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HAYNES BROTHERS LIMITED  
DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS  
31ST DECEMBER 1985

KIDSONS  
Chartered Accountants  
LONDON



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31st December 1985.

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 £181,357. Dividends of £19,401 were paid during the year in respect of the variable rate preference shares and £150,000 in respect of the ordinary shares. It is recommended that a final dividend of £19,722 be paid in respect of the variable rate preference shares and £175 in respect of the 3½% preference shares. The balance is transferred to reserves.

DIRECTORS

The following were directors of the company at 31st December 1985 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:-

	<u>At 31st December 1985 and 1984</u>	
	<u>Shares of £10 each</u>	
	<u>Ordinary</u>	<u>Non-voting ordinary</u>
P.F. Haynes	1,150	400
D.B. Haynes	4,200	-
	<u>5,350</u>	<u>400</u>

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

In addition P.F. Haynes holds £12,500 (1984: £12,500) 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.

DIRECTORS' REPORT

(CONTINUED)

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 whenever 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 £1,240 (1984: £1,151).

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 £2m 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

20th August 1986.

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, 1985 and of its profit and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

KIDSONS

London, 20th August 1986.

Chartered Accountants

HAYNES BROTHERS LIMITED

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PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST DECEMBER 1985

	<u>Note</u>	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
TURNOVER	2	19,209,796	18,382,079
Cost of sales		<u>17,643,505</u>	<u>16,874,618</u>
Gross profit		1,566,291	1,507,461
Advertising and distribution costs		258,606	259,426
Administrative expenses		<u>963,903</u>	<u>912,388</u>
OPERATING PROFIT	3	<u>343,782</u>	<u>335,647</u>
Interest payable	3	<u>35,141</u>	<u>44,535</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	308,641	291,112
Taxation	6	<u>127,284</u>	<u>100,363</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		181,357	190,749
Dividends	7	<u>189,298</u>	<u>26,940</u>
RETAINED (LOSS) PROFIT FOR THE FINANCIAL YEAR		(7,941)	163,809
BALANCE BROUGHT FORWARD		<u>1,452,485</u>	<u>2,038,676</u>
		1,444,544	2,202,485
TRANSFER TO GENERAL RESERVE		-	750,000
BALANCE CARRIED FORWARD		<u><u>1,444,544</u></u>	<u><u>1,452,485</u></u>

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

HAYNES BROTHERS LIMITED

5.

BALANCE SHEET - 31ST DECEMBER 1985

	<u>Note</u>	£	<u>1985</u>	£	<u>1984</u>	£
<b>FIXED ASSETS</b>						
Tangible assets	8		628,471			640,954
<b>CURRENT ASSETS</b>						
Stocks	9		2,860,869		2,180,939	
Debtors	10		1,843,628		1,587,288	
Cash at bank and in hand			47,241		754,357	
			4,751,738		4,522,584	
CREDITORS: amounts falling due within one year	11		2,533,337		2,281,198	
<b>NET CURRENT ASSETS</b>			2,218,401		2,241,386	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			2,846,872		2,832,340	
CREDITORS: amounts falling due after more than one year	11		75,000		80,000	
PROVISIONS FOR LIABILITIES AND CHARGES	12		77,473		100,000	
			152,473		180,000	
<b>NET ASSETS</b>			2,694,399		2,702,340	
<b>CAPITAL AND RESERVES</b>						
Called-up share capital	13		415,000		415,000	
Capital reserve			9,855		9,855	
General reserve			825,000		825,000	
Profit and loss account			1,444,544		1,452,485	
<b>SHAREHOLDERS' FUNDS</b>			2,694,399		2,702,340	

The financial statements were approved by the Board of Directors on 20th August 1986.

P.F. HAYNES

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*Paul Haynes*

) Directors

D.B. HAYNES

*Paul 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 1985

SOURCE OF FUNDS	£	<u>1985</u>	£	£	<u>1984</u>	£
Profit on ordinary activities before taxation			308,641			291,112
Adjustment for items not involving the movement of funds:						
Depreciation		4,740			53,597	
Profit on sale of tangible fixed assets		(1,334)			(271)	
			<u>53,406</u>			<u>53,326</u>
TOTAL GENERATED FROM OPERATIONS			<u>362,047</u>			<u>344,438</u>
FUNDS FROM OTHER SOURCES						
Proceeds from disposal of tangible fixed assets			5,345			5,422
			<u>367,392</u>			<u>349,860</u>
APPLICATION OF FUNDS						
Purchase of tangible fixed assets		46,268			85,983	
Mortgage repayments		5,000			5,000	
Dividends paid		189,298			26,940	
ACT paid		15,071			10,040	
Corporation tax paid		64,000			42,863	
			<u>319,637</u>			<u>170,826</u>
INCREASE IN WORKING CAPITAL			<u>47,755</u>			<u>179,034</u>
REPRESENTED BY:-						
Increase in stocks			679,930			99,758
Increase in debtors			315,145			161,339
(Increase) in creditors			(181,398)			(112,032)
(Decrease) in deposit with Ford Motor Company			(58,806)			(76,098)
			<u>754,871</u>			<u>72,967</u>
Movement in net liquid funds:						
(Decrease)/increase in cash and bank			(707,116)			106,067
			<u>47,755</u>			<u>179,034</u>

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

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1985

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost accounting convention except for freehold land and buildings 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 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.

2. TURNOVER

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

3. PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION

	£	<u>1985</u>	£	<u>1984</u>	£
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This is stated after charging:

Interest payable:

Bank overdraft	14,168		20,345		
Loans wholly repayable within five years	15,473		15,466		
Loans not wholly repayable within five years	5,500		8,724		
		35,141			44,535
Depreciation		54,740			53,597
Auditors' remuneration		9,000			8,750
Directors' emoluments (including pension contributions) (see note 4)		209,193			193,909



HAYNES BROTHERS LIMITED

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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1985

(CONTINUED)

4. DIRECTORS' EMOLUMENTS

	<u>1985</u>	<u>1984</u>
	£	£
For management	209,193	193,909
Emoluments, excluding pension contributions, are analysed as follows:-	<u>209,193</u>	<u>193,909</u>
Highest paid director (including pension - related supplement £40,000 (1984: £Nil))	120,688	76,790
	<u>120,688</u>	<u>76,790</u>

The other director received emoluments within the range of £25,001 - £30,000 (1984: £25,001 - £30,000).

5. EMPLOYEES

	<u>1985</u>	<u>1984</u>
(a) The average number of persons including directors employed by the company during the year was:		
Service and workshop staff	165	163
Management and administration	77	77
Sales staff	21	20
	<u>263</u>	<u>260</u>
(b) Staff costs:	£	£
Wages and salaries	1,988,551	1,869,126
Social security costs	191,469	193,590
Other pension costs	143,311	178,590
	<u>2,323,331</u>	<u>2,241,306</u>

6. TAXATION

	<u>1985</u>	<u>1984</u>
	£	£
United Kingdom corporation tax based on the profit for the year at 41.25 per cent (1984: 46.25%)	142,500	100,000
Transfer from deferred taxation	(14,000)	-
(Over)/under provision in respect of prior years	(1,216)	363
	<u>127,284</u>	<u>100,363</u>

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1985(CONTINUED)

## 7. DIVIDENDS

	<u>1985</u>	<u>1984</u>
	£	£
3½% Cumulative preference shares - proposed	175	175
Variable rate cumulative preference shares - paid	19,401	26,765
- proposed	19,722	-
Ordinary shares - paid	150,000	-
	<u>189,298</u>	<u>26,940</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 1985	344,466	151,878	483,232	979,576
Additions	15,442	9,685	21,141	46,268
Disposals	-	(5,901)	(9,009)	(14,910)
31st December 1985	<u>359,908</u>	<u>155,662</u>	<u>495,364</u>	<u>1,010,934</u>
<u>DEPRECIATION</u>				
1st January 1985	-	71,387	267,235	338,622
Charge for the year	-	14,082	40,658	54,740
Disposals	-	(4,552)	(6,347)	(10,899)
31st December 1985	<u>-</u>	<u>80,917</u>	<u>310,546</u>	<u>382,463</u>
<u>NET BOOK AMOUNT</u>				
31st December 1985	<u>359,908</u>	<u>74,745</u>	<u>193,818</u>	<u>628,471</u>
31st December 1984	<u>344,466</u>	<u>80,491</u>	<u>215,997</u>	<u>640,954</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 £350,408.

HAYNES BROTHERS LIMITED

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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1985

(CONTINUED)

9. STOCKS

	<u>1985</u> £	<u>1984</u> £
Cars and commercial vehicles	1,509,650	879,240
Agricultural vehicles and implements	748,221	741,721
Parts stock	602,998	559,978
	<u>2,860,869</u>	<u>2,180,939</u>

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

10. DEBTORS

	<u>1985</u> £	<u>1984</u> £
Amounts due within one year:		
Trade debtors	1,136,446	858,091
Deposit with Ford Motor Company	546,505	605,311
Other debtors	108,222	94,961
Prepayments and accrued income	52,455	28,925
	<u>1,843,628</u>	<u>1,587,288</u>

11. CREDITORS

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>1985</u> £	<u>1984</u> £	<u>1985</u> £	<u>1984</u> £
Mortgage loan [note (i)]	5,000	5,000	20,000	25,000
Perpetual unsecured loan stock	-	-	55,000	55,000
Trade creditors	1,792,490	1,589,766	-	-
Stocking loans	100,000	100,000	-	-
Corporation tax	152,007	147,324	-	-
Other taxes and social security costs	178,139	233,714	-	-
Other creditors	147,905	119,805	-	-
Accruals and deferred income	137,899	85,414	-	-
Proposed dividend	19,897	175	-	-
	<u>2,533,337</u>	<u>2,281,198</u>	<u>75,000</u>	<u>80,000</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 1985

(CONTINUED)

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1985</u>	<u>1984</u>
	£	£
The provision included in the balance sheet relates to deferred taxation and consists of the following:-		
Accelerated capital allowances	86,000	101,000
Other timing differences	-	(1,000)
Advance corporation tax recoverable	(8,527)	-
	<u>77,473</u>	<u>100,000</u>
	<u>77,473</u>	<u>100,000</u>

13. CALLED-UP SHARE CAPITAL

	<u>1985</u>		<u>1984</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	350,000	350,000	350,000
3½% cumulative preference shares of £10 each	5,000	5,000	5,000	5,000
	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>
	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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