

# Haynes Brothers Limited

## REPORT AND FINANCIAL STATEMENTS

31 December 2003



Registered number : 48511

# Haynes Brothers Limited

## DIRECTORS' REPORT

31 December 2003

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The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2003.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades under the following subsidiaries:

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

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

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

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

The company is pleased to report a return to profit in 2003 despite a reduction in turnover and has made some significant changes in the year to the structure of its business to assist profitability further in 2004. These include:

- The opening of a new dedicated Ford Commercial Sales Centre Showroom on the site that was previously the Car Store Ltd. The Car Store Ltd was integrated into our Used Ford and Ford Direct business
- The widening of the Iveco vehicle display area at Ashford Road
- The complete redevelopment of the Car Service customer reception area at Ashford Road which includes the installation of a state-of-the-art Ford Service Advice Centre
- The resolution of many of the administration issues previously affecting Haynes Trucks Limited
- The addition of the Delphi and Denzo franchises for the Kent Diesel Centre Limited
- The company is still in talks with Case New Holland regarding possible development opportunities to address the profitability issues that continue to affect our Agricultural Company.

### CONCLUSION

The company remains a confirmed partner with Ford as inevitable changes in trading patterns evolve, as a result of Block Exemption legislation. Overall the balance sheet on page 7 continues to reflect a very strong commercial base from which the company will continue, wherever possible, to expand its business opportunities.

# Haynes Brothers Limited

## DIRECTORS' REPORT

31 December 2003

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### PROFITS AND DIVIDENDS

The profit on ordinary activities for the year after tax amounted to £42,500 (2002: loss of £149,926). Dividends of £17,536 (2002: £19,487) were paid in the year on the variable rate cumulative preference shares. It is recommended that a dividend of £175 (2002: £175) be paid in respect of the 3½% preference shares. The directors have approved an interim dividend of £20,000 (2002: £Nil) on the ordinary shares which will be paid on 27 August 2004. The retained profit for the year, £4,789 (2002: loss £169,588), will be transferred to reserves.

### DIRECTORS

The following were directors of the company at 31 December 2003 and served throughout the year:

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

### DIRECTORS' SHAREHOLDINGS

The interests of the directors in the company's share capital as at 31 December 2002 and 2003 are set out below:

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

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

In addition Mr D.B. Haynes holds £14,000 (2002: £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 £2,512 (2002: £5,852).

# Haynes Brothers Limited

## DIRECTORS' REPORT

31 December 2003

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### AUDITORS

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

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

By order of the board



T. J. Pickard

Secretary

Registered Office:  
Haynes House  
23 Ashford Road  
Maidstone  
Kent  
ME14 5DQ

3 August 2004

# Haynes Brothers Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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.

Haynes Brothers Limited  
INDEPENDENT AUDITORS' REPORT  
31 December 2003

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYNES BROTHERS LIMITED

We have audited the financial statements on pages 6 to 18.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

BASIS OF AUDIT OPINION

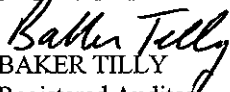
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

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

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

Except for the omission of these disclosures, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

3 August 2004

# Haynes Brothers Limited

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
TURNOVER	2	47,405,011	48,457,806
Cost of sales		(43,827,294)	(45,073,364)
Gross profit		<u>3,577,717</u>	<u>3,384,442</u>
Advertising and distribution costs		(907,570)	(1,037,438)
Administrative expenses		(2,375,519)	(2,306,529)
OPERATING PROFIT		<u>294,628</u>	<u>40,475</u>
Interest payable	3	(208,775)	(235,240)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>85,853</u>	<u>(194,765)</u>
Taxation	6	(43,353)	44,839
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>42,500</u>	<u>(149,926)</u>
Dividends (including non-equity dividends)	7	(37,711)	(19,662)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>4,789</u>	<u>(169,588)</u>
BALANCE BROUGHT FORWARD		4,287,502	4,457,090
BALANCE CARRIED FORWARD		<u><u>4,292,291</u></u>	<u><u>4,287,502</u></u>

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

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.


# Haynes Brothers Limited

## BALANCE SHEET

As at 31 December 2003

	Note	£	2003 £	2002 £
<b>FIXED ASSETS</b>				
Investments	8		204	204
Tangible assets	9		8,197,325	8,063,516
			<u>8,197,529</u>	<u>8,063,720</u>
<b>CURRENT ASSETS</b>				
Stocks	10	6,497,532	5,592,635	
Debtors	11	4,730,122	5,321,281	
Cash at bank and in hand		4,983	2,513	
		<u>11,232,637</u>	<u>10,916,429</u>	
CREDITORS: amounts falling due within one year	12	(10,341,178)	(9,898,450)	
<b>NET CURRENT ASSETS</b>			<u>891,459</u>	<u>1,017,979</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>9,088,988</u>	<u>9,081,699</u>
CREDITORS: amounts falling due after more than one year	13	55,000	55,000	
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	15	57,500	55,000	
			<u>(112,500)</u>	<u>(110,000)</u>
<b>NET ASSETS</b>			<u><u>8,976,488</u></u>	<u><u>8,971,699</u></u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	16		415,000	415,000
Revaluation reserve	17		4,269,197	4,269,197
Profit and loss account	17		4,292,291	4,287,502
<b>SHAREHOLDERS' FUNDS</b>	18		<u>8,976,488</u>	<u>8,971,699</u>
<b>ATTRIBUTABLE TO:</b>				
Equity shareholders			8,621,488	8,616,699
Non-equity shareholders			355,000	355,000
			<u>8,976,488</u>	<u>8,971,699</u>

The financial statements were approved by the Board of Directors on 3 August 2004 and signed on their behalf by:

  
A.D.S. Haynes - Director



# Haynes Brothers Limited

## CASH FLOW STATEMENT

For the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	a	901,395	(204,060)
Returns on investment and servicing of finance	c	(226,486)	(254,902)
Taxation		-	(62,118)
Capital expenditure	c	(389,500)	(311,168)
		<hr/>	<hr/>
		285,409	(832,248)
Equity dividends paid		-	(200,000)
Financing	c	(18,331)	(20,678)
		<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH IN THE YEAR		267,078	(1,052,926)
		<hr/>	<hr/>

Haynes Brothers Limited  
 NOTES TO THE CASH FLOW STATEMENT  
 For the year ended 31 December 2003

a)	RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		
		2003	2002
		£	£
	Operating profit	294,628	40,475
	Depreciation	255,385	244,487
	Loss on disposal of fixed assets	306	470
	Increase in stocks	(904,897)	(303,525)
	Decrease/(increase) in debtors	566,188	(1,279,707)
	Increase in creditors	689,785	1,093,740
	Net cash inflow/(outflow) from operating activities	<u>901,395</u>	<u>(204,060)</u>
b)	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
	Increase/(decrease) in cash in the year	267,078	(1,052,926)
	Net loan repayments	18,331	20,678
	Net debt at 1 January	(5,074,781)	(4,042,533)
	Net debt at 31 December	<u>(4,789,372)</u>	<u>(5,074,781)</u>
c)	GROSS CASH FLOWS		
i)	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Interest paid	(208,775)	(235,240)
	Non-equity dividends	(17,711)	(19,662)
		<u>(226,486)</u>	<u>(254,902)</u>
ii)	CAPITAL EXPENDITURE		
	Payment to acquire tangible fixed assets	(702,205)	(470,752)
	Receipts from sale of tangible fixed assets	312,705	159,584
		<u>(389,500)</u>	<u>(311,168)</u>
iii)	FINANCING		
	Capital element of finance leases	(14)	(674)
	Loans repaid	(18,317)	(20,004)
		<u>(18,331)</u>	<u>(20,678)</u>

Haynes Brothers Limited  
 NOTES TO THE CASH FLOW STATEMENT  
 For the year ended 31 December 2003

d) NET DEBT	At 1 January 2003 £	Cash flows £	At 31 December 2003 £
Cash at bank and in hand	2,513	2,470	4,983
Bank loan and overdrafts	(4,303,963)	264,608	(4,039,355)
	<u>(4,301,450)</u>	<u>267,078</u>	<u>(4,034,372)</u>
Other loans due within 1 year	(718,317)	18,317	(700,000)
Other loans due after more than 1 year	(55,000)	-	(55,000)
Finance leases	(14)	14	-
	<u>(5,074,781)</u>	<u>267,092</u>	<u>(4,789,372)</u>

# Haynes Brothers Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

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### 1 ACCOUNTING POLICIES

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for freehold land and buildings which are stated at revalued amounts. Consolidated accounts have not been prepared as the company's subsidiaries are dormant and their assets and liabilities are insignificant.

#### *Cost of sales*

Cost of sales is stated as all those costs directly incurred by the company, including depreciation, in order to bring each product sold to its saleable condition and to provide the services to customers.

#### *Depreciation*

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

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

#### *Stocks*

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

Stocks are only included within the company's financial statements when the full risks and rewards of ownership are transferred to the company. The risks and rewards of ownership are considered to pass to the company on the earlier of date from which stock is released to the company from the manufacturers' holding compounds or from when interest is charged on the stock.

#### *Deferred taxation*

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

#### *Assets held under finance leases*

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

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

#### *Operating leases*

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

#### *Pensions*

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

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2003

2 TURNOVER

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

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES  
 BEFORE TAXATION

2003                      2002  
 £                              £

This is stated after charging/(crediting):

Interest payable:

Loans wholly repayable within five years	34,722	37,579
Loans not wholly repayable within five years	5,500	5,500
Bank overdraft and other interest	168,533	192,161

	208,775	235,240
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Depreciation:

- owned assets	255,385	244,487
Loss/(profit) on disposal of tangible fixed assets	306	(470)
Auditors' remuneration for audit	25,000	24,500
Auditors' remuneration for other services	23,750	22,905
Operating leases - rent payable	48,520	48,500
- other	29,344	49,476

	208,775	235,240
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4 DIRECTORS' EMOLUMENTS

Total emoluments	243,050	239,251
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	243,050	239,251
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Emoluments, for management, excluding pension contributions	242,950	239,151
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	242,950	239,151
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The emoluments of the highest paid director were	122,676	120,388
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	122,676	120,388
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Pension contributions of £100 (2002: £100) were paid in respect of one director, who is the highest paid.

# Haynes Brothers Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2003

5	EMPLOYEES	2003 Number	2002 Number
	The average number of persons including directors employed by the company during the year was:		
	Sales staff	136	138
	Service and workshop staff	122	124
	Management and administration	39	39
		297	301
		297	301
	Staff costs:	£	£
	Wages and salaries	5,671,568	5,541,353
	Social security costs	536,999	489,570
	Other pension costs	252,160	208,336
		6,460,727	6,239,259
		6,460,727	6,239,259

### Pensions costs

The company operates a defined benefit pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions funding the scheme are charged to the profit and loss account on the basis of actuarial recommendations and the scheme trustees.

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

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

With effect from 1 October 2003 the company decided to discontinue future pension benefits accrued in the scheme, with members being entitled to approved pension or cash sum payable from Normal Retirement Date.

The contributions of the company from 1 January 2003 to 31 March 2003 were 6.4% of pensionable salary, from 1 April 2003 to 30 September 2003 9.6% and for 1 October 2003 to 31 December 2003 6.0% giving a pension cost for the year of £203,820 (2002: £180,843). Employee contributions were 3% of pensionable salaries from 1 January 2003 to 30 September 2003 and subsequently ceased on the discontinuation of future pension benefits being accrued.

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

The company also operates a stakeholder pension scheme and its contributions to the scheme varied from 3% to 8% during the year giving a pension cost for the year of £48,340 (2002: £27,493).

Total pension costs for the year amounted to £252,160 (2002: £208,336).

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2003

6	TAXATION	2003 £	2002 £
	(a) Analysis of tax charge for year		
	Current tax:		
	United Kingdom corporation tax payable/(recoverable) based on the result for the year	15,882	(50,000)
	Adjustment in respect of prior years	24,971	(19,839)
		<u>40,853</u>	<u>(69,839)</u>
	Deferred tax:		
	Origination and reversal of timing differences	2,500	25,000
		<u>43,353</u>	<u>(44,839)</u>
	(b) Factors affecting tax charge for the year		
	The tax assessed for the year is greater than (2002: lower than) the applied rate of corporation tax in the United Kingdom for this company of 19% (2002: 30%).		
	The differences are explained below:		
	Profit/(loss) on ordinary activities before taxation	85,853	(194,765)
	Profit/(loss) on ordinary activities before taxation multiplied by the applied rate of corporation tax for small companies of 19% (2002: standard rate of 30%)	16,312	(58,430)
	Effects of:		
	Expenses not deductible for tax purposes	2,505	3,000
	Depreciation in period in excess of capital allowances	(2,935)	3,095
	Loss on disposal of fixed assets	-	141
	Rounding differences	-	2,194
	Adjustment to taxation of prior years	24,971	(19,839)
		<u>40,853</u>	<u>(69,839)</u>
	7 DIVIDENDS		
	3½% Cumulative preference shares - proposed (non-equity)	175	175
	Variable rate cumulative preference shares - paid (non-equity)	17,536	19,487
	Ordinary shares - interim proposed - £3.33 (2002 - £Nil) (equity)	20,000	-
		<u>37,711</u>	<u>19,662</u>

Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2003

8	FIXED ASSET INVESTMENTS	Subsidiary undertakings £
	1 January 2003 and 31 December 2003	204

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

9	TANGIBLE FIXED ASSETS	Freehold land and buildings £	Short leasehold property £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
	COST OR VALUATION							
	1 January 2003	7,140,000	1,500	1,141,052	340,008	225,016	748,345	9,595,921
	Additions	-	-	209,695	129,744	44,661	318,105	702,205
	Disposals	-	-	(99,560)	(13,470)	-	(411,475)	(524,505)
	31 December 2003	<u>7,140,000</u>	<u>1,500</u>	<u>1,251,187</u>	<u>456,282</u>	<u>269,677</u>	<u>654,975</u>	<u>9,773,621</u>
	DEPRECIATION							
	1 January 2003	-	-	802,283	206,240	138,557	385,325	1,532,405
	Charge for the year	-	-	73,091	37,886	48,973	95,435	255,385
	Disposals	-	-	(74,962)	(12,762)	-	(123,770)	(211,494)
	31 December 2003	<u>-</u>	<u>-</u>	<u>800,412</u>	<u>231,364</u>	<u>187,530</u>	<u>356,990</u>	<u>1,576,296</u>
	NET BOOK AMOUNT							
	31 December 2003	<u>7,140,000</u>	<u>1,500</u>	<u>450,775</u>	<u>224,918</u>	<u>82,147</u>	<u>297,985</u>	<u>8,197,325</u>
	31 December 2002	<u>7,140,000</u>	<u>1,500</u>	<u>338,769</u>	<u>133,768</u>	<u>86,459</u>	<u>363,020</u>	<u>8,063,516</u>

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

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

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



Haynes Brothers Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2003

10	STOCKS	2003 £	2002 £
	Cars and commercial vehicles	3,296,347	2,636,230
	Agricultural vehicles and implements	1,406,370	1,153,431
	Parts stock	1,794,815	1,802,974
		<u>6,497,532</u>	<u>5,592,635</u>

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

The company has been invoiced £6,899,000 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.

11	DEBTORS	2003 £	2002 £
	Amounts due within one year:		
	Trade debtors	3,432,020	4,263,026
	Other debtors	675,464	545,743
	Prepayments and accrued income	597,388	462,512
	Corporation tax recoverable	25,250	50,000
		<u>4,730,122</u>	<u>5,321,281</u>

12	CREDITORS: Amounts falling due within one year	2003 £	2002 £
	Bank overdrafts	4,039,355	4,303,963
	Other loans	700,000	718,303
	Obligations under finance leases	-	14
	Trade creditors	4,111,012	3,103,520
	Amounts owed to subsidiary undertakings	204	204
	Proposed dividends	20,000	175
	Corporation tax	15,882	-
	Other taxes and social security costs	646,962	586,138
	Other creditors	302,360	274,099
	Accruals and deferred income	505,403	912,020
		<u>10,341,178</u>	<u>9,898,450</u>

The bank loans are secured by a fixed charge on the freehold property.

13	CREDITORS: Amounts falling due in more than one year	2003 £	2002 £
	Perpetual unsecured loan stock	55,000	55,000

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14	LEASING OBLIGATIONS	2003 Land and Buildings £	2003 Other £	2002 Land and Buildings £	2002 Other £
	Commitments due under operating leases for the year to 31 December 2004 are as follows:				
	Leases expiring:				
	In less than one year	-	25,004	-	6,911
	Within two to five years	-	5,040	-	24,599
	After more than five years	48,500	-	49,000	-
		<u>48,500</u>	<u>30,044</u>	<u>49,000</u>	<u>31,510</u>

15	PROVISIONS FOR LIABILITIES AND CHARGES	Accelerated capital allowances £	Short term timing differences £	Total £
	Deferred taxation:			
	Full provision has been made, based on a corporation tax rate of 30%, in respect of corporation tax deferred because of timing differences:			
	1 January 2003	57,500	(2,500)	55,000
	Transfer from profit and loss account	2,500	-	2,500
	31 December 2003	<u>60,000</u>	<u>(2,500)</u>	<u>57,500</u>

There was no unprovided deferred taxation at 31 December 2003 (2002: £Nil).

16	CALLED-UP SHARE CAPITAL	Number of Shares	Authorised £	2003 and 2002 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	4,000	4,000
		<u>6,000</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	5,000	5,000
		<u>350,500</u>	<u>355,000</u>	<u>355,000</u>
	TOTAL SHARE CAPITAL		<u>415,000</u>	<u>415,000</u>

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16 CALLED-UP SHARE CAPITAL (continued)

The variable rate cumulative preference shares have no rights other than the right to a dividend of 1½% over average bank base rate for the preceding year payable in arrears on 30 June and 31 December and the right on a return of assets on liquidation or otherwise for the capital paid up to be repaid together with any arrears or accruals of the cumulative preference dividend before any amounts are repaid to any other shareholder. The 3½% cumulative preference shares have no rights other than the right to a dividend of 3½% payable annually and the right to second preference behind the variable rate cumulative preference shares on a return of assets on liquidation or otherwise.

17	RESERVES	Revaluation reserve £	Profit and loss account £	Total £
	1 January 2003	4,269,197	4,287,502	8,556,699
	Profit for the financial year	-	4,789	4,789
	31 December 2003	<u>4,269,197</u>	<u>4,292,291</u>	<u>8,561,488</u>

18	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2003 £	2002 £
	Profit/(loss) for the financial year	42,500	(149,926)
	Dividends	(37,711)	(19,662)
	Net addition to shareholders' funds	<u>4,789</u>	<u>(169,588)</u>
	Opening shareholders' funds	8,971,699	9,141,287
	Closing shareholders' funds	<u>8,976,488</u>	<u>8,971,699</u>

19 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.