

HAYNES BROTHERS LIMITED
REPORT AND FINANCIAL STATEMENTS
31ST DECEMBER 1998

REGISTERED NUMBER: 48511



HLB Kidsons
Chartered Accountants
Spectrum House
20-26 Cursitor Street
London EC4A 1HY

HAYNES BROTHERS LIMITED

DIRECTORS REPORT

31st December 1998

The directors present their annual report and the audited financial statements of the company for the year ended 31st December 1998.

Principal activities and business review

The company trades under the name Haynes of Maidstone Limited as Motor Engineers with a Distributorship for Ford cars that includes a Sports and Recreational Specialist Dealer Franchise and a Ford Transit Specialist Dealer Franchise. Additionally, the company holds an Iveco Ford Truck Franchise. The company also trades under the name Haynes Agricultural (Kent) Limited as Agricultural Engineers including the New Holland Franchise for Ford and Fiat Tractors and Harvest Equipment for Kent together with other Franchises for Agricultural and related equipment.

In the face of the continuing pressures generally of a highly competitive market, the balance sheet on page 5 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:

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

They are also responsible for:

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

Profits and dividends

The profit on ordinary activities for the year after tax amounted to £82,298 (1997: £104,671). Dividends of £28,233 (1997: £26,102) were paid in the year on the variable rate cumulative preference shares. It is recommended that a dividend of £175 be paid in respect of the 3½% preference shares. The directors recommend the payment of a final dividend of £40,000 on the ordinary shares. The balance of £13,890 (1997: £28,394) is added to reserves.

Directors

The following were directors of the company at 31st December 1998 and served throughout the year.

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

HAYNES BROTHERS LIMITED

DIRECTORS REPORT

31st December 1998

(continued)

Directors shareholdings

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

	At 31st December 1998		At 31st December 1997	
	Shares of £10 each	3½% cumulative	Shares of £10 each	3½% cumulative
	Ordinary	preference shares	Ordinary	preference shares
D.B. Haynes	4,200	-	4,200	-
A.D.S. Haynes	-	225	-	225

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 D.B. Haynes holds £14,000 (1997: £14,000) of the perpetual unsecured loan stock.

Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends to an extent not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks. The assessment carried out to date has identified the need to upgrade the company's main accounting system in order for it to be 2000 compliant. The cost of new accounting software and the related hardware required to support it will be met from the company's normal capital expenditure budget for 1999. The new system is planned to be on-line by September 1999 and accordingly the directors are confident of compliance in this area being achieved well in advance of the millennium date.

The directors are confident that all steps within their control will have been taken before 31 December 1999 to ensure as far as possible that the company is able to continue to trade profitably despite the aforementioned risks.

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

The company made donations for charitable purposes amounting to £3,814 (1997: £2,870)

HAYNES BROTHERS LIMITED

DIRECTORS REPORT

31st December 1998

(continued)

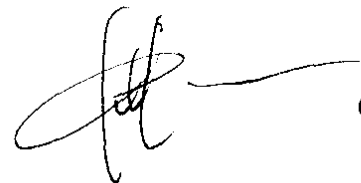
Auditors

HLB Kidsons, formerly Kidsons Impey, have agreed to offer themselves for re-election as auditors of the company.

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

Mrs A Gregory-Jones, a partner in HLB Kidsons, has an interest in her 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

21st July 1999

HAYNES BROTHERS LIMITED

AUDITORS' REPORT

Auditors' report to the members of Haynes Brothers Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 1 the directors of the company are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HLB Kidsons

Registered Auditors

Chartered Accountants

London

21st July 1999

HAYNES BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1998

	Note	1998 £	1997 £
Turnover	2	32,490,843	30,696,285
Cost of sales		<u>(29,978,425)</u>	<u>(28,378,085)</u>
Gross profit		2,512,418	2,318,200
Advertising and distribution costs		(694,890)	(584,596)
Administrative expenses		<u>(1,487,469)</u>	<u>(1,406,370)</u>
Operating profit		330,059	327,234
Interest payable	3	<u>(223,660)</u>	<u>(192,063)</u>
Profit on ordinary activities before taxation	3	106,399	135,171
Taxation	6	<u>(24,101)</u>	<u>(30,500)</u>
Profit on ordinary activities after taxation		82,298	104,671
Dividends (including non-equity dividends)	7	<u>(68,408)</u>	<u>(76,277)</u>
Retained profit for the financial year		13,890	28,394
Balance brought forward		<u>4,351,451</u>	<u>4,323,057</u>
Balance carried forward		<u>4,365,341</u>	<u>4,351,451</u>

All activities are classed as continuing.

A statement of recognised gains and losses has not been prepared as there are no recognised gains and losses other than the profit for the year.

HAYNES BROTHERS LIMITED

BALANCE SHEET

at 31st December 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Investments	8		202		8,082
Tangible assets	9		<u>5,426,423</u>		<u>5,332,615</u>
			5,426,625		5,340,697
Current assets					
Stocks	10	5,505,923		6,024,862	
Debtors	11	2,121,796		2,757,549	
Cash at bank and in hand		<u>2,569</u>		<u>2,175</u>	
		7,630,288		8,784,586	
Creditors: amounts falling due within one year	12		<u>4,776,163</u>		<u>5,953,371</u>
Net current assets			<u>2,854,125</u>		<u>2,831,215</u>
Total assets less current liabilities			8,280,750		8,171,912
Creditors: amounts falling due after more than one year	12	669,378		575,430	
Provisions for liabilities and charges	13		<u>21,000</u>		<u>20,000</u>
			<u>690,378</u>		<u>595,430</u>
Net assets			<u>7,590,372</u>		<u>7,576,482</u>
Capital and reserves					
Called up share capital	14		415,000		415,000
Revaluation reserve	15		2,810,031		2,810,031
Profit and loss account	15		<u>4,365,341</u>		<u>4,351,451</u>
Net assets			<u>7,590,372</u>		<u>7,576,482</u>
Attributable to:					
Equity shareholders			7,235,372		7,221,482
Non-equity shareholders			<u>355,000</u>		<u>355,000</u>
			<u>7,590,372</u>		<u>7,576,482</u>

The financial statements were approved by the Board of Directors on 21st July 1999.

D.B. Haynes - Director



HAYNES BROTHERS LIMITED

CASH FLOW STATEMENT

for the year ended 31st December 1998

	Note	1998 £	1997 £
Net cash inflow from operating activities	a	407,652	850,246
Returns on investment and servicing of finance		(252,243)	(218,340)
Taxation		(18,968)	(65,226)
Capital expenditure	c	<u>(193,282)</u>	<u>(192,732)</u>
		(56,841)	373,948
Equity dividends paid		(50,000)	-
Financing	c	<u>(484,594)</u>	<u>(582,105)</u>
Decrease in cash in the year		<u>(591,435)</u>	<u>(208,157)</u>

NOTES TO CASH FLOW STATEMENT

for the year ended 31st December 1998

a) Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	330,059	327,234
Depreciation charges	139,725	112,168
Loss on disposal of investments	7,880	-
Profit on disposal of fixed assets	(15,500)	(11,833)
Decrease/(increase) in stocks	518,939	(634,351)
Decrease in debtors	605,253	188,049
(Decrease)/increase in creditors	<u>(1,178,754)</u>	<u>868,979</u>
	<u>407,652</u>	<u>850,246</u>

b) Reconciliation of net cash flow to movement in net debt

(Decrease) in cash in the year	(591,435)	(208,157)
New finance leases	(24,750)	-
Net loan repayments	484,594	582,105
Net debt at 1 January	<u>(2,076,893)</u>	<u>(2,450,841)</u>
Net debt at 31 December	<u>(2,208,484)</u>	<u>(2,076,893)</u>

HAYNES BROTHERS LIMITED
NOTES TO THE CASH FLOW STATEMENT
for the year ended 31st December 1998

c) **Gross cash flows**

i) **Returns on investment and servicing of finance**

Interest paid	(223,660)	(192,063)
Non-equity dividends	<u>(28,583)</u>	<u>(26,277)</u>
	<u>(252,243)</u>	<u>(218,340)</u>

ii) **Capital expenditure**

Payment to acquire tangible fixed assets	(219,982)	(250,116)
Receipts from sale of tangible fixed assets	<u>26,700</u>	<u>57,384</u>
	<u>(193,282)</u>	<u>(192,732)</u>

iii) **Financing**

Bills of exchange	-	(500,000)
Capital element of finance leases	(77,274)	(82,105)
New loans received	100,000	-
Loans repaid	<u>(507,320)</u>	<u>-</u>
	<u>(484,594)</u>	<u>(582,105)</u>

d) **Net debt**

	At 1st January 1998 £	Cash flow £	Non cash movements £	At 31st December 1998 £
Cash at bank and in hand	2,175	394	-	2,569
Bank loan and overdrafts	<u>(816,475)</u>	<u>(591,829)</u>	-	<u>(1,408,304)</u>
	(814,300)	(591,435)	-	(1,405,735)
Other loans due within 1 year	(1,083,293)	487,196	-	(596,097)
Other loans due after more than 1 year	(55,000)	(79,876)	-	(134,876)
Finance leases	<u>(124,300)</u>	<u>77,274</u>	<u>(24,750)</u>	<u>(71,776)</u>
	<u>(2,076,893)</u>	<u>(106,841)</u>	<u>(24,750)</u>	<u>(2,208,484)</u>

The non-cash movement represents the capitalised value of finance leases taken out in the year.

HAYNES BROTHERS LIMITED
NOTES TO THE CASH FLOW STATEMENT
for the year ended 31st December 1998

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HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

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 certain 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 dealership 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 falling due within one year and creditors falling due after more than one year.

Deferred taxation

Deferred taxation is provided under the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

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.

Pensions

Contributions are charged to the profit and loss account on the basis of actuarial recommendations to the scheme trustees.

2 Turnover

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

HAYNES BROTHERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st December 1998
(continued)

3	Profit on ordinary activities before taxation	1998		1997
		£	£	£
	This is stated after charging:			
	Interest payable:			
	Finance charges under finance leases	4,481		3,259
	Loans wholly repayable within five years	73,977		84,641
	Loans not wholly repayable within five years	5,500		5,500
	Bank overdraft and other interest	<u>139,702</u>		<u>98,663</u>
		223,660		192,063
	Depreciation	139,725		112,168
	Auditors' remuneration for audit	19,500		18,750
	Auditors' remuneration for other services	<u>21,543</u>		<u>18,575</u>

4	Directors' emoluments		1998	1997
			£	£
	Total emoluments		<u>234,317</u>	<u>237,515</u>
	Emoluments, for management, excluding pension contributions		<u>234,317</u>	<u>237,315</u>
	The emoluments of the highest paid director were		<u>171,353</u>	<u>177,139</u>

5 Employees

The average number of persons including directors employed by the company during the year was:

Service and workshop staff	140	140
Management and administration	62	62
Sales staff	<u>26</u>	<u>25</u>
	<u>228</u>	<u>227</u>

Staff costs:

	£	£
Wages and salaries	3,701,545	3,517,723
Social security costs	352,366	333,033
Other pension costs	<u>124,095</u>	<u>115,686</u>
	<u>4,178,006</u>	<u>3,966,440</u>

Pensions costs

The company operates a 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 financial position of the scheme is determined by a qualified actuary on the basis of triennial valuations using the projected unit 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 rates of increase in salaries. The most recent valuation available was at 1st April 1996. It was then assumed that share dividends would increase by 4%, pensionable salaries by 6% and investment returns by 9% per annum. This valuation showed that the scheme's assets covered 100% (1993: 89%) of its liabilities.

For the purposes of determining the pension charge in the financial statements, different actuarial assumptions are used, the key change being a higher assumed investment return. These assumptions lead to a pension charge for the year of £124,095 (1997: £115,686).

The contributions of the company for the year were 7.2% (staff) and 2.4% (works) and contributions are to continue at this level until the next triennial valuation.

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998

(continued)

6 Taxation	1998	1997
	£	£
United Kingdom corporation tax payable based on the profit for the year at 21%	25,000	35,000
Over-provision in respect of earlier years	(1,899)	-
Transfer (from)/to deferred taxation (Note 13)	<u>1,000</u>	<u>(4,500)</u>
	<u>24,101</u>	<u>30,500</u>
7 Dividends	£	£
3 1/2% Cumulative preference shares - proposed (non-equity)	175	175
Variable rate cumulative preference shares - paid (non-equity)	28,233	26,102
Ordinary shares - final proposed (equity)	<u>40,000</u>	<u>50,000</u>
	<u>68,408</u>	<u>76,277</u>

8 Fixed asset investments	Others	Subsidiary undertakings	Total
	£	£	£
At 31st December 1997	<u>7,880</u>	<u>202</u>	<u>8,082</u>
At 31st December 1998	<u>-</u>	<u>202</u>	<u>202</u>

The investments in subsidiary undertakings comprise two dormant agency wholly-owned subsidiary companies, Haynes of Maidstone Limited and Haynes Agricultural (Kent) Limited which are incorporated in Great Britain and registered in England and Wales.

The other investment related to a minority holding in Dealer Truck Services, an unlimited private company formed to hold Iveco Ford dealers' interests in Trucksure Services Limited. This investment was held through a wholly-owned subsidiary company, Haynes Truck (Contracts) Limited, also incorporated in Great Britain and registered in England and Wales. Dealer Truck Services has now been liquidated.

9 Tangible fixed assets	Freehold Land and Buildings	Plant and Equipment	Fixtures and Fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost or valuation					
1st January 1998	4,790,355	968,844	267,898	414,945	6,442,042
Additions	20,629	110,459	39,294	74,350	244,732
Disposals	<u>-</u>	<u>(36,407)</u>	<u>(19,481)</u>	<u>(11,200)</u>	<u>(67,088)</u>
31st December 1998	<u>4,810,984</u>	<u>1,042,896</u>	<u>287,711</u>	<u>478,095</u>	<u>6,619,686</u>
Depreciation					
1st January 1998	-	693,742	226,689	188,995	1,109,426
Charge for the year	-	64,524	17,671	57,530	139,725
Disposals	<u>-</u>	<u>(36,407)</u>	<u>(19,481)</u>	<u>-</u>	<u>(55,888)</u>
31st December 1998	<u>-</u>	<u>721,859</u>	<u>224,879</u>	<u>246,525</u>	<u>1,193,263</u>
Net book amount					
31st December 1998	<u>4,810,984</u>	<u>321,037</u>	<u>62,832</u>	<u>231,570</u>	<u>5,426,423</u>
31st December 1997	<u>4,790,355</u>	<u>275,102</u>	<u>41,209</u>	<u>225,950</u>	<u>5,332,615</u>

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998
(continued)

9 Tangible fixed assets (continued)

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which comprised £4,521,000 at valuation in 1992 and £269,355 at cost. The company's freehold premises in Maidstone were revalued on 19th November 1992 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use. The freehold properties at Appledore and Eastry continue to be shown at cost.

Included in motor vehicles are vehicles being acquired under finance leases with a book value of £93,500 (1997: £111,600) on which the depreciation charge for the year was £18,100. Included in fixtures and fittings is computer equipment being acquired under finance leases with a book value of £19,800 (1997: £Nil) on which depreciation charge for the year was £4,950.

10 Stocks	1998 £	1997 £
Cars and commercial vehicles	2,329,534	2,427,977
Vehicle repurchase commitments	723,532	728,460
Agricultural vehicles and implements	1,142,691	1,659,561
Parts stock	<u>1,310,166</u>	<u>1,208,864</u>
	<u>5,505,923</u>	<u>6,024,862</u>

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

At 31st December 1998 the total amount of consignment stock held on a sale or return basis and not recorded in the balance sheet amounted to £1,849,016 (1997: £2,596,292). 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 dealer was previously required to lodge a financial deposit under these agreements.

Stocks include £723,532 (1997: £728,460) 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	1998 £	1997 £
Amounts due within one year:		
Trade debtors	1,738,629	2,366,331
Other debtors	159,900	167,141
Prepayments and accrued income	223,267	193,628
Advance corporation tax recoverable	<u>-</u>	<u>30,449</u>
	<u>2,121,796</u>	<u>2,757,549</u>

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1998
(continued)

12 Creditors	Amounts falling due within one year		Amounts falling due after more than one year	
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts	1,408,304	816,475	-	-
Perpetual unsecured loan stock	-	-	55,000	55,000
Other loans	596,097	1,083,293	79,876	-
Trade creditors	1,746,705	2,854,092	-	-
Corporation tax	1,827	31,720	-	-
Advance corporation tax	16,077	12,500	-	-
Other taxes and social security costs	142,776	203,428	-	-
Other creditors	214,071	221,998	-	-
Accruals and deferred income	349,123	347,158	-	-
Amounts owed to subsidiary undertakings	202	202	-	-
Net obligations under finance leases	71,776	124,300	-	-
Vehicle repurchase commitments	189,030	208,030	534,502	520,430
Proposed dividends	40,175	50,175	-	-
	<u>4,776,163</u>	<u>5,953,371</u>	<u>669,378</u>	<u>575,430</u>

13 Provisions for liabilities and charges	Accelerated capital allowances	Short term timing differences	Total
	£	£	£
Full provision has been made, based on a corporation tax rate of 21%, in respect of corporation tax deferred because of <i>timing differences</i>			
At 1st January 1998	29,000	(9,000)	20,000
Transfer from profit and loss account - movement	<u>1,500</u>	<u>(500)</u>	<u>1,000</u>
At 31st December 1998	<u>30,500</u>	<u>(9,500)</u>	<u>21,000</u>

14 Called-up share capital	1998 and 1997		
	Number of shares	Authorised £	Allotted, Called-up and Fully Paid £
Equity share capital			
Ordinary shares of £10 each	5,600	56,000	56,000
Non-voting ordinary shares of £10 each	400	<u>4,000</u>	<u>4,000</u>
		<u>60,000</u>	<u>60,000</u>
Non-equity share capital			
Variable rate cumulative preference shares of £1 each	350,000	350,000	350,000
3½% cumulative preference shares of £10 each	500	<u>5,000</u>	<u>5,000</u>
		<u>355,000</u>	<u>355,000</u>
Total share capital		<u>415,000</u>	<u>415,000</u>

The variable rate 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 30th June and 31st 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

31st December 1998
(continued)

15 Reserves	Total £	Revaluation reserve £	Profit and loss account £
1st January 1998	7,161,482	2,810,031	4,351,451
Profit for the financial year	<u>13,890</u>	<u>-</u>	<u>13,890</u>
31st December 1998	<u>7,175,372</u>	<u>2,810,031</u>	<u>4,365,341</u>

16 Capital commitments and contingent liabilities	1998 £	1997 £
Capital commitments authorised by the Board and for which contracts had been placed:	<u>Nil</u>	<u>Nil</u>
Contingent liabilities:		
Indemnity re advance payment guarantee	<u>115,000</u>	<u>37,000</u>

17 Reconciliation of movement in shareholders' funds	£	£
Profit for the financial year	82,298	104,671
Dividends	<u>(68,408)</u>	<u>(76,277)</u>
Net addition to shareholders' funds	13,890	28,394
Opening shareholders' funds	<u>7,576,482</u>	<u>7,548,088</u>
Closing shareholders' funds	<u>7,590,372</u>	<u>7,576,482</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.

Included in other loans is a balance of £67,973 (1997: £91,697) owing to Mr D.B. Haynes; no interest is charged on this loan.