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HAYNES BROTHERS LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

31ST DECEMBER 1983

KIDSONS

Chartered Accountants

LONDON



HAYNES BROTHERS LIMITED

1.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31st December 1983.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as motor and agricultural engineers including Distributorships for Ford cars, vans, trucks, tractors and Claas combines. The balance sheet on page 5 continues to reflect a strong commercial base despite the pressure of a highly competitive market.

PROFITS AND DIVIDENDS

The profit for the year after tax amounted to £253,251. A dividend of £12,076 was paid on 31st December 1983 in respect of the variable rate preference shares and it is recommended that a dividend of £175 be paid in respect of the 3½% preference shares. The balance is transferred to reserves.

DIRECTORS

The following were directors of the company at 31st December 1983 and served throughout the year:

D.B. Haynes
P.F. Haynes

The director retiring at the annual general meeting is Mr. P.F. Haynes who, being eligible, offers himself for re-election.

DIRECTORS' SHAREHOLDINGS

The interests of the directors in the company's share capital are set out below:-

	Shares of £10 each			
	Ordinary		Non-voting ordinary	
	1983	1982	1983	1982
P.F. Haynes	1,150	1,150	400	400
D.B. Haynes	4,200	4,200	-	-
	<u>5,350</u>	<u>5,350</u>	<u>400</u>	<u>400</u>

The directors have no interests in the variable rate and fixed rate preference shares.

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 incurred during employment with the company.

DONATIONS

During the year, the company made donations for charitable purposes amounting to £628 (1982: £316).

DIRECTORS' REPORT

(CONTINUED)

FIXED ASSETS

The movements in fixed assets during the year are set out in the notes to the financial statements.

No provision is made for depreciation of freehold property. The directors estimate that the Ashford Road and Parkwood Industrial Estate properties in Maidstone and the Appledore property, have a current market value at least £1m in excess of the book value.

CLOSE COMPANY PROVISIONS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1970 as amended.

AUDITORS

A resolution to reappoint the auditors, Messrs. Kidsons, Chartered Accountants, will be proposed at the annual general meeting.

Registered Office:

23 Ashford Road
Maidstone
Kent

By Order of the Board

B.H. FULLER F.C.A

28th June 1984.

Secretary

HAYNES BROTHERS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings, give a true and fair view of the state of the company's affairs at 31st December, 1983 and of its profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 to 1981.

The financial statements do not contain the current cost accounts required by Statement of Standard Accounting Practice No. 16.

KIDSONS

London, 28th June 1984.

Chartered Accountants

HAYNES BROTHERS LIMITED

4.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1983

	<u>Note</u>	<u>1983</u> £	<u>1982</u> £
TURNOVER	2	16,942,864	14,990,413
Cost of sales		15,540,535	13,649,268
Gross profit		<u>1,402,329</u>	<u>1,341,145</u>
Advertising and distribution costs		228,025	214,348
Administrative expenses		<u>830,061</u>	<u>804,232</u>
OPERATING PROFIT	3	<u>344,243</u>	<u>322,565</u>
Interest payable	3	<u>45,872</u>	<u>60,395</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		298,371	262,170
Taxation	6	<u>45,120</u>	<u>64,650</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		253,251	197,520
Dividends	7	<u>12,251</u>	<u>175</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		241,000	197,345
BALANCE BROUGHT FORWARD		<u>1,797,676</u>	<u>1,600,331</u>
BALANCE CARRIED FORWARD		<u><u>2,038,676</u></u>	<u><u>1,797,676</u></u>

The notes on pages 7 to 11 form part of these financial statements.

HAYNES BROTHERS LIMITED

5.

BALANCE SHEET - 31ST DECEMBER 1983

	<u>Note</u>	<u>1983</u>		<u>1982</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		613,719		583,391
CURRENT ASSETS					
Stocks	9	2,081,181		2,041,509	
Debtors	10	1,502,047		1,268,793	
Cash at bank and in hand		648,290		239,524	
		4,231,518		3,549,826	
CREDITORS: amounts falling due within one year	11	2,121,781		1,624,111	
NET CURRENT ASSETS			2,109,737		1,925,715
TOTAL ASSETS LESS CURRENT LIABILITIES			2,723,456		2,509,106
CREDITORS: amounts falling due after more than one year	11	85,000		90,000	
PROVISIONS FOR LIABILITIES AND CHARGES	12	99,925		121,575	
			184,925		211,575
NET ASSETS			2,538,531		2,297,531
CAPITAL AND RESERVES					
Called-up share capital	14		263,000		65,000
Capital reserve			9,855		9,855
General reserve			227,000		425,000
Profit and loss account			2,038,676		1,797,676
SHAREHOLDERS' FUNDS			2,538,531		2,297,531

The financial statements were approved by the Board of Directors on 28th June 1984.

P.F. HAYNES)

) Directors

D.B. HAYNES)

Print Ottavio
D. Haynes

The notes on pages 7 to 11 form part of these financial statements.

HAYNES BROTHERS LIMITED

6.

SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST DECEMBER 1983

	<u>1983</u>	<u>1982</u>
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	298,371	262,170
Adjustment for items not involving the movement of funds:		
Depreciation	45,521	39,667
Loss/(profit) on sale of tangible fixed assets	493	(92)
	46,014	39,575
TOTAL GENERATED FROM OPERATIONS	344,385	301,745
FUNDS FROM OTHER SOURCES		
Proceeds from disposal of tangible fixed assets	7,359	215
	351,744	301,960
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	83,701	63,337
Mortgage repayments	5,000	5,000
Dividends paid	12,251	175
ACT paid	75	75
	101,027	68,587
INCREASE IN WORKING CAPITAL	250,717	233,373
REPRESENTED BY:-		
Increase/(decrease) in stocks	39,672	(47,650)
Increase (decrease) in debtors	65,069	(328,915)
(Increase)/decrease in creditors	(430,975)	213,997
Increase in deposit with Ford Motor Company	168,185	69,183
	(158,049)	(93,385)
Movement in net liquid funds:		
Decrease in bank overdraft	-	90,327
Increase in cash and bank	408,766	236,431
	408,766	326,758
	250,717	233,373

The notes on pages 7 to 11 form part of these financial statements.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1983

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost accounting convention except for freehold land and building which are partially stated at revalued amounts.

(b) 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.

(c) Depreciation

Depreciation is calculated to write off the cost or valuation of all tangible fixed assets, other than freehold land and buildings which are not depreciated, in equal annual instalments over their estimated useful lives at the rate of 10% per annum.

(d) Stocks

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

(e) Deferred taxation

Deferred taxation is provided at current taxation rates under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes. Where it is considered with reasonable probability that no such liability will become payable in the foreseeable future, no provision is made.

2. TURNOVER

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

	<u>1983</u> £	<u>1982</u> £
Car and commercial divisions	12,959,512	11,540,031
Agricultural division	3,983,352	3,450,382
	<u>16,942,864</u>	<u>14,990,413</u>
United Kingdom	16,930,318	14,984,986
Exports	12,546	5,427
	<u>16,942,864</u>	<u>14,990,413</u>

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1983(CONTINUED)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1983	1982
	£	£
This is stated after charging:		
Interest payable:		
Bank overdraft	20,018	32,056
Loans wholly repayable within five years	16,641	18,627
Loans not wholly re- payable within five years	9,213	9,712
	<u>45,872</u>	<u>60,395</u>
Depreciation	45,521	39,667
Auditors' remuneration	8,000	6,500
Directors' emoluments (including pension contributions) (see note 4)	155,180	128,711
Loss/(profit) on disposal of tangible fixed assets	493	(92)
	<u>45,872</u>	<u>60,395</u>
4. DIRECTORS' EMOLUMENTS		
	<u>1983</u>	<u>1982</u>
	£	£
For management	<u>155,180</u>	<u>128,711</u>
Emoluments, excluding pension contributions, are analysed as follows:-		
Highest paid director	<u>70,515</u>	<u>65,921</u>
The other director received emoluments within the range of £20,001 - £25,000 (1982: £20,001 - £25,000).		
5. EMPLOYEES		
	<u>1983</u>	<u>1982</u>
(a) The average number of persons including directors employed by the company during the year was:		
Service and workshop staff	167	172
Management and administration	77	79
Sales staff	19	19
	<u>263</u>	<u>270</u>
	£	£
(b) Staff costs:		
Wages and salaries	1,740,266	1,647,025
Social security costs	191,326	200,126
Other pension costs	142,835	117,881
	<u>2,074,427</u>	<u>1,965,032</u>

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1983

(CONTINUED)

6. TAXATION	<u>1983</u>	<u>1982</u>	
	£	£	
United Kingdom corporation tax based on the profit for the year at 40 per cent	65,000	40,000	
Transfer from deferred taxation	(21,650)	24,650	
Under provision in respect of prior years	1,770	-	
	<u>45,120</u>	<u>64,650</u>	
7. DIVIDENDS	<u>1983</u>	<u>1982</u>	
	£	£	
3½% Cumulative preference shares - proposed	175	175	
Variable rate cumulative preference shares - paid	12,076	-	
	<u>12,251</u>	<u>175</u>	
8. TANGIBLE FIXED ASSETS			
	<u>Freehold Land and Buildings</u>	<u>Fixtures and fittings</u>	<u>Plant and equipment</u>
	£	£	<u>Total</u>
			£
<u>COST OR VALUATION</u>			
1st January 1983	349,466	122,409	366,807
Additions	-	15,026	68,675
Disposals	-	(4,843)	(12,380)
	<u>349,466</u>	<u>132,592</u>	<u>423,102</u>
31st December 1983	349,466	132,592	905,160
<u>DEPRECIATION</u>			
1st January 1983	-	51,958	203,333
Charge for the year	-	11,589	33,932
Disposals	-	(2,448)	(6,923)
	<u>-</u>	<u>61,099</u>	<u>230,342</u>
31st December 1983	-	61,099	291,441
<u>NET BOOK AMOUNT</u>			
31st December 1983	<u>349,466</u>	<u>71,493</u>	<u>192,760</u>
31st December 1982	<u>349,466</u>	<u>70,451</u>	<u>163,474</u>

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which comprise £9,500 at valuation in 1946 and subsequent additions at cost of £339,966.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1983

(CONTINUED)

9. STOCKS	<u>1983</u> £	<u>1982</u> £
Cars and commercial vehicles	921,492	869,196
Agricultural vehicles and implements	554,645	570,366
Parts stock	605,044	601,947
	<u>2,081,181</u>	<u>2,041,509</u>

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

10. DEBTORS	<u>1983</u> £	<u>1982</u> £
Amounts due within one year:		
Trade debtors	578,547	630,571
Deposit with Ford Motor Company	681,409	513,224
Other debtors	144,014	99,424
Prepayments and accrued income	98,077	25,574
	<u>1,502,047</u>	<u>1,268,793</u>

11. CREDITORS	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>1983</u> £	<u>1982</u> £	<u>1983</u> £	<u>1982</u> £
Mortgage loan [note (i)]	5,000	5,000	30,000	35,000
Perpetual unsecured loan stock	-	-	55,000	55,000
Trade creditors	1,586,772	1,101,598	-	-
Stocking loan	100,000	100,000	-	-
Corporation tax	101,445	40,000	-	-
Other taxes and social security costs	200,428	208,901	-	-
Other creditors	106,722	149,991	-	-
Accruals and deferred income	21,239	18,446	-	-
Proposed dividend	175	175	-	-
	<u>2,121,781</u>	<u>1,624,111</u>	<u>85,000</u>	<u>90,000</u>

(i) This loan is secured by a charge on the company's freehold property at Parkwood and is being repaid by quarterly instalments of £1,250. It bears interest at 1½% over Bank Base Rate with a maximum of 10%.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1983

(CONTINUED)

12. PROVISIONS FOR LIABILITIES AND CHARGES	<u>1983</u>	<u>1982</u>
	£	£
Deferred taxation (see note 13)	99,925	121,575
	<u> </u>	<u> </u>

13. DEFERRED TAXATION	<u>1983</u>	<u>1982</u>
	£	£
The provision included in the balance sheet relating to deferred taxation consists of the following:-		
Accelerated capital allowances	100,000	121,650
Advance corporation tax recoverable	(75)	(75)
	<u>99,925</u>	<u>121,575</u>
	<u> </u>	<u> </u>

14. CALLED-UP SHARE CAPITAL	<u>1983</u>		<u>1982</u>	
	<u>Authorised</u>	<u>Allotted, Issued and Fully Paid</u>	<u>Authorised</u>	<u>Allotted, Issued and Fully Paid</u>
	£	£	£	£
Ordinary shares of £10 each	56,000	56,000	56,000	56,000
Non-voting ordinary shares of £10 each	4,000	4,000	4,000	4,000
Variable rate preference shares of £1 each	350,000	198,000	-	-
3½% cumulative preference shares of £10 each	5,000	5,000	5,000	5,000
	<u>415,000</u>	<u>263,000</u>	<u>65,000</u>	<u>65,000</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year the authorised share capital was increased to £415,000 by the creation of 350,000 variable rate preference shares of £1 each. 198,000 of these shares were allocated to the existing holders of the ordinary and non-voting ordinary shares. They were paid up by capitalising £198,000 of the company's reserves. The reason for the issue was to broaden the company's capital base.

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities at the balance sheet date.