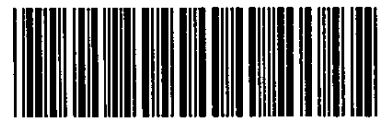


Haynes Brothers Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2012

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COMPANIES HOUSE

Registered number 48511

Haynes Brothers Limited

DIRECTORS' REPORT

For the year ended 31 December 2012

The Directors present their Annual Report and the audited Financial Statements of the Company for the year ended 31st December 2012

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Haynes Bros Ltd, established in 1790 and incorporated in 1896, is the holding company for 5 operating divisions

Haynes of Maidstone trading as Haynes Ford is Kent's first Ford Main Dealer having been appointed in 1911. It distributes Ford cars and, as a Transit Specialist Dealer, Ford commercial vehicles. The Company is also a Ford car and commercial vehicle authorised repairer and has a Ford accredited Accident Repair Centre, and also operates the Ford Direct franchise. The business operates from 8.5 acres of freehold premises at Ashford Road and Parkwood, Maidstone.

Haynes Trucks has the franchise for Iveco trucks and Iveco Daily vans covering most of Kent with freehold depots at Maidstone and Ashford and a rented site at Canterbury. It also has the 'Fiat Professional' Commercial Vehicle franchise covering Maidstone and most of the Medway Towns.

Haynes Agricultural as Agricultural Engineers, hold the New Holland franchise for tractors and harvest equipment, as well as other leading makes of agricultural and related equipment, for Kent and part of Sussex. It operates from depots at Maidstone, Uckfield and Great Chart.

Haynes Agritec, holds the Case IH franchise and JCB agricultural franchise now for parts of Kent and Sussex respectively. The business operates from a depot at Birchington and Uckfield.

The Kent Diesel Centre Limited in Maidstone has a Bosch service agency, as well as the Delphi, Denso and Siemens franchises and undertakes diesel and electrical reconditioning throughout the South East.

2012 proved to be a more positive year than 2011 following the extensive restructuring of the business that took place in 2011 in order to counteract the challenges presented by the very weak UK economy. Group turnover was up by 3.7%. The key turnover increases were within Haynes Ford and Haynes Trucks where sales were up by 5.3% and 20% respectively. In the agricultural companies, sales declined by 7.9% due to a weaker rural economy and in the Kent Diesel Centre sales also declined by 6.9%.

Operating profit increased by £349K to £302K (prior year loss of £47K)

During the year the Group was still in a period of consolidation and continued to realign its cost base in both the Agricultural businesses and the Kent Diesel Centre. Additionally, the Accounts also report a positive reduction in the net pension deficit of £203K to £1.802m, under the FRS17 accounting standard. As part of the Company's ongoing due diligence regarding the management of this liability, the Company asked The Pension Scheme Actuary to also carry out a Management Valuation of the scheme on the basis that the regulatory requirements are removed. The intention was to value the scheme based on realistic long term economic assumptions, considering the actual asset profile of the Plan. Encouragingly, the result was a deficit of £886K (net of £683K assuming a 23% deferred tax rate).

2012 was another important year for the Company and saw it win the 2012 Ford Motor Company Chairman's Award for outstanding customer satisfaction and also a Special Recognition Award from New Holland for a consistently strong sales performance. The Company was also one of Iveco's strongest dealers in the network on sales penetration. During the year, building work also began on a new depot for the Company's New Holland Agricultural business, which currently operates out of Parkwood. The business relocated in May 2013 and this was the final element of the Agricultural Businesses restructuring process. All of the Company's agricultural businesses are now located on dedicated agricultural sites in rural locations with modern facilities.

Haynes Brothers Limited

DIRECTORS' REPORT

For the year ended 31 December 2012

Whilst trading still remains very challenging as a result of the poor performing UK and world economy, the Company has taken considerable action to address its cost base and improve operational efficiencies which will greatly assist the Company when an 'economic recovery' returns. In the opinion of the Directors, the Company has very strong underlying businesses with a wide customer base, good franchises and a committed, experienced staff. The fact that the Company operates in different sectors with some areas less severely exposed to the economic downturn, should continue to assist it to make the most of these difficult times.

CONCLUSION

The Company remains a firm partner with each of its major manufacturer franchises and overall its balance sheet continues to reflect a very strong commercial base from which the Company will continue to expand its business wherever appropriate.

RESULTS AND DIVIDENDS

The loss on ordinary activities for the year before tax amounted to £136,574 (2011 £396,596)

No ordinary dividends were paid in the year (2011 £Nil). No dividend is proposed for the year (2011 £Nil). A dividend of £175 (2011 £175) was paid in respect of the 3½% preference shares and a dividend of £Nil (2011 £Nil) was charged to interest payable in respect of variable rate preference shares.

RISKS AND UNCERTAINTIES

The Company seeks to balance risks with the costs of risk mitigation. The Company's main exposure to risk arises in the following areas:

- the Company has substantial working capital, which is funded by borrowings from the bank and from manufacturers. The interest charged on these borrowings is dependent on underlying base rates and the Company is therefore exposed to interest rate risks. The Company constantly monitors trends in interest rates and if appropriate takes necessary action to mitigate its exposure.
- the Company has to nominate the vehicles which it wishes to acquire in the coming year and therefore is exposed to the risks associated with this commitment. The company monitors levels of current stocks and market conditions before making its purchasing decisions.
- the Company is exposed to pricing risks through the stocks of used vehicles and vehicles for its own use. The pricing risk relating to new vehicles is mitigated by the use of consignment stock.

The Company is not exposed to foreign exchange risk and credit risk is not considered significant as the Company only extends credit in respect of certain activities and there is no concentration of credit.

DIRECTORS

The following were Directors of the Company at 31 December 2012 and served throughout the year and subsequently:

A D S Haynes
L Haynes
S Hyde

DISABLED PERSONS

It is established Company policy to offer the same opportunity to disabled people as to all others in matters of recruitment and career advancement, provided they have the ability to perform the tasks required with or without training, and to provide retraining where necessary in cases when disability is incurred during employment with the Company.

Haynes Brothers Limited

DIRECTORS' REPORT

For the year ended 31 December 2012

EMPLOYEE INVOLVEMENT

It is Company policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial and economic factors affecting the Company's performance, are consulted wherever necessary and are encouraged generally to be involved in the Company's overall performance.

DONATIONS

During the year, the Company made donations for charitable purposes amounting to £858 (2011 £1,138)

MARKET VALUE OF LAND AND BUILDINGS

The Directors have obtained a professional external valuation, and based on this valuation consider that the open market value of properties at 31 December 2012 is £16.2m. This significantly exceeds the net book values included in the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The Directors in office at the date of approval of this report have confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Company's auditor.

AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants will be put to the members at the Annual General Meeting.

By order of the board



T J Pickard

Secretary

30th September 2013.

Registered Office
Haynes House
23 Ashford Road
Maidstone
Kent
ME14 5DQ

Haynes Brothers Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing those financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYNES BROTHERS LIMITED

We have audited the financial statements on pages 6 to 25

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issues-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issues-1-December-2010).aspx)

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

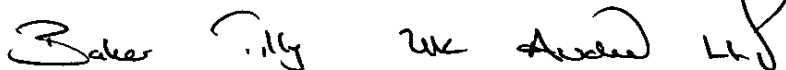
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Monteith (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes, Bucks MK9 1BP

3rd October 2013

Haynes Brothers Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Note	Profit and loss Pre FRS 17 notional interest 2012	FRS 17 notional interest 2012 (note 4)	Total 2012	Profit and loss Pre FRS 17 notional interest 2011	FRS 17 notional interest 2011 (note 4)	Total 2011
		£	£	£	£	£	£
TURNOVER	2	71,486,432	-	71,486,432	68,908,551	-	68,908,551
Cost of sales		(66,614,406)	-	(66,614,406)	(64,178,994)	-	(64,178,994)
Gross profit		4,872,026	-	4,872,026	4,729,557	-	4,729,557
Advertising and distribution costs		(1,325,697)	-	(1,325,697)	(1,467,707)	-	(1,467,707)
Administrative expenses		(3,244,394)	-	(3,244,394)	(3,309,113)	-	(3,309,113)
OPERATING PROFIT/(LOSS)	3	301,935	-	301,935	(47,263)	-	(47,263)
Interest payable and similar charges	4	(332,509)	(106,000)	(438,509)	(298,333)	(51,000)	(349,333)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(30,574)	(106,000)	(136,574)	(345,596)	(51,000)	(396,596)
Taxation	6	(70,482)	-	(70,482)	(66,343)	-	(66,343)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	20	(101,056)	(106,000)	(207,056)	(411,939)	(51,000)	(462,939)

The operating loss for the year arises from the Company's continuing operations

Haynes Brothers Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Loss for the financial year		(207,056)	(462,939)
Actuarial gain/(loss) on defined benefit pension scheme	17	266,000	(1,227,000)
Deferred tax thereon	6	(133,518)	308,343
Revaluation of freehold premises		-	-
Total recognised gains and losses relating to the year		<u>(74,574)</u>	<u>(1,381,596)</u>

NOTE OF HISTORICAL COST PROFITS & LOSSES

	2012 £	2011 £
Loss on ordinary activities before tax	(136,574)	(396,956)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on revalued amount	21,000	21,000
Historical cost loss on ordinary activities before tax	<u>(115,574)</u>	<u>(375,596)</u>

Haynes Brothers Limited

BALANCE SHEET

Company Registration No 48511

As at 31 December 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Intangible assets	9		-		-
Tangible assets	10		13,597,618		13,783,148
Investments	8		205		205
			<u>13,597,823</u>		<u>13,783,353</u>
CURRENT ASSETS					
Stocks	11	13,003,759		12,914,935	
Debtors	12	4,505,854		5,188,669	
Cash at bank and in hand		6,431		5,840	
			<u>17,516,044</u>	<u>18,109,444</u>	
CREDITORS amounts falling due within one year	13	(20,318,898)		(15,054,053)	
NET CURRENT LIABILITIES			<u>(2,802,854)</u>		<u>3,055,391</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,794,969</u>		<u>16,838,744</u>
CREDITORS amounts falling due after more than one year	14		(527,867)		(6,294,073)
NET ASSETS EXCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>10,267,102</u>		<u>10,544,671</u>
Defined benefit pension scheme deficit	17		(1,802,180)		(2,005,000)
NET ASSETS INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>8,464,922</u>		<u>8,539,671</u>
CAPITAL AND RESERVES					
Called up share capital	18		65,000		65,000
Revaluation reserve	19		7,975,626		7,975,626
Profit and loss account	20		424,296		499,045
SHAREHOLDERS' FUNDS	21		<u>8,464,922</u>		<u>8,539,671</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2013 and signed on their behalf by

A D S Haynes - Chairman



Haynes Brothers Limited

CASH FLOW STATEMENT

For the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Net cash (outflow)/inflow from operating activities	a	(133,115)	1,251,221
Returns on investment and servicing of finance	c	(332,509)	(298,333)
Capital expenditure	c	(223,992)	(448,529)
		<u>(689,616)</u>	<u>504,361</u>
Equity dividends paid		(175)	(175)
		<u>(689,791)</u>	<u>504,186</u>
Cash (outflow) / inflow before financing		(689,791)	504,186
Financing	c	(383,318)	(196,500)
		<u>(1,073,109)</u>	<u>307,686</u>
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(1,073,109)</u>	<u>307,686</u>

Haynes Brothers Limited
NOTES TO THE CASH FLOW STATEMENT
For the year ended 31 December 2012

a)	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
		2012	2011
		£	£
	Operating profit/(loss)	301,935	(47,263)
	Depreciation	467,837	471,127
	Loss on disposal of tangible fixed assets	1,685	2,777
	(Increase)/decrease in stocks	(88,824)	513,469
	Decrease in debtors	682,815	104,393
	(Decrease)/increase in creditors	(1,251,563)	521,718
	Defined benefit pension scheme contributions	(247,000)	(315,000)
		<u> </u>	<u> </u>
	Net cash inflow from operating activities	<u>(133,115)</u>	<u>1,251,221</u>
b)	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
	(Decrease)/increase in cash in the year	(1,073,109)	307,686
	Net loan repayments and cash outflow from lease financing	383,318	196,500
	New finance leases	(60,000)	(195,713)
	Net debt at 1 January	<u>(8,913,354)</u>	<u>(9,221,827)</u>
		<u> </u>	<u> </u>
	Net debt at 31 December	<u>(9,663,145)</u>	<u>(8,913,354)</u>
c)	GROSS CASH FLOWS		
i)	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Interest paid	<u>(332,509)</u>	<u>(298,333)</u>
ii)	CAPITAL EXPENDITURE		
	Payment to acquire tangible fixed assets	(329,098)	(696,052)
	Receipts from sale of tangible fixed assets	105,106	247,523
		<u> </u>	<u> </u>
		<u>(223,992)</u>	<u>(448,529)</u>
iii)	FINANCING		
	Bank loans repaid	(380,000)	(335,000)
	New other loans	43,596	138,500
	Capital element of hire purchase contract payments	(46,914)	-
		<u> </u>	<u> </u>
		<u>(383,318)</u>	<u>(196,500)</u>

Haynes Brothers Limited

NOTES TO THE CASH FLOW STATEMENT (continued)

For the year ended 31 December 2012

d)	NET DEBT	At 1 January 2012 £	Cash flows £	Other non- cash changes £	At 31 December 2012 £
	Net cash				
	Cash at bank and in hand	5,840	591	-	6,431
	Bank overdrafts	(1,293,481)	(1,073,700)	-	(2,367,181)
		<u>(1,287,641)</u>	<u>(1,073,109)</u>	<u>-</u>	<u>(2,360,750)</u>
	Debt				
	Other loans due within 1 year	(900,000)	(43,596)	-	(943,596)
	Bank loan due within 1 year	(380,000)	380,000	(5,745,000)	(5,745,000)
	Bank loan due after more than 1 year	(5,745,000)	-	5,745,000	-
	Perpetual loan stock	(55,000)	-	-	(55,000)
	Non-equity preference shares	(350,000)	-	-	(350,000)
	Finance leases	(195,713)	46,914	(60,000)	(208,799)
	Net debt	<u>(8,913,354)</u>	<u>(689,791)</u>	<u>(60,000)</u>	<u>(9,663,145)</u>

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for freehold land and buildings which are stated at revalued amounts. Consolidated accounts have not been prepared as the Company's subsidiaries are dormant and their assets and liabilities are insignificant. As such these financial statements relate to the Company's results and balances. The financial statements have been prepared on a consistent basis with prior years.

Going concern

The Company meets its day to day working capital requirements through an overdraft and loan facility. This is provided by its bank, where the Company has a very long standing relationship, and where, in the opinion of the Directors, the security provided by the Company is more than ample to cover its loan obligations.

As noted in the Directors' report the business is operating in challenging times. The current economic conditions create uncertainty of the level of demand for the Company's products and the maintenance of profit margins although the Company continues to operate across a range of diversified markets which affords it some protection.

The Directors have prepared projections for the period ending 15 months after the approval of these financial statements. These projections have been prepared on the assumption that these economic conditions will continue. On the basis of these projections and ongoing discussions with the Company's bank, the Directors consider that they will have in place all the finance required to support both the current and future activities.

Turnover

Sales are included in turnover on the following basis:

Trucks, commercial vehicles, cars, parts, tractors and agricultural implements, new agricultural combines	On delivery
Service	On release of the vehicle to the customer

Turnover excludes value added tax, and is net of discounts allowed.

Cost of sales

Cost of sales is stated as all those costs directly incurred by the Company, including depreciation, in order to bring each product sold to its saleable condition and to provide the services to customers.

Tangible fixed assets

Freehold properties are revalued in accordance with FRS 15 with a full valuation carried out by professionally qualified Chartered Surveyors on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors every five years and an interim valuation is carried out in year three. Surpluses and temporary diminutions arising on valuation are taken to the revaluation reserve. Other fixed assets are stated at historical cost.

Depreciation

Depreciation is calculated to write off the cost / valuation of all tangible fixed assets, other than freehold land, in equal annual instalments over their estimated useful lives, at the rate of 1% per annum for freehold buildings and 10% - 20% per annum for other assets, except for motor vehicles which are written down to their estimated realisable value at the balance sheet date.

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 ACCOUNTING POLICIES (*continued*)

Purchased goodwill

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over 5 years as in the opinion of the Directors this represents the period over which the goodwill is effective

Stocks

Stocks are stated at the lower of cost and net realisable value

Consignment stocks are only included within the Company's financial statements when the risks and rewards of ownership are transferred substantially to the Company. Where the risks and rewards of ownership remain with the manufacturer, consignment stocks are not included within the Company's stocks

Vehicle stocks invoiced to the Company are recognised when the risks and rewards of ownership pass to the Company rather than invoice or delivery date. The risks and rewards of ownership are considered to pass to the Company on the date from which the Company has to pay interest on the invoiced amounts. Prior to that date, the Company bears no stock holding costs

Non-equity shares

Shares are analysed between equity and non equity shares, dependent on the rights attaching to the shares, and non-equity shares are classed as financial liabilities

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Certain agricultural vehicles are hired to customers on a short-term basis, the asset being included in agricultural stocks

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax assets are only recognised to the extent that there is reasonable expectation that these will be recoverable in the foreseeable future

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 ACCOUNTING POLICIES (*continued*)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

Retirement benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other investment income or interest payable and similar charges.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

Defined benefit schemes are funded, with the assets held separately from the Company in separate trustee administered funds. A liability is recognised in the balance sheet in respect of the defined benefit plan which represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in reserves in the year in which they arise.

A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the Company has a legal or constructive obligation to settle the liability.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 TURNOVER

Turnover is derived from the provision of goods and services within the UK and from the Company's principal activity as a motor dealer, and is stated net of VAT.

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

3	OPERATING PROFIT	2012 £	2011 £
	This is stated after charging/(crediting)		
	Depreciation - owned assets	403,162	471,127
	Depreciation – leased assets	64,675	-
	Loss on disposal of fixed assets	1,685	2,777
	Auditor’s remuneration for statutory audit	33,552	33,500
	Auditor’s remuneration for taxation services	3,975	11,445
	Operating lease rentals	57,000	42,000
		<u>403,162</u>	<u>471,127</u>
4	INTEREST PAYABLE AND SIMILAR CHARGES	2012 £	2011 £
	Interest payable		
	Bank loans and overdrafts	243,405	219,944
	Loans not wholly repayable within five years	5,500	5,500
	Other loans	83,604	72,889
		<u>332,509</u>	<u>298,333</u>
	Interest on defined benefit pension scheme liabilities	292,000	338,000
	Expected return on scheme assets	(186,000)	(287,000)
		<u>106,000</u>	<u>51,000</u>
		<u>438,509</u>	<u>349,333</u>
5	EMPLOYEES AND DIRECTORS	2012 Number	2011 Number
	The average number of persons including Directors employed by the Company during the year was		
	Sales staff	130	144
	Service and workshop staff	110	108
	Management and administration	31	34
		<u>271</u>	<u>286</u>
	Staff costs for the above persons	£	£
	Wages and salaries	6,800,913	7,296,256
	Social security costs	659,135	715,215
	Pension costs – contributions to defined contribution schemes	116,964	138,296
		<u>7,577,012</u>	<u>8,149,767</u>
	DIRECTORS’ EMOLUMENTS		
	Emoluments	219,574	218,048
	Benefits	47,345	46,080
		<u>266,919</u>	<u>264,128</u>
	Total emoluments	<u>266,919</u>	<u>264,128</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

5	EMPLOYEES AND DIRECTORS (CONTINUED)	2012 £	2011 £
	Emoluments, for management, excluding pension contributions	246,105	243,314
	The emoluments of the highest paid director were		
	Salary	199,558	199,558
	Benefits	37,899	37,759
		<u>237,457</u>	<u>237,317</u>
	Pension contributions of £15,964 (2011 £15,964) were paid in respect of one director, who is the highest paid		
6	TAXATION	2012 £	2011 £
(a)	Analysis of tax charge for year		
	<i>Current tax</i>		
	United Kingdom corporation tax payable based on the result for the year	-	-
	Total current tax	<u>-</u>	<u>-</u>
	<i>Deferred tax</i>		
	Origination of timing differences		
	- timing differences in respect of defined benefit pension scheme deficit	(70,482)	(66,343)
	Total deferred tax	<u>(70,482)</u>	<u>(66,343)</u>
	Total tax charge through the profit and loss account	<u>(70,482)</u>	<u>(66,343)</u>
		2012 £	2011 £
(b)	Factors affecting tax charge for the year		
	The tax assessed for the year varies from the applied rate of corporation tax in the United Kingdom and the differences are explained below		
	Loss on ordinary activities before taxation	(136,574)	(396,596)
	Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax of 24.5% (2011 26.5%)	(33,457)	(105,098)
	Effects of		
	Expenses not deductible for tax purposes	2,000	-
	Contributions to defined benefit pension scheme in excess of amounts charged to the profit and loss account	(34,497)	(69,942)
	Depreciation in excess of capital allowances	94,408	12,033
	Other timing differences	(835)	(617)
	Losses carried forward/(utilised)	(27,619)	163,624
		<u>-</u>	<u>-</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

6 TAXATION (CONTINUED)

	2012 £	2011 £
(c) Analysis of tax (charge)/credit recognised in the statement of total recognised gains and losses		
<i>Deferred tax</i>		
Origination of timing differences in respect of defined benefit pension scheme deficit	(133,518)	308,343

(d) Factors that may affect future tax charges

The company has tax losses of approximately £682,000 (2011 £767,000) available for offset against future taxable profits. Future tax charges may be reduced by the utilisation of the losses.

7 EQUITY DIVIDENDS

	2012 £	2011 £
3½% Cumulative preference shares	175	175
	<u>175</u>	<u>175</u>

8 FIXED ASSET INVESTMENTS SUBSIDIARY UNDERTAKINGS

1 January 2012 and 31 December 2012

£

205

The investments in subsidiary undertakings, which are shown at cost, comprise five dormant wholly-owned subsidiary companies, Haynes of Maidstone Limited, Haynes Agricultural Limited, Haynes Trucks Limited, Haynes Agritec Limited and The Kent Diesel Centre Limited all of which are incorporated in Great Britain and registered in England and Wales.

9 INTANGIBLE FIXED ASSETS

Cost

1 January 2012 and 31 December 2012

Goodwill
£

26,525

Amortisation

1 January 2012 and 31 December 2012

26,525

Net book amount

31 December 2011 and 31 December 2012

-

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

10 TANGIBLE FIXED ASSETS	Freehold premises	Leasehold premises	Plant and equipment	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
COST OR VALUATION							
1 January 2012	12,265,000	1,500	1,455,572	1,284,551	841,561	987,886	16,836,070
Additions	-	-	40,321	29,597	60,915	258,265	389,098
Disposals	-	-	(2,370)	(756)	(740)	(188,432)	(192,298)
31 December 2012	12,265,000	1,500	1,493,523	1,313,392	901,736	1,057,719	17,032,870
DEPRECIATION							
1 January 2012	31,000	-	1,142,723	779,847	636,989	462,363	3,052,922
Charge for the year	31,000	-	85,827	109,674	83,113	158,223	467,837
Disposals	-	-	(1,749)	(349)	(83)	(123,808)	(85,507)
31 December 2012	62,000	-	1,226,801	889,172	720,019	537,260	3,435,252
NET BOOK AMOUNT							
31 December 2012	12,203,000	1,500	266,722	424,220	181,717	520,459	13,597,618
31 December 2011	12,234,000	1,500	312,849	504,704	204,572	525,523	13,783,148

The net book value of motor vehicles includes £208,799 (2011 £195,713) in respect of assets held under finance leases. The depreciation charge in respect of these assets was £64,675 (2011 £nil)

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which are shown at valuation and have an original cost of £4,660,439 (2011 £4,660,439) and accumulated depreciation of £62,000 (2011 £31,000)

The Company's freehold premises in Maidstone, Appledore, Eastry, Ashford and Uckfield were revalued on 9 March 2011 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use

The open market value of properties at 31 December 2012 of £16.2m significantly exceed the net book values included in the financial statements

11 STOCKS	2012	2011
	£	£
Cars and commercial vehicles	5,430,209	6,827,875
Agricultural vehicles and implements	5,217,807	3,548,224
Parts stock	2,355,743	2,538,836
	13,003,759	12,914,935

The replacement cost of stocks is not materially different from the balance sheet value

At 31 December 2012 the total amount of interest bearing consignment stock included above amounted to £1,784,160 (2011 £3,426,219). Excluded from the above is non interest bearing consignment stock of £5,933,075 (2011 £5,300,536)

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

12	DEBTORS	2012	2011
		£	£
	Amounts due within one year		
	Trade debtors	2,612,087	3,778,181
	Other debtors	717,769	424,773
	Deferred taxation	48,359	48,359
	Prepayments and accrued income	1,127,639	937,356
		<u>4,505,854</u>	<u>5,188,669</u>

Deferred taxation provided in the financial statements is as follows

	Amount provided	
	2012	2011
	£	£
Short term timing differences	3,766	4,998
Unrelieved trading losses	-	31,057
Excess of tax allowances over depreciation	44,593	12,304
	<u>48,359</u>	<u>48,359</u>

A deferred tax asset has been recognised on the basis of an expected improvement in trading conditions. There is an unrecognised deferred tax asset of £157,000 (2011 £176,000) in respect of unrelieved trading losses.

13	CREDITORS	2012	2011
	Amounts falling due within one year	£	£
	Bank loans (secured)	5,745,000	380,000
	Bank overdrafts (secured)	2,367,181	1,293,481
	Other loans (secured)	943,596	900,000
	Proposed dividend	-	40,000
	Trade creditors	9,922,903	10,459,791
	Amounts owed to subsidiary undertakings	205	205
	Other taxes and social security costs	172,650	321,728
	Other creditors	150,715	154,257
	Accruals and deferred income	930,716	1,452,951
	Finance leases	85,932	51,640
		<u>20,318,898</u>	<u>15,054,053</u>

Other loans are secured on the company's stock. Finance leases are secured on the related assets.

14	CREDITORS	2012	2011
	Amounts falling due in more than one year	£	£
	Perpetual unsecured loan stock	55,000	55,000
	Bank loans (secured)	-	5,745,000
	Non-equity shares - variable cumulative preference shares	350,000	350,000
	Finance leases	122,867	144,073
		<u>527,867</u>	<u>6,294,073</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

14	CREDITORS Amounts falling due in more than one year (continued)	2012 £	2011 £
	NET OBLIGATIONS UNDER FINANCE LEASES		
	Repayable within one year	85,932	51,640
	Repayable within two and five years	122,867	144,073
		208,799	195,713
	Included in liabilities due within one year	(85,932)	(51,140)
		122,867	144,073
15	ANALYSIS OF DEBT MATURITY	2012 £	2011 £
	Bank loans		
	Due within 1-2 years	-	5,745,000
		5,745,000	380,000
	Due within 1 year	5,745,000	380,000
		5,745,000	6,125,000

The Company's balance sheet shows a net current liabilities position due to the classification of £5.7m in loans which became due within one year as at 31 December 2012

The bank loans and overdraft are guaranteed by way of a first legal mortgage over the Company's freehold properties at Ashford Road, Maidstone, Ashford and Uckfield, together with land at Parkwood, Maidstone. The bank also has a debenture over the assets of the company.

The bank has guaranteed two bonds to suppliers totalling £370,000 (2011 £370,000)

16 PROVISIONS FOR LIABILITIES AND CHARGES DEFERRED TAXATION

No provision has been made for deferred tax arising on revaluation of freehold properties that are held for continuing use in the business. The Company has no estimate as to the potential amount of tax that would be payable if the premises were sold at their book values.

Based on the long-standing relationship between the bank and the Company, the Directors are confident that the facility will be renewed with no penalties levied on the Company.

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

The Company operates a defined benefit pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. Contributions to the scheme are agreed with the scheme trustees, on the basis of actuarial recommendations. With effect from 1 October 2003 the Company decided to discontinue future pension benefits accrued in the scheme, with members being entitled to pension or cash sum payable from Normal Retirement Date.

A full actuarial valuation was carried out as at 1 April 2010. The results of that valuation have been projected to 31 December 2012 and then recalculated based on the assumptions set out below. The liabilities have been calculated on the projected unit method.

Key assumptions	At 31 December 2012	At 31 December 2011
LPI increases for pensions in payment	2.70%	2.80%
Liability discount rate	3.70%	4.40%
Inflation assumption	2.70%	2.80%
Revaluation of deferred pensions	2.70%	2.80%
Future expected lifetime of current pensioner at age 65		
Male aged 65 now	21.3	21.3
Female aged 65 now	24.7	24.7
Future expected lifetime of future pensioner at age 65		
Male aged 45 now	23.1	23.1
Female aged 45 now	26.7	26.7

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

	As at 31 December 2012		As at 31 December 2011	
	Long-term rate of return expected	Value £'000	Long-term rate of return expected	Value £'000
Equities	5.3%	3,136	5.50%	3,136
Bonds	3.15%	499	3.45%	465
Property	5.3%	428	5.50%	422
Cash	2.3%	76	2.50%	141
Total market value of assets		4,139		4,164
Present value of scheme liabilities		(6,479)		(6,911)
Deficit in the scheme		(2,340)		(2,747)
Related deferred tax asset		538		742
Net pension liability		(1,802)		(2,005)

The expected rate of return on scheme assets are those that the actuary considered reasonable at 26 April 2013, being the date of their report

AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2011 £'000	2011 £'000
Actual return less expected return on pension scheme assets	100	(671)
Changes in assumptions underlying the present value of the scheme liabilities	166	(556)
	266	(1,227)

ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE

	2012 £'000	2011 £'000
Expected return on pension scheme assets	186	287
Interest on pension scheme liabilities	(292)	(338)
	(106)	(51)

CHANGE IN THE FAIR VALUE OF SCHEME ASSETS

Balance at 1 January 2012	4,164	4,700
Expected return on scheme assets	186	287
Actuarial gain	100	(671)
Employer contributions	247	315
Benefits paid	(558)	(467)
Balance at 31 December 2012	4,139	4,164

The actual return on scheme assets in the year was £286,000 (2011 £384,000)

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

CHANGE IN THE PRESENT VALUE OF SCHEME LIABILITIES

	2012 £'000	2011 £'000
Balance at 1 January 2012	(6,911)	(6,484)
Interest cost	(292)	(338)
Actuarial gain	166	(556)
Benefits paid	558	467
	<u>(6,479)</u>	<u>(6,911)</u>

MOVEMENT IN DEFICIT IN THE YEAR

Deficit in scheme at start of year	(2,747)	(1,784)
Contributions	247	315
Other finance expense	(106)	(51)
Actuarial gain/(loss)	266	(1,227)
	<u>(2,340)</u>	<u>(2,747)</u>

HISTORY OF EXPERIENCE GAINS
AND LOSSES

Difference between the expected and
actual return on scheme assets

	2012	2011	2010	2009	2008
Amount (£'000)	100	(671)	146	205	(1,414)
Percentage of the scheme assets	2%	(16%)	3%	5%	(36%)

Experience gains and losses on scheme
liabilities

Amount (£'000)	-	-	-	-	-
Percentage of the present value of the scheme liabilities	0%	0%	0%	0%	0%

Total amount recognised in statement of
total recognised gains and losses

Amount (£'000)	266	(1,227)	87	(388)	(987)
Percentage of the present value of the scheme liabilities	4%	(18%)	(5%)	(6%)	(17%)

The Company expects to contribute £252,000 to the scheme during the year ending 31 December 2013

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

18	SHARE CAPITAL		2012 and 2011 Allotted, called-up and fully paid £
		Number of Shares	Authorised £
			£
	TREATED AS EQUITY		
	Ordinary shares of £10 each	5,600	56,000
	Non-voting ordinary shares of £10 each	400	4,000
	3½% cumulative preference shares of £10 each	500	5,000
		6,500	65,000
		6,500	65,000
	TREATED AS NON-EQUITY		
	Variable rate cumulative preference shares of £1 each	350,000	350,000
		350,000	350,000
		350,000	350,000
	<p>The 3½% cumulative preference shares have no rights other than the right to a dividend, subject to the Directors resolving to make dividend distributions, of 3½% payable annually and the right to second preference behind the variable rate cumulative preference shares on a return of assets on liquidation or otherwise. As the right to the dividend is at the option of the Company, these shares are treated as equity shares.</p> <p>The variable rate cumulative preference shares (non-redeemable) have no rights other than the right to a dividend of 1½% over average bank base rate for the preceding year payable in arrears on 30 June and 31 December and the right on a return of assets on liquidation or otherwise for the capital paid up to be repaid together with any arrears or accruals of the cumulative preference dividend before any amounts are repaid to any other shareholder. As the right to the dividend is (subject only to compliance with the Companies Act 2006 requirements as to distributions) absolute these shares are treated as non-equity shares.</p>		
19	REVALUATION RESERVE		2012 £
			2011 £
	As at 1 January 2012 and 31 December 2012	7,975,626	7,975,626
		7,975,626	7,975,626
		7,975,626	7,975,626
20	PROFIT AND LOSS ACCOUNT		2012 £
			2011 £
	At 1 January 2012	499,045	1,880,816
	Loss for the financial year	(207,056)	(462,939)
	Other recognised gains and losses	132,482	(918,657)
	Equity dividends paid	(175)	(175)
		424,296	499,045
	At 31 December 2012	424,296	499,045

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

21	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2012 £	2011 £
	At 1 January 2012	8,539,671	9,921,442
	Loss for the financial year	(207,056)	(462,939)
	Other recognised gains and losses	132,482	(918,657)
	Equity dividends paid	(175)	(175)
	Net deduction from shareholders' funds	(74,749)	(1,381,771)
	At 31 December 2012	<u>8,464,922</u>	<u>8,539,671</u>
22	LEASING OBLIGATIONS	2012 Land and Buildings £	2011 Land and Buildings £
	Commitments due under operating leases as at 31 December 2012 are as follows		
	Leases expiring		
	Within one year	12,000	-
	Within two to five years	45,000	57,000
		<u>57,000</u>	<u>57,000</u>

The above shows the payments the Company is committed to make during the future years in respect of Operating Leases, analysed by lease maturity date

- 23 RELATED AND CONTROLLING PARTIES
- Mr A D S Haynes is the ultimate controlling party