Haynes Brothers Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2005

Registered number : 48511

Haynes Brothers Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005.

PRINICPAL ACTIVITIES AND BUSINESS REVIEW

Haynes of Maidstone Limited T/A Haynes Ford is Kent's first Ford Main Dealer, distributing 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. Other franchises include Ford car and van rental, Ford Rapid Fit and Ford Direct used cars. The Company also has a Business Centre and operates from 8.5 acres of freehold premises at Ashford Road and Parkwood, Maidstone.

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

Haynes Agricultural Limited, as Agricultural Engineers, holds 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, Eastry, Appledore and Uckfield.

Haynes Agritec Limited, a newly formed Agricultural subsidiary, has been set up to hold the Case IH franchise and JCB agricultural franchise for parts of Sussex, Surrey and Kent. The Company operates from premises at Lingfield and part of the much larger freehold premises at Uckfield.

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

The Company is disappointed to report a small loss for the year relative to turnover and shareholder funds. This is primarily due to the continuing pressures on margins within the Motor and Agricultural Industries generally and greater interest costs as a result of the company's recent significant expansion.

However, the Company is pleased to report that Group Sales improved by £5.2m to £56.6m in the year. In the Company's Ford Car and Commercial vehicle business sales were up 2.7% vs 04. In the company's agricultural businesses sales were up 54.3% vs 04. In the Kent Diesel Centre sales were up 14.6% vs O4, whilst the Company's Iveco Truck business saw a marginal drop in sales of 0.7% vs 04.

In the view of the Directors, the Company has strong underlying businesses with a growing customer base and a sound reputation for service in each of the areas in which it operates. Additionally, with a range of new models being launched by its key manufacturers in 06, the payment of the single farm subsidy by Government, the Company's new start-up business, Agritec Ltd generating revenue from a full year's trading, as well as an extensive cost reduction programme being implemented, the Directors are optimistic regarding a return to profit in 06.

However, trading conditions still remain tough in all areas as manufacturing groups wrestle with over capacity supply issues in Europe, fierce competition from the Far East, increasing commodity prices, exchange rate fluctuations and the still emerging ramifications of Block Exemption changes. Additionally, the Company has been required by certain manufacturers to undertake an extensive modernisation/refurbishment programme of its premises, which will have a resultant impact on its cost base.

As part of the Company's on going cost reduction programme, it has become a shareholder in the Retail Automotive Alliance, an alliance of 22 of some of the largest independent vehicle dealer groups in the UK (joint sales in excess of £2.4bn), with the specific aim of acting as a buying group to reduce supplier prices through economies of scale. The Company's Managing Director now also chairs one of the many RAA working groups focussed on cost reduction.

The Company has also been required this year to report its pension fund status under FRS17 which along with many other companies and public services at present shows a shortfall. This has an inevitable resultant impact on shareholder funds. However, the Company continues to reduce the FRS 17 deficit with a schedule of payments agreed with the Pension Fund Actuary, Advisors and Trustees.

CONCLUSION

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

PROFITS AND DIVIDENDS

The loss on ordinary activities for the year before tax amounted to £187,668 (2004: profit of £113,409).

Dividends of £100,000 (2004: £20,000) were paid in the year on the ordinary shares and a dividend of £175 (2004: £175) was paid in respect of the 3½% preference shares. The directors do not propose to pay any further dividends in respect of the year.

DIRECTORS

The following were directors of the company at 31 December 2005 and served throughout the year and subsequently:

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

DIRECTORS' SHAREHOLDINGS

The interests of the directors in the company's share capital as at 31 December 2004 and 2005 are set out below:

	Ordinary shares of £10 each Number	3½% cumulative preference shares of £10 each Number
D.B. Haynes	4,200	-
A.D.S. Haynes	1,440	225

In addition Mr D.B. Haynes holds £14,000 (2004: £14,000) of the perpetual unsecured loan stock.

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 £2,621 (2004: £2,112).

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors.

AUDITORS

Baker Tilly have agreed to offer themselves for re-election as auditors of the company.

By order of the board

T. J. Pickard

T. J. Pickard

19/10/2006 Secretary

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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

We have audited the financial statements on pages 6 to 23.

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

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

23 October 2006

Haynes Brothers Limited

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Note	2005 £	2004 *(as restated)* £
TURNOVER	2	56,563,695	51,406,303
Cost of sales		(52,202,581)	(47,357,425)
Gross profit		4,361,114	4,048,878
Advertising and distribution costs		(1,159,736)	(1,096,635)
Administrative expenses		(2,962,516)	(2,495,331)
OPERATING PROFIT	3	238,862	456,912
Interest payable	4	(426,530)	(343,503)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(187,668)	113,409
Taxation	7	12,000	(29,812)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	21	(175,668)	83,597

The operating profit for the year arises from the company's continuing operations.

Haynes Brothers Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2005

	Note	2005 £	2004 £
(Loss)/profit for the financial year		(175,668)	83,597
Unrealised surplus on revaluation of freehold properties		-	1,955,150
Actuarial loss on defined benefit pension scheme	18	(45,000)	(122,000)
Deferred tax thereon	7	13,500	36,600
Total recognised gains and losses relating to the year		(207,168)	1,953,347

Prior year adjustments arising from changes in accounting policies have resulted in a reduction of £1,779,500 in the opening net assets of the company compared to those previously reported.

Haynes Brothers Limited

BALANCE SHEET
As at 31 December 2005

	Note	2005 £	2005 £	2004 (as restated) £	2004 (as restated) £
FIXED ASSETS					
Investments	9		205		204
Intangible assets	10		26,525		26,525
Tangible assets	11		10,999,729		10,944,877
			11,026,459		10,971,606
CURRENT ASSETS					
Stocks	12	10,138,460		6,853,475	
Debtors	13	5,959,253		5,723,401	
Cash at bank and in hand		408,025		163,964	
		16,505,738		12,740,840	
CREDITORS: amounts falling due within one year	14	(16,135,213)		(11,812,619)	
NET CURRENT ASSETS			370,525		928,221
TOTAL ASSETS LESS CURRENT LIABILITIES			11,396,984		11,899,827
CREDITORS: amounts falling due after more than one year	15	1,271,667		1,371,667	
PROVISION FOR LIABILITIES AND CHARGES	17	-		46,500	
			(1,271,667)		(1,418,167)
NET ASSETS EXCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			10,125,317		10,481,660
Defined benefit pension scheme deficit	18		(1,480,500)		(1,529,500)
NET ASSETS INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			8,644,817		8,952,160
CAPITAL AND RESERVES					
Called up share capital	19		65,000		65,000
Revaluation reserve	20		6,224,347		6,224,347
Profit and loss account	21		2,355,470		2,662,813
SHAREHOLDERS' FUNDS	22		8,644,817		8,952,160

The financial statements were approved and authorised for issue by the Board of Directors on [ ] and signed on their behalf by:

A.D.S. Haynes - Director

19.10.06

Haynes Brothers Limited
CASH FLOW STATEMENT
For the year ended 31 December 2005

	Note	2005	2004
			(as restated)
		£	£
Net cash (outflow)/inflow from operating activities	a	(428,894)	339,152
Returns on investment and servicing of finance	c	(393,530)	(297,503)
Taxation		1,212	10,156
Capital expenditure	c	(395,143)	(505,315)
Acquisitions and disposals		-	(933,525)
		(1,216,355)	(1,387,035)
Equity dividends paid		(100,175)	(20,175)
Financing	c	191,808	1,066,667
(DECREASE) IN CASH IN THE YEAR		(1,124,722)	(340,543)

Haynes Brothers Limited

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2005

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

	2005	2004 *(as restated)*
	£	£
Operating profit	238,862	456,912
Depreciation	340,291	308,913
(Increase) in stocks	(3,284,985)	628,124
(Increase) in debtors	(237,064)	(1,141,529)
Increase in creditors	2,662,002	234,732
Defined benefit pension scheme contributions	(148,000)	(148,000)
Net cash (outflow)/inflow from operating activities	(428,894)	339,152

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

	2005	2004
(Decrease) in cash in the year	(1,124,722)	(340,543)
Net loan repayments	100,000	33,333
New loans in the year	(291,808)	(1,100,000)
Net debt at 1 January	(6,554,774)	(5,147,564)
Net debt at 31 December	(7,871,304)	(6,554,774)

c) GROSS CASH FLOWS

i) RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2005	2004
Interest paid	(372,015)	(276,863)
Non-equity dividends	(21,515)	(20,640)
	(393,530)	(297,503)

ii) CAPITAL EXPENDITURE

	2005	2004
Payment to acquire tangible fixed assets	(759,189)	(783,928)
Receipts from sale of tangible fixed assets	364,046	278,613
	(395,143)	(505,315)

iii) FINANCING

	2005	2004
Bank loans repaid	(100,000)	(33,333)
New loans in the year	291,808	1,100,000
	191,808	1,066,667

d) NET DEBT

	At 1 January 2005 *(as restated)*	Cash flows	Transfers	At 31 December 2005
	£	£	£	£
Cash at bank and in hand	163,964	244,061	-	408,025
Bank overdrafts	(4,538,879)	(1,368,783)	-	(5,907,662)
	(4,374,915)	(1,124,722)	-	(5,499,637)
Other loans due within 1 year	(708,192)	(291,808)	-	(1,000,000)
Bank loan due within 1 year	(100,000)	100,000	(100,000)	(100,000)
Other loans due after more than 1 year	(100,000)	-	-	(100,000)
Bank loan due after more than 1 year	(866,667)	-	100,000	(766,667)
Perpetual loan stock	(55,000)	-	-	(55,000)
Non-equity preference shares	(350,000)	-	-	(350,000)
	(6,554,774)	(1,316,530)	-	(7,871,304)

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.

Except for the changes of accounting policies arising from the adoption of new financial reporting standards detailed below, the financial statements have been prepared on a consistent basis with prior years.

Changes of accounting policies
The company has amended its accounting policies to accord with a number of financial reporting standards that became mandatory for the current reporting period. Details of the standards and the impact on the reported results and net assets of the company are as follows:

Standard	Impact on reported results		Impact on reported net assets	
	2005	2004	2005	2004
	£	£	£	£
Financial reporting standard 17 'Retirement benefits'	80,500	71,400	(1,480,500)	(1,529,500)
Financial reporting standard 25 'Financial instruments: disclosure and presentation'	(21,515)	(20,640)	(350,000)	(350,000)
Financial reporting standard 21 'Events after the balance sheet date'	-	-	-	100,000
	58,985	50,760	(1,830,500)	(1,779,500)

Turnover
Sales are included in turnover on the following basis:

Trucks, commercial vehicles, cars, parts and used agricultural vehicles and implements	On delivery
Service	On release of the vehicle to the customer
New agricultural vehicles and implements	When invoiced

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.

Revaluation of properties
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.

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.

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.

1 ACCOUNTING POLICIES (*continued*)

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.

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.

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 an agreement to sell the asset.

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 substantially 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.

1 ACCOUNTING POLICIES *(continued)*

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 finance costs.

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. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. 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 of a motor dealer.

3 OPERATING PROFIT	2005	2004
	£	£
This is stated after charging/(crediting):		
Amortisation of goodwill	-	-
Depreciation - owned assets	340,291	308,913
Auditors' remuneration for audit	30,500	25,000
Auditors' remuneration for other services	11,900	31,403
Operating leases - rent payable	48,520	48,520
- other	62,339	62,339
Exceptional costs	-	42,415

The 2004 exceptional costs related to costs incurred with an aborted expansion plan and the direct costs of integration of the company's acquisition in the year.

4 INTEREST PAYABLE

	2005 £	2004 *(as restated)* £
Interest payable:		
Bank loans not wholly repayable within five years	51,268	40,517
Loans not wholly repayable within five years	5,500	5,500
Bank overdraft and other interest	315,247	230,846
Dividends on variable rate preference shares	21,515	20,640
	393,530	297,503
Interest on defined benefit pension scheme liabilities	317,000	311,000
Expected return on defined benefit pension scheme assets	(284,000)	(265,000)
	33,000	46,000
	426,530	343,503

5 DIRECTORS' EMOLUMENTS

	2005	2004
Total emoluments	245,378	243,239
Emoluments, for management, excluding pension contributions	238,113	243,139
The emoluments of the highest paid director were	136,452	136,724

Pension contributions of £7,265 (2004: £100) were paid in respect of one director, who is the highest paid.

6 EMPLOYEES

	2005 Number	2004 Number
The average number of persons including directors employed by the company during the year was:		
Sales staff	148	135
Service and workshop staff	126	116
Management and administration	38	37
	312	288

Staff costs:	£	£
Wages and salaries	6,726,987	6,052,161
Social security costs	640,460	594,228
Pension costs – contributions to defined contribution schemes	126,561	118,938
	7,494,008	6,765,327

7 TAXATION

	2005	2004 *(as restated)*
(a) Analysis of tax (credit)/charge for year	£	£
Current tax:		
United Kingdom corporation tax payable/(recoverable) based on the result for the year	-	-
Adjustment in respect of prior years	-	(15,788)
Total current tax	-	(15,788)
Deferred tax:		
Origination/(reversal) of timing differences		
- timing differences in respect of defined benefit pension scheme deficit	34,500	30,600
- other timing differences	(46,500)	15,000
Total deferred tax	(12,000)	45,600
Total tax charge through the profit and loss account	(12,000)	29,812

(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:

	2005	2004
(Loss)/profit on ordinary activities before taxation	(187,668)	113,409
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2004: rate applied to small companies of 19%)	(56,300)	21,548
Effects of:		
Expenses not deductible for tax purposes	11,202	7,410
Contributions to defined benefit pension scheme in excess of amounts charged to the profit and loss account	(34,500)	(15,459)
Depreciation is excess of capital allowances	5,777	-
Capital allowances in period in excess of depreciation	-	(8,740)
Losses carried forward	73,821	-
Losses utilised	-	(4,759)
Adjustment to taxation of prior years	-	(15,788)
	-	(15,788)

(c) Analysis of tax (credit)/charge recognised in the statement of total recognised gains and losses

	2005	2004
Deferred tax:		
Origination/(reversal) of timing differences in respect of defined benefit pension scheme deficit	(13,500)	(36,500)

(d) Factors that may affect future tax charges

The company has tax losses of approximately £330,000 (2004 - £87,000) available for offset against future taxable profits. The tax charge may be reduced by the utilisation of the losses.

8 DIVIDENDS

	2005	2004
	£	£
3½% Cumulative preference shares	175	175
Dividend of £16.67 (2004 - £3.33) per ordinary share	100,000	20,000
	100,175	20,175

9 FIXED ASSET INVESTMENTS

	Subsidiary undertakings
	£
1 January 2005	204
Addition	1
1 December 2005	205

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

10 GOODWILL

	£
Cost	
1 January 2005 at 31 December 2005	26,525
Amortisation	
1 January 2005	-
Charge for the year	-
31 December 2005	-
Net book amount	
31 December 2005	26,525
31 December 2004	26,525

No goodwill amortisation has been charged in the year; it is the intention that the goodwill will be amortised as from 1 January 2006.

11 TANGIBLE FIXED ASSETS

	Freehold premises £	Leasehold premises £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
COST OR VALUATION							
1 January 2005	9,664,850	1,500	1,327,569	540,680	309,257	788,233	12,632,089
Additions	-	-	136,490	128,215	48,750	445,734	759,189
Disposals	-	-	(63,859)	(20,667)	(3,100)	(515,885)	(603,511)
31 December 2005	9,664,850	1,500	1,400,200	648,228	354,907	718,082	12,787,767
DEPRECIATION							
1 January 2005	17,500	-	820,527	252,637	230,572	365,976	1,687,212
Charge for the year	27,500	-	98,452	47,040	39,069	128,230	340,291
Disposals	-	-	(9,298)	(20,667)	(1,240)	(208,260)	(239,465)
31 December 2005	45,000	-	909,681	279,010	268,401	285,946	1,788,038
NET BOOK AMOUNT							
31 December 2005	9,619,850	1,500	490,519	369,218	86,506	432,136	10,999,729
31 December 2004	9,647,350	1,500	507,042	288,043	78,685	422,257	10,944,877

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which have an original cost of £3,425,653.

The company's freehold premises in Maidstone, Appledore, Eastry and Uckfield were revalued on 1 December 2004 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use.

The freehold land and buildings 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 at Maidstone, that known as land lying to the south of Sutton Road, Parkwood, Maidstone, Kent and the premises at Uckfield on the Squires Farm Industrial Estate.

12 STOCKS

	2005 £	2004 £
Cars and commercial vehicles	5,557,751	3,121,540
Agricultural vehicles and implements	2,061,374	1,548,217
Parts stock	2,519,335	2,183,718
	10,138,460	6,853,475

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

At 31 December 2005 the total amount of consignment stock held on a sale or return basis and not recorded in the balance sheet amounted to £nil (2004: £1,162,721). 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 has been invoiced £5,013,423 (2004 - £8,048,147) in respect of vehicles which are excluded from the above stock values as the company does not bear all the risks and rewards of ownership of this stock. In particular, the company bears no stock holding costs and the stock is subject to appropriation by other dealers.

13 DEBTORS

	2005	2004 *(as restated)*
	£	£
Amounts due within one year:		
Trade debtors	4,253,483	4,122,730
Other debtors	574,448	714,250
Prepayments and accrued income	1,117,534	871,421
Corporation tax recoverable	13,788	15,000
	5,959,253	5,723,401

14 CREDITORS: Amounts falling due within one year

	2005	2004
Bank loans (secured)	100,000	100,000
Bank overdrafts (secured)	5,907,662	4,538,879
Other loans	1,000,000	708,192
Trade creditors	7,695,866	4,087,937
Amounts owed to subsidiary undertakings	205	204
Other taxes and social security costs	929,715	1,374,126
Other creditors	87,809	121,171
Accruals and deferred income	413,956	882,110
	16,135,213	11,812,619

15 CREDITORS: Amounts falling due in more than one year

	2005	2004
Perpetual unsecured loan stock	55,000	55,000
Bank loans (secured)	766,667	866,667
Other loans	100,000	100,000
Non-equity shares - variable cumulative preference shares	350,000	350,000
	1,271,667	1,371,667

16 ANALYSIS OF DEBT MATURITY

	2005	2004
Other loans:		
Due within 1-2 years	100,000	-
Due within 2-5 years	-	100,000
Bank loans		
Due within 1-2 years	100,000	100,000
Due within 2-5 years	300,000	300,000
Due in more than 5 years	366,667	466,667
	766,667	866,667
Due within 1 year	100,000	100,000
	866,667	966,667

The bank loan is guaranteed by way of a first legal mortgage over the freehold property at Uckfield on the Squires Farm Industrial Estate. The bank loan is repayable over 10 years by equal quarterly instalments, and interest is charged at 1% per annum over the bank's loan base rate.

17 PROVISIONS FOR LIABILITIES AND CHARGES: DEFERRED TAXATION

	Accelerated capital allowances	Short term timing differences	Total
	£	£	£
1 January 2005	56,000	(9,500)	46,500
Transfer to profit and loss account	(56,000)	9,500	(46,500)
31 December 2005	-	-	-

Full provision has been made, based on a corporation tax rate of 30% in respect of corporation tax deferred because of timing differences.

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.

18 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 April 2005. The results of that valuation have been projected to 31 December 2005 and then recalculated based on the assumptions set out below. The liabilities have been calculated on the projected unit method.

	At 31 December 2005	At 31 December 2004
Rate of increase in salaries	0.00%	0.00%
LPI increases for pensions in payment	2.50%	2.50%
Liability discount rate	4.75%	5.25%
Inflation assumption	2.75%	2.75%
Revaluation of deferred pensions	2.75%	2.75%

	As at 31 December 2005		As at 31 December 2004	
	Long-term rate of return expected	Value £'000	Long-term rate of return expected	Value £'000
Equities	8.00%	3,864	8.00%	3,002
Bonds	5.00%	480	5.00%	505
Property	8.00%	196	8.00%	173
Cash	4.00%	235	4.00%	231
Total market value of assets		4,775		3,911
Present value of scheme liabilities		(6,890)		(6,096)
(Deficit) in the scheme		(2,115)		(2,185)
Related deferred tax asset		635		656
Net pension (liability)		(1,480)		(1,529)

18 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	526	130
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(571)	(252)
	(45)	(122)

MOVEMENT IN DEFICIT IN THE YEAR		
(Deficit) in scheme at start of year	(2,185)	(2,165)
Current service cost	-	-
Past service costs	-	-
Contributions	148	148
Other finance costs	(33)	(46)
Actuarial gain/(loss)	(45)	(122)
(Deficit) in scheme at year end	(2,115)	(2,185)

HISTORY OF EXPERIENCE GAINS AND LOSSES		
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	526	130
Percentage of the scheme assets	11%	3%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	-	-
Percentage of the present value of the scheme liabilities	0%	0%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(45)	(122)
Percentage of the present value of the scheme liabilities	(1%)	(2%)

The company has not previously obtained valuations undertaken in accordance with Financial Reporting Standard 17 'Retirement benefits' and further historical information is not available.

19 SHARE CAPITAL

	Number of Shares	Authorised £	2005 and 2004 Allotted, called-up and fully paid £
TREATED AS EQUITY			
Ordinary shares of £10 each	5,600	56,000	56,000
Non-voting ordinary shares of £10 each	400	4,000	4,000
3½% cumulative preference shares of £10 each	500	5,000	5,000
	6,500	65,000	65,000
TREATED AS NON-EQUITY			
Variable rate cumulative preference shares of £1 each	350,000	350,000	350,000

19 SHARE CAPITAL (continued)

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

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. As the right to the dividend is (subject only to compliance with the Companies Act 1985 requirements as to distributions) absolute these shares are treated as non-equity shares.

20 REVALUATION RESERVE	2005 £	2004 £
At 1 January 2005	6,224,347	4,269,197
Revaluation in the year	-	1,955,150
At 31 December 2005	6,224,347	6,224,347

21 PROFIT AND LOSS ACCOUNT		
At 1 January 2005 - as originally stated	4,092,313	4,180,291
Prior year adjustments:		
Recognition of defined benefit pension scheme deficit, net of deferred tax, in accordance with Financial reporting standard 17 'Retirement benefits'	(1,529,500)	(1,515,500)
De-recognition of accrued dividends on equity in accordance with financial reporting standard 21 'Events after the balance sheet date'	100,000	20,000
At 1 January 2005 - as restated	2,662,813	2,684,791
(Loss)/profit for the financial year	(175,668)	83,597
Other recognised gains and losses	(31,500)	(85,400)
Equity dividends paid	(100,175)	(20,175)
At 31 December 2005	2,355,470	2,662,813

22	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2005 £	2004 £
	At 1 January 2005 - as originally stated	10,731,660	8,864,488
	Prior year adjustments:		
	Recognition of defined benefit pension scheme deficit, net of deferred tax, in accordance with Financial reporting standard 17 'Retirement benefits'	(1,529,500)	(1,515,500)
	De-recognition of accrued dividends on equity in accordance with Financial Reporting Standard 21 'Events after the balance sheet date'	100,000	20,000
	Reclassification of non-equity preference shares as financial liabilities in accordance with Financial Reporting Standard 25 'Financial instruments: disclosure and presentation'	(350,000)	(350,000)
	At 1 January 2005 - as restated	8,952,160	7,018,988
	(Loss)/profit for the financial year	(175,668)	83,597
	Other recognised gains and losses	(31,500)	1,869,750
	Equity dividends paid	(100,175)	(20,175)
	Net (deduction from) / addition to shareholders' funds	(307,343)	1,933,172
	Closing shareholders' funds	8,644,817	8,952,160

23	LEASING OBLIGATIONS	2005 Land and Buildings £	2005 Other £	2004 Land and Buildings £	2004 Other £
	Commitments due under operating leases for the year to 31 December 2005 are as follows:				
	Leases expiring:				
	In less than one year	-	41,999	-	13,239
	Within two to five years	-	-	-	49,100
	After more than five years	48,500	-	48,500	-
		48,500	41,999	48,500	62,339

24 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.