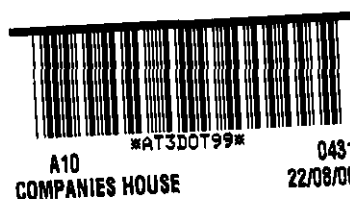


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[caffyns.co.uk](http://caffyns.co.uk)



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# Ninety First Annual Report and Accounts

For the year ended 31st March 2000

Company Number 105664.

# Caffyns plc

## Ninety First Annual Report and Accounts

For the year ended 31st March 2000

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### Results at a glance

	2000	1999
	£000's	£000's
Sales .....	147,305	151,610
Operating Profit .....	2,842	2,877
Profit before Tax .....	2,151	1,858
Earnings per share .....	51.3p	46.7p
Dividend per Ordinary Share .....	15.0p	14.5p

# Caffyns plc

## Directors

ALAN M. CAFFYN, D.L., C.ENG., M.I.Mech.E., F.I.M.I.  
*Chairman, Non-Executive*

IAN G. WATT, C.B.E., F.C.A.  
*Deputy Chairman and Chairman of the Audit Committee, Non-Executive*

BRIAN A. CARTE, T.D., F.C.I.B., F.C.T., F.I.M.I.  
*Chairman of the Remuneration Committee, Non-Executive*

SIMON G. M. CAFFYN, M.A., F.I.M.I.  
*Chief Executive*

ANTHONY E. F. CAFFYN, F.I.M.I.  
*Executive Director*

ROBERT J. M. CAFFYN, M.A., F.C.A.  
*Non-Executive Director*

MARK S. HARRISON, F.C.A.  
*Finance Director*

*Mr. I. G. Watt is the senior independent non-executive director*

## Regional Directors

MARTIN J. BLACKABY – Brighton Area

TOM J. BOLGER – Worthing Area

EDWARD A. BULL, F.I.M.I. – Salisbury Area

JOHN G. KING – Accountant

JOHN RATCLIFFE, M.I.M.I. – Eastbourne Area

NIGEL C. WELLS – Sevenoaks Area

## Bankers

HSBC BANK plc

NATIONAL WESTMINSTER BANK plc

## Auditors

GRANT THORNTON

## Secretary

SARAH J. CAFFYN, BSc (Hons), Grad IPD

## Registered Office

Meads Road, Eastbourne, East Sussex BN20 7DR  
Telephone (01323) 730201

# Caffyns plc

Registered in England No.105664

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the NINETY FIRST ANNUAL GENERAL MEETING of this Company will be held at the Hydro Hotel, Mount Road, Eastbourne, on Tuesday the 25th day of July 2000, at 2.30 p.m. to consider and, if thought fit, pass the following Resolutions:

*As Ordinary Resolutions:*

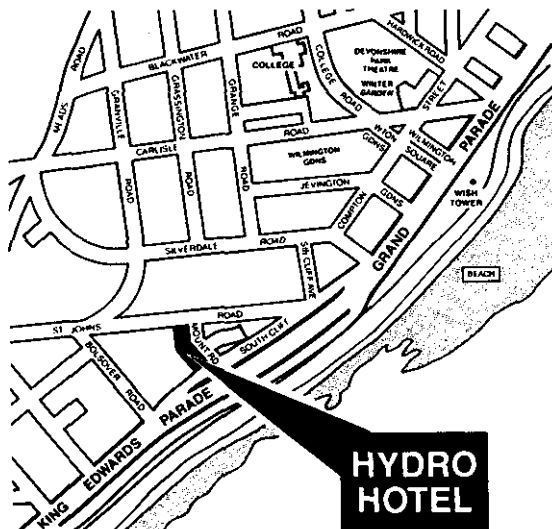
1. To receive and consider the Accounts and Report of the Directors.
2. To declare an Ordinary dividend.
3. To re-elect Mr. R. J. M. Caffyn as a Director.
4. To re-elect Mr. I. G. Watt as a Director.
5. To re-elect Mr. M. S. Harrison as a Director.
6. To re-appoint Grant Thornton as Auditors.
7. To empower the setting of the Auditors' Remuneration.

*As a Special Resolution:*

8. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985 (as amended) of ordinary shares of 50 pence each of the company ('ordinary shares') provided that:
  - a. The maximum number of ordinary shares hereby authorised to be acquired is 498,223.
  - b. The minimum price which may be paid for any such ordinary share is 50 pence, the nominal value of that share.
  - c. The maximum price which may be paid for any ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased.
  - d. The authority conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2001 or on 30th September 2001 if earlier; but a contract for purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of ordinary shares may be made in pursuance of any such contract.

By Order of the Board  
S. J. CAFFYN,  
Secretary

Registered Office: MEADS ROAD, EASTBOURNE, East Sussex BN20 7DR  
23rd June 2000



Any members of the Company entitled to attend and vote may appoint another person (whether a member or not) as their proxy to attend and vote instead of them. Proxies will be accepted up to 48 hours before the time of the meeting. A pre-paid form of proxy for use in connection with the Annual General Meeting is enclosed with the accompanying Annual Report. Copies of Directors' Service Contracts are available for inspection at the Registered Office of the Company between 8.30 a.m. and 5 p.m. on any weekday (Saturday excepted) from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to the meeting until its conclusion. The Dividend, if approved, will be paid to Ordinary Shareholders who were registered in the books of the Company on the 30th June 2000. Warrants will be posted on the 25th July 2000.

# Caffyns plc

## Chairman's Review

### Results

The trials and tribulations of the retail motor industry have been well documented and so the result for the year ended 31st March 2000 is highly commendable and I thank all members of staff for their hard work.

The Group's consolidated profits before tax for the year ended 31st March 2000 were £2.15m compared with the previous year's pre-tax profits of £1.86m. Earnings per ordinary share were 51.3p (1999: 46.7p).

### Dividend

An interim dividend of 5.5p per ordinary share was paid on 7th January 2000. A final dividend of 9.5p which would cost £316,000 is now being recommended which, if approved, will be payable on 25th July 2000 to shareholders on the register on 30th June 2000. This will result in a total dividend for the year of 15.0p per ordinary share (1999: 14.5p).

### Finance

Borrowings at 31st March 2000 were £5.7m (1999: £9.7m) which, as a proportion of shareholders' funds at the year end, gave rise to gearing of 24% (1999: 42%). Interest was covered 4.1 times by operating profits (1999: 2.8 times).

### People

It has also been an important year as we have appointed a new finance director, Mark Harrison, who takes over from my brother Robert on the 1st June 2000. During his many years in charge of the finance and administration of the company, Robert has ensured that we were always at the forefront of modern technology which in turn has made the management of the business that much easier.

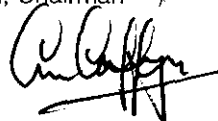
### Prospects

Our pension contribution holiday has ended and there will be a charge to the profit and loss account of approximately £250,000 in the year ending 31st March 2001. However, since the year end we have exchanged contracts on the sale of one branch which is likely to result in a surplus of approximately £300,000.

As the chief executive notes there is much uncertainty ahead of us but like him, I feel that your board has taken the correct decisions to ensure that we shall be well placed to take advantage of any opportunities that may arise.

31st May 2000

A. M. CAFFYN, Chairman



## Chief Executive's Review

### Results

I am very pleased to be able to report a record profit for the Company. Despite a small reduction in turnover and a new charge of £170,000 for freehold property depreciation, the profit before tax has increased by 16% from £1.86m to £2.15m. A great deal of work has been undertaken by all our staff to achieve this improvement in what has been a very difficult year for our Industry and I am very grateful for all of their efforts. Particular mention must go to our Regional Directors who have worked closely with their Branches to produce this overall figure.

### Competition Commission

Trading conditions have not been enhanced by the review of the Motor Industry by the Competition Commission. The delay in publication of its report meant that Customers continued to put off buying decisions and also caused heavy depreciation of second hand cars which affected both our levels of enquiry and the values of our used car stocks.

We broadly welcome the findings of the Report, which was finally published in April. However I do not believe that Block Exemption, which is in place across Europe, is responsible for the discrepancies in prices between the UK and the Continent. This is more a result of excessive discounting to Fleet Buyers by some manufacturers, which is subsidised by the Retail Customer. The differences in the levels of tax charged on car purchases by European Governments, which is reclaimable by foreign purchasers exporting the car for use in another Country, causes problems. Taxation in country of purchase would resolve this.

# Caffyns plc

Together with most of the large dealer Groups, we continue to ask for reductions in both retail prices and for lower discounts to Fleets. The recent move by Rover to cut their prices demonstrated that there is *great demand for sensibly priced cars*. Our April 2000 Rover sales were over four times those of the same month in the previous year.

## Franchises and Premises

During the year we have completed a number of investments in premises. In Folkestone we have opened a new Vauxhall Master-Fit operation, which is part of our large Vauxhall territory in East Kent. The centre of this operation is in Ashford and we are on target to complete a major development in the Orbital Park site near the International Railway Station. This will also be the site for our successful Skoda dealership. In Eastbourne we have nearly completed an external refurbishment of our Rover dealership and in Lewes we now have a successful stand-alone Rover site.

Volkswagen have a very impressive design for their franchise locations and we have now completed a major redevelopment of our site in Worthing and we are working on a similar concept in our Haywards Heath territory.

Our Ford operation in Alton is now contributing to profits after relocating to smaller and more visible premises.

The workshop facilities in Sevenoaks Peugeot are now complete and we are about to begin work on a new showroom. We are very pleased to have been appointed Peugeot agents and the outlook for Sevenoaks is very encouraging.

In Canterbury we were sad to lose the Citroën franchise, and in Crowborough, where the facilities have become too large for the local market, we are redirecting customers to Tonbridge, Tunbridge Wells and Uckfield. Both sites are in the process of being sold at a premium to book value and we are looking to retain as many staff as possible in nearby locations.

Having finished the major redevelopment of Lewes Land Rover and amalgamated our Heathfield operation at this site, I am delighted to see such excellent results. The success of Mercedes-Benz, Jaguar and Audi continues with excellent results from all of these businesses, with both Skoda and Vauxhall also beginning to perform well. After the recent problems with Rover we are very pleased to see the Phoenix consortium acquire the company. Much work has to be done but a joint venture with another manufacturer would give Rover every chance of success.

## Technology

I am very pleased to report that as a result of good planning we were unaffected by the 'Millennium Bug'. Many staff throughout the Company worked very hard during the run up period and over the New Year to ensure we had no problems and I am grateful to them for their commitment.

We already have an Internet site, [caffyns.co.uk](http://caffyns.co.uk), and we are on the verge of launching a new facility to enable customers to search our entire used car stocks on-line. We continue to keep abreast of developments in this field and to capitalise on the more innovative ideas.

## People

After 38 years with the Company, Robert Caffyn retires as Finance Director in June this year. Under Robert's guidance the finance and administration of the Company has been in excellent hands and we are enormously grateful to him for his huge contribution in all areas of the business.

We were fortunate to have a number of excellent candidates apply for the position of Finance Director and we are delighted to welcome Mark Harrison who has joined the Company and takes over the role from Robert.

As always our Non-executive Directors and professional advisers have given us invaluable advice and assistance during the year. I am particularly grateful for their considerable help with the recruitment of our new Director.

I began by reporting our improved result, which is a testament to the hard work, commitment and loyalty of our staff. We remain, as an industry, in uncharted waters, but I am confident that the Company is in a good position to take advantage of any upturn.

S. G. M. CAFFYN, Chief Executive

31st May 2000



# Caffyns plc

## Report of the Directors

The Directors submit their report and financial statements for the year ended 31st March 2000.

### Principal Activities and Business Review

The Group is engaged as motor retailers. A review of the past year and future developments is contained in the Chairman's Review on page 4 and Chief Executive's review on pages 4 and 5.

### Turnover

The turnover of the Group amounted to £147.3m (1999 – £151.6m).

<b>Results and Dividends</b>	2000 £000's	1999 £000's
Profit on ordinary activities before taxation .....	2,151	1,858
Taxation .....	(345)	(215)
Profit on ordinary activities after taxation .....	<u>1,806</u>	<u>1,643</u>
Dividends paid and recommended are as follows:		
Dividends paid on:		
6.5% Cumulative First Preference Shares .....	25	18
6.0% Cumulative Second Preference Shares .....	12	9
10% Cumulative Preference Shares .....	65	65
Ordinary Shares – Interim 5.5p (1999 – 5.5p) .....	183	183
Dividend proposed on:		
Ordinary Shares – Final 9.5p (1999 – 9.0p) .....	<u>316</u>	<u>299</u>
Total dividends paid and proposed .....	<u>601</u>	<u>574</u>
Transfer to reserves .....	<u>1,205</u>	<u>1,069</u>

### Directors

The Directors in office at the year end are set out in the table on page 7. Mr. M. S. Harrison was appointed an executive director on 17th April 2000, and will succeed Mr. R. J. M. Caffyn as finance director when he retires and becomes a non-executive director on 1st June 2000.

Mr. A. M. Caffyn, D.L., C.Eng., M.I.Mech.E., F.I.M.I. (age 67) who retired as an executive director on 1st May 1998, is non-executive Chairman of the company. He joined the Board on 2nd October 1961 and was Chief Executive of the company for 17 years until he retired as an executive director.

Mr. I. G. Watt, C.B.E., F.C.A. (age 67), joined the Board on 1st January 1993. He was a partner in KPMG and its predecessor firm, Thomson McLintock, from 1963 to November 1992, when he became an Adviser to the Governors of the Bank of England, a position from which he retired in March 1997.

Mr. B. A. Carte, T.D., F.C.I.B., F.C.T., F.I.M.I. (age 56), joined the Board on 3rd June 1996. He was chief executive of Lombard North Central plc from July 1989 until his retirement at the end of June 1996. He was previously Managing Director of National Westminster Insurance Services Limited. Mr. Carte is deputy chairman of First National Bank plc, PPP Healthcare Limited, Fletcher King plc and a number of other companies.

Mr. R. J. M. Caffyn, M.A., F.C.A. (age 64) joined the Board on 2nd October 1961. He will retire as finance director on 1st June 2000 and become a non-executive director.

Mr. M. S. Harrison, F.C.A. (age 46) joined the Board on 17th April 2000. A Chartered Accountant, he was previously finance director of Faupel Trading Group plc. He has been appointed a director since the last AGM, and in accordance with the Articles of Association will be offering himself for re-election.

Mr. R. J. M. Caffyn and Mr. I. G. Watt are retiring by rotation, and being eligible, offer themselves for re-election.

# Caffyns plc

## Shareholdings

The interests of the Directors in the shares of the Company are as follows:

	At 31st March 2000			At 1st April 1999		
	Ordinary Shares	Cum. 1st Pref. Shares	10% Pref. Shares	Ordinary Shares	Cum. 1st Pref. Shares	10% Pref. Shares
A. E. F. Caffyn	76,000	–	–	76,000	–	–
A. M. Caffyn (3.1%)	101,562	5,337	11,400	(3.1%) 101,562	5,337	11,400
R. J. M. Caffyn (4.5%)	150,785	6,776	12,481	(4.4%) 145,074	6,776	12,481
	*81,580	*571	*1,747	*81,580	*571	*1,347
S. G. M. Caffyn	34,000	–	1,600	30,000	–	1,600
B. A. Carte	1,000	–	–	1,000	–	–
I. G. Watt	1,570	–	114	1,570	–	114

\*non-beneficial interest

Details of directors' share options are shown in note 5 to the financial statements.

There were no changes in the Directors' shareholdings or options between 1st April and 31st May 2000.

Mr. A. M. Caffyn, Mr. A. E. F. Caffyn, Mr. R. J. M. Caffyn and Mr. S. G. M. Caffyn are Directors of Caffyns Pension Fund Trustees Limited which owns 125,570 Ordinary Shares representing 3.8% of the Issued Ordinary Share Capital and 12,862 10% Cumulative Preference Shares. Mr. A. M. Caffyn, Mr. A. E. F. Caffyn and Mr. R. J. M. 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.

## Other Significant Shareholdings

In addition to the above, at 31st May 2000, the Directors have been notified of the following disclosable interests in 3% or more of the nominal value of share capital:

	Ordinary Shares	%
British Empire Securities and General Trust plc	680,500	20.5
Global Asset Management Limited	350,000	10.5
Bishopsgate Investments Limited	128,349	3.9
D. J. M. Caffyn	101,636	3.1
Fleming Mercantile Investment Trust plc	100,000	3.0

## Employees

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

## Charitable and Political Contributions

Donations to charitable organisations amounted to £1,900. No contributions were made for political purposes.

## Creditors Payment Policy and Practice

A number of major suppliers require payment by direct debit as part of their terms of trade. The Group's policy is to pay its other trade creditors at the end of the month following that in which the goods or services are supplied. Trade creditors at the year end amounted to 29 days of average supplies for the year (1999: 29 days).

# Caffyns plc

## Capital Gains Tax

The market values of the Company's listed shares, adjusted in the case of Ordinary Shares for the bonus issue of 10% Preference Shares in August 1978, were:

	6th April 1965	31st March 1982
Ordinary Shares .....	82.151p	127.5p
6.5% Cumulative First Preference Shares .....	93.75p	32.5p
10% Cumulative Preference Shares .....	89.245p	64.5p

## Corporate Governance

### Compliance

The Group has complied throughout the year with the principles set out in the Combined Code appended to the Listing Rules of the London Stock Exchange except that:

- one director has a service contract which runs for more than 12 months which does not comply with Code provision B.1.7.
- Mr. A. M. Caffyn is a member of the Remuneration Committee but is not an independent director as required by Code B.2.2.

In complying with Code provision D.2.1 on internal control, the company has adopted the transitional approach of reporting on internal financial controls, allowed by the Stock Exchange in its letter of 27 September 1999.

### Directors

The Company supports the concept of an effective board leading and controlling the company. The Board is responsible for approving company policy and strategy. It meets approximately every two months and has a schedule of matters specifically reserved to it for decision. 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.

The Board consists of 4 executive directors, who hold the key operational positions in the Company and 3 non-executive directors, who bring a breadth of experience and knowledge, 2 of whom 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 the Board's decision making cannot be dominated by an individual or small group. The Chairman of the Board is Mr. A. M. Caffyn and the Company's business is run by Mr. S. G. M. Caffyn, the chief executive. The Board has named Mr. I. G. Watt as the senior independent non-executive director.

All directors are subject to re-election every three years and, on appointment, at the first AGM after appointment.

### Audit and Remuneration Committees

The membership of the Audit and Remuneration Committees is as follows:

<i>Audit Committee</i>	<i>Remuneration Committee</i>
I. G. Watt (Chairman)	B. A. Carte (Chairman)
A. M. Caffyn	A. M. Caffyn
B. A. Carte	I. G. Watt

The directors do not consider the company to be of sufficient size to warrant a Nominations Committee. Nominations to the Board are considered by the Board as a whole.

The Audit Committee has 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 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 Remuneration Report.

# Caffyns plc

## Remuneration Report

The Remuneration Committee, which consists of the three non-executive directors, is responsible for the remuneration policy for the executive directors.

Directors' salaries are designed to attract, retain and motivate high quality executives. Salaries and other aspects of remuneration are regularly reviewed and compared against other similar companies. A bonus scheme for the executive directors was set up for the year. For the year ended 31 March 2000, this provided for an amount calculated as 10% of salary if group pre-tax profits exceeded £2.0m. In accordance with the rules of the company pension scheme, applicable to all members of the scheme, this bonus is pensionable. It is not the company's policy to operate a directors' share option scheme.

The executive directors have service contracts which expire on the following dates:

R. J. M. Caffyn – 1st June 2000

A. E. F. Caffyn – 28th February 2001

Mr. S. G. M. Caffyn has a two year rolling contract which was last renewed on 1st April 2000. Mr. M. S. Harrison has a one year rolling contract.

It is the Remuneration Committee's view that these existing contracts are fully in the Company's interest and indeed it would be disadvantageous to the Company to seek to revoke these contracts 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 remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. The non-executive directors do not hold service contracts with the Company.

Full details of directors' remuneration and participation in the Company's Employee Save-As-You-Earn share option scheme are set out in note 5 to the financial statements.

Executive directors' pensions are provided by Caffyns Pension Scheme, which provides a pension of a maximum of two thirds of final salary. There is a widow's pension of half the director's pension and a death in service benefit of three times salary. Further details about the pension scheme are provided in note 28 to the financial statements.

## Relations with shareholders

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management.

The AGM is used to communicate with private investors and they are encouraged to participate. The Chairmen of the Audit and Remuneration 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.

# Caffyns plc

## Accountability and audit

The Board presents a balanced and understandable assessment of the Company's position and prospects in all interim and price-sensitive reports and reports to regulators as well as in the information required to be presented by statutory requirements. The responsibilities of the directors as regards the accounts are described on page 11, and that of the auditors on page 12.

The Combined Code requires that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. Accordingly, the directors are obliged to review all controls, including financial, operational and compliance controls and risk management. Guidance on the review of Companies systems of internal control in accordance with the Combined Code has been prepared by a task force established jointly by the Institute of Chartered Accountants in England and Wales and the London Stock Exchange. The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal controls as reflected in this guidance. The directors will report fully to shareholders that they have reviewed the effectiveness of all internal controls in the Annual Report and Accounts for the year ending 31st March 2001.

In respect of the application of principle D.2 of the Combined Code, the Board has adopted the transitional approach to disclosure set out by the London Stock Exchange and therefore, the comments below relate to internal financial control procedures.

Part of the Board's responsibility is to ensure that the Company maintains a system of internal financial controls, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Company's internal financial control and monitoring procedures include:

- (i) Clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial information;
- (ii) The control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties;
- (iii) Detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budgets;
- (iv) Clearly defined guidelines for capital expenditure, including detailed appraisal and review procedures, levels of authority and due diligence requirements;
- (v) Reporting on internal financial controls and procedures by group internal audit, including a review of such reports by the Audit Committee prior to the issue of the interim and annual reports. The Committee ensures the independence of the internal auditors within the Company and reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Company, seeking to balance objectivity and value for money.

The Audit Committee has reviewed the effectiveness of the system of internal financial controls for the period covered by the financial statements.

During the year ended 31st March 2000, the Company, as permitted by the transitional arrangements in the Listing Rules, has complied with the provisions set out in Section 1 of the Combined Code.

## Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# Caffyns plc

## **Directors' Responsibilities for the Financial Statements**

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are required to select suitable accounting policies and then apply them consistently and make reasonable and prudent judgements and estimates in the preparation of the financial statements. The Directors also confirm that applicable accounting standards have been followed.

## **Year 2000**

The group suffered no impact from the Year 2000 date change nor did any of its major customers, suppliers or trading partners.

## **Annual General Meeting**

### **Resolution 8**

The Board is seeking a general authority from shareholders to make market purchases of up to 15% of the issued ordinary shares. The proposal will be put to the Annual General Meeting as a special resolution, which requires the approval of 75% of shareholders voting in person or by proxy at the Meeting. If approved, the Board would only make purchases if the effect would be to increase earnings per share and if it believed that to do so would be in the best interests of shareholders generally.

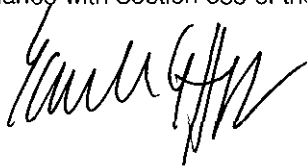
The purchase price for any shares cannot be more than 5% above the average middle market quotation taken from the Official List for five business days preceding any purchase. The authority will only be exercised if market conditions make it advantageous for the Company to do so. Any shares purchased under this authority will be cancelled and not re-issued.

The Board has no current intention of exercising this authority.

## **Auditors**

A resolution proposing the re-appointment of the Auditors, Grant Thornton, will be put to the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

31st May 2000



By Order of the Board  
S. J. Caffyn, Secretary

# Caffyns plc

## Report of the Auditors to the Members of Caffyns plc

We have audited the financial statements on pages 13 to 15 and 18 to 32, which have been prepared under the accounting policies set out on pages 18 and 19.

### Respective Responsibilities of Directors and Auditors

*The Directors are responsible for preparing the annual report. As described on page 11, this includes the responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.*

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 8 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of Opinion

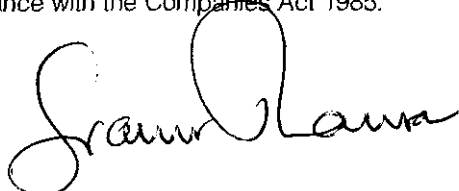
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st March 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Brighton  
31st May 2000



# Caffyns plc

## Consolidated Profit and Loss Account For the year ended 31st March 2000

	Note	2000 £000's	1999 £000's
Turnover .....	1	147,305	151,610
Cost of sales .....		(126,586)	(131,013)
Gross profit .....		20,719	20,597
Other operating charges .....	2	(17,877)	(17,720)
Operating profit .....	3	2,842	2,877
Exceptional items .....	4	5	3
Interest payable .....	6	(696)	(1,022)
Profit on ordinary activities before taxation .....	1	2,151	1,858
Taxation .....	7	(345)	(215)
Profit on ordinary activities after taxation .....	8	1,806	1,643
Dividends (equity and non-equity) .....	9	(601)	(574)
Transfer to reserves .....	23, 24	1,205	1,069
Earnings per ordinary share	10		
Basic .....		51.3p	46.7p
Diluted .....		50.7p	46.2p

### Note of Historical Cost Profits and Losses

Reported profit on ordinary activities before taxation .....	2,151	1,858
Realisation of property revaluation surpluses .....	163	1,160
Historical cost profit on ordinary activities before taxation .....	2,314	3,018
Historical cost transfer to reserves .....	1,368	2,229

*There were no recognised gains or losses other than the profit for the financial year.*

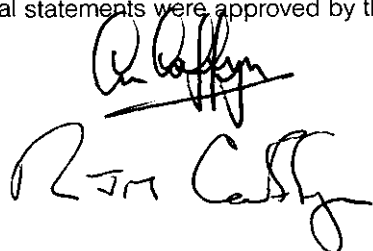
*The accompanying accounting policies and notes form an integral part of these financial statements.*

# Caffyns plc

## Balance Sheets at 31st March 2000

	Note	Group 2000 £000's	Group 1999 £000's	Company 2000 £000's	Company 1999 £000's
<b>Fixed Assets</b>					
Tangible assets .....	11	24,077	23,588	23,914	23,418
Investments .....	12	-	-	250	250
		<u>24,077</u>	<u>23,588</u>	<u>24,164</u>	<u>23,668</u>
<b>Current Assets</b>					
Stocks .....	13	21,647	22,541	19,399	20,453
Debtors .....	14	5,895	8,432	6,865	9,491
		<u>27,542</u>	<u>30,973</u>	<u>26,264</u>	<u>29,944</u>
<b>Creditors</b>					
Amounts falling due within one year ..	15	(22,353)	(23,700)	(21,540)	(22,932)
<b>Net Current Assets</b> .....		<u>5,189</u>	<u>7,273</u>	<u>4,724</u>	<u>7,012</u>
<b>Total Assets Less Current Liabilities</b> ..		<u>29,266</u>	<u>30,861</u>	<u>28,888</u>	<u>30,680</u>
<b>Creditors</b>					
Amounts falling due after more than one year .....	16	(4,937)	(7,744)	(4,937)	(7,744)
<b>Provisions for liabilities and charges</b> ..	18	(150)	(150)	(150)	(150)
		<u>24,179</u>	<u>22,967</u>	<u>23,801</u>	<u>22,786</u>
<b>Capital and Reserves</b>					
Called up share capital .....	20	2,899	2,897	2,899	2,897
Share premium account .....	21	58	53	58	53
Revaluation reserve .....	22	5,419	5,582	5,419	5,582
Profit and loss account .....	23	15,803	14,435	15,425	14,254
		<u>24,179</u>	<u>22,967</u>	<u>23,801</u>	<u>22,786</u>
Equity shareholders' funds .....		<u>22,942</u>	<u>21,730</u>	<u>22,564</u>	<u>21,549</u>
Non-equity shareholders' funds .....		<u>1,237</u>	<u>1,237</u>	<u>1,237</u>	<u>1,237</u>
<b>Total shareholders' funds</b> .....	24	<u>24,179</u>	<u>22,967</u>	<u>23,801</u>	<u>22,786</u>

The financial statements were approved by the Board of Directors on 31st May 2000.



A. M. CAFFYN }  
R. J. M. CAFFYN } Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

# Caffyns plc

## Consolidated Cash Flow Statement for the year ended 31st March 2000

	Note	2000		1999	
		£000's	£000's	£000's	£000's
<b>Net cash inflow from operating activities</b> .....	25		6,884		770
<b>Returns on investment and servicing of finance</b>					
Interest paid .....	6	(696)		(1,022)	
Preference dividends paid .....		<u>(98)</u>		<u>(91)</u>	
			(794)		(1,113)
<b>Taxation</b>					
UK Corporation Tax paid .....			(302)		(312)
<b>Capital Expenditure</b>					
Purchase of tangible fixed assets ..		(1,582)		(2,356)	
Sale of tangible fixed assets .....		<u>267</u>		<u>3,767</u>	
			(1,315)		1,411
<b>Equity dividends paid</b> .....			<u>(483)</u>		<u>(465)</u>
<b>Cash inflow before financing</b> .....			3,990		291
<b>Financing</b>					
Capital element of finance leases ..		(104)		(96)	
Issue of shares .....		7		4	
Repayment of amounts borrowed ..		<u>(3,498)</u>		<u>(2,317)</u>	
Net cash outflow from financing .....			<u>(3,595)</u>		<u>(2,409)</u>
<b>Increase/(decrease) in cash</b> .....	26,27		<u>395</u>		<u>(2,118)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# Caffyns plc

## Statistics — 1991-2000

	For years ending 31st March:		
	1991	1992	1993
	£000's	£000's	£000's
<b>Turnover</b> .....	<b>133,932</b>	<b>127,824</b>	<b>123,937</b>
<b>BALANCE SHEET</b>			
Tangible Fixed Assets .....	17,045	17,298	19,084
Current Assets .....	16,312	15,429	15,760
<b>Book Amount of Assets Employed</b> .....	<b>33,357</b>	<b>32,727</b>	<b>34,844</b>
<b>FINANCED AS FOLLOWS</b>			
Called up Share Capital .....	2,896	2,896	2,896
Reserves .....	14,100	13,532	13,175
	16,996	16,428	16,071
Creditors: amounts falling due within one year .....	15,333	15,290	17,157
Creditors: amounts falling due after more than one year .....	1,028	1,009	1,616
Provisions for liabilities and charges .....	—	—	—
	<b>33,357</b>	<b>32,727</b>	<b>34,844</b>
<b>PROFIT AND LOSS ACCOUNT</b>			
<b>Operating Profit, adjusted for profits or losses on disposals of properties</b> .....	<b>2,458</b>	<b>1,534</b>	<b>1,418</b>
Exceptional items .....	—	—	—
Interest payable .....	(1,747)	(1,471)	(1,156)
<b>Profit on ordinary activities before taxation</b> .....	<b>711</b>	<b>63</b>	<b>262</b>
<b>Taxation</b> .....	<b>(158)</b>	<b>(158)</b>	<b>(146)</b>
<b>Profit/(Loss) on ordinary activities after taxation</b> .....	<b>553</b>	<b>(95)</b>	<b>116</b>
<b>DEALT WITH AS FOLLOWS:</b>			
Retained for the development of the business:	80	(568)	(357)
Dividends			
– Preference .....	91	91	91
– Ordinary .....	382	382	382
<b>STATISTICS</b>			
Dividend per Ordinary Share .....	11.5p	11.5p	11.5p
Basic earnings/(loss) per Ordinary Share .....	13.9p	(5.6p)	0.8p

1. The balance sheet headings for 1994 to 2000 reflect the impact of Financial Reporting Standard No 5.

1994	1995	1996	1997	1998	1999	2000
£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>150,871</b>	<b>156,772</b>	<b>160,510</b>	<b>165,554</b>	<b>162,593</b>	<b>151,610</b>	<b>147,305</b>
19,777	24,213	24,657	24,655	25,446	23,588	24,077
26,329	27,056	28,426	29,624	29,044	30,973	27,542
<b>46,106</b>	<b>51,269</b>	<b>53,083</b>	<b>54,279</b>	<b>54,490</b>	<b>54,561</b>	<b>51,619</b>
2,896	2,896	2,896	2,896	2,896	2,897	2,899
13,281	17,310	17,347	17,918	18,998	20,070	21,280
16,177	20,206	20,243	20,814	21,894	22,967	24,179
22,749	22,210	21,858	22,310	21,554	23,700	22,353
7,180	8,853	10,982	11,155	10,892	7,744	4,937
-	-	-	-	150	150	150
<b>46,106</b>	<b>51,269</b>	<b>53,083</b>	<b>54,279</b>	<b>54,490</b>	<b>54,561</b>	<b>51,619</b>
<b>1,700</b>	<b>1,752</b>	<b>1,986</b>	<b>2,479</b>	<b>3,155</b>	<b>2,877</b>	<b>2,842</b>
-	-	-	-	(107)	3	5
(993)	(1,076)	(1,357)	(1,176)	(1,134)	(1,022)	(696)
707	676	629	1,303	1,914	1,858	2,151
(128)	(119)	(119)	(226)	(278)	(215)	(345)
579	557	510	1,077	1,636	1,643	1,806
106	84	37	571	1,080	1,069	1,205
91	91	91	91	91	92	102
382	382	382	415	465	482	499
11.5p	11.5p	11.5p	12.5p	14.0p	14.5p	15.0p
14.7p	14.0p	12.6p	29.7p	46.6p	46.7p	51.3p

# Caffyns plc

## Principal Accounting Policies for the year ended 31st March 2000

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of freehold properties. The principal accounting policies have remained unchanged from the previous year.

### (a) Group Accounts

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up at 31st March. All intra group transactions are eliminated on consolidation.

### (b) Turnover

Turnover is the total amount receivable in the ordinary course of business from outside customers for goods supplied as a principal and for services provided, excluding VAT.

### (c) Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual values of the tangible assets by equal annual instalments over their expected useful lives as follows:

Freehold buildings	50 years
Leasehold property	Period of lease
Plant and machinery, fixtures and fittings	10 years
No depreciation is provided on freehold land.	

The company revised its estimate of the useful economic life of its freehold buildings to 50 years with effect from 1st April 1999. The company has adopted the transitional provision of FRS15 and not updated the valuation of such properties which have been retained at book amounts.

### (d) Stocks

Stocks are stated at the lower of cost and net realisable value. Vehicle stock includes service vehicles. Vehicles on consignment from manufacturers that are the subject of interest charges or where the Group carries commercially significant risks relating to the vehicles are included at cost. Vehicles which are the subject of repurchase agreements are included at the agreed repurchase price. In both cases the associated liabilities are recorded in creditors.

### (e) Deferred Tax

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends previously paid are carried forward to the extent that they are expected to be recoverable.

### (f) Contributions to Pension Fund

The Group operates a defined benefit pension scheme for its employees funded jointly by contributions from the Group and employees.

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

### (g) Investments

Fixed asset investments are included at cost, less amounts written off.

# Caffyns plc

## Principal Accounting Policies for the year ended 31st March 2000

### *(h) Leased assets*

Assets held under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

*All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.*

### *(i) Financial instruments*

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.



## 5. Directors and employees (continued)

Analysis of directors' emoluments:

	Salary £000's	Bonus £000's	Benefits £000's	2000 Total £000's	1999 Total £000's
<b>Executive directors:</b>					
S. G. M. Caffyn	150	15	8	173	128
A. E. F. Caffyn	91	9	9	109	97
R. J. M. Caffyn	97	10	7	114	99
A. M. Caffyn	-	-	-	-	17
<b>Non-Executive directors:</b>					
A. M. Caffyn	31	-	7	38	30
B. A. Carte	13	-	-	13	13
I. G. Watt	13	-	-	13	13
	<u>395</u>	<u>34</u>	<u>31</u>	<u>460</u>	<u>397</u>

Note: Mr. A. M. Caffyn retired as an executive director on 1st May 1998, when he became a non-executive director.

### Pensions

All three executive directors are members of the company's pension scheme (1999: 3).

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

	Total annual accrued pension at 31st March 1999 £000's	Annual pension accrued in 1999/2000 in excess of inflation £000's	Total annual accrued pension at 31st March 2000 £000's
A. E. F. Caffyn (age 64)	62	2	65
R. J. M. Caffyn (age 64)	64	4	70
S. G. M. Caffyn (age 39)	23	8	32

Mr. S. G. M. Caffyn is contributing to the scheme at a rate of 10% of salary per annum. The other executive directors have ceased any employee contributions as they have already earned their full pension entitlement.

The increase in the year excludes the element due to inflation, as required by the Stock Exchange Listing Rules.

Normal retirement age is 65. The directors' current ages are as stated above. 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. Pensions paid increase in line with Limited Price Indexation. On death, a one-half spouse's pension is due. Children's allowances to a maximum, including spouse's pension, of 100% of the executive's pension may be payable. Allowance is made in transfer value payments for discretionary benefits.

The non-executive directors are not members of the company's pension scheme, apart from Mr. A. M. Caffyn who is now a retired member.

## 5. Directors and employees (continued)

A. M. Caffyn, R. J. M. Caffyn and S. G. M. Caffyn each have the following share options granted under the Employees Save-As-You-Earn share option scheme:

	At 1st April 1999 and 31st March 2000		Exercisable in the 6 months up to
	Number	Exercise Price	
	3,168	196p	31st Jan 2001
	2,606	278p	28th Feb 2003

No options to directors were granted, lapsed or exercised during the year. The options issued are shown above.

The market price of the shares at 31st March 2000 was 207.5p and the range during the year was between 207.5p and 375p.

	2000 £000's	1999 £000's
<b>6. Interest payable</b>		
On bank loans and overdrafts .....	517	829
Stock finance charges .....	136	139
Finance lease charges .....	43	54
	<u>696</u>	<u>1,022</u>

## 7. Taxation

The charge for taxation on profit on ordinary activities comprises:

UK Corporation tax at 30% (1999 – 31%) .....	650	460
Advance corporation tax recovered .....	(307)	(245)
Deferred taxation .....	2	–
	<u>345</u>	<u>215</u>

The Group's UK corporation tax charge has been reduced by £25,000 (1999 – £79,000) as a result of the exceptional costs (note 4). There is no corporation tax charge arising on the exceptional profit due to the availability of roll-over relief. No tax relief will be available on the impairment provision until it becomes a realised capital loss.

## 8. Profit for the financial year

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements.

The Group profit on ordinary activities after taxation for the year includes £1,609,000 (1999 – £1,543,000) which is dealt with in the accounts of the parent company.

	2000 £000's	1999 £000's
<b>9. Dividends</b>		
<i>Non equity</i>		
Preference:		
6.5% Cumulative First Preference .....	25	18
6.0% Cumulative Second Preference .....	12	9
10% Cumulative Preference .....	65	65
	<u>102</u>	<u>92</u>
<i>Equity</i>		
Ordinary:		
Interim dividend paid of 5.5p (1999 – 5.5p) .....	183	183
Final dividend proposed of 9.5p (1999 – 9.0p) .....	316	299
	<u>499</u>	<u>482</u>
Total	<u>601</u>	<u>574</u>

## 10. Earnings per ordinary share

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

Reconciliations of earnings and weighted average number of shares used in the calculation are set out below.

	2000		1999			
	Earnings £000's	Number of shares 000's	Earnings per share	Earnings £000's	Number of shares 000's	Earnings per share
Profit on ordinary activities after taxation and preference dividends . . . . .	1,704			1,551		
Weighted average number of shares . . . . .		3,322			3,320	
<i>Basic earnings per share</i> . . . . .			<u>51.3p</u>			<u>46.7p</u>
Number of shares under option . . . . .		133			142	
Number of shares that would have been issued at average market value . . . . .		(95)			(106)	
<i>Diluted earnings per share</i> . . . . .	<u>1,704</u>	<u>3,360</u>	<u>50.7p</u>	<u>1,551</u>	<u>3,356</u>	<u>46.2p</u>

## 11. Tangible Fixed Assets

	Freehold property £000's	Leasehold property £000's	Fixtures & Fittings £000's	Plant & Machinery £000's	Total £000's
<b>Group</b>					
Cost or valuation					
At 1st April 1999 . . . . .	19,959	175	4,251	5,690	30,075
Additions at cost . . . . .	897	52	364	269	1,582
Transfers . . . . .	84	-	(84)	-	-
Disposals . . . . .	(180)	(3)	(10)	(23)	(216)
At 31st March 2000 . . . . .	<u>20,760</u>	<u>224</u>	<u>4,521</u>	<u>5,936</u>	<u>31,441</u>
Depreciation					
At 1st April 1999 . . . . .	250	51	2,877	3,309	6,487
Charge for year . . . . .	170	7	269	448	894
Disposals . . . . .	-	-	(8)	(9)	(17)
At 31st March 2000 . . . . .	<u>420</u>	<u>58</u>	<u>3,138</u>	<u>3,748</u>	<u>7,364</u>
Net book amounts					
At 31st March 2000 . . . . .	<u>20,340</u>	<u>166</u>	<u>1,383</u>	<u>2,188</u>	<u>24,077</u>
At 31st March 1999 . . . . .	<u>19,709</u>	<u>124</u>	<u>1,374</u>	<u>2,381</u>	<u>23,588</u>

## 11. Tangible Fixed Assets (continued)

	Freehold property £000's	Leasehold property £000's	Fixtures & Fittings £000's	Plant & Machinery £000's	Total £000's
<b>Company</b>					
Cost or valuation					
At 1st April 1999 .....	19,959	175	4,029	5,476	29,639
Additions at cost .....	897	52	360	243	1,552
Transfers .....	84	-	(84)	(2)	(2)
Disposals .....	(180)	(3)	(10)	(23)	(216)
At 31st March 2000 .....	<u>20,760</u>	<u>224</u>	<u>4,295</u>	<u>5,694</u>	<u>30,973</u>
Depreciation					
At 1st April 1999 .....	250	51	2,768	3,152	6,221
Charge for year .....	170	7	246	434	857
Transfers .....	-	-	-	(2)	(2)
Disposals .....	-	-	(8)	(9)	(17)
At 31st March 2000 .....	<u>420</u>	<u>58</u>	<u>3,006</u>	<u>3,575</u>	<u>7,059</u>
Net book amounts					
At 31st March 2000 .....	<u>20,340</u>	<u>166</u>	<u>1,289</u>	<u>2,119</u>	<u>23,914</u>
At 31st March 1999 .....	<u>19,709</u>	<u>124</u>	<u>1,261</u>	<u>2,324</u>	<u>23,418</u>

Leasehold property comprised £121,000 long term and £45,000 short term at net book value at the balance sheet date (1999 - £118,000 and £6,000 respectively) in both the Company and the Group.

### Valuations

The freehold properties were last revalued externally at 31st March 1995 by Lambert Smith Hampton, Chartered Surveyors, at open market value for existing use. The directors have not updated the valuation as they are not aware of any material change in value. Freehold properties acquired since that date and the other assets listed above are stated at cost.

Freehold property is included as follows:

	Group and Company	
	2000	1999
	£000's	£000's
Valuation - March 1995 .....	17,923	18,240
At cost .....	2,417	1,469
	<u>20,340</u>	<u>19,709</u>

If freehold properties had not been revalued they would have been included at historical cost to the Group at 31st March 2000 of £14,921,000 (1999 - £14,127,000).

If certain freehold properties were disposed of at valuation there would be a taxation liability of approximately £1.5m. As there is no intention of making significant disposals of such properties that would give rise to tax becoming payable in the foreseeable future, no provision has been made for deferred tax, but it is disclosed as a contingent liability (see note 19).

Depreciation is being charged on the value of freehold buildings of £8,500,000.

The effect of the commencement of depreciation of the freehold buildings is to increase the depreciation charge by £170,000 for this year.

**11. Tangible Fixed Assets (continued)**  
**Assets held under finance leases**

These comprise:

	Group and Company Plant and Machinery £000's
Net book amount At 31st March 2000 .....	<u>356</u>
Net book amount At 31st March 1999 .....	<u>457</u>

Depreciation provided during the year on these assets was £101,000 (1999 – £101,000).

**12. Fixed asset investments**

The Company owns the whole of the issued ordinary share capital of Caffyns Wessex Limited, which holds the Mercedes franchises at Dorchester and Salisbury, plus Caffyns Properties Limited and Fasthaven Limited, both of which are dormant. All subsidiary undertakings are registered in England and Wales.

	Company £000's
Cost At 1st April 1999 and At 31st March 2000 .....	<u>476</u>
Provision At 1st April 1999 and At 31st March 2000 .....	<u>226</u>
Net book amounts At 31st March 2000 and At 31st March 1999 .....	<u>250</u>

**13. Stocks**

	Group 2000 £000's	Group 1999 £000's	Company 2000 £000's	Company 1999 £000's
Vehicles .....	11,241	11,964	9,933	10,732
Vehicles subject to repurchase agreements ..	5,522	5,876	5,522	5,876
Vehicles on consignment .....	2,247	2,216	1,440	1,474
Petrol, oil, spare parts and materials .....	2,563	2,404	2,430	2,290
Work in progress .....	74	81	74	81
	<u>21,647</u>	<u>22,541</u>	<u>19,399</u>	<u>20,453</u>
Vehicle stock includes:				
Service vehicles .....	<u>4,624</u>	<u>5,055</u>	<u>3,905</u>	<u>4,407</u>

In addition, non interest bearing consignment vehicles excluded from the company balance sheet at 31st March 2000 had a cost of £5,754,000 (1999 – £3,372,000).

There were no material differences between the replacement cost and the value disclosed for stocks.

**14. Debtors**

	Group 2000 £000's	Group 1999 £000's	Company 2000 £000's	Company 1999 £000's
Trade debtors .....	5,317	5,420	5,152	5,281
Amount due from subsidiary undertaking . . .	—	—	1,135	1,198
Other debtors .....	533	2,965	533	2,965
	<u>5,850</u>	<u>8,385</u>	<u>6,820</u>	<u>9,444</u>
Deferred tax recoverable after more than 1 year .....	45	47	45	47
	<u>5,895</u>	<u>8,432</u>	<u>6,865</u>	<u>9,491</u>

**15. Creditors:****Amounts falling due within one year**

Loans .....	1,500	2,998	1,500	2,998
Bank overdrafts .....	2,811	3,206	2,811	3,206
Trade creditors .....	10,082	9,812	10,076	9,786
Obligations relating to repurchase agreements	1,891	1,553	1,891	1,553
Obligations relating to consignment stock . .	2,247	2,216	1,440	1,474
Corporation tax .....	372	331	372	331
Social security and other taxes .....	748	787	748	787
Proposed dividends .....	366	346	366	346
Obligations under finance leases .....	118	107	118	107
Accruals .....	1,736	1,852	1,736	1,852
Other creditors .....	482	492	482	492
	<u>22,353</u>	<u>23,700</u>	<u>21,540</u>	<u>22,932</u>

**16. Creditors:****Amounts falling due after more than one year**

Loans excluding current instalments .....	1,000	3,000	1,000	3,000
Finance leases .....	306	421	306	421
	<u>1,306</u>	<u>3,421</u>	<u>1,306</u>	<u>3,421</u>
Obligations relating to repurchase agreements due in 1 to 2 years .....	1,976	1,992	1,976	1,992
due in 2 to 5 years .....	1,655	2,331	1,655	2,331
	<u>4,937</u>	<u>7,744</u>	<u>4,937</u>	<u>7,744</u>

All bank loans are secured by way of fixed charges on certain freehold properties of the Company and are at interest rates of 1.25% over bank base rate.

The obligations relating to finance leases, repurchase agreements and consignment stock are all secured on the assets to which they relate.

## 17. Financial risk management

### Financial liabilities

The group financial liabilities analysis at 31st March 2000 was as follows:

	The Group and the Company	
	2000	1999
	£000's	£000's
In less than one year or on demand		
Bank and other borrowings .....	4,311	6,204
Finance leases .....	118	107
In more than one year but less than two years		
Bank and other borrowings .....	1,000	1,000
Finance leases .....	129	118
In more than two years but less than five years		
Finance leases .....	177	303
In more than five years		
Bank and other borrowings .....	-	2,000
Preference shares .....	1,237	1,237
	<u>6,972</u>	<u>10,969</u>

	Total	Fixed	Variable	Total	Fixed	Variable
	2000	rate	rate	1999	rate	rate
	£000's	2000	2000	£000's	1999	1999
		£000's	£000's		£000's	£000's
Due within one year .....	4,429	118	4,311	6,311	107	6,204
One to two years .....	1,129	129	1,000	1,118	118	1,000
Two to five years .....	177	177	-	303	303	-
More than five years .....	1,237	1,237	-	3,237	3,237	-
	<u>6,972</u>	<u>1,661</u>	<u>5,311</u>	<u>10,969</u>	<u>3,765</u>	<u>7,204</u>

Bank loans are secured by fixed charges over certain of the Group's properties.

Short term debtors and creditors have been excluded.

The weighted average interest rates were:

	2000	1999
- fixed rate (including preference shares) ..	8.19%	7.83%
- variable rate .....	LIBOR + 0.90%	LIBOR + 0.73%

The weighted average period for which rates are fixed is 4.0 years (1999 - 5.2 years).

### Borrowing facilities

Committed facilities available to the Group at 31st March 2000 in respect of which all conditions precedent had been met at that date were £5,062,000 (1999: £3,592,000) in respect of facilities expiring in less than 1 year.

## 17. Financial risk management (continued)

### Fair values

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

	Book value 2000 £000's	Fair value 2000 £000's	Book value 1999 £000's	Fair value 1999 £000's
Primary financial instruments				
Short term financial liabilities and current portion of long term borrowings .....	4,429	4,544	6,311	6,579
Long term borrowings .....	2,543	2,449	4,658	4,481
	<u>6,972</u>	<u>6,993</u>	<u>10,969</u>	<u>11,060</u>

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

### Financial instruments

The Company seeks to ensure that liquidity is sufficient to meet funding needs as they arise. If external capital is required, the current policy is to obtain either fixed or floating mortgage debt. In deciding on the nature of the funding the Company will consider the existing debt profile and maintain a balance between fixed and floating debt depending upon the nature of the security used and the interest rates prevailing at the time.

## 18. Provisions for liabilities and charges

	Group and Company	
	2000 £000's	1999 £000's
Pension obligations provided (note 28) .....	<u>150</u>	<u>150</u>

## 19. Deferred tax

A deferred taxation asset has been provided at a rate of 30% on the pension obligation provision outstanding at the year end (notes 14 and 18).

No provision for any deferred taxation liability has been made as the Board are of the opinion that such tax is unlikely to become payable in the foreseeable future.

The total unprovided deferred tax at the balance sheet date is as follows:

	Group and Company	
	2000 £000's	1999 £000's
Accelerated capital allowances .....	297	302
Short term timing differences .....	(24)	(22)
Unrealised capital gains .....	35	12
Capital gains rolled over .....	1,519	1,123
Advance corporation tax previously written off .....	(1,218)	(913)
	<u>609</u>	<u>502</u>

In addition to the above the Group has advance corporation tax not immediately recoverable amounting to £0.7 million (1999 – £1.3 million).

## 20. Called up share capital

	Authorised 2000 and 1999 £000's	Allotted, called up and fully paid	
		2000 £000's	1999 £000's
389,000 6.5% Cumulative First Preference Shares of £1 each . . .	500	389	389
648,000 10% Cumulative Preference Shares of £1 each . . . . .	1,250	648	648
2,000,000 6% Cumulative Second Preference Shares of 10p each .	300	200	200
3,323,702 (1999 – 3,320,559) Ordinary Shares of 50p each . . . . .	2,000	1,662	1,660
	<u>4,050</u>	<u>2,899</u>	<u>2,897</u>

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 share except that they have full voting rights along with the Ordinary Shares.

Following changes in tax legislation after the abolition of ACT, with effect from 6th April 2000 the 4.55% Cumulative First Preference shares reverted to a rate of 6.5% per annum and the 4.2% Cumulative Second Preference shares reverted to 6% per annum in accordance with the Memorandum and Articles of Association. This was due to the fact that they had been issued prior to the introduction of ACT. The 10% Cumulative preference shares which were issued later are unaffected.

During the year 3,143 options on ordinary shares of 50p each were exercised upon retirement of certain employees. Consequently share capital has increased by £1,572 and share premium account by £5,033.

Options granted under the Employees Save-As-You-Earn Share Option Scheme for the purchase of 72,864 ordinary shares (1999 – 76,032) at an option price of 196p exercisable during the six months ending 31st January 2001 and 59,692 (1999 – 65,770) at an option price of 278p exercisable during the six months ended 28th February 2003 were outstanding at 31st March 2000. These include directors' share options, details of which are set out in note 5.

## 21. Share premium account

	Group and Company £000's
At 1st April 1999 . . . . .	53
Increase arising from issue of ordinary shares in the year . . . . .	5
At 31st March 2000 . . . . .	<u>58</u>

## 22. Revaluation reserve

	Group and Company £000's
At 1st April 1999 . . . . .	5,582
Release of revaluation surplus on property sold during the year . . . . .	(163)
At 31st March 2000 . . . . .	<u>5,419</u>

The revaluation reserve is not distributable.

**23. Profit and loss account**

	Group £000's	Company £000's
At 1st April 1999 .....	14,435	14,254
Profit retained for the year .....	1,205	1,008
Transfer from revaluation reserve .....	163	163
	<u>15,803</u>	<u>15,425</u>
At 31st March 2000 .....		

**24. Reconciliation of movements in shareholders' funds**

	Group 2000 £000's	Group 1999 £000's
Profit for the financial year .....	1,806	1,643
Dividends .....	(601)	(574)
	<u>1,205</u>	<u>1,069</u>
Equity shares issued in year .....	7	4
	<u>1,212</u>	<u>1,073</u>
Net increase in shareholders' funds .....	22,967	21,894
Brought forward at 1st April .....	<u>24,179</u>	<u>22,967</u>
Carried forward at 31st March .....		
Shareholders' Funds are attributable as follows:		
Equity interests .....	22,942	21,730
Non-equity interests		
6.5% Cumulative First Preference shares of £1 each .....	389	389
10% Cumulative Preference shares of £1 each .....	648	648
6% Cumulative Second Preference shares of 10p each .....	<u>200</u>	<u>200</u>
	<u>1,237</u>	<u>1,237</u>
	<u>24,179</u>	<u>22,967</u>

**25. Reconciliation of operating profit to net cash inflow from operating activities:**

	Group 2000 £000's	Group 1999 £000's
Operating profit .....	2,842	2,877
Adjustments for exceptional items .....	5	3
Depreciation charge .....	894	692
Impairment of tangible fixed asset .....	-	220
Profit on sale of tangible fixed assets .....	(68)	(465)
Decrease in stocks .....	894	1,235
Decrease/(increase) in debtors .....	2,535	(3,164)
Decrease in creditors .....	(218)	(628)
	<u>6,884</u>	<u>770</u>
Net cash inflow from operating activities .....		

**26. Reconciliation of net cash flow to movement in net debt**

	Group 2000 £000's	Group 1999 £000's
Increase/(decrease) in cash in the year .....	395	(2,118)
Cash outflow from decrease in debt .....	3,498	2,317
Cash outflow from capital repayments of finance leases ..	104	96
Movement in net debt in the year .....	<u>3,997</u>	<u>295</u>
Net debt at 1st April .....	(9,732)	(10,027)
Net debt at 31st March .....	<u>(5,735)</u>	<u>(9,732)</u>

**27. Analysis of net debt**

	At 31st March 2000 £000's	Cashflow £000's	At 1st April 1999 £000's
Overdrafts .....	2,811	(395)	3,206
Debt falling due within 1 year .....	1,500	(1,498)	2,998
Debt falling due after more than 1 year .....	1,000	(2,000)	3,000
Finance leases .....	424	(104)	528
	<u>2,924</u>	<u>(3,602)</u>	<u>6,526</u>
Total .....	<u>5,735</u>	<u>(3,997)</u>	<u>9,732</u>

**28. Pension costs**

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group in a fund administered by Trustees. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. 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 5th April 1999.

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 7.3% per annum, that salary increases would average 4.7% per annum and that present and future pensions would increase at the rate of 3.0% per annum. The actuarial valuation as at 5th April 1999 showed that the market value of the Scheme's assets was £54.2 million and that the actuarial value of those assets represented 102% of the value of the benefits that had accrued to employees at that date.

The resulting surplus will be recognised through the profit and loss account over nine years from the date of the valuation which approximates to the average remaining service levels of the pensionable employees.

However, following the abolition of refunds of tax credits to pension funds in the Finance (No. 2) Act 1997, the directors decided it was appropriate to make provision towards the cost of future employers' pension contributions with effect from 1st July 1997, in accordance with Statement of Standard Accounting Practice No. 24. This financial year the directors have received advice on the matter from the scheme's actuary. The actuary has indicated that under present circumstances the £150,000 provision at 31st March 2000 should be adequate for presently anticipated commitments to the pension scheme up to the year end.

**29. Lease commitments**

Amounts payable under lease agreements within the next year are as follows:

	Group and Company 2000		Group and Company 1999	
	Land and Buildings £000's	Other £000's	Land and Buildings £000's	Other £000's
Leases expiring:				
Within 1 year .....	87	10	–	19
In 2 to 5 years .....	145	92	302	96
After 5 years .....	32	–	33	–
	<u>264</u>	<u>102</u>	<u>335</u>	<u>115</u>

**30. Capital commitments**

The Group and Company had capital commitments at 31st March 2000 of £1,523,000 (1999 – £239,000).

**31. Contingent liabilities**

- (i) In the event of early termination of certain supply agreements the Group and Company would have a liability not exceeding £26,000 (1999 – £118,000).
- (ii) The contingent liability in respect of deferred tax is set out in note 19.

**32. Post balance sheet event**

On 5th May 2000, the company exchanged contracts on the sale of one of its branches which has been included in fixed assets at £1,683,000 at 31st March 2000. This is likely to result in a surplus of approximately £300,000 before tax.