

# Haynes Brothers Limited

## REPORT AND FINANCIAL STATEMENTS

31 December 2002



Registered number : 48511

# Haynes Brothers Limited

## DIRECTORS' REPORT

31 December 2002

---

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades under the following subsidiaries:

Haynes of Maidstone Limited are motor engineers and are Kent's first Ford main dealer for cars and light commercial vehicles, are Ford Transit Specialist dealers and operate a Ford Business Centre. Other franchises include Ford car and van rental, Ford Rapid Fit and Ford Direct used cars.

Haynes Trucks Limited have the franchise for Iveco Ford trucks and Iveco Daily vans, covering most of Kent, with depots at Maidstone, Ashford and Canterbury.

Haynes Agricultural (Kent) Limited as Agricultural Engineers include the New Holland Franchise for Tractors and Harvest Equipment for Kent and part of East Sussex together with other leading franchises for agricultural and related equipment.

The Kent Diesel Centre Limited has a Bosch service agency and undertakes diesel and electrical reconditioning throughout the South East.

The Car Store (Kent) Limited, with its distinctive showroom and main road frontage, is an all makes used car centre.

Following the purchase in 2001 of the freehold one acre site adjoining the company's main Ashford Road premises the directors are glad to report that this factor coupled with strong marketing initiatives across the Group, has resulted in sales being increased by nearly £4m. Importantly also Ford retail car and Transit market share has moved significantly ahead of national average and we remain confirmed partners with Ford as inevitable changes in trading patterns, resulting from new block exemption legislation, evolve.

The overall company results, however, were affected by a number of key issues in the year:

- The introduction of a mandatory and costly upgrade of the computer system Darts Service II, across the company's car and truck service operations, has caused great disruption to business activities and invoice processing with the result that the company had an unavoidably large work in progress level at year end which greatly reduced final profitability especially in our truck company.
- The continuing pressure on margins of our car, commercial vehicle and truck sales operations also adversely influenced gross profit as did the unavoidable loss of two major fleet parts customers due to a change of their buying policy.
- The transfer of the Kent Diesel Centre to the new premises within our, now over five acre, Ashford Road site affected business levels and as a result revenue. Notwithstanding this negotiations are well advanced for an important additional franchise which will be the subject of a future announcement.
- This was the first full year of trading for Car Store (Kent) Limited. The considerable investment in developing the brand is expected to be realised in 2003.
- A marked increase in capital expenditure, investment in new equipment and other IT infrastructure, particularly at our newly acquired site, saw depreciation and other costs rise significantly.
- The now long standing problems of the agricultural sector still continue, but the company is in ongoing discussions with Case New Holland regarding the unacceptable level of return from our agricultural company and plans are being developed with them to address this.

# Haynes Brothers Limited

## DIRECTORS' REPORT

31 December 2002

---

### CONCLUSION

In all areas where profitability is an issue the company has taken pro-active action including the recruitment of additional specialist expertise to specifically address these concerns. Overall, the balance sheet on page 6 continues to reflect a very strong commercial base from which the company will continue, wherever possible, to expand its business opportunities.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required under company law to prepare financial statements for each financial year which 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 these financial statements they are required to:

- a) select suitable accounting policies and apply these consistently;
- b) make reasonable and prudent judgements and estimates;
- c) state whether applicable accounting standards have been followed, and give details of any departures;
- d) prepare the financial statements on a going concern basis unless in their view the company will be unable to continue in business.

They are also responsible for:

- a) keeping proper accounting records;
- b) safeguarding the company's assets;
- c) taking reasonable steps for the prevention and detection of fraud.

### PROFITS AND DIVIDENDS

The loss (2001: profit) on ordinary activities for the year after tax amounted to £149,926 (2001: £249,050). Dividends of £19,487 (2001: £23,439) were paid in the year on the variable rate cumulative preference shares. It is recommended that a dividend of £175 (2001: £175) be paid in respect of the 3½% preference shares. The directors do not recommend the payment of an interim dividend (2001: interim dividend of £200,000) on the ordinary shares. The retained loss for the year, £169,588 (2001: profit of £25,436), will be deducted from reserves.

### DIRECTORS

The following were directors of the company at 31 December 2002 and served throughout the year:

D.B. Haynes  
A.D.S. Haynes

### DIRECTORS' SHAREHOLDINGS

The interests of the directors in the company's share capital as at 31 December 2001 and 2002 are set out below:

	Ordinary shares of £10 each	Shares of £10 each 3½% cumulative preference shares
D.B. Haynes	4,200	-
A.D.S. Haynes	<u>-</u>	<u>225</u>

The interest of Mr D.B. Haynes in 1,440 ordinary shares of £10 each is non-beneficial and Mr A.D.S. Haynes has an interest as trust beneficiary in these shares.

In addition Mr D.B. Haynes holds £14,000 (2001: £14,000) of the perpetual unsecured loan stock.

# Haynes Brothers Limited

## DIRECTORS' REPORT

31 December 2002

---

### 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.

### 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 £5,852 (2001: £3,399).

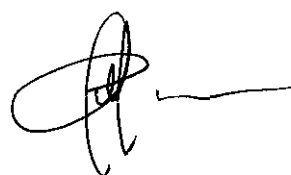
### AUDITORS

Baker Tilly (formerly known as HLB Kidsons) have agreed to offer themselves for re-election as auditors of the company.

Mr P.E. Haynes, a former partner in HLB Kidsons, has an interest in his capacity as a Trustee, in 150 non-voting ordinary shares of £10 each.

Baker Tilly Trustees Limited (formerly known as HLB Kidsons Trustees Limited), has an interest in its capacity as a Trustee, in 1,150 ordinary shares of £10 each and 250 non-voting ordinary shares of £10 each.

By order of the board



G.J. Morgan

Secretary

Registered Office:  
23 Ashford Road  
Maidstone  
Kent  
ME14 5DQ

25 July 2003

**Haynes Brothers Limited**  
**INDEPENDENT AUDITORS' REPORT**  
31 December 2002

---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYNES BROTHERS LIMITED**

We have audited the financial statements on pages 5 to 17.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**BASIS OF AUDIT 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 company's circumstances, consistently applied and adequately disclosed.

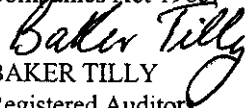
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**QUALIFIED OPINION ARISING FROM OMISSION OF DISCLOSURES REQUIRED BY FINANCIAL REPORTING STANDARD 17**

The accounts fail to disclose the information necessary for compliance with Financial Reporting Standard 17 'Retirement Benefits'. This information includes an assessment of the overall level of funding of the company's defined benefit pension scheme, valuations of the assets and liabilities and all movements in the year.

Except for the omission of these disclosures, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Companies Act 1985,

  
BAKER TILLY  
Registered Auditors  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

25 July 2003

Haynes Brothers Limited  
 PROFIT AND LOSS ACCOUNT  
 For the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
TURNOVER	2	48,457,806	44,854,717
Cost of sales		<u>(45,073,364)</u>	<u>(41,101,812)</u>
Gross profit		3,384,442	3,752,905
Advertising and distribution costs		(1,037,438)	(934,937)
Administrative expenses		<u>(2,306,529)</u>	<u>(2,259,905)</u>
OPERATING PROFIT		40,475	558,063
Interest payable	3	<u>(235,240)</u>	<u>(233,387)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(194,765)	324,676
Taxation	6	<u>44,839</u>	<u>(75,626)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(149,926)	249,050
Dividends (including non-equity dividends)	7	<u>(19,662)</u>	<u>(223,614)</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(169,588)	25,436
BALANCE BROUGHT FORWARD		<u>4,457,090</u>	<u>4,431,654</u>
BALANCE CARRIED FORWARD		<u>4,287,502</u>	<u>4,457,090</u>

All activities are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £	2001 £
(Loss)/profit for the financial year	(169,588)	25,436
Unrealised surplus on revaluation of freehold properties	<u>-</u>	<u>190,150</u>
Total recognised gains and losses relating to the year	<u>(169,588)</u>	<u>215,586</u>

# Haynes Brothers Limited

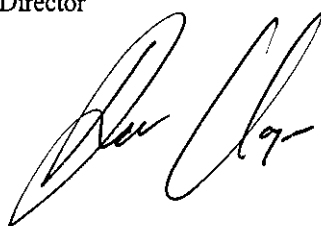
## BALANCE SHEET

As at 31 December 2002

	Note	£	2002 £	£	2001 £
<b>FIXED ASSETS</b>					
Investments	8		204		203
Tangible assets	9		<u>8,063,516</u>		<u>7,997,305</u>
			8,063,720		7,997,508
<b>CURRENT ASSETS</b>					
Stocks	10	5,592,635		5,289,110	
Debtors	11	5,321,281		3,991,617	
Cash at bank and in hand		<u>2,513</u>		<u>3,250</u>	
		10,916,429		9,283,977	
CREDITORS: amounts falling due within one year	12	<u>(9,898,450)</u>		<u>(8,036,881)</u>	
NET CURRENT ASSETS			<u>1,017,979</u>		<u>1,247,096</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,081,699		9,244,604
CREDITORS: amounts falling due after more than one year	12	55,000		73,317	
PROVISION FOR LIABILITIES AND CHARGES	14	<u>55,000</u>		<u>30,000</u>	
			<u>(110,000)</u>		<u>(103,317)</u>
NET ASSETS			<u>8,971,699</u>		<u>9,141,287</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		415,000		415,000
Revaluation reserve	16		4,269,197		4,269,197
Profit and loss account	16		<u>4,287,502</u>		<u>4,457,090</u>
SHAREHOLDERS' FUNDS	17		<u>8,971,699</u>		<u>9,141,287</u>
<b>ATTRIBUTABLE TO:</b>					
Equity shareholders			8,616,699		8,786,287
Non-equity shareholders			<u>355,000</u>		<u>355,000</u>
			<u>8,971,699</u>		<u>9,141,287</u>

The financial statements were approved by the Board of Directors on 25 July 2003 and signed on their behalf by:

A.D.S. Haynes - Director



# Haynes Brothers Limited

## CASH FLOW STATEMENT

For the year ended 31 December 2002

---

	<i>Note</i>	2002 £	2001 £
Net cash (outflow)/inflow from operating activities	a	(204,060)	724,812
Returns on investment and servicing of finance	c	(254,902)	(257,001)
Taxation		(62,118)	(14,626)
Capital expenditure	c	<u>(311,168)</u>	<u>(1,160,065)</u>
		(832,248)	(706,880)
Equity dividends paid		(200,000)	(20,000)
Financing	c	<u>(20,678)</u>	<u>179,996</u>
DECREASE IN CASH IN THE YEAR		<u>(1,052,926)</u>	<u>(546,884)</u>



# Haynes Brothers Limited

## NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2002

a) RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating profit	40,475	558,063
Depreciation charges	244,487	195,265
Loss/(profit) on disposal of fixed assets	470	(1,283)
(Increase)/decrease in stocks	(303,525)	339,333
(Increase) in debtors	(1,279,707)	(454,292)
Increase in creditors	<u>1,093,740</u>	<u>87,726</u>
Net cash (outflow)/inflow from operating activities	<u>(204,060)</u>	<u>724,812</u>

b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

(Decrease) in cash in the year	(1,052,926)	(546,884)
Net loan repayments/(acquisitions)	20,678	(179,996)
Net debt at 1 January	<u>(4,042,533)</u>	<u>(3,315,653)</u>
Net debt at 31 December	<u>(5,074,781)</u>	<u>(4,042,533)</u>

c) GROSS CASH FLOWS

i) RETURNS ON INVESTMENT AND SERVICING OF FINANCE

Interest paid	(235,240)	(233,387)
Non-equity dividends	<u>(19,662)</u>	<u>(23,614)</u>
	<u>(254,902)</u>	<u>(257,001)</u>

ii) CAPITAL EXPENDITURE

Payment to acquire tangible fixed assets	(470,752)	(1,251,234)
Receipts from sale of tangible fixed assets	<u>159,584</u>	<u>91,169</u>
	<u>(311,168)</u>	<u>(1,160,065)</u>

iii) FINANCING

Capital element of finance leases	(674)	-
Loans repaid	(20,004)	(20,004)
Loans acquired	<u>-</u>	<u>200,000</u>
	<u>(20,678)</u>	<u>179,996</u>

# Haynes Brothers Limited

## NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2002

---

d) NET DEBT	At 1 January 2002 £	Cash flows £	At 31 December 2002 £
Cash at bank and in hand	3,250	(737)	2,513
Bank loan and overdrafts	<u>(3,251,774)</u>	<u>(1,052,189)</u>	<u>(4,303,963)</u>
	(3,248,524)	(1,052,926)	(4,301,450)
Other loans due within 1 year	(720,004)	1,687	(718,317)
Other loans due after more than 1 year	(73,317)	18,317	(55,000)
Finance leases	<u>(688)</u>	<u>674</u>	<u>(14)</u>
	<u>(4,042,533)</u>	<u>(1,032,248)</u>	<u>(5,074,781)</u>

# Haynes Brothers Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

---

### 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.

#### *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.

#### *Depreciation*

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

It is the company's policy to maintain its properties in such a condition that their residual value, as assessed at the time of acquisition or subsequent valuation, is at least equal to book value. Having regard to this, it is the opinion of the directors that depreciation of any such freehold property, as required by the Companies Act 1985 and accounting standards, would not be material and accordingly none is provided.

#### *Stocks*

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

The company has made arrangements with a limited number of customers which include the commitment to repurchase vehicles at a future date at a pre-determined price. In accordance with Financial Reporting Standard No. 5, the residual interest in these vehicles is included in stock with the corresponding liability included in creditors.

#### *Deferred taxation*

Deferred taxation is provided under the liability method on all timing differences to the extent that it is probable that a liability will crystallise and is calculated at the rate it is estimated that tax will be payable. Deferred tax liabilities are included in all cases, but deferred tax assets are only included where there is reasonable certainty of recovery.

#### *Assets held under finance leases*

For assets acquired under finance leases the asset is capitalised and the corresponding liability to the finance company is included in finance lease creditors. Depreciation on such assets is charged to the profit and loss account at rates calculated to write off the capitalised value of the asset over the shorter of its expected useful life and the term of the lease. Finance lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account over the period of the agreement.

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

#### *Operating leases*

Rentals paid under operating leases are charged to the profit and loss account as incurred.

#### *Pensions*

Contributions to the defined benefit scheme are charged to the profit and loss account on the basis of actuarial recommendations to the scheme trustees. Stakeholder pension contributions are charged to the profit and loss account as incurred.

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2002

2 TURNOVER

Turnover represents the invoiced value, excluding value added tax, of goods sold and services provided to customers.

3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

2002 2001

£ £

This is stated after charging:

Interest payable:

Loans wholly repayable within five years	37,579	36,039
Loans not wholly repayable within five years	5,500	5,500
Bank overdraft and other interest	<u>192,161</u>	<u>191,848</u>
	<u>235,240</u>	<u>233,387</u>

Depreciation:

- owned assets	244,487	195,265
Auditors' remuneration for audit	24,500	25,250
Auditors' remuneration for other services	22,905	16,290
Operating leases - rent payable	48,500	43,700
- other	<u>49,476</u>	<u>45,203</u>

4 DIRECTORS' EMOLUMENTS

Total emoluments	<u>239,251</u>	<u>237,243</u>
Emoluments, for management, excluding pension contributions	<u>239,151</u>	<u>237,143</u>
The emoluments of the highest paid director were	<u>120,388</u>	<u>129,576</u>

Pension contributions of £100 (2001: £100) were paid in respect of one director, who was not the highest paid.

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2002

5	EMPLOYEES	2002 Number	2001 Number
	The average number of persons including directors employed by the company during the year was:		
	Service and workshop staff	185	168
	Management and administration	80	74
	Sales staff	<u>36</u>	<u>34</u>
		<u>301</u>	<u>276</u>
	Staff costs:	£	£
	Wages and salaries	5,541,353	4,990,311
	Social security costs	489,570	447,046
	Other pension costs	<u>208,336</u>	<u>229,335</u>
		<u>6,239,259</u>	<u>5,666,692</u>

Pensions costs

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 funding the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The information which follows is based on the most recent available actuarial valuation which was undertaken at 1 April 2002 using the attained age method.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments and the rate of increase in salaries and pensions. The assumptions made in this respect were 6.25% per annum for the rate of investment return and 4% and 2.5% per annum for the rate of salary and pension increases respectively. The valuation showed that the scheme's assets covered 92% (1999: 97%) of its liabilities on the MFR basis. As a result of the actuary's recommendation the company's contribution rate to the scheme increased to 11.8% of pensionable salaries with effect from June 2003.

The contributions of the company for the year were 6.9% of pensionable salaries which together with an additional contribution of £18,000 gives a pension cost for the year of £180,843 (2001: £209,711). Employee contributions have been at the rate of 3% of pensionable salaries since 1 April 1999.

The company has not disclosed for the defined benefit pension scheme the information required under the transitional arrangements of Financial Reporting Standard 17.

The company also operates a stakeholder pension scheme and its contributions to the scheme varied from 3% to 8% during the year giving a pension cost for the year of £27,493 (2001: £19,624).

Total pension costs for the year amounted to £208,336 (2001: £229,335).

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2002

6	TAXATION	2002	2001
		£	£
(a)	Analysis of tax charge for year		
	United Kingdom corporation tax (recoverable) payable based on the result for the year at 30% (2001: 30%)	(50,000)	82,000
	Adjustment in respect of prior years (credit)	(19,839)	(20,374)
	Transfer to deferred taxation (Note 14)	<u>25,000</u>	<u>14,000</u>
		<u>(44,839)</u>	<u>75,626</u>
(b)	Factors affecting tax charge for the year		
	The tax credit (2001: charge) for the year is less than (2001: less than) the applied rate of corporation tax in the United Kingdom for this company of 30% (2001: 30%).		
	The differences are explained below:		
	(Loss)/profit on ordinary activities before taxation	<u>(194,765)</u>	<u>324,676</u>
	(Loss)/profit on ordinary activities before taxation multiplied by the applied rate of corporation tax of 30% (2001: 30%)	(58,430)	97,403
	Effects of:		
	Expenses not deductible for tax purposes	3,000	16,629
	Depreciation in period in excess of capital allowances	3,095	(3,972)
	Loss/(profit) on disposal of fixed assets	141	(386)
	Deferred tax movement	25,000	14,000
	Rounding differences	2,194	686
	Marginal relief	-	(28,360)
	Adjustment to taxation of prior years	<u>(19,839)</u>	<u>(20,374)</u>
		<u>(44,839)</u>	<u>75,626</u>
7	DIVIDENDS		
	3½% Cumulative preference shares - proposed (non-equity)	175	175
	Variable rate cumulative preference shares - paid (non-equity)	19,487	23,439
	Ordinary shares - (2001: interim) proposed (equity)	<u>-</u>	<u>200,000</u>
		<u>19,662</u>	<u>223,614</u>

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2002

8	FIXED ASSET INVESTMENTS	Subsidiary undertakings £
	1 January 2002	203
	Addition in year	<u>1</u>
	31 December 2002	<u>204</u>

The investments in subsidiary undertakings, which are shown at cost, comprise four dormant agency wholly-owned subsidiary companies, Haynes of Maidstone Limited, Haynes Agricultural (Kent) Limited, Haynes Trucks Limited (formerly Haynes Truck (Contracts) Limited), The Car Store (Kent) Limited and Kent Diesel Centre Limited all of which are incorporated in Great Britain and registered in England and Wales.

9	TANGIBLE FIXED ASSETS	Freehold land and buildings £	Short leasehold property £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
	COST OR VALUATION							
	1 January 2002	7,140,000	1,500	1,105,943	274,717	191,056	759,156	9,472,372
	Additions	-	-	62,045	96,913	33,960	277,834	470,752
	Disposals	<u>-</u>	<u>-</u>	<u>(26,936)</u>	<u>(31,622)</u>	<u>-</u>	<u>(288,645)</u>	<u>(347,203)</u>
	31 December 2002	<u>7,140,000</u>	<u>1,500</u>	<u>1,141,052</u>	<u>340,008</u>	<u>225,016</u>	<u>748,345</u>	<u>9,595,921</u>
	DEPRECIATION							
	1 January 2002	-	-	764,930	217,960	93,876	398,301	1,475,067
	Charge for the year	-	-	63,819	19,902	44,681	116,085	244,487
	Disposals	<u>-</u>	<u>-</u>	<u>(26,466)</u>	<u>(31,622)</u>	<u>-</u>	<u>(129,061)</u>	<u>(187,149)</u>
	31 December 2002	<u>-</u>	<u>-</u>	<u>802,283</u>	<u>206,240</u>	<u>138,557</u>	<u>385,325</u>	<u>1,532,405</u>
	NET BOOK AMOUNT							
	31 December 2002	<u>7,140,000</u>	<u>1,500</u>	<u>338,769</u>	<u>133,768</u>	<u>86,459</u>	<u>363,020</u>	<u>8,063,516</u>
	31 December 2001	<u>7,140,000</u>	<u>1,500</u>	<u>341,013</u>	<u>56,757</u>	<u>97,180</u>	<u>360,855</u>	<u>7,997,305</u>

All tangible fixed assets are shown at cost with the exception of freehold land and buildings comprising £2,870,803 at cost. The company's freehold premises in Maidstone, Appledore and Eastry were revalued on 31 October 2000 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use.

The directors have not updated the valuation because they are not aware of any material change in value.

The freehold land and buildings shown in the accounts at the revalued amount of £7,140,000 have, in the opinion of the directors, an open market value, without limiting it to existing use, considerably in excess of the book value. The company's bankers hold a first legal mortgage over the freehold property known as land lying to the south of Sutton Road, Parkwood, Maidstone, Kent.

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2002

10	STOCKS	2002	2001
		£	£
	Cars and commercial vehicles	2,636,230	2,760,892
	Vehicle repurchase commitments	-	30,993
	Agricultural vehicles and implements	1,153,431	708,991
	Parts stock	<u>1,802,974</u>	<u>1,788,234</u>
		<u>5,592,635</u>	<u>5,289,110</u>

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

At 31 December 2002 the total amount of consignment stock held on a sale or return basis and not recorded in the balance sheet amounted to £1,611,317 (2001: £2,415,754). The principal terms of the consignment agreements, which can be terminated by either side, are such that the company can return any or all of the stock to the relevant suppliers without financial or commercial penalties and the supplier can vary stock prices. The company was previously required to lodge a financial deposit under these agreements.

Stocks include £Nil (2001: £30,993) relating to the residual interest on vehicles which include a commitment to repurchase at a future date at a pre-determined price. The corresponding liability is included in creditors falling due within one year and creditors falling due after more than one year to comply with Financial Reporting Standard No. 5.

11	DEBTORS	2002	2001
		£	£
	Amounts due within one year:		
	Trade debtors	4,263,026	3,041,967
	Other debtors	545,743	468,671
	Prepayments and accrued income	462,512	480,979
	Corporation tax recoverable	<u>50,000</u>	<u>-</u>
		<u>5,321,281</u>	<u>3,991,617</u>

12	CREDITORS	Amounts falling due within one year		Amounts falling due after more than one year	
		2002	2001	2002	2001
		£	£	£	£
	Bank overdrafts	4,303,963	3,251,774	-	-
	Perpetual unsecured loan stock	-	-	55,000	55,000
	Other loans	718,317	720,004	-	18,317
	Trade creditors	3,103,520	2,460,026	-	-
	Corporation tax	-	82,000	-	-
	Other taxes and social security costs	586,138	370,032	-	-
	Other creditors	274,099	367,134	-	-
	Accruals and deferred income	912,020	553,852	-	-
	Amounts owed to subsidiary undertakings	204	203	-	-
	Net obligations under finance leases	14	688	-	-
	Vehicle repurchase commitments	-	30,993	-	-
	Proposed dividends	<u>175</u>	<u>200,175</u>	<u>-</u>	<u>-</u>
		<u>9,898,450</u>	<u>8,036,881</u>	<u>55,000</u>	<u>73,317</u>



Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2002

13	LEASING OBLIGATIONS	2002 Land and Buildings £	2002 Other £	2001 Land and Buildings £	2001 Other £
	Commitments due under operating leases for the year to 31 December 2003 are as follows:				
	Leases expiring:				
	In less than one year	-	6,911	-	36,327
	Within two to five years	-	24,599	-	13,149
	After more than five years	<u>49,000</u>	-	<u>43,700</u>	-
		<u>49,000</u>	<u>31,510</u>	<u>43,700</u>	<u>49,476</u>

14	PROVISIONS FOR LIABILITIES AND CHARGES	Accelerated capital allowances £	Short term timing differences £	Total £
	Deferred taxation:			
	Full provision has been made, based on a corporation tax rate of 30%, in respect of corporation tax deferred because of timing differences:			
	1 January 2002	32,500	(2,500)	30,000
	Transfer from profit and loss account	<u>25,000</u>	-	<u>25,000</u>
	31 December 2002	<u>57,500</u>	<u>(2,500)</u>	<u>55,000</u>

There was no unprovided deferred taxation at 31 December 2002 (2001: £Nil).

15	CALLED-UP SHARE CAPITAL		2002 and 2001 Allotted, called-up and fully paid £
		Number of Shares	£
	EQUITY SHARE CAPITAL		
	Ordinary shares of £10 each	5,600	56,000
	Non-voting ordinary shares of £10 each	<u>400</u>	<u>4,000</u>
		<u>6,000</u>	<u>60,000</u>
	NON-EQUITY SHARE CAPITAL		
	Variable rate cumulative preference shares of £1 each	350,000	350,000
	3½% cumulative preference shares of £10 each	<u>500</u>	<u>5,000</u>
		<u>350,500</u>	<u>355,000</u>
	TOTAL SHARE CAPITAL		<u>415,000</u>

The variable rate cumulative preference shares 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. The 3½% cumulative preference shares have no rights other than the right to a dividend 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.

# Haynes Brothers Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

---

16	RESERVES	Total £	Revaluation reserve £	Profit and loss account £
	1 January 2002	8,726,287	4,269,197	4,457,090
	(Loss) for the financial year	<u>(169,588)</u>	<u>-</u>	<u>(169,588)</u>
	31 December 2002	<u>8,556,699</u>	<u>4,269,197</u>	<u>4,287,502</u>

17	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £	2001 £
	(Loss)/profit for the financial year	(149,926)	249,050
	Dividends	(19,662)	(223,614)
	Other recognised gains and losses relating to the year	<u>-</u>	<u>190,150</u>
	Net addition to shareholders' funds	(169,588)	215,586
	Opening shareholders' funds	<u>9,141,287</u>	<u>8,925,701</u>
	Closing shareholders' funds	<u>8,971,699</u>	<u>9,141,287</u>

### 18 RELATED PARTY TRANSACTIONS

Mr D.B. Haynes, the Chairman, owns 46% and Mr A.D.S. Haynes has an interest in 24% of the equity share capital of the company; taken together these shares control 75% of the voting rights.