show national used car unit sales down 5.9% whereas our used unit sales in this period were up 14.5%.

- Aftersales

  With annual registrations of new cars falling from 2.4m in 2007 to 1.9m in 2009 the potential customer base for the servicing of cars up to two years old is smaller with strong competition from independent repairers. Despite this it is encouraging to report an increase in our aftersales turnover of 5.5% like for like notwithstanding the severe winter conditions experienced in January.

  This improved performance against a declining market is a result of:

  - continued investment in training;
  - continued improvement in our processes to deliver ever better service; and
  - enhancement of our customer relations management processes with a strengthened customer marketing centre.

- Auto-Owl

  In January we established Auto-Owl, a new web-based sales channel, marketing new cars predominantly to business users via the internet. This has enabled us to reach a new market thereby further enhancing our new car market share and aftersales opportunity. The website can be viewed at www.auto-owl.co.uk.

- Cost Reduction

  Operating costs have reduced by 2.6% to 13.4% of revenues in spite of an increase in the pension charge of £560,000 over the previous year, calculated under IAS 19.

  The closure last year of three underperforming dealerships, together with an ongoing programme to minimise costs, has ensured that we are seeing the benefits of ongoing cost reduction of the order of £2.5m per annum. This has been achieved whilst still giving customers excellent levels of service reflected in improved customer satisfaction statistics.

  In March this year we closed a small used car and servicing operation in Worthing and successfully transferred the business to our Volkswagen dealership in the same town.

  Further savings have been made in management and we will continue to cut our costs and further improve efficiencies. The result for the year includes redundancy costs of £272,000. The average number of people employed by the group fell from 698 to 648.

Operational and Business Review

- Stock Levels
  Our stocks of new cars on consignment have been kept low giving us a greatly improved stock turn and lower consignment interest costs from our manufacturer vehicle funding schemes. Having dramatically reduced used vehicle stocks and strengthened our used car write-down policies last year in response to the poor market conditions that prevailed at that time, car stocks have increased in the year reflecting improved demand. However, our used car stock turn remains high at over 10 times per annum producing a good return on this investment.

- Reduced Capital Expenditure
  The only significant capital project in the year was the completion of our Audi Centre in Brighton. This dealership is now fully operational again and has been able to make a much improved contribution to profits in the year to 31 March 2010. Total capital expenditure in the year was £392,000, considerably lower than in recent years.

- Working Capital and Finance
  We concluded the refinancing of our bank facilities during the year with £8m of revolving credit facilities in place until February 2012 and £10m of overdraft facilities. These facilities are on a secured basis. We have traded throughout the year at levels well below these facility limits and net borrowings at the year end were £9.5m compared to total facilities of £18m. In addition, we have substantial stocking facilities available to us through the financing arms of our manufacturer partners.

- Franchise Developments
  By adding additional franchise facilities we have improved turnover at various sites. In Brighton we added Ford to our Volvo dealership and, in Sevenoaks, Citroën aftersales was added to our Peugeot dealership. In addition, we amalgamated the management of our Land Rover and Jaguar dealerships in Sussex and our two Ford dealerships in Hampshire and Surrey.

Pension Scheme

The pension scheme deficit increased to £6.4m at 31 March 2010 from £3.7m at 31 March 2009. While the scheme assets increased during the year, the estimated liabilities increased at a greater rate largely as a result of a reduction in the discount rate from 6.8% to 5.6%. This reduction reflected the sharp movement that has occurred in long-term corporate bond yields. However, the Recovery Plan agreed with the trustees following the actuarial valuation at 31 March 2008 will require cash payments of £120,000 per annum in the two years to 31 March 2011 and a further £1.44m payable over a maximum period of eight years.

We have now closed our defined benefit scheme to future accrual with effect from 1 April 2010. Continued provision of pension benefits will be available to existing employees through the alternative defined contribution scheme which has been available to new members of staff joining the company since April 2006.

Property

We have an agreement to lease our site in Preston Road, Brighton to Sainsbury's Supermarkets Ltd., now only conditional on the granting of a planning application for change of use which is expected to be considered by the local authority this summer. Our freehold site in East Grinstead has been re-marketed for sale although planning issues continue to delay the sale of this site. We incurred a cost of £25,000 terminating a short lease in Tunbridge Wells following the transfer of our Skoda dealership to our premises in Tonbridge.

The company valued its portfolio of freehold premises as at 31 March 2010 but excluding three sites which were either for sale or available for letting 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 2010 was £7.4m. In accordance with the company's accounting policies, this surplus has not been incorporated into the accounts.

VAT

The claim that had been lodged with HM Revenue and Customs in connection with the repayments of VAT received in September 2004 and March 2007 was joined in a Group Litigation Order ("GLO") along with other claimants. Interest on these repayments was on a simple interest basis whereas the GLO claimed that it should have been on a compound interest basis. As previously reported, while the High Court found in the claimant's favour, it also held that the limitation period for bringing these particular claims ran out in around 2002/03. Claims were not made because, at that time, dealerships were unaware of their entitlement to claim. The view of the court on appeal was to uphold the original decision. Alternative litigation is being pursued by claimants where the time limits point is not an issue. A preliminary hearing in court is expected in June 2010.

Tax

A tax credit has arisen in the year of £137,000. This has largely arisen following successful claims for losses to be set against profits in earlier years.

People

Following the appointment of Guy Ainsley to the board last November, the senior management team has been restructured giving rise to an increased focus on operational improvement.

Again, I thank all our employees for their outstanding commitment and positive attitudes that have enabled us to produce a swift turn around of the company's results.

Our management team is working well and our newly established central marketing department is improving customer retention through good service and professionalism.

Dividend

The board has decided to recommend a final dividend of 5.0p per Ordinary Share. If approved at the Annual General Meeting, this will be paid on 29 July 2010 to shareholders on the register at close of business on 25 June 2010. Together with the interim dividend of 5.0p per share paid during the year, the total dividend for the year will be 10.0p per ordinary share.

Strategy

The past few years have demonstrated that, despite market and general economic difficulties, premium and premium-volume franchises continue to be more resilient and deliver stronger sales, profits and overall returns.

Our strategy is to focus on representing premium and premium-volume franchises by building capacity within our existing businesses and to expand into new and larger markets with our franchise partners or new partners where possible.

Strenuous efforts will continue to ensure that we remain on track to return to historic levels of profitability of between £3m and £4m of pre-tax income.

Current Trading and Outlook

We enter the current year with strong new car order books. Order intake remains good on both new and used cars but industry expectations are for a more challenging new car market in the second half of 2010.

Our aftersales operations continue to benefit from innovative marketing and active customer retention programmes and we are improving our share of this market as a result.

Our business is largely driven by the level of consumer confidence. Our short-term prospects will depend upon the impact of the measures taken by the Government and their effect on consumer behaviour.

The actions that we took last year, and continue to take this year, have strengthened our operations and structure leaving us more flexible and cost-effective. We face an uncertain economic environment but expect to show further growth this year.

S G M Caffyn
Chief executive

28 May 2010

Report of the Directors

The directors present their report and financial statements for the year ended 31 March 2010.

Results and dividends

The results of the group for the year are set out in the financial statements on pages 24 to 60. An interim dividend of 5.0p per share was paid to shareholders on 8 January 2010. The board is recommending a final dividend of 5.0p per share (2009: 2.0p) making a total of 10.0p per share (2009: 4.0p). Total dividends paid in the year amounted to £200,000. 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 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 KPI's 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 Statement of Corporate Governance on pages 13 to 16. Other specific risk factors are referred to in notes 14 and 16 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 bank facilities is set out in note 16.

(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 principle 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 and closed to future accrual with effect from 1 April 2010. 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 2010 are set out below:

Mr S B Birkenhead BSc (Hons) FCMA FID (age 68) 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 and a non-executive director of Presidents Quay Limited. 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 63) joined the board on 1 February 2004. He was finance director of Ricardo plc until 5 January 2007 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 58) 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 49) 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 56) 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.

Mr G J Ainsley MBA (age 44) joined the company in September 2009 and the board on 25 November 2009 as operations director. He has extensive experience in the motor industry, having held senior management positions with Nissan and Inchcape UK, and has an MBA from Henley Management College.

Miss S J Caffyn BSc (Hons) FCIPD AICSA FIMI (age 41) 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.

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 Nominations Committee; the procedure is detailed in the Statement of Corporate Governance on page 14.

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, each director has the benefit of a deed of indemnity. 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, Mr G J Ainsley 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 2010, the issued share capital of the company comprised of 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 21 to the accounts. While the company did not issue any shares during the period under review, it did purchase 29,582 ordinary shares in the market. These shares are held as treasury shares in respect of the company's share schemes. 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.

Holders of Cumulative First Preference Shares are entitled to exercise voting rights and, 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

The company purchased 29,582 of its own Ordinary Shares during the year at a cost of £137,000. These shares are being held as treasury shares in respect of the company's share schemes. Details of the company's share capital are given in note 21 to the financial statements.

Sharesave Scheme

The company encourages employee share ownership through the provision of a save as you earn (SAYE) scheme, administered by the Yorkshire Building Society. The scheme was launched in March 2010 and applications received from 137 employees. The share options granted under the scheme in May 2010 are exercisable upon expiry of a three year savings contract at a pre-determined price.

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 28 May 2010, the directors are aware of the following interests in 3% or more of the nominal value of the Ordinary Share capital (excluding treasury shares):

	Ordinary Shares	%
T & I Limited	203,650	7.14
GAM UK Diversified Fund	190,266	6.67
R J M Caffyn	139,323	4.88
EPS Enhancing Earnings Limited	134,000	4.69
HSBC Republic Bank Suisse SA	128,349	4.50
Caffyns Pension Fund	125,570	4.40
A M Caffyn	108,336	3.80
GAM Exempt UK Opportunities Fund	106,734	3.74
K E Caffyn	104,804	3.67
M I Caffyn	90,000	3.15

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 trade marks. 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.

- Facilities agreements dated 8 May 2009 with HSBC Bank plc and 7 January 2010 with Royal Bank of Scotland plc under which the banks agreed to make available revolving facilities to the company up to aggregate sums of £5m and £3m respectively. In the event of a change of control, both banks are able to cancel the facilities at which time all sums due under the facilities become immediately due and payable.

Report of the Directors

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 £6,095 (2009 – £5,311). No contributions were made to political organisations.

Environment

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 health and safety officer has received formal training in environmental management and is appropriately qualified in this field. 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.

The group aims to encourage the reduction of energy and water consumption and audit processes are in place to measure usage and make recommendations for improvements. An electrical test monitoring regime is in force throughout the group. Use of the latest building materials is made in the construction of new sites and the refurbishment of existing locations. For instance, water recycling units were installed during the last major refurbishment undertaken by the company.

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 main board maintains ultimate responsibility for health and safety issues with a qualified health and safety officer responsible on a day-to-day basis, supported by all levels of management. 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 on-line health and safety systems, operations manuals and monthly communication on topical issues. With clear lines of operating unit responsibility, staff are supported by specialist guidance from the company's health and safety officer. All of the company's staff have access to a detailed health and safety guide.

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 2010 the company's outstanding purchase ledger balances represented 27 days' purchases (2009 – 31).

Property

The company valued its portfolio of freehold premises as at 31 March 2010 but excluding three sites which were either for sale or letting 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 2010 was £7.4m. 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 auditor and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

By order of the board
S J Caffyn
Company Secretary

28 May 2010

Statement of 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 17 to 20.

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 as the Committee considered that it was not in the best interests of the company.

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 view of the small number of non-executive directors and to provide 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 2010 the board met on eight occasions at which all directors participated. 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, four 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.

Statement of Corporate Governance

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 their presentation to the board, focussing 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 report from Grant Thornton UK LLP confirming their independence and objectivity was reviewed by the chairman of the Audit Committee and the Finance Director. The level of fees paid to Grant Thornton UK LLP for non-audit services has been reviewed by the Audit Committee and is not perceived to be in conflict with auditor independence.

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 17 to 20. The Committee met three times during the year and all members were present.

The Nominations Committee has written terms of reference including making recommendations to the board concerning the appointment of directors. The Committee met three times during the year with one of the meetings to consider the appointment of an additional executive director. All members of the Committee were present at these meetings.

The written terms of reference for all three committees are available on the company's website at www.caffynsplc.co.uk 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 2010) 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 chairman has reviewed the performance of the non-executive directors and the chief executive. The chief executive has reviewed the other 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 have also attended a number of meetings with major shareholders. 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.

The AGM is used to communicate with investors and they are encouraged to participate. The chairmen of the Audit, Remuneration and Nominations Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts. The company counts all proxy votes, and after it has been dealt with by a show of hands, will indicate the level of proxies lodged on each resolution.

Accountability and audit

The Annual Report provides information on and an assessment of the group's business, operations, financial position and prospects. The responsibilities of the directors as regards the accounts are described on pages 21 and 22 and those of the auditors on page 22.

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.

Statement of Corporate Governance

Going concern

The directors are satisfied that, after making enquiries, the group is in a sound financial position with adequate resources to continue in operation for the foreseeable future. In forming this view, the directors have reviewed detailed financial trading and cash flow forecasts and other financial information. They have also taken into consideration that the group's banking facilities remain available to them and are appropriate given the group's current and medium term plans. 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, they continue to adopt the going concern basis in preparing the financial statements.

Information concerning the group's liquidity and financing risk are set out on page 8 of the Report of the Directors and notes 15 and 16 to the financial statements.

Auditors' independence

The company has reviewed its relationship with its auditors, Grant Thornton UK LLP, and concluded that there are sufficient controls and processes to ensure the required level of independence. Consequently, there are no plans to replace Grant Thornton UK LLP, whose re-appointment is proposed as set out in the Notice of Annual General Meeting on page 62 of this Annual Report.

Approved by order of the board

S J Caffyn

Company Secretary

28 May 2010

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 both corporate and individual 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 company cars and membership of the company's medical insurance scheme. Given the prevailing economic conditions, base salaries of executive directors have not increased since 1 April 2008.

b) Annual bonus

The Committee awards annual bonuses to executive directors based upon their performance and that of the group in the financial year. The bonuses are set on a tapering scale based upon a profit before tax and non-underlying items for the year ending 31 March 2011 of £2.1m, at which 25% bonus of basic annual salary is payable, to £3.5m at which 60% bonus of basic annual salary 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 Incentive Plan

Executive directors participate in the LTIP, which was approved by shareholders at the Annual General Meeting in July 2009. Awards to directors 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. Performance conditions 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 under the LTIP must be retained until 5 years from the date of the grant of the award, subject to the participant being able to sell sufficient shares to fund the income tax and national insurance liabilities arising on the acquisition of the shares. Awards are not pensionable. Further details are set out in note 18 to the financial statements.

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. The defined benefit scheme operated by the company was closed to future accrual with effect from 1 April 2010, from which date executive directors are eligible to join the company's defined contribution scheme on the same terms as staff generally.

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, Miss S J Caffyn and Mr G J Ainsley 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 2010		As at 31 March 2009*	
	Ord	**10% Pref**	Ord	10% Pref
S B Birkenhead	**3,000**	**–**	1,500	–
S G M Caffyn	**41,774**	**1,600**	40,774	1,600
M S Harrison	**5,000**	**–**	3,500	–
S J Caffyn	**20,398**	**1,655**	20,398	1,655
A R Goodburn	**3,000**	**–**	1,500	–
N W Hollingworth	**2,500**	**–**	–	–
G J Ainsley	**–**	**–**	–	–

* 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 2010 was £4.375 and the range of market prices during the year was £2.75 and £5.05.

Long-term incentive plan

Executive directors participate in a performance incentive share plan designed to deliver a market competitive contribution to total remuneration relative to companies of a comparable size. Performance conditions attached to these awards are intended to reward achievements against budget related targets and the creation of shareholder value.

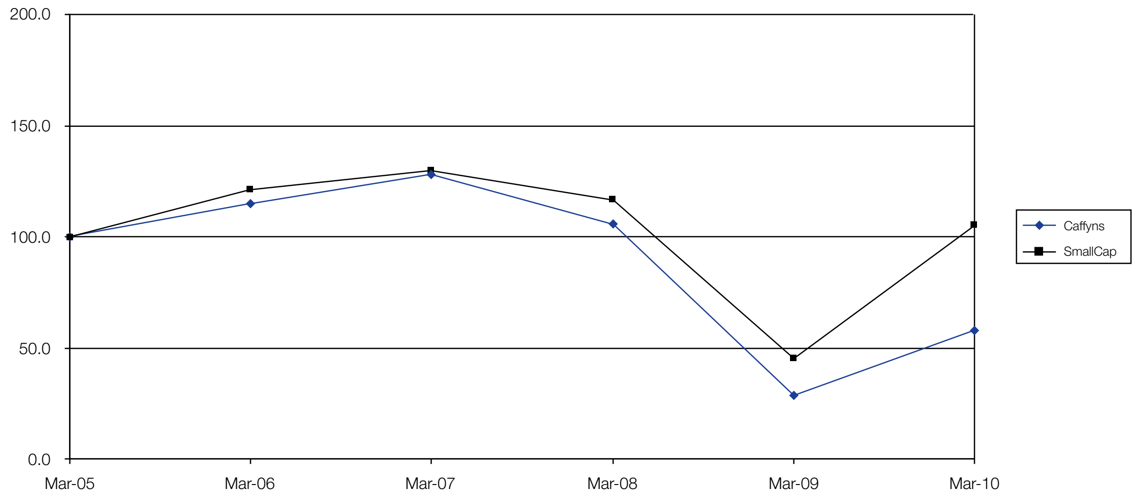
Share incentive awards have been made as follows:

	Date of grant	Market price	Shares awarded	Earliest exercise date	Expiry date	Exercise price	**Number at 31 March 2010**
S G M Caffyn	6 Aug 2009	£3.45	25,225	6 Aug 2012	6 Aug 2019	£0.50	**25,225**
M S Harrison	6 Aug 2009	£3.45	17,246	6 Aug 2012	6 Aug 2019	£0.50	**17,246**
S J Caffyn	6 Aug 2009	£3.45	8,217	6 Aug 2012	6 Aug 2019	£0.50	**8,217**
G J Ainsley	2 Sep 2009	£4.65	9,785	2 Sep 2012	2 Sep 2019	£0.50	**9,785**

Share price performance graph

The following graph shows the company's performance, measured by total shareholder return, ("TSR"), in comparison to the FTSE SmallCap 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 2005 to 31 March 2010



AUDITED INFORMATION

Directors' Emoluments

	Basic salary and fees £'000	Bonus £'000	Benefits £'000	Sub-total £'000	In lieu of pension contri-butions £'000	2010 Total £'000	2010 Company pension contri-butions £'000	2009 Total £'000	2009 Company pension contri-butions £'000
Executive directors									
S G M Caffyn	249	68	7	324	43	**367**	**–**	304	–
M S Harrison	170	47	8	225	–	**225**	**17**	178	14
G J Ainsley	76	21	3	100	–	**100**	**3**	–	–
S J Caffyn	62	17	8	87	–	**87**	**9**	33	7
Non-executive directors									
S B Birkenhead	55	–	–	55	–	**55**	**–**	42	–
A R Goodburn	20	–	–	20	–	**20**	**–**	20	–
N W Hollingworth	20	–	–	20	–	**20**	**–**	20	–
B A Carte	–	–	–	–	–	**–**	**–**	20	–
	652	153	26	831	43	**874**	**29**	617	21

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 chairman during the year who received a fee at the rate of £54,500 per annum. There has been no change to these rates since 1 April 2008.

Pensions

Three executive directors are members of the company's defined benefit pension scheme ("the DB Scheme") at the year-end (2009 – 3). Executive directors' pensions are provided by the DB 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. The DB Scheme closed to future accrual with effect from 1 April 2010.

The executive directors who are members of the DB Scheme 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	Total annual accrued pension at 31 March 2010	Additional accrued benefits earned in the year (excluding inflation)
	£'000	£'000	£'000
S G M Caffyn	2	93	(2)
M S Harrison	3	28	2
S J Caffyn	2	28	1

	Transfer value at 31 March 2010	Transfer value at 31 March 2009	Increase in transfer value less directors' contributions
	£'000	£'000	£'000
S G M Caffyn	1,585	870	715
M S Harrison	456	245	198
S J Caffyn	247	130	109

The primary reason for the significant increase in the transfer values is due to the rise in the equity markets during the year. 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 2010. 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.

Mr G J Ainsley is a member of the company's defined contribution scheme ("the DC Scheme"). The other executive directors are eligible to join the DC Scheme from 1 April 2010 on the closure of the DB Scheme to future accrual.

The non-executive directors are not members of the company's pension scheme.

N W Hollingworth
Chairman of the Remuneration Committee

28 May 2010

Directors’ Responsibilities

Statement of directors’ responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is 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.

We confirm that to the best of our 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 Operational and Business Review and Directors’ 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.

Approved by order of the board

S G M Caffyn	***M S Harrison***
Chief executive	*Finance director*

28 May 2010

Report of the Independent Auditors

Independent auditor's report to the members of Caffyns plc

We have audited the financial statements of Caffyns plc for the year ended 31 March 2010 which comprise the group and parent company income statement, the group and parent company statements of comprehensive income, the group and parent company balance sheets, the group and parent company statement of changes in equity, the group and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's and parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Statement of Corporate Governance set out on pages 13 to 16 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Report of the Independent Auditors

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

- the directors' statement, set out on page 16, in relation to going concern; and

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Robert Napper
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 May 2010

Income Statement

for the year ended 31 March 2010

Group and company

	Note	Before non-underlying £'000	Non-underlying (note 2) £'000	**2010 £'000**	Before non-underlying £'000	Non-underlying (note 2) £'000	2009 £'000
Revenue		189,426	–	**189,426**	158,109	544	158,653
Cost of sales		(161,831)	–	**(161,831)**	(134,173)	(1,194)	(135,367)
Gross profit/(loss)		27,595	–	**27,595**	23,936	(650)	23,286
Operating expenses							
Distribution costs		(15,382)	(71)	**(15,453)**	(16,563)	(653)	(17,216)
Administration expenses		(10,061)	189	**(9,872)**	(8,798)	(1,257)	(10,055)
Operating profit/(loss) before other income		2,152	118	**2,270**	(1,425)	(2,560)	(3,985)
Other income – gains on the sale of property		–	–	**–**	–	428	428
Operating profit/(loss)	3	2,152	118	**2,270**	(1,425)	(2,132)	(3,557)
Finance expense	5	(1,300)	–	**(1,300)**	(1,177)	–	(1,177)
Finance income	6	–	–	**–**	314	–	314
Net finance costs		(1,300)	–	**(1,300)**	(863)	–	(863)
Profit/(loss) before taxation		852	118	**970**	(2,288)	(2,132)	(4,420)
Income tax credit/(expense)	7	171	(34)	**137**	566	(115)	451
Profit/(loss) for the year from continuing operations		1,023	84	**1,107**	(1,722)	(2,247)	(3,969)
Earnings/(loss) per share continuing operations							
Basic and diluted	8			**38.6p**			(137.8p)

See accompanying notes to the financial statements

Statement of Comprehensive Income

for the year ended 31 March 2010

Group and company

	Note	**2010 £'000**	2009 £'000
Profit/(loss) for the year		**1,107**	(3,969)
Other comprehensive income:			
Defined benefit plan actuarial loss recognised	19	**(2,599)**	(6,002)
Deferred tax on actuarial loss	20	**728**	1,679
Total other comprehensive income, net of taxation		**(1,871)**	(4,323)
Total comprehensive income for the year		**(764)**	(8,292)

See accompanying notes to the financial statements

Balance Sheets

at 31 March 2010

	Note	**Group 2010 £'000**	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Non-current assets					
Property, plant and equipment	11	**31,683**	32,176	**31,683**	32,176
Goodwill	10	**286**	286	**286**	286
Deferred tax asset	20	**96**	–	**96**	–
Investment in subsidiaries	12	–	–	**250**	250
		32,065	32,462	**32,315**	32,712
Current assets					
Inventories	13	**22,032**	19,095	**22,032**	19,095
Trade and other receivables	14	**8,105**	5,926	**8,105**	5,926
Cash and cash equivalents		**407**	32	**407**	32
Non current assets classified as held for sale	11	**564**	564	**564**	564
		31,108	25,617	**31,108**	25,617
Total assets		**63,173**	58,079	**63,423**	58,329
Current liabilities					
Interest bearing loans and borrowings	15	**1,888**	8,922	**1,888**	8,922
Trade and other payables	17	**25,195**	21,899	**25,445**	22,149
Current tax payable		**220**	212	**220**	212
		27,303	31,033	**27,553**	31,283
Net current assets/(liabilities)		**3,805**	(5,416)	**3,555**	(5,666)
Non-current liabilities					
Interest bearing loans and borrowings	15	**8,000**	6	**8,000**	6
Preference shares	21	**1,237**	1,237	**1,237**	1,237
Deferred tax liabilities	20	**–**	784	**–**	784
Retirement benefit obligations	19	**6,358**	3,715	**6,358**	3,715
		15,595	5,742	**15,595**	5,742
Total liabilities		**42,898**	36,775	**43,148**	37,025
Net assets		**20,275**	21,304	**20,275**	21,304
Capital and reserves					
Share capital	21	**1,439**	1,439	**1,439**	1,439
Share premium account		**272**	272	**272**	272
Capital redemption reserve		**282**	282	**282**	282
Non-distributable reserve		**2,901**	2,901	**2,901**	2,901
Other reserve	18	**72**	–	**72**	–
Retained earnings		**15,309**	16,410	**15,309**	16,410
Total equity attributable to shareholders of Caffyns plc		**20,275**	21,304	**20,275**	21,304

The financial statements were approved by the board of directors on 28 May 2010 and were signed on its behalf by:

S B Birkenhead
M S Harrison } Directors

See accompanying notes to the financial statements

Company number 105664

Statement of Changes in Equity

for the year ended 31 March 2010

Group and company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Non-distributable reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2009	1,439	272	282	2,901	–	16,410	21,304
Total comprehensive income							
Profit for the period	–	–	–	–	–	1,107	1,107
Other comprehensive income	–	–	–	–	–	(1,871)	(1,871)
Total comprehensive income for the year	–	–	–	–	–	(764)	(764)
Transactions with owners:							
Dividends	–	–	–	–	–	(200)	(200)
Purchase of own shares	–	–	–	–	–	(137)	(137)
Share-based payment	–	–	–	–	72	–	72
At 31 March 2010	**1,439**	**272**	**282**	**2,901**	**72**	**15,309**	**20,275**

for the year ended 31 March 2009

		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
Total comprehensive income							
Loss for the period		–	–	–	–	(3,969)	(3,969)
Other comprehensive income		–	–	–	–	(4,323)	(4,323)
Total comprehensive income for the year	–	–	–	–	–	(8,292)	(8,292)
Transactions with owners – Dividends		–	–	–	–	(547)	(547)
Transfer		–	–	–	(991)	991	–
At 31 March 2009		**1,439**	**272**	**282**	**2,901**	**16,410**	**21,304**

Cash Flow Statement

for the year ended 31 March 2010

Group and company

	Note	2010 £'000	2009 £'000
Net cash from operating activities	22	**144**	6,499
Investing activities			
Proceeds on disposal of property, plant and equipment		**–**	2,589
Purchases of property, plant and equipment		**(392)**	(3,253)
Net cash used in investing activities		**(392)**	(664)
Financing activities			
Secured loans drawn down		**8,000**	–
Repayment of unsecured bank loans		**–**	(3,000)
Purchase of own shares		**(137)**	–
Dividends paid		**(200)**	(547)
Repayments of obligations under finance leases		**(15)**	(29)
Net cash inflow/(outflow) from financing activities		**7,648**	(3,576)
Net increase in cash and cash equivalents		**7,400**	2,259
Cash and cash equivalents at beginning of year		**(8,876)**	(11,135)
Cash and cash equivalents at end of year		**(1,476)**	(8,876)

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Cash and cash equivalents	**407**	32	29
Overdrafts	**(1,883)**	(8,908)	(11,164)
Net cash and cash equivalents	**(1,476)**	(8,876)	(11,135)

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 (IFRSs), International Financial Reporting Interpretations Committee ("IFRIC") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis. 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 28.

Adoption of new and revised standards and new standards and interpretations not yet adopted
The group has adopted the following new standards and interpretations in these 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. The group has decided to present separate statements.

Revised IAS 1 requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. Management consider that this is not necessary this year because the 2008 balance sheet is the same as that previously published.

The group has adopted IFRS 8 'Operating Segments' with effect from 1 April 2009, which determines and presents operating segments based on information provided to the group's Chief Operating Decision Maker, Simon Caffyn, chief executive. As such, there has been no change in the group's one reportable business segment following this adoption, since the group is operated and managed on a dealership by dealership basis. These dealerships are considered to have similar economic characteristics and offer similar products and services to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable business segment.

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 accounting treatment for non-vesting conditions and cancellations. There was no effect to the group by adopting the amendment.

Amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation' requires puttable instruments and instruments that impose on the entity an obligation to deliver to another 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 have had no impact on the consolidated financial statements.

IAS 23 'Borrowing costs' removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a cost of that asset. There was no effect to the group by adopting the amendment.

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. The amendment had no impact on the consolidated financial statements.

Adoption of new and revised standards and new standards and interpretations not yet adopted (continued)
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 3 (revised) '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 consolidated financial statements for the year to 31 March 2011.

IAS 38 (amendment) 'Intangible Assets'. Part of the IASB's improvement project, the amendment will be applied at the same time as the revised IFRS 3. The amendment clarifies guidance in measuring the fair value of intangible assets acquired in a business combination.

IFRS 5 (amendment) 'Non-Current Assets Held For Sale and Discontinued Operations'. Part of the IASB's improvement project, the amendment will be applied in the group's financial statements for the year to 31 March 2011 and clarifies the disclosure required for the non-current assets held for sale or disposal.

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 an impact on the consolidated financial statements.

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

Amendment to IFRS 2 'group Cash Settled Share-based Payment Transactions', IFRS 9 'Financial Instruments, IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' and IAS 24 'Related Party Disclosures'. Management are currently assessing the impact of these amendments, standards and interpretations on the financial statements.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider appropriate for the reasons set out below:

The company and the group meet their day to day working capital requirements through short-term stocking loans and bank overdraft and medium-term revolving credit facilities. The overdraft and revolving credit facilities were renegotiated in the financial year ended 31 March 2010 and include certain covenant tests. The failure of a covenant test would render these facilities repayable on demand at the option of the lenders.

The directors have undertaken a detailed review of trading and cash flow forecasts for a period in excess of one year from the date of this Annual Report which projects that the facility limits are not exceeded over the duration of the forecasts. These forecasts have made assumptions in respect of future trading conditions, particularly volumes and margins of new and used car sales, aftersales and operational improvements. The forecasts take into account these factors to an extent which the directors consider to be reasonable, based on the information that is available to them at the time of approval of this financial information. These forecasts indicate that the group will be able to operate within the financing facilities that are available to it and meet the covenant tests with sufficient margin for reasonable adverse movements in expected trading conditions.

In the event that additional funds are required in excess of current facilities consequent to the forecasts not being achieved, it would be necessary for the directors to effect contingency plans and/or make arrangements to obtain additional facilities appropriate to the group's ongoing requirements.

Information concerning the group's liquidity and financing risk are set out on page 8 of the Director's Report and note 16 to the financial statements.

The directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For those reasons, they continue to adopt the going concern basis in preparing this Annual Report.

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, which is allocated to cash generating units. 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 four 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 IFRSs 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-underlying items
Non-underlying items are those items that are unusual because of their size, nature or incidence. The group's management considers that these items should be disclosed separately to enable a full understanding of the group's operating results.

Leasing
Lessee
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.

Lessor
The group leases certain properties under operating leases. Substantially all the risks and rewards of ownership are retained by the company and the assets are stated at historical cost less depreciation. Provision for depreciation of all tangible fixed assets of the company is made in equal annual instalments over their estimated useful lives.

Borrowing costs
All borrowing costs are recognised in the income statement in the period in which they are incurred unless the borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case they are capitalised.

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 Comprehensive Income.

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.

Share based employee compensation
The group operates equity settled share based compensation plans for remuneration of directors in the form of a Long-term Incentive Plan. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share option awarded. Their fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

The vesting period from the date of grant is three years.

All share based compensation is ultimately recognised as an expense in profit and loss with a corresponding credit to the ‘other reserve’, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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 and attributable 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 'CGU') is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) 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 (CGU) 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 (CGU) 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 method.

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.

The 'Other reserve' comprises share-based payments made under the group's Long-term Incentive Plan.

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 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.

1. General information

Caffyns plc is a company incorporated in England and Wales under the Companies Act 2006. 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:

	2010	2009
	£'000	£'000
Sale of goods	**174,622**	143,216
Rendering of services	**14,804**	15,437
	189,426	158,653

Based upon the management information reported to the group's chief operating decision maker, the chief executive, in the opinion of the directors, the company only has the one reportable segment. There are no major customers amounting to 10% or more of the group's revenue. All revenue and non-current assets derive from, or are based in, the United Kingdom.

2. Non-underlying items

	2010	2009
	£'000	£'000
Within operating expenses:		
Impairment of property, plant and equipment: reversal/(charge)	**359**	(660)
Net (loss)/profit on disposal of property, plant and equipment	**(41)**	428
Goodwill impairment	**–**	(195)
Losses incurred on closed businesses	**(51)**	(754)
Inventory write down	**–**	(496)
Redundancy costs	**(149)**	(455)
Total non-underlyng items before taxation	**118**	(2,132)
Income tax expense – Deferred tax in respect of withdrawal of Industrial Buildings Allowances	**–**	(527)
– Tax credit/(charge) on non-underlying items	**(34)**	412
	(34)	(115)
Total after tax	**84**	(2,247)

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

Property, plant and equipment have been reviewed for possible impairment in the light of economic conditions, in particular the changes in commercial property prices. As a result of this review, the impairment charge of £660,000 recognised in 2009 against property, plant and equipment has been reduced and, consequently, a reversal amounting to £359,000 has been made in freehold property.

Losses incurred in the closure of businesses amounted to £51,000 (2009 – £754,000). These costs include wind down expenses and branch specific redundancy costs. Losses of branches up to the date of closure included in operating results before non-underlying items were £6,000 (2009 – £437,000).

The group undertook a programme of redundancies in its core business consequent to the current economic situation, resulting in non-underlying payments of £149,000 (2009 – £455,000).

3. Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging/(crediting):

	2010	2009
	£'000	£'000
Employee benefit expense (see note 4)	**19,076**	18,725
Amortisation of intangible assets	**–**	9
Impairment of property, plant and equipment	**(359)**	660
Depreciation of property plant and equipment		
– owned assets	**1,221**	1,395
– under finance leases	**9**	24
Loss/(profit) on disposal of property, plant and equipment	**14**	(428)
Impairment of goodwill	**–**	195
Operating lease rentals payable		
– land and buildings	**537**	525
– plant and machinery	**11**	39
Operating lease rentals receivable		
– land and buildings	**44**	45

Operating profit/(loss) has been arrived at after charging:

	2010	2009
	£'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)	**18**	34
– Fees in respect of the audit of the Caffyns plc Pension Scheme	**8**	7
– Other services	**4**	1
	97	109

A description of the work of the audit committee is set out in the Statement of Corporate Governance on pages 13 to 16 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:

	2010 £'000	2009 £'000
Sales	**137**	150
Aftersales	**382**	411
Administration	**129**	137
	648	698

Employee benefit expense during the year amounted to:	2010 £'000	2009 £'000
Wages and salaries	**16,655**	16,357
Social security costs	**1,470**	1,507
Redundancy costs	**272**	748
Contributions to defined contribution plans	**42**	36
Other pension costs (see note 19)	**637**	77
	19,076	18,725

Directors' emoluments were:	2010 £'000	2009 £'000
Emoluments	**874**	617
Pension contributions	**29**	21
Pension to widow of former director	**19**	19
	922	657

Details of the directors' remuneration and pension contributions are provided in the Directors' Remuneration Report on pages 17 to 20.

5. Finance expense

	2010 £'000	2009 £'000
Interest payable on bank borrowings	**402**	746
Vehicle stocking plan interest	**223**	322
Interest payable on finance leases	**2**	7
Financing costs amortised	**144**	–
Defined benefit pension scheme net finance expense (see note 19)	**427**	–
Preference dividends (see note 9)	**102**	102
Finance expense	**1,300**	1,177

6. Finance income

	2010 £'000	2009 £'000
Defined benefit pension scheme net finance income (see note 19)	–	301
Interest receivable	–	13
	–	314

7. Tax

	2010 £'000	2009 £'000
Current tax		
UK corporation tax	**8**	(650)
Advance corporation tax recovered	**–**	253
	8	(397)
Deferred tax (see note 20)		
Origination and reversal of temporary differences	**165**	(581)
Adjustments recognised in the period for deferred tax of prior periods	**(310)**	–
	(145)	(581)
Non-recurring – adjustment due to abolition of Industrial Buildings Allowances	**–**	527
	(145)	(54)
Total tax credited in the Income Statement	**(137)**	(451)
The tax (credit)/charge arises as follows:		
On normal trading	**(171)**	(566)
Non-recurring (see note 2)	**34**	115
	(137)	(451)

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

	2010 £'000	2009 £'000
Profit/(loss) before tax	**970**	(4,420)
Tax at the UK corporation tax rate of 28% (2009 – 28%)	**272**	(1,238)
Tax effect of expenses that are not deductible in determining taxable profit	**45**	31
Marginal rate relief	**(10)**	–
Accounting depreciation for which no tax relief is due	**57**	44
Long-term incentive plan	**(18)**	–
Movement in rolled over and held over gains	**(72)**	–
Asset impairment (credit)/charge	**(101)**	185
Adjustment due to abolition of Industrial Buildings Allowances	**–**	527
Adjustments to tax charge in respect of prior years	**(310)**	–
Tax credit for the year	**(137)**	(451)

7. Tax (continued)

The total tax credit for the year is made up as follows:

	2010 £'000	2009 £'000
Total current tax charge/(credit)	**8**	(397)
Deferred tax credit		
Credited in Income Statement	**(145)**	(54)
Credited against equity	**(735)**	(1,679)
Total deferred tax credit	**(880)**	(1,733)
Total tax credit for the year	**(872)**	(2,130)

Factors affecting the future tax charge

The company has unrelieved advance corporation tax of approximately £1.1m (2009 – £1.1m) which is available to be utilised against future mainstream corporation tax liabilities and is accounted for in deferred tax (see note 20).

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

8. Earning/(loss) per 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. Treasury shares and shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit/(loss) before tax	**970**	(4,420)	**970**	(4,420)
Adjustments:				
Non-underlying items (note 2)	**(118)**	2,132	**–**	–
Adjusted profit/(loss) before tax	**852**	(2,288)	**970**	(4,420)
Taxation	**171**	566	**137**	451
Earnings	**1,023**	(1,722)	**1,107**	(3,969)
Adjusted earnings per share	**35.7p**	(59.8p)		
Basic earnings per share			**38.6p**	(137.8p)

The number of fully paid ordinary shares in issue at the year end was 2,849,716 (2009 – 2,879,298). The weighted average shares in issue for the purposes of the earnings per share calculation was 2,866,751 (2009 – 2,879,298). The shares awarded under the Long-term Incentive Plan are not dilutive under the terms of IAS 33, therefore basic and diluted earnings per share are the same.

9. Dividends

Paid	2010 £'000	2009 £'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 5.0p (2009: 2.0p)	**142**	58
Final dividend paid in respect of the previous year of 2.0p (2009: 17.0p)	**58**	489
	200	547

Proposed
In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2010 of 5.0p per share which will absorb £142,000 of shareholders' funds (2009 – 2.0p per share absorbing £58,000). 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	2010 £'000	2009 £'000
Cost		
At 31 March	**481**	481
Provision for impairment		
At 1 April	**195**	–
Impairment	**–**	195
At 31 March	**195**	195
Carrying amounts:		
Volkswagen, Brighton	**200**	200
Audi, Eastbourne	**86**	86
At 31 March	**286**	286

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 2010/11, extrapolated over an additional four years, 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. While it is anticipated that the units will grow revenues in the future, for the purposes of impairment testing, no growth has been assumed beyond the business plan. 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 two dealerships.

At each half-year end the directors review the goodwill for possible impairment and they have concluded that no impairment is required in the year ended 31 March 2010.

11. Property, plant and equipment

	Freehold property £'000	Leasehold property	Fixtures & fittings £'000	Plant & machinery £'000	Total £'000
Group and company					
Cost or deemed cost					
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)	–	(345)	(238)	(1,659)
At 31 March 2009	30,647	319	5,660	6,401	43,027
At 1 April 2009	30,647	319	5,660	6,401	43,027
Additions at cost	119	10	173	90	392
Transfer	(13)	–	8	5	–
Disposals	–	–	(163)	(131)	(294)
At 31 March 2010	**30,753**	**329**	**5,678**	**6,365**	**43,125**
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)	–	(303)	(190)	(520)
At 31 March 2009	2,236	209	3,965	4,441	10,851
Depreciation					
At 1 April 2009	2,236	209	3,965	4,441	10,851
Charge for the year	324	25	527	354	1,230
Reversal of impairment provision	(359)	–	–	–	(359)
Disposals	–	–	(157)	(123)	(280)
At 31 March 2010	**2,201**	**234**	**4,335**	**4,672**	**11,442**
Net book amount					
At 31 March 2010	**28,552**	**95**	**1,343**	**1,693**	**31,683**
At 31 March 2009	28,411	110	1,695	1,960	32,176
At 31 March 2008	27,583	108	2,424	2,026	32,141

Short-term leasehold property comprised £95,000 at net book value at the balance sheet date (2009 – £110,000) in both the company and the group.

One freehold property held for sale at 31 March 2010 with a net book value of £564,000 fulfilled the conditions to be re-classified as non-current assets held for sale (2009 – one freehold property with a net book value of £564,000).

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.

11. Property, plant and equipment (continued)

Freehold property is included as follows:

	Group and company	
	2010	2009
	£'000	£'000
Valuation – March 1995, less depreciation	**10,369**	10,369
At cost, less depreciation	**18,183**	18,042
Deemed cost, less depreciation at the year end	**28,552**	28,411
At historic cost (including property qualifying as non-current asset held for resale)	**26,180**	26,074

The freehold properties (excluding one site which is classed as an asset held for sale and two other vacant properties) were revalued at 31 March 2010 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 2010 was £7.4m. 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 £16,703,000 (2009 – £16,650,000). The balance relates 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 2010/11, extrapolated over an additional four years, 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. While it is anticipated that the units will grow revenues in the future, for the purposes of impairment testing, no growth has been assumed beyond the business plan. 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/(reversals) relate to the following premises:	£'000
Audi, Worthing – freehold property	359
Skoda, Tonbridge – short leasehold and fixtures and fittings	301
At 31 March 2009	660
Audi, Worthing – freehold property	(359)
At 31 March 2010	301

Following an improvement in trading performance and an increase in the value of the property at Audi, Worthing, the impairment provision of £359,000 made in the year to 31 March 2009 has now been reversed.

Assets held under finance leases

	Plant & Machinery £'000
Net book amount	
At 31 March 2010	**5**
Net book amount	
At 31 March 2009	20

Future capital expenditure which has been contracted for but not yet provided in the financial statements amounted to £Nil (2009 – £Nil).

12. Investments in subsidiaries

The company owns the whole of the issued ordinary share capital of Caffyns Wessex Limited, Caffyns Properties Limited and Fasthaven Limited, all of which are now dormant. 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 2010 and at 31 March 2009	476
Provision	
At 31 March 2010 and at 31 March 2009	226
Net book amounts	
At 31 March 2010 and at 31 March 2009	**250**

13. Inventories

	2010	2009
	£'000	£'000
Group and company		
Vehicles	**13,213**	10,672
Vehicles on consignment	**7,349**	7,084
Petrol, oil, spare parts and materials	**1,458**	1,332
Work in progress	**12**	7
	22,032	19,095
Inventories recognised as an expense during the year	**159,778**	132,863
Inventories stated at fair value less costs to sell	**1,347**	1,261
Carrying value of inventories subject to retention of title clauses	**13,502**	13,143

All vehicle stocks held under consignment stocking agreements are deemed to be assets of the group and are included on the balance sheet from the point of consignment. The corresponding liabilities to the manufacturers are included within trade and other payables. Stocks are held on consignment for a maximum consignment period of 365 days. Interest is payable in certain cases for part of the consignment period, at various rates linked to the Finance House Base Rate.

During the year £72,000 was recognised in respect of the write down of vehicle parts inventories due to general obsolescence (2009 – £57,000).

14. Trade and other receivables

	2010 £'000	2009 £'000
Group and company		
Trade receivables	**7,179**	5,284
Allowance for doubtful debts	**(44)**	(64)
	7,135	5,220
Other receivables	**970**	706
	8,105	5,926

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 2010 trade receivables are shown net of an allowance for impairment of £44,000 (2009 – £64,000). The credit recognised for the release of impairment provisions during the year was £15,000 (2009 – £34,000).

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

	2010 £'000	2009 £'000
The ageing of trade receivables at the reporting date was:		
Not past due	**6,381**	4,748
Past due 0-30 days	**522**	356
Past due 31-120 days	**232**	116
	7,135	5,220

	2010 £'000	2009 £'000
The movement in the allowance for impairment during the year was:		
Balance at 1 April	**64**	98
Credit recognised	**(15)**	(34)
Utilisation	**(5)**	–
Balance at 31 March	**44**	64

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.

Before granting any new customer credit terms the group uses external credit agencies to assess the new customer's credit quality and defines credit limits by customer. These credit limits and credit worthiness are regularly reviewed. The concentration of credit risk is limited due to the customer base being large and unrelated. The group has no customer that represents more than 5% of the total balance of trade receivables.

15. Interest bearing loans and borrowings

Group and company	2010	2009
	£'000	£'000
Current liabilities		
Secured bank overdrafts	**1,883**	8,908
Finance lease liabilities (see note 25)	**5**	14
	1,888	8,922
Non-current liabilities		
Secured bank loans	**8,000**	–
Finance lease liabilities (see note 25)	**–**	6
	8,000	6

Note 16 sets out the maturity profile of non-current liabilities.

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

The loan and overdraft facilities provided to the company of £18.0m are secured by a general debenture and fixed charges over certain freehold properties.

16. Financial instruments

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. The disclosures below apply to the group and the company unless otherwise noted.

	2010		2009	
Group	**Book value**	**Fair value**	Book value	Fair value
	£'000	**£'000**	£'000	£'000
Fair value of financial assets and liabilities				
Primary financial instruments held or issued to finance the group's operations:				
Long-term borrowings (note 15)	**(8,000)**	**(8,000)**	–	–
Short-term borrowings (note 15)	**(1,888)**	**(1,888)**	(8,922)	(8,922)
Trade and other payables (note 17)	**(25,195)**	**(25,195)**	(21,899)	(21,899)
Trade receivables (note 14)	**7,135**	**7,135**	5,220	5,220
Cash at bank and in hand	**407**	**407**	32	32
Preference share capital (note 21)	**1,237**	**1,237**	1,237	1,237
The amounts noted in the above table are the same for the company apart from:				
Trade and other payables (note 17)	**(25,445)**	**(25,445)**	(22,149)	(22,149)

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 the continued difficult economic environment, the group maintained its focus on managing credit and liquidity risk by particularly focussing 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.

16. Financial instruments (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. The group's debt/equity ratio was 47% at 31 March 2010 (2009 – 42%). Following the significant reduction in debt achieved in the year ended 31 March 2009, the growth in revenues has required additional working capital in the year to 31 March 2010. 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 5.5 % (2009 – (18.6%)).

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 and these shares may then be held as treasury shares.

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 2010 the group had undrawn floating rate borrowing facilities of £8.5m (2009 – £9.1m) 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 £95,000 (2009 – £89,000) 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.

16. Financial instruments (continued)

Cash and cash equivalents

	Carrying value & fair value 2010 £'000	Carrying value & fair value 2009 £'000
Bank balances and cash equivalents	**407**	32

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 8.13%. Information regarding classification of balances and interest, the range of interest rates applied in the year to 31 March 2010 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	**1,883**	Amortised cost	Floating	1.5% to 3.75%

	Carrying value £'000	Classification	Interest classification	Interest rate range
Not repayable within one year				
Bank borrowings	**8,000**	Amortised cost	Floating	1.5% to 4.35%
Preference share capital	**1,237**	Amortised cost	Fixed	6.5% to 10.0%

The maturity of non-current borrowings is as follows:

	2010 £'000	2009 £'000
Between 1 and 2 years	**3,000**	–
Between 2 and 5 years	**5,000**	–
Over 5 years	**1,237**	1,237
	9,237	1,237

The preference shares in issue do not have a maturity date as they are non-redeemable.

The group renegotiated its bank facilities during the year and has a revolving credit facility of £5m expiring in May 2012 and a further £3m expiring in February 2012. It also has £8m of overdraft facilities. The loans carry a rate of interest between 2.75% and 2.85% above LIBOR and the overdrafts are at a rate of interest of 2.75% above bank base rate.

The facilities are subject to covenants tested half yearly with respect to debt/freehold property, interest cover and facility reduction based upon 50% of free cash flow. No reduction in facilities is expected to apply consequent to the trading results for the year ended 31 March 2010. The group has granted security by way of a general debenture over its assets. The balance sheet value of those assets at 31 March 2010 was £53.8m. The ongoing costs associated with the refinancing are included in finance expense (see note 5).

17. Trade and other payables

	2010	2009
	£'000	£'000
Trade payables	**12,360**	10,652
Obligations relating to consignment stock	**7,349**	7,084
Manufacturer funding	**2,409**	1,538
Social security and other taxes	**1,084**	1,034
Preference dividends payable	**51**	51
Accruals	**1,770**	1,467
Other creditors	**172**	73
Group total	**25,195**	21,899
Amounts owed to group undertakings	**250**	250
Company total	**25,445**	22,149

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2009 – 31 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.

18. Long-term incentive plan

Year of grant	Exercise price	Exercise date	Number at 31 March 2009	Granted	Lapsed	Number at 31 March 2010
2009	£0.50	2012	–	60,473	–	60,473

The fair value of the 2009 awards made under the Long-term Incentive Plan is charged to the income statement over the vesting period based on the valuation derived from an adjusted Black–Scholes model. The value was calculated as £2.88 on the date of grant. The significant inputs to the valuation were the mid market share price on the day of the grant £3.64, the exercise price £0.50, the expected life of the options of 3 years, the volatility of the share price at 24% (based on historical share price data) and the risk free rate of return (assumed to be the rate for a bond of similar duration and value). As dividends are payable over the vesting period a dividend yield of 3% is used.

The total expense included within operating profit relating to the share based payments for the year was £65,000, with an associated tax credit to the income statement and equity of £18,000 and £7,000 respectively (2009 – £nil)

Performance conditions applicable to the awards are designed to improve profits of the group on a sustained basis over a period of three years. The awards are calculated based upon the average adjusted earnings per share over the three year period reaching a minimum of 45p per annum (at which no award is made), rising to 55p per annum at which the award of shares is based upon 35% of salary. The calculation of percentages will be on a straight line basis between the earnings per share levels.

19. Retirement benefit scheme

Defined Benefit Pension Scheme

Group and company

Description of scheme

The company operated a pension scheme, the Caffyns Pension Scheme ("CPS"), providing benefits based on final pensionable pay until 31 March 2006. 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. Depending upon the proportion of pensionable pay purchased, the company contribution rates varied between 4% and 15%. The scheme closed to future accrual with effect from 1 April 2010.

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 2008.

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 6.33% per annum, that salary increases would average nil% per annum, following closure of the scheme to future accrual, and that present and future pensions would increase at the rate of 3.5% per annum for pension accrued before 1 April 2006 and 2.4% thereafter. The last actuarial valuation as at 31 March 2008 showed that the market value of the CPS assets was £72.9m and that the 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 compared to a surplus under IAS 19 at 31 March 2008 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 2008 were updated to 31 March 2010 by Towers Watson, qualified independent actuaries, for the requirements of IAS 19. Details are set out below:

	2010	2009
IAS 19 assumptions	**%**	%
Rate of increase in salaries	**–**	2.80
Rate of increase for pensions in payment:		
Pension accrued before 1 April 2006	**3.50**	2.70
Pension accrued after 1 April 2006	**2.40**	2.40
Discount rate	**5.60**	6.80
Inflation	**3.60**	2.80
Expected return on scheme assets	**6.33**	6.33
Rate of increase for deferred pensioners	**3.60**	2.80

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

	Expected return		Fair value of assets	
	2010	2009	**2010**	2009
	%	%	**£'000**	£'000
Equity instruments	**8.40**	8.60	**36,374**	26,250
Bonds	**5.10**	5.90	**6,221**	5,249
Gilts	**4.40**	3.76	**24,475**	21,226
Property	**5.10**	5.90	**1,968**	1,975
Other assets	**–**	3.80	**–**	161
	6.33	6.33	**69,038**	54,861

19. 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 include shares in Caffyns plc, which are detailed in note 23.

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 2010 and differ from those used for the earlier independent statutory actuarial valuation explained above.

Mortality assumptions

Life expectancy at age 65 (in years):	**2010**	**2010**	2009	2009
	Male	**Female**	Male	Female
Member currently aged 65	**22.1**	**25.0**	22.0	24.9
Member currently aged 45	**23.1**	**25.9**	23.1	25.9

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

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	**69,038**	54,861	72,507	77,955	76,746
Present value of defined benefit obligations	**(75,396)**	(58,576)	(70,643)	(77,611)	(79,936)
(Liability)/asset recognised in the balance sheet	**(6,358)**	(3,715)	1,864	344	(3,190)

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

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

	2010	2009
	£'000	£'000
At 1 April	**(3,715)**	1,864
Expense recognised in the income statement	**(637)**	(77)
Contributions received	**593**	500
Net actuarial (losses)/gains recognised in equity	**(2,599)**	(6,002)
At 31 March	**(6,358)**	(3,715)

The actual return on scheme assets was a gain of £16,644,000 (2009 – loss of £15,117,000).

19. Retirement benefit scheme (continued)

Total expense recognised in income statement

	2010 £'000	2009 £'000
Interest cost	**3,858**	4,615
Expected return on scheme assets	**(3,431)**	(4,916)
Interest – net (see notes 5 and 6)	**427**	(301)
Current service cost	**210**	378
	637	77

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

	2010 £'000	2009 £'000
Net finance expense/(income):		
Finance costs	**3,858**	4,615
Finance income	**(3,431)**	(4,916)
	427	(301)
Administrative expenses	**210**	378
Total included within staff costs (note 4)	**637**	77

Cumulative actuarial gains and losses recognised in equity

	2010 £'000	2009 £'000
At 1 April	**(2,155)**	3,847
Net actuarial losses recognised in the year	**(2,599)**	(6,002)
At 31 March	**(4,754)**	(2,155)

Amounts recognised in the statement of comprehensive income

	2010 £'000	2009 £'000
Difference between actual and expected return on scheme assets	**13,213**	(20,033)
Changes in assumptions underlying the present value of scheme obligations	**(15,812)**	14,031
	(2,599)	(6,002)

19. Retirement benefit scheme (continued)

Changes in the present value of defined benefit obligation

	2010 £'000	2009 £'000
At 1 April	**58,576**	70,643
Service cost	**210**	378
Interest cost	**3,858**	4,615
Contributions from scheme members	**411**	500
Actuarial gains and losses	**15,812**	(14,031)
Benefits paid	**(3,471)**	(3,529)
At 31 March	**75,396**	58,576

Movement in the fair value of scheme assets

	2010 £'000	2009 £'000
At 1 April	**54,861**	72,507
Expected return on scheme assets	**3,431**	4,916
Actuarial gains and losses	**13,213**	(20,033)
Contributions from the company	**593**	500
Contributions from scheme members	**411**	500
Benefits paid	**(3,471)**	(3,529)
At 31 March	**69,038**	54,861

The best estimate of contributions payable by the group in the year ending 31 March 2011 is £150,000.

History of experience adjustments

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Experience adjustments on scheme liabilities					
Amount	**–**	(4,107)	–	–	1,259
Percentage of scheme liabilities	**–**	(7.0%)	–	–	1.6%
Experience adjustments on scheme assets					
Amount	**(13,213)**	20,033	8,299	1,604	(6,821)
Percentage of scheme assets	**(19.1%)**	36.5%	11.5%	2.1%	(8.9%)

20. 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	Short-term timing differences £'000	Recoverable ACT £'000	Total £'000
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 comprehensive income	–	–	1,679	–	–	–	1,679
At 31 March 2009	(1,496)	(1,753)	1,040	287	–	1,138	(784)
At 1 April 2009	(1,496)	(1,753)	1,040	287	–	1,138	(784)
(Charge)/credit to income	5	79	12	(279)	18	–	(165)
Transfer Other Reserve	–	–	–	–	7	–	7
Prior year adjustments	43	65	–	202	–	–	310
Transfer to comprehensive income	–	–	728	–	–	–	728
At 31 March 2010	**(1,448)**	**(1,609)**	**1,780**	**210**	**25**	**1,138**	**96**

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:

	2010 £'000	2009 £'000
Deferred tax liabilities	**(3,057)**	(3,249)
Deferred tax assets	**3,153**	2,465
	96	(784)

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 £0.75m are available for use in future periods.

21. Called up share capital

	2010 £'000	2009 £'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 Shares 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 cost of purchasing 29,582 ordinary shares for holding as Treasury shares was £137,000 (2009: £Nil) and has been charged against retained earnings. Treasury shares represent shares in the company which are held by the company for the purpose of fulfilling the requirements of the Long-term Incentive Plan provided for certain senior managers. The market value of these shares at 31 March 2010 was £129,000. Dividend income from, and voting rights on, the shares held by the Trust have been waived.

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.

22. Notes to the cash flow statement

	2010 £'000	2009 £'000
Profit/(loss) before taxation	**970**	(4,420)
Adjustment for net finance expense	**1,300**	863
	2,270	(3,557)
Adjustments for:		
Depreciation of property, plant and equipment	**1,230**	1,419
Amortisation of intangible assets	**–**	9
Impairment of property, plant and equipment	**(359)**	660
Goodwill impairment	**–**	195
Change in retirement benefit obligations	**(383)**	(122)
Loss/(gain) on disposal of property, plant and equipment	**14**	(428)
Share-based payments	**65**	–
Decrease in provisions	**–**	(27)
Operating cash flows before movements in working capital	**2,837**	(1,851)
(Increase)/decrease in inventories	**(2,937)**	8,143
(Increase)/decrease in receivables	**(2,179)**	2,315
Increase/(decrease) in payables	**3,296**	(902)
Cash generated by operations	**1,017**	7,705
Income taxes	**–**	(42)
Interest received	**–**	13
Interest paid	**(873)**	(1,177)
Net cash from operating activities	**144**	6,499

23. 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 17 to 20.

	2010	2009
	£'000	£'000
Short-term employee benefits	**874**	617
Post employment benefits	**29**	21
Share-based payment (note 18)	**65**	–
Pension to widow of former director	**19**	19
	987	657

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 641,323 Ordinary Shares in Caffyns plc representing a further 13.2% 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 2.6% of the issued ordinary share capital of the company.

Caffyns Pension Fund

a) Details of contributions are disclosed in note 19.

b) The Pension Fund held the following investments in the company:

	Fair value	
	2010	2009
	£'000	£'000
Shares held		
125,570 (2008 – 125,570) Ordinary Shares of 50p each	**498**	251
12,862 (2008 – 12,862) 10% Cumulative Preference Shares of £1 each	**15**	15
	513	266

c) At 31 March 2010 there was no balance due by the Pension Fund (2009 – £nil).

d) During the year to 31 March 2010 the company met management fees of £185,000 on behalf of the Pension Fund (2009 – £252,000).

24. 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 2010		Group and company 2009	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within 1 year	**488**	**2**	498	11
In 2 to 5 years	**1,258**	**8**	1,489	8
Beyond 5 years	**1,765**	**–**	2,017	–
	3,511	**10**	4,004	19

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 £44,000 (2009 – £45,000). No contingent rents were recognised in income (2009 – £Nil).

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

	2010 £'000	2009 £'000
Within 1 year	**35**	45

25. Obligations under finance leases

Group and company	Minimum lease payments 2010 £'000	Minimum lease payments 2009 £'000	Present value of minimum lease payments 2010 £'000	Present value of minimum lease payments 2009 £'000
Amounts payable under finance leases:				
Within one year	**6**	15	**5**	14
In the second to fifth years inclusive	**–**	7	**–**	6
	6	22	**5**	20
Less: Future finance charges	**(1)**	(2)	**–**	–
Present value of lease obligations	**5**	20	**5**	20
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(5)**	(14)
Amount due for settlement after 12 months			**–**	6

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 2010, the average effective borrowing rate was 8.13% (2009 – 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.

26. Capital commitments

The group and company had capital commitments at 31 March 2010 of £Nil (2009 – £Nil).

27. Contingent liabilities and assets

The group and company had no contingent liabilities at 31 March 2010 or 31 March 2009.

VAT

The claim that had been lodged with HM Revenue and Customs in connection with the repayments of VAT received in September 2004 and March 2007 was joined in a Group Litigation Order ("GLO") along with other claimants. Interest on these repayments was on a simple interest basis whereas the GLO claimed that it should have been on a compound interest basis. As previously reported, while the High Court found in the claimant's favour, it also held that the limitation period for bringing these particular claims ran out in around 2002/03. Claims were not made because, at that time, dealerships were unaware of their entitlement to claim. The view of the court on appeal was to uphold the original decision. Alternative litigation is being pursued by claimants where the time limits point is not an issue. A preliminary hearing in court is expected in June 2010.

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.

28. 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 that are believed to be reasonable under the circumstances.

Certain critical accounting judgements 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 19.

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.

Inventory valuation

Motor vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using reputable industry valuation data which is based upon recent industry activity and forecasts. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

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.

VAT

The group is in discussion with HM Revenue and Customs over issues which may arise in additional income being recognised in future periods and, although this income may be significant, it is not possible at present to quantify them. Accordingly, no amount has been included in the financial statements in respect of these issues.

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 29.

29. Post balance sheet events

A final dividend of 5.0p per share (2009 – 2.0p) has been recommended by the directors.

Five Year Review

	2006* £'000	2007 £'000	2008 £'000	2009 £'000	**2010 £'000**
Income Statement					
Revenue	160,076	176,238	182,029	158,653	**189,426**
Operating profit/(loss) before exceptional/non-underlying items	668	1,858	393	(1,425)	**2,152**
Exceptional/non-underlying items	972	160	2,776	(2,132)	**118**
Finance costs	(1,114)	(1,232)	(1,310)	(1,177)	**(1,300)**
Finance income	504	657	720	314	**–**
Profit/(loss) before tax	1,030	1,443	2,579	(4,420)	**970**
Profit after taxation	756	1,163	2,128	(3,969)	**1,107**
Dividends	(691)	(691)	(720)	(547)	**(200)**
Retained	65	472	1,408	(4,516)	**907**
Basic earnings/(loss) per ordinary share	26.3p	40.4p	73.9p	(137.8p)	**38.6p**
Adjusted earnings/(loss) per ordinary share	2.7p	36.5p	(6.7p)	(59.8p)	**35.7p**
Dividend per ordinary share payable in respect of the year	24.0p	25.0p	25.0p	4.0p	**10.0p**
Balance sheet					
Shareholders' funds	25,379*	28,045	30,143	21,304	**20,275**
Bank borrowings (net)	11,048	9,841	14,184	8,908	**9,491**
Debt/shareholders' funds (gearing)	44%	35%	47%	42%	**47%**

* As restated for a deferred tax adjustment.

THE COMPANIES ACT 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 the Hydro Hotel, Mount Road, Eastbourne on Thursday 29 July 2010 at 11:30 am for the following purposes.

Ordinary Business

1. To receive and adopt the Report of the Directors, the Report of the Independent Auditors and the audited financial statements for the year ended 31 March 2010.

2. To receive, approve and adopt the Directors' Remuneration Report for the year ended 31 March 2010.

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

4. To re-elect Miss S J Caffyn, who retires by rotation and offers herself for re-appointment by general meeting, as a director of the Company.

5. To re-appoint as a director of the Company Mr G J Ainsley, who has been appointed since the last general meeting, and offers himself for re-appointment in accordance with the Company's Articles of Association.

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

7. To declare a final dividend of 5 pence per share on each of the Company's ordinary shares for the financial year ended 31 March 2010.

Special Business

As special business to consider and, if thought fit, pass resolution 8 as an ordinary resolution and resolutions 9 & 10 as special resolutions.

8. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot equity securities (as defined in section 560 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.

9. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) 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 727 or 729 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 50 pence (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.

10. That, subject to the passing of resolution 8 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 8 above or where the allotment constitutes an allotment by virtue of section 560(2)(b) of the Act, in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted under paragraph (b) of resolution 8, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only) to:

(A) the holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them; and

(B) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary,

and so that the directors of the Company may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(ii) 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

(iii) the allotment of equity securities, other than pursuant to paragraphs (i) and (ii) 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.

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

By order of the board

S J Caffyn
Company Secretary

Registered Office:

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

Notes:

1. At the date of this notice, the issued share capital of the Company was 2,879,298 ordinary shares of £0.50 each 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. 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. If a proxy appointment is submitted without indicating how the proxy should vote on any resolution, the proxy will exercise his discretion as to whether and, if so, how he votes. (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 16 below.)

3. A proxy need not be a member of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact our Company Secretary on 01323 730201. Members may also appoint a proxy through the CREST electronic proxy appointment service as described in note 12 below.

4. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by our Company Secretary at Caffyns plc, Meads Road, Eastbourne, East Sussex BN20 7DR no later than 48 hours before the start of the meeting, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a duly certified copy of that power or authority.

5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in note 12(a) below) will not prevent a member attending the meeting and voting in person if he/she wishes to do so.

6. 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.

7. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 11:30 am on Tuesday 27 July 2010 (or, in the event of any adjournment, 11:30 am on the date which is two days before the time of the adjourned meeting). Changes to entries on the register of members after 11:30 am on Tuesday 27 July 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

9. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information or (ii) the answer has already been given on a website in the form of an answer to a question or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

11. 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 (Taylor Wessing LLP, 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.

12. 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 29 July 2010 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.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not so in relation to the same shares.

14. A copy of this notice, and other information required by section 311A of the Companies Act 2006 can be found at www.caffynsplc.co.uk.

15. 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.

16. *Note to nominated persons* – Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

17. 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 Directors' Remuneration Report on pages 17 to 20 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 N W Hollingworth and Miss S J Caffyn 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.

Re-appointment of a director (Resolution 5)
The Company's articles of association require that a director appointed since the last Annual General Meeting must retire at the next following Annual General Meeting and is then eligible to stand for election.

At this meeting, Mr G J Ainsley, who has been appointed a director since the last Annual General Meeting, will retire and stand for election as a director.

Reappointment and remuneration of auditors (Resolution 6)
Resolution 6 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 7)
A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 5 pence 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 25 June 2010. If approved, the date of payment of the final dividend will be 29 July 2010.

Directors' authority to allot securities (Resolution 8)
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 2011 or, if earlier, on 28 October 2011 (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 28 May 2010.

Authority to purchase own shares (Resolution 9)
In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 9 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 2010) and the maximum and minimum prices at which they may be bought.

Resolution 9 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 2011 or, if earlier, 28 October 2011 (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 10)

Under section 561 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 unless the shareholders have first waived their pre-emption rights.

Resolution 10 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 28 May 2010. 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 2011 or, if earlier, 28 October 2011 (the date which is 15 months after the date of passing of the resolution).

Notice of general meetings (Resolution 11)

Resolution 11 is required to amend the proposed implementation of the Shareholder Rights Directive. The regulation implementing this Directive increases 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, 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

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

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

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
Worthing, Sussex. Broadwater Road. (01903) 231111

NISSAN
Eastbourne, Sussex, Upperton Road
(01323) 720191

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

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
* Unipart and Rover † Express Factors

HEAD OFFICE
Eastbourne, Meads Road, Sussex. (01323) 730201

Meads Road, Eastbourne, East Sussex, BN20 7DR

caffyns.co.uk