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HAYNES BROTHERS LIMITED

DIRECTORS' REPORT

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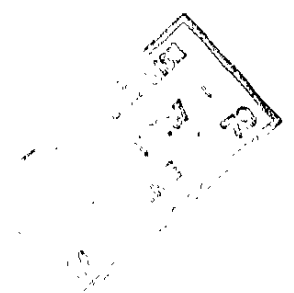
FINANCIAL STATEMENTS

31ST DECEMBER 1986

KIDSONS

Chartered Accountants

LONDON



1.

HAYNES BROTHERS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31st December 1986.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as motor and agricultural engineers including Distributorships for Ford cars, vans, trucks and tractors, Iveco Ford trucks 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 £350,283. Dividends of £47,974 were paid during the year in respect of the variable rate preference shares. 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 1986 and served throughout the year:

D.B. Haynes
P.F. Haynes

The death of Mr. P.F. Haynes on 2nd August 1987 after a lifetime of service to the company is recorded with deep regret.

Mr. D.B. Haynes continues in office as sole director.

DIRECTORS' SHAREHOLDINGS

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

	<u>At 31st December 1986 and 1985</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 preference shares. D.B. Haynes holds £225 (1985: £Nil) of the 3½% Cumulative Preference Shares.

In addition P.F. Haynes holds £12,500 (1985: £12,500) and D.B. Haynes £14,000 (1985: £Nil) 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.

HAYNES BROTHERS LIMITED

2.

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 £1,524 (1985: £1,240).

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 Applodore 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

10th September 1987.

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, 1986 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, 10th September 1987.

Chartered Accountants

HAYNES BROTHERS LIMITED

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PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST DECEMBER 1986

	<u>Note</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
TURNOVER	2	21,255,332	19,209,796
Cost of sales		19,314,481	17,643,505
Gross profit		1,940,851	1,566,291
Advertising and distribution costs		249,282	258,606
Administrative expenses		1,087,377	963,903
OPERATING PROFIT	3	604,192	343,782
Interest payable	3	50,636	35,141
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	553,556	308,641
Taxation	6	203,273	127,284
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		350,283	181,357
Dividends	7	48,149	189,298
RETAINED PROFIT (LOSS) FOR THE FINANCIAL YEAR		302,134	(7,941)
BALANCE BROUGHT FORWARD		1,444,544	1,452,485
BALANCE CARRIED FORWARD		1,746,678	1,444,544

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

HAYNES BROTHERS LIMITED

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BALANCE SHEET - 31ST DECEMBER 1986

	<u>Note</u>	<u>1986</u>		<u>1985</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		697,622		628,471
CURRENT ASSETS					
Stocks	9	2,932,791		2,860,869	
Debtors	10	1,765,265		1,843,628	
Cash at bank and in hand		186,931		47,241	
		4,884,987		4,751,738	
CREDITORS: amounts falling due within one year	11		2,444,151		2,533,337
NET CURRENT ASSETS			2,440,836		2,218,401
TOTAL ASSETS LESS CURRENT LIABILITIES			3,138,458		2,846,872
CREDITORS: amounts falling due after more than one year	11		70,000		75,000
PROVISIONS FOR LIABILITIES AND CHARGES	12		71,925		77,473
			141,925		152,473
NET ASSETS			2,996,533		2,694,399
CAPITAL AND RESERVES					
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			1,746,678		1,444,544
SHAREHOLDERS' FUNDS			2,996,533		2,694,399

On behalf of the Board

D.B. HAYNES - Director

10th September 1987.



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

6.

HAYNES BROTHERS LIMITED

SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST DECEMBER 1986

SOURCE OF FUNDS	£	<u>1986</u>	£	£	<u>1985</u>	£
Profit on ordinary activities before taxation			553,556			308,641
Adjustment for items not involving the movement of funds:						
Depreciation		56,675			54,740	
Profit on sale of tangible fixed assets		(438)			(1,334)	
		56,237			53,406	
TOTAL GENERATED FROM OPERATIONS			609,793			362,047
FUNDS FROM OTHER SOURCES						
Proceeds from disposal of tangible fixed assets			3,665			5,345
			613,458			367,392
APPLICATION OF FUNDS						
Purchase of tangible fixed assets		129,053			46,268	
Mortgage repayments		5,000			5,000	
Dividends paid		67,871			189,298	
ACT paid		82,530			15,071	
Corporation tax paid		87,593			64,000	
			372,047			319,637
INCREASE IN WORKING CAPITAL			241,411			47,755
REPRESENTED BY:-						
Increase in stocks			71,922			679,930
(Decrease)/Increase in debtors			(140,973)			315,145
Decrease/(Increase) in creditors			108,162			(181,398)
Increase/(Decrease) in deposit with Ford Motor Company			62,610			(58,806)
			101,721			754,871
Movement in net liquid funds:						
Increase/(Decrease) in cash and bank			139,690			(707,116)
			241,411			47,755

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

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1986

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.

(f) Assets held under finance leases

Rental payments are charged directly against profits.

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>1986</u>	£	<u>1985</u>	£
This is stated after charging:					
Interest payable:					
Loans wholly repayable within five years	14,493			15,473	
Loans not wholly repayable within five years	5,500			5,500	
Bank overdraft and other interest	30,643			14,168	
		50,636		35,141	
Hire of plant and machinery held under finance leases		9,049		-	54,740
Depreciation		56,675		9,000	
Auditors' remuneration		9,000			
Directors' emoluments (including pension contributions) (see note 4)		223,109		213,213	
		223,109		213,213	

HAYNES BROTHERS LIMITED

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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1986

(CONTINUED)

	<u>1986</u>	<u>1985</u>
	£	£
4. DIRECTORS' EMOLUMENTS		
For management	223,109	213,213
Emoluments, excluding pension contributions, are analysed as follows:-		
Highest paid director (including pension - related supplement £40,000 (1985: £40,000))	125,289	120,688
The other director received emoluments within the range of £30,000 - £35,000 (1985: £25,001 - £30,000).		
5. EMPLOYEES	<u>1986</u>	<u>1985</u>
(a) The average number of persons including directors employed by the company during the year was:		
Service and workshop staff	163	165
Management and administration	75	77
Sales staff	22	21
	<u>260</u>	<u>263</u>
(b) Staff costs:	£	£
Wages and salaries	2,119,951	1,988,551
Social security costs	205,985	191,469
Other pension costs	145,679	143,311
	<u>2,471,615</u>	<u>2,323,331</u>
6. TAXATION	<u>1986</u>	<u>1985</u>
	£	£
United Kingdom corporation tax based on the profit for the year at 36.25 per cent (1985: 41.25%)	220,000	142,500
Transfer from deferred taxation	(14,000)	(14,000)
(Over) provision in respect of prior years	(2,727)	(1,216)
	<u>203,273</u>	<u>127,284</u>

HAYNES BROTHERS LIMITED

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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1986

(CONTINUED)

	<u>1986</u>	<u>1985</u>
	£	£
7. DIVIDENDS		
3½% Cumulative preference shares - proposed	175	175
Variable rate cumulative preference shares - paid	47,974	19,401
- proposed	-	19,722
Ordinary shares - paid	<u>48,149</u>	<u>189,298</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 1986	359,908	155,662	495,364	1,010,934
Additions	92,839	4,674	31,540	129,053
Disposals	-	(1,445)	(6,353)	(7,798)
31st December 1986	<u>452,747</u>	<u>158,891</u>	<u>520,551</u>	<u>1,132,189</u>
 <u>DEPRECIATION</u>				
1st January 1986	-	80,917	301,546	382,463
Charge for the year	-	14,221	42,454	56,675
Disposals	-	(1,278)	(3,293)	(4,571)
31st December 1986	<u>-</u>	<u>93,860</u>	<u>340,707</u>	<u>434,567</u>
 <u>NET BOOK AMOUNT</u>				
31st December 1986	<u>452,747</u>	<u>65,031</u>	<u>179,844</u>	<u>697,622</u>
31st December 1985	<u>359,908</u>	<u>74,745</u>	<u>193,818</u>	<u>628,471</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 £443,247.

HAYNES BROTHERS LIMITED

10.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1986

(CONTINUED)

9. STOCKS	<u>1986</u> £	<u>1985</u> £
Cars and commercial vehicles	1,456,682	1,509,650
Agricultural vehicles and implements	707,582	748,221
Parts stock	768,527	602,998
	<u>2,932,791</u>	<u>2,860,869</u>
	<u>2,932,791</u>	<u>2,860,869</u>

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

10. DEBTORS	<u>1986</u> £	<u>1985</u> £
Amounts due within one year:		
Trade debtors	1,007,397	1,136,446
Deposit with Ford Motor Company	609,115	546,505
Other debtors	109,359	108,222
Prepayments and accrued income	39,394	52,455
	<u>1,765,265</u>	<u>1,843,628</u>
	<u>1,765,265</u>	<u>1,843,628</u>

11. CREDITORS	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>1986</u> £	<u>1985</u> £	<u>1986</u> £	<u>1985</u> £
Mortgage loan [note (i)]	5,000	5,000	15,000	20,000
Perpetual unsecured loan stock	-	-	55,000	55,000
Trade creditors	1,542,618	1,792,490	-	-
Stocking loans	100,000	100,000	-	-
Corporation tax	253,565	152,007	-	-
Other taxes and social security costs	151,530	178,139	-	-
Other creditors	139,502	147,905	-	-
Accruals and deferred income	251,761	137,899	-	-
Proposed dividend	175	19,897	-	-
	<u>2,444,151</u>	<u>2,533,337</u>	<u>70,000</u>	<u>75,000</u>
	<u>2,444,151</u>	<u>2,533,337</u>	<u>70,000</u>	<u>75,000</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%.

HAYNES BROTHERS LIMITED

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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1986

(CONTINUED)

12. PROVISIONS FOR LIABILITIES AND CHARGES	<u>1986</u> £	<u>1985</u> £		
The provision included in the balance sheet relates to deferred taxation and consists of the following:-				
Accelerated capital allowances	72,000 (75)	86,000 (8,527)		
Advance corporation tax recoverable	<u>71,925</u>	<u>77,473</u>		
13. CALLED-UP SHARE CAPITAL	<u>1986</u>	<u>1985</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	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>
				£
14. LEASING COMMITMENTS				
Future commitments due under finance leases at 31 December 1986 are as follows:				
Year to 31 December 1987				15,757
Year to 31 December 1991				<u>53,992</u>
				69,749
Less future finance charges				<u>12,913</u>
				<u>56,836</u>
15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES				
There were no capital commitments or contingent liabilities at the balance sheet date.				