

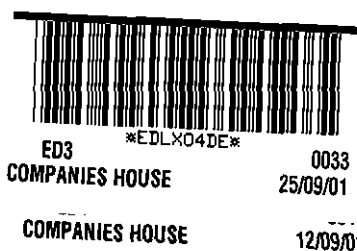
**NINETY SECOND ANNUAL
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2001**

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RESULTS AT A GLANCE	2001 £'000	2000 £'000
Sales – continuing operations	140,000	147,305
Operating profit – continuing operations	2,101	2,842
Profit before tax	1,092	2,151
Basic earnings per share	30.6p	51.3p
Adjusted earnings per share	52.1p	51.3p
Dividend per ordinary share	15.0p	15.0p

FINANCIAL CALENDAR

4 JULY 2001
Ex dividend date for final dividend
6 JULY 2001
Record date for final dividend
25 JULY 2001
Annual general meeting
25 JULY 2001
Payment of final dividend
NOVEMBER 2001
Announcement of half year results
JANUARY 2002
Payment of interim dividend



DIRECTORS, ADVISERS AND SENIOR MANAGEMENT

DIRECTORS

ALAN M CAFFYN DL, C ENG, MI MeChE, FIMI
Chairman, Non-executive

IAN G WATT, CBE, FCA
Deputy Chairman and Chairman of the Audit Committee,
Non-executive

BRIAN A CARTE, TD, FCIB, FCT, FIMI
Chairman of the Remuneration Committee,
Non-executive

SIMON G M CAFFYN, MA, FIMI
Chief Executive

ROBERT J M CAFFYN, MA, FCA
Non-executive

MARK S HARRISON, FCA
Finance Director

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

REGIONAL DIRECTORS

MARTIN J BLACKABY	Brighton
TOM J BOLGER	Worthing
EDWARD A BULL, FIMI	Salisbury
JOHN G KING	Accountant
JOHN RATCLIFFE, MIMI	Eastbourne
NIGEL C WELLS	Sevenoaks

BANKERS

HSBC BANK plc, 94 Terminus Road, Eastbourne

NATIONAL WESTMINSTER BANK plc, 96 Terminus Road,
Eastbourne

AUDITORS

GRANT THORNTON, Registered Auditors, Chartered
Accountants, Lees House, 21 Dyke Road, Brighton

SECRETARY

SARAH J CAFFYN, BSc (Hons), Grad CIPD, Grad ICSA.

REGISTERED OFFICE

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

CHAIRMAN'S REVIEW

Results from ongoing trading operations can be considered satisfactory in a difficult trading climate. However, our net operating profit has been affected this year by two adverse sets of events. Firstly, we suffered losses (£800,000) as a result of flooding at our two branches in Lewes together with our branch in Uckfield; losses which we were advised by our auditors at the time of publication of our half yearly figures should be treated as extraordinary, but now have to be shown as an exceptional charge. Secondly, we are making full provision at the year end for losses likely to arise in the future from guaranteed repurchase values given on cars sold on contract hire. However, against that we have a surplus on sale of properties. All in all, therefore, I feel that the management and staff have performed well and are to be congratulated.

The year saw the retirement of Mr Robert and Mr Anthony Caffyn. Both have served the company loyally over many years, Robert in charge of our financial affairs and Anthony the after sales operations. Both have been instrumental in introducing new ideas and practices into our business that has allowed us to remain in the forefront of the retail

motor trade. I thank them for their immense contributions and wish them happiness in retirement. Robert is remaining on the board whilst Anthony has been appointed a consultant to the company.

As with last year I feel that it is sensible for the chief executive to present a more detailed report of the year's activities. As for the future there remains much uncertainty, particularly the outcome of the Block Exemption debate and the subsequent reactions of the car manufacturers with whom we deal. We have already seen Mercedes reveal their radical ideas for the future. They may of course be right but history suggests otherwise.

Finally, an interim dividend of 5.5p per ordinary share was paid on the 16 January. A final dividend of 9.5p, the same as last year, is now being recommended which, if approved, will be payable on 25 July 2001 to shareholders on the register on 6 July 2001.

A M CAFFYN
Chairman
31 May 2001

CHIEF EXECUTIVE'S REVIEW

RESULTS

The year ended 31 March 2001 has been an exceptionally difficult one for the motor industry and, consequently, I am very pleased to report an improved profit of £2.515m on our continuing operations.

Unfortunately we have been adversely affected by the Competition Commission's Report and its affect on residual prices together with unprecedented levels of flooding affecting three of our sites. These extraordinary events, outside of our control, have reduced our profit before tax to £1.092m.

COMPETITION COMMISSION

Following the publication of the Competition Commission's review of the Motor Industry, new car enquiry levels remained low as customers continued to delay buying decisions as Manufacturers began to reduce prices. Confidence in the market did not return until January 2001 when prices had stabilised at about 10-12% below peak levels. We are delighted to see this overall reduction in new car prices but in the short term this has had a detrimental effect on residual values of used cars. It is well known that this has produced large write-downs (losses) in contract hire fleets and ours, Caffyns Motor Contracts (CMC), is no exception. We have decided to close CMC to new business, as although the division has produced healthy profits in the past, the fleet size is insufficient to compete with the large operations who are becoming dominant.

We continue to maintain existing customer contracts but this year's profits include a charge for anticipated losses on disposal of the vehicles at end of contract.

BLOCK EXEMPTION

I am encouraged that discussions with both Manufacturers and the Department of Trade and Industry are progressing in a very positive manner. No decisions have yet been made on future regulation after Block Exemption expires in September 2002, but it seems that these may be to our overall benefit.

FLOODS

In October 2000 we were greatly damaged by unprecedented levels of flooding in Lewes and Uckfield. It is to the credit of our staff in these sites that we re-opened for business so quickly and consequently mitigated some of the losses.

FRANCHISES AND PREMISES

In September we opened our new Vauxhall dealership in Ashford on the Orbital Park site near the International Railway Station. This is also the location of our Skoda dealership and both are enjoying success in the growing Ashford economy.

We have had a very successful year with Volkswagen in Worthing following our major redevelopment of the site and have agreed with them to merge our Lewes operation with our dealership in Haywards Heath.

In Sevenoaks our new Peugeot showroom is nearing completion and we will then have an excellent facility in a prime location.

In Brighton we have redeveloped our after sales facilities at our Audi dealership and at the same time managed to produce an outstanding result.

In Eastbourne we have had three major projects. The first was to refurbish our Rover dealership, which along with some of our other Rover sites produced a very good result for the year.

Jaguar have expanded their model range with the introduction of the X-Type and, recognising the increased opportunity, we have extended our showroom facilities in our Meads Road site. I believe that the X-Type will be a great success for Jaguar.

Thirdly we acquired the Volvo franchise for Eastbourne and now represent three of Fords Premier Automotive Group's marques for this territory, namely Jaguar, Land Rover, and Volvo. Already Volvo has made a significant contribution to the group.

During the year we sold premises in Canterbury, Crowborough and Heathfield at a premium to book value. Customers of Crowborough and Heathfield have been able to use our facilities in nearby Uckfield and Tunbridge Wells. We have also sold our remaining stand-alone petrol forecourts and now only offer petrol sales on three dealership sites.

As I mentioned above, our MG Rover businesses continue to do well and the Phoenix consortium are to be congratulated on their performance. MG Rover have proved resilient and made themselves far more attractive to a joint venture partner than had been expected.

Mercedes have surprised the industry by issuing their entire dealer network one year's notice of termination. Their intention is to appoint only a small core of dealers. The dealer body is taking legal action and we await the outcome of the trial in July 2001.

PENSIONS

Following the abolition of ACT relief on pension fund investments, there has been much talk about the increasing cost of providing pensions, in particular company final salary schemes. We have reviewed our own scheme and, on the advice of our actuaries, we have made some modifications to contribution and benefit rates. We are satisfied that we have taken sufficient action at the present time.

TECHNOLOGY

We have extended our successful relationship with our software suppliers and continue to enjoy the benefits of a group-wide dealer management system.

Our website caffyns.co.uk continues to provide us with strong enquiries on sales as well as other services such as warranty and insurance. We are extending our use of this medium to provide intranet company communications.

PEOPLE

After more than 40 years service with the company, Anthony Caffyn retired as joint managing director in February this year. Under Anthony's guidance, the after sales operations of the company have flourished. In particular, his innovative Flexi fixed price servicing and repair programme for cars outside manufacturers warranty period has been consistently successful in retaining customers in our service departments.

Anthony will remain close to the company as a consultant and we wish him a long and happy retirement.

I would like also to thank our non-executive directors and professional advisors for their advice and support during a challenging year.

THE FUTURE

I began by reporting our strong underlying performance in our continuing operations. This is again a testament to the hard work, commitment, and loyalty of our staff and I am grateful to them for their efforts, particularly those involved in the recovery of the flood affected branches.

Our ongoing management development training continues to pay dividends and together with our strategy of concentrating our resources with our more successful franchises, I am very confident that we will take full advantage of the more beneficial trading conditions.

S G M CAFFYN
Chief Executive
31 May 2001

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the year ended 31 March 2001.

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 3 and the Chief Executive's Review on pages 4 and 5.

TURNOVER

The turnover of the group amounted to £143.4m (2000 – £147.3m)

	2001	2000
	£'000	£'000

RESULTS AND DIVIDENDS

Profit on ordinary activities before taxation	1,092	2,151
Taxation	36	(345)
Profit after taxation	1,128	1,806

Dividends paid and recommended are as follows:

Dividends paid on:

6.5% cumulative first preference shares	25	25
6.0% cumulative second preference shares	12	12
10% cumulative preference shares	65	65
Ordinary shares – interim 5.5p (2000 – 5.5p)	186	183
Dividend proposed on:		
Ordinary shares – final 9.5p (2000 – 9.5p)	323	316
Total dividends paid and proposed	(611)	(601)
Transfer to reserves	517	1,205

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 17 April 2000, and succeeded Mr R J M Caffyn as finance director when he retired and became a non-executive director on 1 June 2000. Mr A E F Caffyn retired as a director on 28 February 2001.

Mr A M Caffyn DL C Eng MI Mech E FIMI (age 68) who retired as an executive director on 1 May 1998, is non-executive chairman of the company. He joined the board on 2 October 1961 and was chief executive of the company for 17 years until he retired as an executive director.

Mr I G Watt CBE FCA (age 68) joined the board on 1 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 TD FCIB FCT FIMI (age 57) joined the board on 3 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, a director of Fletcher King plc and a number of other companies.

Mr R J M Caffyn MA FCA (age 65) joined the board on 2 October 1961. He retired as finance director on 1 June 2000 and became a non-executive director.

Mr S G M Caffyn MA FIMI (age 40) joined the board on 16 July 1992 and was appointed chief executive on 1 May 1998. He graduated from Cambridge having read engineering in 1983, and subsequently worked for Andersen Consulting. He joined the company in 1990.

Mr M S Harrison FCA (age 47) joined the board on 17 April 2000.

Mr S G M Caffyn and Mr B A Carte are retiring by rotation, and being eligible, offer themselves for re-election.

SHAREHOLDINGS

The interests of the directors and their families in the shares of the company are as follows:

	At 31 March 2001			At 1 April 2000**		
	Ord	Cum 1st Pref	10% Pref	Ord	Cum 1st Pref	10% Pref
A M Caffyn	(3.1%)104,730	5,337	11,400	(3.1%)101,562	5,337	11,400
R J M Caffyn	(4.7%)158,717	6,776	12,481	(4.5%)150,785	6,776	12,481
	*86,580	*663	*1,871	*81,580	*571	*1,747
S G M Caffyn	38,168	-	1,600	34,000	-	1,600
B A Carte	1,000	-	-	1,000	-	-
I G Watt	1,570	-	114	1,570	-	114
M S Harrison	1,000	-	-	-	-	-

* non-beneficial interest

** or date of appointment if later

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 1 April and 22 May 2001 (being one month prior to the notice convening the annual general meeting).

Mr A M 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 3.7% of the issued ordinary share capital and 12,862 10% cumulative preference shares. Mr A M 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 22 May 2001, 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	20.04
J Rothschild Assurance Plc	165,000	4.86
HSBC Republic Bank Suisse SA	128,349	3.78
F M Al Yousef	112,500	3.31
D J M Caffyn	104,804	3.09

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 £1,815. 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 30 days of average supplies for the year (2000: 29 days).

REPORT OF THE DIRECTORS *continued*

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:

	6 April 1965	31 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 Financial Services Authority 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 a member of the Remuneration Committee, is not an independent non-executive director as required by Code B.2.2.

THE BOARD

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 two executive directors, who hold the key operational positions in the company and four non-executive directors, who bring a breadth of experience and knowledge, two 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 an individual or small group cannot dominate the board's decision making.

The chairman of the board is Mr A M Caffyn 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 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 COMMITTEE

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

Audit Committee	Remuneration Committee
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 Report on Remuneration.

REPORT ON REMUNERATION

The Remuneration Committee, which consists of 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. The Committee awards discretionary annual bonuses to executive directors based on their performance and that of the group in the financial year. 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.

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.

Mr M S Harrison has a one year rolling contract.

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 and cannot participate in the company's pension or share option schemes.

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 the 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 together with a lump sum death in service benefit. Further details about the pension scheme are provided in note 30 to the financial statements.

RELATIONS WITH SHAREHOLDERS

The board 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.

ACCOUNTABILITY AND AUDIT

The Annual Report provides information on and an assessment of the company's business, operations, financial position and prospects. The responsibilities of the directors as regards the accounts are described on page 10, and that of the auditors on page 11.

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 company'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. Guidance on the review of companies' system of internal controls, in accordance with the Combined Code, has been prepared by a working party established by the Institute of

Chartered Accountants in England and Wales. The board has established procedures necessary to implement the requirements of the Combined Code relating to internal controls as reflected in the guidance above. 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 to review the effectiveness of the system of internal control includes the review of reports on a six monthly basis, on legal compliance, health and safety and environmental issues. 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.

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

GOING CONCERN

After reviewing company cash balances, borrowings and projected cash flows, the directors believe that the group and company have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

REPORT OF THE DIRECTORS *continued*

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.

AUTHORITY TO MAKE PURCHASES OF OWN SHARES

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. 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 value quotation taken from the Official List for the 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 present intention of exercising this authority.

AUDITORS

The auditors, Grant Thornton, have agreed to continue in office. A resolution proposing to re-appoint them as auditors of the company will be proposed at the annual general meeting.

By order of the board

S J CAFFYN

Secretary

31 May 2001



REPORT OF THE AUDITORS

Independent auditors' report to the members of Caffyns plc.

We have audited the financial statements on pages 12 to 29 which have been prepared under the accounting policies set out on page 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report. As described on page 10, 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 Financial Services Authority, 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 Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the company'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 United Kingdom 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 31 March 2001 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
31 May 2001

Grant Thornton

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2001**

	Note	Continuing operations 2001 £'000	Acquisition 2001 £'000	Discontinued operations 2001 £'000	Total 2001 £'000	Total 2000 £'000
TURNOVER	1	139,062	938	3,401	143,401	147,305
Cost of sales		(119,946)	(775)	(3,589)	(124,310)	(126,586)
Exceptional items	3	(800)	–	(785)	(1,585)	–
Total cost of sales		(120,746)	(775)	(4,374)	(125,895)	(126,586)
GROSS PROFIT/(LOSS)		18,316	163	(973)	17,506	20,719
Other operating charges	2	(16,240)	(138)	(375)	(16,753)	(17,877)
OPERATING PROFIT/(LOSS)	3	2,076	25	(1,348)	753	2,842
Exceptional items	4	1,039	–	(100)	939	5
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		3,115	25	(1,448)	1,692	2,847
Interest payable	6	(600)	–	–	(600)	(696)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1	2,515	25	(1,448)	1,092	2,151
Taxation	7				36	(345)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8				1,128	1,806
DIVIDENDS (EQUITY AND NON-EQUITY)	9				(611)	(601)
RETAINED PROFIT	24,25				517	1,205
Earnings per ordinary share	10					
Basic					30.6p	51.3p
Adjusted					52.1p	51.3p
Diluted					30.6p	50.7p
NOTE OF HISTORICAL COST PROFITS AND LOSSES					£'000	£'000
Reported profit on ordinary activities before taxation					1,092	2,151
Realisation of property revaluation surpluses					1,111	163
Historical cost profit on ordinary activities before taxation					2,203	2,314
Historical cost profit for the year retained after taxation, and dividends					1,628	1,368

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

**BALANCE SHEETS
AT 31 MARCH 2001**

	Note	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
FIXED ASSETS					
Intangible assets	11	24	–	24	–
Tangible assets	12	25,022	24,077	24,870	23,914
Investments	13	–	–	250	250
		25,046	24,077	25,144	24,164
CURRENT ASSETS					
Stocks	14	22,096	21,647	20,294	19,399
Debtors	15	6,262	5,895	6,883	6,865
		28,358	27,542	27,177	26,264
CREDITORS					
Amounts falling due within one year	16	(23,179)	(22,353)	(22,592)	(21,540)
NET CURRENT ASSETS		5,179	5,189	4,585	4,724
TOTAL ASSETS LESS CURRENT LIABILITIES		30,225	29,266	29,729	28,888
CREDITORS					
Amounts falling due after more than one year	17	(4,427)	(4,937)	(4,427)	(4,937)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(960)	(150)	(960)	(150)
NET ASSETS		24,838	24,179	24,342	23,801
CAPITAL AND RESERVES					
Called up share capital	21	2,935	2,899	2,935	2,899
Share premium account	22	164	58	164	58
Revaluation reserve	23	4,308	5,419	4,308	5,419
Profit and loss account	24	17,431	15,803	16,935	15,425
CAPITAL EMPLOYED		24,838	24,179	24,342	23,801
Equity shareholders' funds		23,601	22,942	23,105	22,564
Non-equity shareholders' funds		1,237	1,237	1,237	1,237
Total shareholders' funds	25	24,838	24,179	24,342	23,801

The financial statements were approved by the board of directors on 31 May 2001 and signed on its behalf by:

A M Caffyn
M S Harrison

M. S. Harrison

A. Caffyn

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2001**

	Note	2001 £'000	2000 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	1,975	6,966
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid	6	(600)	(696)
Preference dividends paid		(102)	(98)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(702)	(794)
TAXATION			
UK Corporation tax paid		(353)	(302)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(3,524)	(1,582)
Closure costs		(260)	(82)
Sale of tangible fixed assets		4,024	267
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		240	(1,397)
ACQUISITIONS	29	(1,590)	-
EQUITY DIVIDENDS PAID		(502)	(483)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(932)	3,990
FINANCING			
Capital element of finance leases		(118)	(104)
Issue of shares		142	7
Loan repayments		(500)	(3,498)
Loan advance		1,000	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		524	(3,595)
(DECREASE)/INCREASE IN CASH	27,28	(408)	395

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2001

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 apart from the policy on intangible assets that applies for the first time this year.

(A) GROUP ACCOUNTS

The group financial statements consolidate those of the company and its subsidiary undertakings drawn up at 31 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) INTANGIBLE ASSETS

Goodwill represents the excess of the fair value of the consideration given over the aggregate of the fair values of the identifiable net assets acquired. In accordance with FRS 10, goodwill is shown as an asset and is amortised over the useful economic life determined on each acquisition.

(D) 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 economic 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 has adopted the transitional provision of FRS15 and not updated the valuation of such properties which have been retained at book amounts.

(E) 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 that are the subject of repurchase agreements are included at the agreed repurchase price less provisions made. In both cases the associated liabilities are recorded in creditors.

(F) 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.

(G) 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.

(H) INVESTMENTS

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

(I) LEASED ASSETS

Assets held under finance leases are capitalised in the balance sheet and depreciated over their expected useful economic 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.

(J) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to the activity of the group which operates as a motor retailer in the United Kingdom. The activities of Caffyns Motor Contracts ("CMC"), a division which operated a fleet of vehicles hired to customers, were discontinued in March 2001.

2. OTHER OPERATING CHARGES

	2001 £'000	2000 £'000
Distribution costs	12,324	13,370
Administrative expenses	4,429	4,507
	16,753	17,877

3. OPERATING PROFIT

Operating profit is arrived at after charging the following items:

Depreciation and amortisation	922	894
Auditors' remuneration – audit services	50	50
– other services	18	19
Operating lease rentals – land and buildings	312	368
– plant and machinery	60	67
Exceptional items – flood losses (see below)	800	–
– CMC losses (see note 19)	785	–

The exceptional item above relates to the losses arising on the flood damage at three of the company's branches.

An analysis of operating expenses is shown below:

	Continuing £'000	Discontinued £'000	Total £'000
2001			
Distribution expenses	12,152	172	12,324
Administrative expenses	4,226	203	4,429
2000			
Distribution expenses	13,111	259	13,370
Administrative expenses	4,281	226	4,507

The sales of the discontinued operations for the year ended 31 March 2000 were £5,578,000 and cost of sales of £5,372,000.

The total figures for continuing operations for the year ended 31 March 2001 include the following amounts which relate to the acquisition of the business of Ridleys Limited: distribution costs – £83,000; administrative expenses – £55,000.

4. EXCEPTIONAL ITEMS

Arising in respect of branch closures:	2001 £'000	2000 £'000
Net profits on disposal of tangible fixed assets	1,199	87
Closure costs	(260)	(82)
	939	5

The closure costs and profit on disposals related to the surplus on and related costs incurred as a result of disposing of five branches in the year and the estimated costs of closure of CMC. The effect on the taxation credit for the current year of the exceptional items recognised below operating profit is disclosed in note 7.

5. DIRECTORS AND EMPLOYEES

The average number of employees of the group during the year was 748 (2000 – 796) all of whom were engaged in the motor retail trade.

	2001 £'000	2000 £'000
Staff costs during the year amounted to:		
Wages and salaries	13,163	13,354
Social security costs	1,031	999
Pension costs (note 30)	100	–
	14,294	14,353

Remuneration in respect of directors is as follows:

Emoluments	484	460
Pension contributions	10	–
Pension to widow of former director	14	13
	508	473

The emoluments of the highest paid director were £174,000, and his accrued pension at 31 March 2001 was £40,000 per annum; his maximum accrued lump sum was £68,000. Comparative figures for 2000 were £173,000, £32,000 and £54,000 respectively.

The actual lump sum to be taken is at the director's discretion. For every £1 of annual pension sacrificed, the director is entitled to £10.80 in a lump sum up to the maximum.

Analysis of directors' emoluments:

	Salary £'000	Fees £'000	Bonus £'000	Benefits £'000	2001 Total £'000	2000 Total £'000
EXECUTIVE DIRECTORS						
S G M Caffyn	153	–	15	6	174	173
A E F Caffyn	94	–	–	8	102	109
M S Harrison	82	–	8	8	98	–
R J M Caffyn	28	–	–	1	29	114
NON-EXECUTIVE DIRECTORS						
A M Caffyn	–	32	–	7	39	38
B A Carte	–	13	–	–	13	13
I G Watt	–	13	–	–	13	13
R J M Caffyn	–	11	–	5	16	–
	357	69	23	35	484	460

Note: Mr R J M Caffyn retired as an executive director on 1 June 2000, when he became a non-executive director, and Mr A E F Caffyn retired as a director on 28 February 2001.

PENSIONS

Two executive directors are members of the company's pension scheme at the year end (2000 – 3).

Executive directors are eligible for a pension of up to two-thirds of total salary excluding benefits at normal retirement age of 65. Pensions for executives are provided on a contributory basis through the group pension scheme. The value of share options or other benefits 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 31 March 2000 £'000	Annual pension accrued in 2000/2001 in excess of inflation £'000	Total annual accrued pension at 31 March 2001 £'000
S G M Caffyn (age 40)	32	7	40
M S Harrison (age 47)	–	1	1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 continued

5. DIRECTORS AND EMPLOYEES continued

The increase in the year excludes the elements due to inflation and transferred-in benefits, as required by the Listing Rules issued by the Financial Services Authority.

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 and Mr R J M Caffyn who are now retired members.

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 1 April 2000 Number	Granted Number	Lapsed Number	Exercised Number	At 31 March 2001 Number	Exercise price	Exercisable in the 6 months up to
3,168	–	–	3,168	–	196p	–
2,606	–	–	–	2,606	278p	28 Feb 2003

The gain on exercise of the options by each director was £3,612.

The market price of the shares at 31 March 2001 was 317.5p and the range during the year was between 207.5p and 345p.

6. INTEREST PAYABLE

	2001 £'000	2000 £'000
On bank loans and overdrafts	422	517
Stock finance charges	146	136
Finance lease charges	32	43
	600	696

Interest payable has been allocated against continuing activities on the basis that interest payable attributable to the acquisition and discontinued activities is immaterial.

7. TAXATION

The credit/(charge) for taxation on profit on ordinary activities comprises:

	2001 £'000	2000 £'000
UK corporation tax at 30%	150	(650)
Advance corporation tax recovered	(100)	307
Deferred taxation (note 20)	(120)	(2)
Adjustment relating to prior years' corporation tax	106	–
	36	(345)

The group's UK corporation tax charge has been reduced by £78,000 (2000 – £25,000) as a result of the closure costs (note 4). There is no corporation tax charge arising on the profit on disposal of fixed assets due to the availability of roll-over relief and indexation.

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 statutory profit of the company for the year was £1,010,000 (2000 – £1,609,000).

9. DIVIDENDS

	2001 £'000	2000 £'000
NON EQUITY Preference:		
6.5% cumulative first preference	25	25
6.0% cumulative second preference	12	12
10% cumulative preference	65	65
	102	102
EQUITY Ordinary:		
Interim dividend paid of 5.5p (2000 – 5.5p)	186	183
Final dividend proposed of 9.5p (2000 – 9.5p)	323	316
	509	499
Total	611	601

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 calculations are set out below:

	2001		2000	
	Earnings £'000	Number of shares '000	Earnings £'000	Number of shares '000
Profit on ordinary activities after taxation and preference dividends	1,026		1,704	
Weighted average number of shares		3,350		3,322
Basic earnings per share			30.6p	51.3p
Profit on ordinary activities after taxation and preference dividends	1,026		1,704	
Add: Exceptional item (see note 3)	800		–	
Less: Tax relief	(80)		–	
	1,746		1,704	
Weighted average number of shares		3,350		3,322
Adjusted earnings per share			52.1p	51.3p
Weighted average number of shares		3,350		3,322
Number of shares under option		51		133
Number of shares that would have been issued at average market value		(48)		(95)
Diluted earnings per share	1,026	3,353	30.6p	50.7p

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 continued

11. INTANGIBLE ASSETS

Under the provisions of the accounting policy set out on page 15, goodwill is carried as an intangible asset on the balance sheet and amortised over its expected useful economic life of 2 years.

GROUP AND COMPANY	2001 £'000	2000 £'000
Goodwill of business acquired (note 29)	25	-
Less: amortised in year	(1)	-
At 31 March 2001	24	-

12. TANGIBLE FIXED ASSETS

	Freehold property £'000	Leasehold property £'000	Fixtures & fittings £'000	Plant & machinery £'000	Total £'000
GROUP					
Cost or valuation					
At 1 April 2000	20,760	224	4,521	5,936	31,441
Additions at cost	2,429	59	600	436	3,524
Acquisitions	1,094	-	-	73	1,167
Transfers	(55)	-	39	16	-
Disposals	(2,697)	-	(413)	(404)	(3,514)
At 31 March 2001	21,531	283	4,747	6,057	32,618
Depreciation					
At 1 April 2000	420	58	3,138	3,748	7,364
Charge for year	165	13	296	447	921
Transfers	-	-	(7)	7	-
Disposals	(14)	-	(343)	(332)	(689)
At 31 March 2001	571	71	3,084	3,870	7,596
Net book amounts					
At 31 March 2001	20,960	212	1,663	2,187	25,022
At 31 March 2000	20,340	166	1,383	2,188	24,077
COMPANY					
Cost or valuation					
At 1 April 2000	20,760	224	4,295	5,694	30,973
Additions at cost	2,429	59	584	426	3,498
Acquisitions	1,094	-	-	73	1,167
Transfers	(55)	-	39	16	-
Disposals	(2,697)	-	(413)	(401)	(3,511)
At 31 March 2001	21,531	283	4,505	5,808	32,127
Depreciation					
At 1 April 2000	420	58	3,006	3,575	7,059
Charge for year	165	13	273	434	885
Transfers	-	-	(7)	7	-
Disposals	(14)	-	(343)	(330)	(687)
At 31 March 2001	571	71	2,929	3,686	7,257
Net book amounts					
At 31 March 2001	20,960	212	1,576	2,122	24,870
At 31 March 2000	20,340	166	1,289	2,119	23,914

12. TANGIBLE FIXED ASSETS (CONTINUED)

Leasehold property comprised £178,000 long term and £34,000 short term at net book value at the balance sheet date (2000 – £121,000 and £45,000 respectively) in both the company and the group.

VALUATIONS

The freehold properties were last revalued externally at 31 March 1995 by Lambert Smith Hampton, Chartered Surveyors, at open market value for existing use. 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	
	2001	2000
	£'000	£'000
Valuation – March 1995	15,020	17,923
At cost	5,940	2,417
	20,960	20,340

If freehold properties had not been revalued they would have been included at historical cost to the group at 31 March 2001 of £16,652,000 (2000 – £14,921,000).

If certain freehold properties were disposed of at valuation there would be a taxation liability. 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 20).

Depreciation is being charged on the value of freehold buildings of £8,250,000 (2000 – £8,500,000).

ASSETS HELD UNDER FINANCE LEASES

	Group and company
	Plant and machinery
	£'000
Net book amount	
At 31 March 2001	255
Net book amount	
At 31 March 2000	356

Depreciation provided during the year on these assets was £101,000 (2000 – £101,000).

13. 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
Cost	
At 1 April 2000 and at 31 March 2001	476
Provision	
At 1 April 2000 and at 31 March 2001	226
Net book amounts	
At 31 March 2000 and at 31 March 2001	250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 continued

14. STOCKS

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Vehicles	11,773	11,241	10,022	9,933
Vehicles subject to repurchase agreements	4,074	5,522	4,074	5,522
Vehicles on consignment	3,777	2,247	3,366	1,440
Petrol, oil, spare parts and materials	2,421	2,563	2,826	2,430
Work in progress	51	74	6	74
	22,096	21,647	20,294	19,399

Vehicle stock includes:

Service vehicles	4,765	4,624	4,116	3,905
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In addition, non-interest bearing consignment vehicles excluded from the company balance sheet at 31 March 2001 had a cost of £2,804,000 (2000 – £5,754,000).

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

15. DEBTORS

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Trade debtors	5,356	5,317	5,190	5,152
Amount due from subsidiary undertaking	–	–	787	1,135
Taxation recoverable	137	–	137	–
Other debtors	769	533	769	533
	6,262	5,850	6,883	6,820
Deferred tax recoverable after more than 1 year	–	45	–	45
	6,262	5,895	6,883	6,865

Included in other debtors is an amount due after one year of £250,000 (2000 – Nil) reflecting the difference between contributions paid and pension cost charges in the year.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Loans	1,000	1,500	1,000	1,500
Bank overdrafts	3,219	2,811	3,219	2,811
Trade creditors	10,314	10,082	10,138	10,076
Obligations relating to repurchase agreements	1,824	1,891	1,824	1,891
Obligations relating to consignment stock	3,777	2,247	3,366	1,440
Corporation tax	–	372	–	372
Social security and other taxes	774	748	774	748
Proposed dividends	373	366	373	366
Obligations under finance leases	129	118	129	118
Accruals	1,613	1,736	1,613	1,736
Other creditors	156	482	156	482
	23,179	22,353	22,592	21,540

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Loans excluding current instalments	2,000	1,000	2,000	1,000
Finance leases	177	306	177	306
	2,177	1,306	2,177	1,306
Obligations relating to repurchase agreements due in 1 to 2 years	1,375	1,976	1,375	1,976
due in 2 to 5 years	875	1,655	875	1,655
	4,427	4,937	4,427	4,937

All bank loans and overdrafts 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.

18. FINANCIAL RISK MANAGEMENT

FINANCIAL LIABILITIES

The group financial liabilities analysis was as follows:

	Group and company	
	2001 £'000	2000 £'000
In less than one year or on demand		
Bank and other borrowings	4,219	4,311
Finance leases	129	118
In more than one year but less than two years		
Bank and other borrowings	2,000	1,000
Finance leases	140	129
In more than two years but less than five years		
Finance leases	37	177
In more than five years		
Preference shares	1,237	1,237
	7,762	6,972

	Total 2001 £'000	Fixed rate 2001 £'000	Variable rate 2001 £'000	Total 2000 £'000	Fixed rate 2000 £'000	Variable rate 2000 £'000
Due within one year	4,348	129	4,219	4,429	118	4,311
One to two years	2,140	140	2,000	1,129	129	1,000
Two to five years	37	37	-	177	177	-
More than five years	1,237	1,237	-	1,237	1,237	-
	7,762	1,543	6,219	6,972	1,661	5,311

Short term debtors and creditors have been excluded.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001** *continued*

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The weighted average interest rates were:

	2001	2000
fixed rate (including preference shares)	8.2%	8.2%
variable rate	LIBOR + 1.05%	LIBOR + 0.90%

The weighted average period for which rates are fixed is 3.0 years (2000 – 4.0 years).

BORROWING FACILITIES

Committed facilities unutilised available to the group at 31 March 2001 in respect of which all conditions precedent had been met at that date were £5,681,000 (2000 – £5,062,000) in respect of facilities expiring in less than 1 year.

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 2001 £'000	Fair value 2001 £'000	Book value 2000 £'000	Fair value 2000 £'000
Primary financial instruments				
Short term financial liabilities and current portion of				
long term borrowings	4,348	4,453	4,429	4,544
Long term borrowings	3,414	3,371	2,543	2,449
	7,762	7,824	6,972	6,993

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.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Group and company	
	2001	2000
	£'000	£'000
Pension obligations provided (note 30)	–	150
Provision against CMC	885	–
Deferred taxation (see note 20)	75	–
	960	150

The provision of £885,000 on the cessation of CMC relates to the difference between the forecast residual values of vehicles and the residual amounts that the company has guaranteed to pay for the vehicles together with the estimated costs of closure and future operating losses. It is anticipated that the provision will be utilised over a period of not more than 3 years from 31 March 2001.

20. DEFERRED TAX

A deferred taxation asset of £45,000 was provided at a rate of 30% on the pension obligation provision outstanding as at 31 March 2000 (note 19) and has now been released.

Apart from a provision for £75,000 (2000 – nil) based upon the deferred pension contributions (see notes 15 and 19), no provision for any additional 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	
	2001	2000
	£'000	£'000
Accelerated capital allowances	327	297
Short term timing differences	(16)	(24)
Unrealised capital gains	2,283	1,554
Advance corporation tax previously written off	(1,729)	(1,218)
	865	609

In addition to the above the group has advance corporation tax not immediately recoverable amounting to £0.4 million (2000 – £0.7 million).

21. CALLED UP SHARE CAPITAL

	2001	2000
	£'000	£'000
Authorised		
500,000 6.5% cumulative first preference shares of £1 each	500	500
1,250,000 10% cumulative second 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 shares of £1 each	648	648
2,000,000 6% cumulative second preference shares of 10p each	200	200
3,396,212 (2000 – 3,323,702) ordinary shares of 50p each	1,698	1,662
	2,935	2,899

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.

During the year 72,510 options were exercised under the Employees Save-As-You-Earn Share Option Scheme at an option price of 196p. Consequently share capital has increased by £36,000 and share premium account by £106,000.

Options granted under the Employees Save-As-You-Earn Share Option Scheme for the purchase of 51,378 (2000 – 59,692) at an option price of 278p exercisable during the six months ended 28 February 2003 were outstanding at 31 March 2001. These include directors' share options, details of which are set out in note 5.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 continued

22. SHARE PREMIUM ACCOUNT

	Group and company £'000
At 1 April 2000	58
Increase arising from issue of ordinary shares in the year	106
At 31 March 2001	164

23. REVALUATION RESERVE

	Group and company £'000
At 1 April 2000	5,419
Release of revaluation surplus on properties sold during the year	(1,111)
At 31 March 2001	4,308

The revaluation reserve is not distributable.

24. PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 2000	15,803	15,425
Profit retained for the year	517	399
Transfer from revaluation reserve	1,111	1,111
At 31 March 2001	17,431	16,935

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit for the financial year	1,128	1,806
Dividends	(611)	(601)
	517	1,205
Equity shares issued in year	142	7
Net increase in shareholders funds	659	1,212
Brought forward at 1 April	24,179	22,967
Carried forward at 31 March	24,838	24,179
Shareholders' Funds are attributable as follows:		
Equity interests	23,601	22,942
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	200	200
	1,237	1,237
	24,838	24,179

26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES:

	2001 £'000	2000 £'000
Operating profit	753	2,842
Depreciation charge	921	894
Amortisation of goodwill	1	-
Loss on sale of tangible fixed assets	-	19
Decrease in stocks	9	894
(Increase)/decrease in debtors	(275)	2,535
Decrease in creditors	(169)	(218)
Increase in provisions for liabilities and charges	735	-
Net cash inflow from operating activities	1,975	6,966

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £'000	2000 £'000
(Decrease)/increase in cash in the year	(408)	395
Movements in loans	(500)	3,498
Cash outflow from capital repayments of finance leases	118	104
Movement in net debt in the year	(790)	3,997
Net debt at 1 April	(5,735)	(9,732)
Net debt at 31 March	(6,525)	(5,735)

28. ANALYSIS OF NET DEBT

	At 31 March 2001 £'000	Cashflow £'000	At 1 April 2000 £'000
Overdrafts	3,219	408	2,811
Debt falling due within 1 year	1,000	(500)	1,500
Debt falling due after more than 1 year	2,000	1,000	1,000
Finance leases	306	(118)	424
	3,306	382	2,924
Total	6,525	790	5,735

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001 continued

29. ACQUISITION

On 12 February 2001 the company acquired the business and assets of Ridleys Limited for a cash consideration of £1,590,000. The investment in this business has been included at its fair value at the date of acquisition. The fair value adjustment reflects a professional property valuation performed in connection with the acquisition. An analysis of the cost of acquisition is shown below:

	Book value £'000	Fair value adjustment £'000	Fair value to the group £'000
Net assets at date of acquisition:			
Tangible fixed assets	1,142	25	1,167
Stocks	458	-	458
Creditors	(60)	-	(60)
	1,540	25	1,565
Purchased goodwill			25
			1,590

30. 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 the Caffyns Pension Fund, 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 5 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 5 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.

Following the re-commencement of contributions to the company's pension scheme, the pension provision previously provided of £150,000 (see note 19) is no longer required and has been released.

31. OPERATING LEASES

The annual commitments payable under existing operating lease agreements may be analysed by date of expiry of the lease as follows:

	Group and company 2001		Group and company 2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
Within 1 year	-	11	87	10
In 2 to 5 years	189	45	145	92
After 5 years	83	-	32	-
	272	56	264	102

32. CAPITAL COMMITMENTS

The group and company had capital commitments at 31 March 2001 of £1,003,000 (2000 – £1,523,000).

CONTRACT HIRE

As part of the normal contract hire arrangements, the company's contract hire business, CMC, had previously acted to acquire vehicles and hire purchase and leasing contracts on behalf of finance companies. Effective from March 2001, the directors announced their intention to wind down this business. However, CMC continues to manage these vehicle fleets on behalf of the finance companies and vehicle users. The company has given an undertaking to purchase the vehicles at the conclusion of these contracts at residual values totalling £4,074,000. After taking into account the provision made against these vehicles (see note 19), the net realisable value of these vehicles is estimated to be at least equal to this amount. These amounts relate to vehicle purchase commitments falling due within one year of £1,824,000 and after one year of £2,250,000.

33. CONTINGENT LIABILITIES

The contingent liability in respect of deferred tax is set out in note 20.

**STATISTICS 1992-2001
FOR YEARS ENDED 31 MARCH**

TEN YEAR REVIEW	1992 £'000	1993 £'000	1994 £'000	1995 £'000
PROFIT AND LOSS ACCOUNT				
Sales	127,824	123,937	150,871	156,772
Operating profit on continuing operations before exceptional items	1,534	1,418	1,700	1,752
Exceptional items and losses on discontinued operations	-	-	-	-
Interest payable	(1,471)	(1,156)	(993)	(1,076)
PROFIT BEFORE TAX	63	262	707	676
Profit/(loss) after taxation	(95)	116	579	557
Dividends:				
Preference	(91)	(91)	(91)	(91)
Ordinary	(382)	(382)	(382)	(382)
(LOSS)/PROFIT RETAINED	(568)	(357)	106	84
BASIC EARNINGS/(LOSS) PER ORDINARY SHARE	(5.6p)	0.8p	14.7p	14.0p
ADJUSTED EARNINGS/(LOSS) PER ORDINARY SHARE AS REPORTED	(5.6p)	0.8p	14.7p	14.0p
Interest cover	1.0	1.2	1.7	1.6
DIVIDEND PER ORDINARY SHARE	11.5p	11.5p	11.5p	11.5p
BALANCE SHEET				
Shareholders' funds	16,428	16,071	16,177	20,206
Bank borrowings	6,731	9,234	11,931	12,530
Debt/shareholders' funds (gearing)	41%	57%	74%	62%

1996 £'000	1997 £'000	1998 £'000	1999 £'000	2000 £'000	2001 £'000
160,510	165,554	162,593	151,610	147,305	143,401
1,986	2,479	3,155	2,877	2,842	2,901
-	-	(107)	3	5	(1,209)
(1,357)	(1,176)	(1,134)	(1,022)	(696)	(600)
629	1,303	1,914	1,858	2,151	1,092
510	1,077	1,636	1,643	1,806	1,128
(91)	(91)	(91)	(92)	(102)	(102)
(382)	(415)	(465)	(482)	(499)	(509)
37	571	1,080	1,069	1,205	517
12.6p	29.7p	46.6p	46.7p	51.3p	30.6p
12.6p	29.7p	46.6p	46.7p	51.3p	52.1p
1.5	2.1	2.7	2.8	4.1	2.8
11.5p	12.5p	14.0p	14.5p	15.0p	15.0p
20,243	20,814	21,894	22,967	24,179	24,838
11,879	11,356	10,027	9,732	5,735	6,525
59%	55%	46%	42%	24%	26%

NOTICE OF ANNUAL GENERAL MEETING

Registered in England No 105664

NOTICE is hereby given that the NINETY SECOND ANNUAL GENERAL MEETING of this company will be held at the Hydro Hotel, Mount Road, Eastbourne, on Wednesday 25 July 2001 at 2.30 pm to consider and, if thought fit, pass the following ordinary 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 S G M Caffyn as a director.
4. To re-elect Mr B A Carte as a director.
5. To re-appoint Grant Thornton as auditors.
6. To empower the setting of the auditors' remuneration.

AS A SPECIAL RESOLUTION:

7. 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 498,555.

- 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 2002 or on 30 September 2002 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
22 June 2001

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 am and 5 pm 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 6 July 2001. Warrants will be posted on the 25 July 2001.

