

C & F FINANCIAL CORP
Form 11-K
June 29, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year end December 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-23423

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

C&F Mortgage Corporation 401(k) Plan

1400 Alverser Drive

Midlothian, Virginia 23113

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

C & F Financial Corporation

802 Main Street

West Point, Virginia 23181

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REQUIRED INFORMATION

The C&F Mortgage Corporation 401(k) Plan (the Plan) is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the following financial statements and schedule of the Plan for the years ended December 31, 2004 and 2003, which have been prepared in accordance with the financial reporting requirements of ERISA, are provided:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator

C&F Mortgage Corporation 401(k) Plan

Midlothian, Virginia

We have audited the accompanying statements of net assets available for benefits of the C&F Mortgage Corporation 401(k) Plan as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the C&F Mortgage Corporation 401(k) Plan as of December 31, 2004 and 2003, and the changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes as of December 31, 2004 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Young, Hyde & Barbour, P.C.

YOUNT, HYDE & BARBOUR, P.C.

Winchester, Virginia

June 10, 2005

Table of Contents**C&F MORTGAGE CORPORATION 401(K) PLAN****Statements of Net Assets Available for Benefits**

December 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|---------------------|---------------------|
| Assets | | |
| Investments , at fair value | \$ 7,119,999 | \$ 5,142,786 |
| Receivables: | | |
| Employer contribution | 295,822 | 644,406 |
| Employee deferrals | 608 | 2,677 |
| Dividends | 3,588 | 2,488 |
| Total receivables | <u>300,018</u> | <u>649,571</u> |
| Cash | <u>17,102</u> | <u>14,085</u> |
| Net assets available for benefits | <u>\$ 7,437,119</u> | <u>\$ 5,806,442</u> |

See Notes to Financial Statements.

Table of Contents**C&F MORTGAGE CORPORATION 401(K) PLAN****Statements of Changes in Net Assets****Available for Benefits**

For the Years Ended December 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|---------------------|---------------------|
| Additions to net assets attributed to: | | |
| Investment income: | | |
| Net appreciation in fair value of investments | \$ 657,292 | \$ 1,036,042 |
| Interest and dividends | 15,198 | 9,970 |
| | <u>672,490</u> | <u>1,046,012</u> |
| Contributions: | | |
| Employer | 295,822 | 644,406 |
| Participant | 851,670 | 714,642 |
| Rollover and other contributions | 103,057 | 415,215 |
| | <u>1,250,549</u> | <u>1,774,263</u> |
| Total additions | <u>1,923,039</u> | <u>2,820,275</u> |
| Deductions from net assets attributed to: | | |
| Benefits paid to participants | 255,060 | 35,170 |
| Administrative expenses | 37,302 | 24,076 |
| Total deductions | <u>292,362</u> | <u>59,246</u> |
| Net increase | 1,630,677 | 2,761,029 |
| Net assets available for benefits: | | |
| Beginning of period | <u>5,806,442</u> | <u>3,045,413</u> |
| End of period | <u>\$ 7,437,119</u> | <u>\$ 5,806,442</u> |

See Notes to Financial Statements.

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C&F MORTGAGE CORPORATION 401(K) PLAN

Notes to Financial Statements

Note 1. Description of the Plan

The following description of the C&F Mortgage Corporation 401(k) Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan maintained by C&F Mortgage Corporation (Company), a wholly-owned subsidiary of C&F Financial Corporation, pursuant to the provisions of Section 401(k) of the Internal Revenue Code (Code) established for the benefit of substantially all employees electing to participate in the Plan. Employees are eligible to participate in the Plan on the first day of the month following their employment date and must be eighteen years old or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Each participant may elect to have compensation deferred up to the maximum percentage allowed by the Code. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. The Company may make a discretionary profit sharing contribution, determined annually by its Board of Directors. The contribution is allocated in proportion to a participant's contributions to the total contributions of all participants. Discretionary contributions declared or made by the Company, net of forfeitures, were \$295,822 and \$644,406 during the plan years ended December 31, 2004 and 2003, respectively. Participants entering the Plan may roll over contributions from other plans. Contributions are subject to certain limitations as established by the Internal Revenue Code.

Participants' Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contributions and (b) plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant contributions or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Table of Contents**Notes to Financial Statements****Vesting**

The Plan's vesting provision provides that participants are immediately vested in their elective contributions and earnings thereon. Vesting in the Company's contributions occurs as follows:

| Number of Years of Vesting Service | Vested Interest |
|---|------------------------|
| Less than 2 years | 0% |
| 2 years but less than 3 years | 25% |
| 3 years but less than 4 years | 50% |
| 4 years but less than 5 years | 75% |
| 5 years or more | 100% |

Investment Options

All assets in the Plan are directed by individual participants. Participants are given the option to direct account balances and all contributions into over 50 separate investment options. The options include pooled separate accounts, guaranteed interest accounts, money market and managed accounts.

A participant may choose to invest up to 25% (in increments of 5%) of their account balance and future contributions in the common stock of C&F Financial Corporation (Employer Common Stock). Participants may change their investment options daily.

Payment of Benefits

Upon retirement or termination of service a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in his or her account, periodic installments for a period of up to 10 years or a combination of both. A written election must be made with the administrator at least 30 days before the benefit payment date. Participants whose vested account balance has never exceeded \$5,000 must be paid out in the form of a lump sum distribution.

Forfeited Accounts

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For the years ended December 31, 2004 and 2003, forfeited nonvested accounts totaling \$14,179 and \$13,718, respectively, were used to reduce employer contributions.

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Notes to Financial Statements

Note 2. Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments in pooled separate accounts of Manufacturers Life Insurance Company represents ownership of units of participation in various mutual funds. The value of a unit of participation is the total value of each mutual fund within the separate accounts divided by the number of units outstanding. The investments in the pooled separate accounts are stated at fair value and are based on quoted redemption values of the underlying mutual funds on the last day of the year. The Plan's Guaranteed Interest Accounts guarantee a rate of return for a defined term. The assets are commingled with other assets of Manufacturers Life Insurance Company's general account and are reported at fair value as determined by Manufacturers Life Insurance Company. Common stock is stated at the fair value determined by quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

In accordance with the policy of stating investments at current value, net realized and unrealized appreciation (depreciation) for the year is reflected in the statements of changes in net assets available for benefits.

Benefit Payments

Benefit payments are recorded when paid.

Note 3. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in the portion of their account not previously vested.

Table of Contents**Notes to Financial Statements****Note 4. Investments**

The Plan's investment assets are currently held by the custodians, Manulife Financial Corporation and Raymond James Financial Services, Inc. The following table presents investments for the years ended December 31, 2004 and 2003 that represent 5 percent or more of the Plan's net assets.

| | December 31, | |
|---|--------------|------------|
| | 2004 | 2003 |
| Manulife Lifestyle Fund - Aggressive Portfolio | \$ 1,067,713 | \$ 822,893 |
| Manulife Lifestyle Fund - Balanced Portfolio | 752,409 | 479,159 |
| Manulife Lifestyle Fund - Growth Portfolio | 1,581,999 | 1,179,647 |
| C&F Financial Corporation - Employer Common Stock | 603,232 | 489,898 |

During the years ended December 31, 2004 and 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$657,292 and \$1,036,042, respectively as follows:

| | December 31, | |
|---------------------------------|-------------------|---------------------|
| | 2004 | 2003 |
| Pooled separate accounts | \$ 647,461 | \$ 884,394 |
| Employer Common stock | 10,110 | 151,257 |
| Guaranteed investment contracts | (279) | 391 |
| | <u>\$ 657,292</u> | <u>\$ 1,036,042</u> |

Note 5. Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated February 17, 2005, stating that the Plan, as then designed, is qualified based on the tax laws reviewed and, therefore, the trust established under the Plan is tax exempt. This determination letter may not be relied on with respect to whether the Plan satisfies the requirements of section 401(a) of the Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001. However, the Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

Note 6. Related Party Transactions

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Certain Plan investments are units of pooled separate accounts managed in part by Manufacturers Advisor Corporation. Group annuity contracts for guaranteed interest accounts are issued by Manufacturers Life Insurance Company. Both Manufacturers Advisor Corporation and the Manufacturers Life Insurance Company are affiliates of Manulife Financial Corporation, the Plan asset custodian. Therefore, transactions in these investments qualify as party-in-interest. Fees charged for services by the party-in-interest are based on customary rates for such services.

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Notes to Financial Statements

The Plan allows funds to be invested in the common stock of C&F Financial Corporation, the parent company of C&F Mortgage Corporation, the Plan Sponsor. Therefore C&F Financial Corporation is a party-in-interest. Investment in employer securities is allowed by ERISA and the United States Department of Labor Rules and Regulations and the fair value of Employer Common Stock is based on quotes from an active market.

Note 7. Administrative Expenses

Certain administrative expenses are absorbed by C&F Mortgage Corporation, the Plan sponsor.

Note 8. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Note 9. Significant Amendments & Events

Effective October 1, 2004, the Plan was amended to allow distributions to be made in cash only. Distributions of employer stock are no longer permitted.

Table of Contents**C&F MORTGAGE CORPORATION 401(K) PLAN****Schedule of Assets Held for Investment Purposes**

December 31, 2004

| Description of Asset/Identity of Issue | Fair Value |
|--|---------------------|
| Pooled Separate Accounts | |
| Manulife Aggressive Growth Fund | \$ 38,794 |
| Manulife Developing Markets Fund | 81,981 |
| Manulife Discovery Fund | 3,802 |
| Manulife Equity Income Fund | 15,533 |
| Manulife Foreign Fund | 12,003 |
| Manulife Blue Chip Fund | 26,388 |
| Manulife Prudential Jennison Growth Fund | 10,341 |
| Manulife Large-Cap Fund | 76,635 |
| Manulife Fidelity Advisor Dividend Growth Fund | 45,276 |
| Manulife Spectrum Income Fund | 19,381 |
| Manulife 500 Index Fund | 165,058 |
| Manulife Equity Growth Fund | 75,072 |
| Manulife Lifestyle Fund-Aggressive Portfolio | 1,067,713 |
| Manulife Lifestyle Fund-Balanced Portfolio | 752,409 |
| Manulife Lifestyle Fund-Conservative Portfolio | 56,946 |
| Manulife Lifestyle Fund-Growth Portfolio | 1,581,999 |
| Manulife Lifestyle Fund-Moderate Portfolio | 211,593 |
| Manulife Wietz Ptns Fund | 65,107 |
| Manulife AIM Constellation Fund | 2,742 |
| Manulife Beacon Fund | 85,461 |
| Manulife Overseas Fund | 7,565 |
| Manulife Science & Technology Fund | 289,402 |
| Manulife Select Twenty Fund | 163,083 |
| Manulife Quantitative Mid Cap Fund (VS) | 47,727 |
| Manulife Small-Mid-Cap Growth Fund | 49,165 |
| Manulife International Stock Fund | 24,873 |
| Manulife Lord Abbett Develop Growth Fund | 6,490 |
| Manulife Dominion Social Equity Fund | 6,550 |
| Manulife Value & Restructuring Fund | 42,633 |
| Carried Forward | <u>\$ 5,031,722</u> |

Table of Contents**C&F MORTGAGE CORPORATION 401(K) PLAN****Schedule of Assets Held for Investment Purposes**

(Continued)

December 31, 2004

| Description of Asset/Identity of Issue | Fair Value |
|--|---------------------|
| Carried Forward | \$ 5,031,722 |
| Pooled Separate Accounts (continued) | |
| Manulife Worldwide Fund | 40,175 |
| Manulife Short Term Fund | 5,097 |
| Manulife Total Return Fund | 106,099 |
| Manulife New York Venture Fund | 73,651 |
| Manulife Balance Sheet Fund | 75,589 |
| Manulife Capital Opportunities Fund | 28,814 |
| Manulife Global Equities Fund | 1,827 |
| Manulife Passport Fund | 61,598 |
| Manulife TRP Equity Income Fund | 57,838 |
| Manulife Mid Cap Fund | 45,949 |
| Manulife Index Total Fund | 1,859 |
| Manulife Index Small Fund | 40,930 |
| Manulife Real Return Fund | 528 |
| Manulife American Funds American Balanced Fund | 178,403 |
| Manulife American Funds Washington Mutual Investors Fund | 36,751 |
| Manulife American Funds Investment Company of America | 18,364 |
| Manulife Smith Barney Small Cap Value Fund | 14,227 |
| Manulife Large Cap Value Fund | 1,084 |
| Manulife American Funds Growth Fund of America | 152,034 |
| Manulife American Funds EuroPacific Growth Fund | 92,041 |
| Manulife Small Company Fund | 30,273 |
| Manulife VS AC Fund | 21,701 |
| Manulife Index Mid Cap Fund | 1,174 |
| Manulife Money Market Fund | 322,863 |
| | <u>6,440,591</u> |
| Common Stock | |
| C&F Financial Corporation - Employer Common Stock | 603,232 |
| Guaranteed Interest Accounts | |
| Guaranteed Investment Contract | 76,176 |
| Total assets held for investment purposes | <u>\$ 7,119,999</u> |

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the plan administrator of the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

C&F MORTGAGE CORPORATION 401(k) PLAN
(Name of Plan)

Date June 28, 2005

/s/ Bryan E. McKernon

Bryan E. McKernon, President & CEO
C&F MORTGAGE CORPORATION