Haynes Brothers Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2010

Registered number 48511

The Directors present their Annual Report and the audited Financial Statements of the Company for the year ended 31st December 2010

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Haynes Bros Ltd, established in 1790 and incorporated in 1896, is the holding company for 5 operating divisions

Haynes of Maidstone trading as Haynes Ford is Kent's first Ford Main Dealer having been appointed in 1911 It distributes Ford cars and, as a Transit Specialist Dealer, Ford commercial vehicles The Company is also a Ford car and commercial vehicle authorised repairer and has a Ford accredited Accident Repair Centre Other franchises include Ford Rapid Fit, Ford Direct used cars and the Practical Car and Van Rental Franchise The Company operates from 8 5 acres of freehold premises at Ashford Road and Parkwood, Maidstone

Haynes Trucks has the franchise for Iveco trucks, Iveco Daily vans and Irisbus covering most of Kent with freehold depots at Maidstone and Ashford and a rented site at Canterbury It also has the Fiat Commercial Vehicle franchise covering Maidstone and most of the Medway Towns

Haynes Agricultural as Agricultural Engineers, hold the New Holland franchise for tractors and harvest equipment, as well as other leading makes of agricultural and related equipment, for Kent and part of Sussex It operates from depots at Maidstone, Eastry, Lingfield and Uckfield

Haynes Agritec, holds the Case IH franchise and JCB agricultural franchise now for parts of Kent and Sussex respectively The Company currently operates from premises at Appledore, part of the much larger freehold premises at Uckfield and a new depot at Birchington

The Kent Diesel Centre in Maidstone has a Bosch service agency, as well as the Delphi, Denso and Siemens agencies and undertakes diesel and electrical reconditioning throughout the South East

2010 proved to be another very challenging year due to the sluggish economic climate in the UK Whilst the first half of the year saw very positive results, the second half proved much harder as the Government's austerity measures started to have an impact on retail sales The Company can report that despite this, overall turnover rose by £2 3m to £71 5m In the agricultural companies sales increased by 3 8% over 2009 due to greater confidence in the rural economy and in the truck company sales increased by a significant 8 8% as the Company took advantage of excess stock terms given by the manufacturer Sales in the Kent Diesel Centre were down 23% and in the Ford Car and Commercial Vehicle Company sales were up 2 6%, helped by the Government's vehicle scrappage which concluded in the early part of 2010 Overall, operating profit, before exceptional items was £292,970

There were two key business developments in the year In June 2010 the Company opened its new Birchington agricultural depot to host its Case IH franchise, as the first stage of the Company's agricultural business restructuring plan This plan seeks to consolidate the Company's existing Agricultural Depot footprint into a fewer number of strategically located depots and is fully supported by CNH, the holding Company for New Holland and Case IH Secondly, in March 2011 the Company's freehold properties were professionally revalued by Surveyors, Montague Evans, on two bases, existing use value for statutory accounts purposes and open market value The existing use value reported in these accounts reports a decline in value of £1 49m since the last valuation in 2007, most of this is charged to the revaluation reserve and £195,000 reported as an exceptional item in the profit and loss account However, the Company is pleased to report that the open market value of its property portfolio has increased since the 2007 valuation on a like for like basis The open market value of the Company's freehold sites currently stand at £16 2m, considerably in excess of the 'existing use' value of £12 3m reported in these accounts

In 2010 The Company also received, the Ford Motor Company Chairman's Award for outstanding customer satisfaction, which recognises the best dealers in the UK for service to its customers

Since the finalisation of these accounts the Company has closed its freehold Eastry and Appledore depots as well as it rented Lingfield branch, as part of its agricultural business restructuring plan referred to above The company has also refinanced its existing bank loans and developed a five year business plan with the objective of reducing gearing and setting out key benchmarks for generating improved returns on capital employed

Whilst trading remains very challenging as a result of the significant downturn in the UK and World economy, the Company continues to take key actions to address its cost base and improve operational efficiencies In the opinion of the Directors, the Company has very strong underlying businesses with a wide customer base, good franchises and a committed, experienced staff The fact that the Company operates in different sectors with some areas less severely exposed to the economic downturn, should continue to assist it to make the most of these difficult times

CONCLUSION

The Company remains a firm partner with each of its major manufacturer franchises and overall its balance sheet continues to reflect a very strong commercial base from which the Company will continue to expand its business wherever appropriate

RESULTS AND DIVIDENDS

The loss on ordinary activities for the year before tax amounted to £(263,036) (2009 profit of £54,098)

No ordinary dividends were paid in the year (2009 £Nil) A final dividend of £40,000 was proposed but not paid (2009 £Nil) A dividend of £175 (2009 £175) was paid in respect of the 3½% preference shares and a dividend of £Nil (2009 £7,989) was charged to interest payable in respect of variable rate preference shares

RISKS AND UNCERTAINTIES

The Company seeks to balance risks with the costs of risk mitigation The Company's main exposure to risk arises in the following areas

- the Company has substantial working capital, which is funded by borrowings from the bank and from manufacturers The interest charged on these borrowings is dependent on underlying base rates and the Company is therefore exposed to interest rate risks The Company constantly monitors trends in interest rates and if appropriate takes necessary action to mitigate its exposure
- the Company has to nominate the vehicles which it wishes to acquire in the coming year and therefore is exposed to the risks associated with this commitment The company monitors levels of current stocks and market conditions before making its purchasing decisions
- the Company is exposed to pricing risks through the stocks of used vehicles and vehicles for its own use The pricing risk relating to new vehicles is mitigated by the use of consignment stock

The Company is not exposed to foreign exchange risk and credit risk is not considered significant as the Company only extends credit in respect of certain activities and there is no concentration of credit

DIRECTORS

The following were Directors of the Company at 31 December 2010 and served throughout the year and subsequently

A D S Haynes
L Haynes
S Hyde

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 £1,407 (2009 £2,838)

MARKET VALUE OF LAND AND BUILDINGS

The Directors have obtained a professional external valuation, and based on this valuation consider that the open market value of properties at 31 December 2010 is £16 2m This significantly exceeds the net book values included in the financial statements

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The Directors in office at the date of approval of this report have confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Company's auditor

AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants will be put to the members at the Annual General Meeting

By order of the board

T J Pickard

T J Pickard

Secretary

Date

20/12/11

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

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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

a select suitable accounting policies and then apply them consistently,

b make judgements and accounting estimates that are reasonable and prudent,

c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

d 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYNES BROTHERS LIMITED

We have audited the financial statements on pages 6 to 23

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 AUDITOR

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Baker Tilly UK Audit LLP

ANDREW MONTEITH (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

9th January 2012

Haynes Brothers Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Note	Profit and loss Pre exceptional item and FRS 17 notional interest 2010 £	Exceptional item and FRS 17 notional interest 2010 (note 3) £	Total 2010 £	Profit and loss Pre exceptional item and FRS 17 notional interest 2009 £	Exceptional item and FRS 17 notional interest 2009 £	Total 2009 £
TURNOVER	2	71,526,235	-	71,526,235	69,162,716	-	69,162,716
Cost of sales		(66,591,861)	(195,185)	(66,787,046)	(64,716,777)	-	(64,716,777)
Gross profit		4,934,374	(195,185)	4,739,189	4,445,939	-	4,445,939
Advertising and distribution costs		(1,323,786)	-	(1,323,786)	(1,138,414)	-	(1,138,414)
Administrative expenses		(3,317,618)	-	(3,317,618)	(2,855,920)	-	(2,855,920)
OPERATING PROFIT	3	292,970	(195,185)	97,785	451,605	-	451,605
Interest payable and similar charges	4	(293,821)	(67,000)	(360,821)	(307,507)	(90,000)	(397,507)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(851)	(262,185)	(263,036)	144,098	(90,000)	54,098
Taxation	6	6,360	-	6,360	(48,560)	-	(48,560)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	20	5,509	(262,185)	(256,676)	95,538	(90,000)	5,538

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

Haynes Brothers Limited
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 December 2010

	Note	2010 £	2009 £
(Loss)/profit for the financial year		(256,676)	5,538
Actuarial gain/(loss) on defined benefit pension scheme	17	87,000	(388,466)
Deferred tax thereon	6	(24,360)	108,920
Revaluation of freehold premises		(1,181,371)	-
Total recognised gains and losses relating to the year		(1,375,407)	(274,008)

NOTE OF HISTORICAL COST PROFITS & LOSSES

	2010 £	2009 £
(Loss)/profit on ordinary activities before tax	(263,036)	54,098
Realisation of property valuation gains of previous year	-	-
Difference between historical cost depreciation charge and the actual depreciation charge calculated on revalued amount	21,000	18,000
Historical cost profit on ordinary activities before tax	(242,036)	72,098

Haynes Brothers Limited

BALANCE SHEET | Company Registration No 48511

As at 31 December 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Intangible assets	9		-		5,305
Tangible assets	10		13,808,522		15,181,659
Investments	8		205		205
			13,808,727		15,187,169
CURRENT ASSETS					
Stocks	11	13,428,404		11,090,030	
Debtors	12	5,274,703		6,072,768	
Cash at bank and in hand		6,541		6,593	
		18,709,648		17,169,391	
CREDITORS amounts falling due within one year	13	(20,907,933)		(12,746,536)	
NET CURRENT (LIABILITIES)/ASSETS			(2,198,285)		4,422,855
TOTAL ASSETS LESS CURRENT LIABILITIES			11,610,442		19,610,024
CREDITORS amounts falling due after more than one year	14		(405,000)		(6,865,000)
NET ASSETS EXCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			11,205,442		12,745,024
Defined benefit pension scheme deficit	17		(1,284,000)		(1,408,000)
NET ASSETS INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			9,921,442		11,337,024
CAPITAL AND RESERVES					
Called up share capital	18		65,000		65,000
Revaluation reserve	19		7,975,626		9,156,997
Profit and loss account	20		1,880,816		2,115,027
SHAREHOLDERS' FUNDS	21		9,921,442		11,337,024

The financial statements were approved and authorised for issue by the Board of Directors on 20th December 2011. and signed on their behalf by

A D S Haynes - Chairman

Haynes Brothers Limited
CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	a	861,523	1,019,987
Returns on investment and servicing of finance	c	(293,821)	(307,507)
Taxation		-	-
Capital expenditure	c	(459,548)	(369,712)
		108,154	342,768
Equity dividends paid		(175)	(30,175)
Cash inflow before financing		107,979	312,593
Financing	c	(370,688)	5,140,959
(DECREASE) / INCREASE IN CASH IN THE YEAR		(262,709)	5,453,552

a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£	£
Operating profit	97,785	451,605
Depreciation	453,401	424,539
Loss on disposal of tangible fixed assets	2,728	5,331
Amortisation	5,305	5,305
(Increase)/decrease in stocks	(2,338,374)	4,760,807
Decrease/(increase) in debtors	827,435	(887,038)
Increase/(decrease) in creditors	1,770,058	(3,411,096)
Defined benefit pension scheme contributions	(152,000)	(329,466)
Exceptional item – diminution in value of freehold property	195,185	-
Net cash inflow from operating activities	861,523	1,019,987

b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010	2009
(Decrease)/increase in cash in the year	(262,709)	5,453,552
Net loan repayments	370,688	1,859,041
New loans in year	-	(7,000,000)
Net debt at 1 January	(9,329,806)	(9,642,399)
Net debt at 31 December	(9,221,827)	(9,329,806)

c) GROSS CASH FLOWS

i) RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2010	2009
Interest paid	(293,821)	(299,518)
Non-equity dividends	-	(7,989)
	(293,821)	(307,507)

ii) CAPITAL EXPENDITURE

	2010	2009
Payment to acquire tangible fixed assets	(632,254)	(602,418)
Receipts from sale of tangible fixed assets	172,706	232,706
	(459,548)	(369,712)

iii) FINANCING

	2010	2009
Bank loans repaid	(350,000)	(1,691,869)
Other loans repaid	(20,688)	(167,172)
New bank loans	-	7,000,000
	(370,688)	5,140,959

d) NET DEBT

	At 1 January 2010	Cash flows	Transfers	At 31 December 2010
	£	£	£	£
Cash at bank and in hand	6,593	(52)	-	6,541
Bank overdrafts	(1,339,211)	(262,657)	-	(1,601,868)
	(1,332,618)	(262,709)	-	(1,595,327)
Other loans due within 1 year	(782,188)	20,688	-	(761,500)
Bank loan due within 1 year	(350,000)	350,000	(6,460,000)	(6,460,000)
Bank loan due after more than 1 year	(6,460,000)	-	6,460,000	-
Perpetual loan stock	(55,000)	-	-	(55,000)
Non-equity preference shares	(350,000)	-	-	(350,000)
Net debt	(9,329,806)	107,979	-	(9,221,827)

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 As such these financial statements relate to the Company's results and balances The financial statements have been prepared on a consistent basis with prior years

Going concern
The Company meets its day to day working capital requirements through an overdraft and loan facility This is provided by its bank, where the Company has a very long standing relationship, and where, in the opinion of the Directors, the security provided by the Company is more than ample to cover its loan obligations

As noted in the Directors' report the business is operating in challenging times The current economic conditions create uncertainty of the level of demand for the Company's products and the maintenance of profit margins although the Company continues to operate across a range of diversified markets which affords it some protection

The Directors have prepared a five year business plan and detailed projections including a cash flow forecast for the period ending 15 months after the approval of these financial statements These projections have been prepared on the assumption that these economic conditions will continue On the basis of these projections and the refinancing agreed in December 2011 (see note 15), the Directors consider that they have in place all the finance required to support both the current and future activities

Turnover
Sales are included in turnover on the following basis

Trucks, commercial vehicles, cars, parts, tractors and agricultural implements, new agricultural combines	On delivery
Service	On release of the vehicle to the customer

Turnover excludes value added tax, and is net of discounts allowed

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

Tangible fixed assets
Freehold properties are revalued in accordance with FRS 15 with a full valuation carried out by professionally qualified Chartered Surveyors on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors every five years and an interim valuation is carried out in year three Other fixed assets are stated at historical cost

Depreciation
Depreciation is calculated to write off the cost / valuation of all tangible fixed assets, other than freehold land, in equal annual instalments over their estimated useful lives, at the rate of 1% per annum for freehold buildings and 10% - 20% per annum for other assets, except for motor vehicles which are written down to their estimated realisable value at the balance sheet date

Purchased goodwill
Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over 5 years as in the opinion of the Directors this represents the period over which the goodwill is effective

1 ACCOUNTING POLICIES (*continued*)

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

Consignment stocks are only included within the Company's financial statements when the risks and rewards of ownership are transferred substantially to the Company Where the risks and rewards of ownership remain with the manufacturer, consignment stocks are not included within the Company's stocks

Vehicle stocks invoiced to the Company are recognised when the risks and rewards of ownership pass to the Company rather than invoice or delivery date. The risks and rewards of ownership are considered to pass to the Company on the date from which the Company has to pay interest on the invoiced amounts Prior to that date, the Company bears no stock holding costs

Non-equity shares
Shares are analysed between equity and non equity shares, dependent on the rights attaching to the shares, and non-equity shares are classed as financial liabilities

Operating leases
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term

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

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax assets are only recognised to the extent that there is reasonable expectation that these will be recoverable in the foreseeable future

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Finance costs
Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount Where the finance costs for non-equity shares are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits

Retirement benefits
For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost The interest cost and expected return on assets are included within other investment income or interest payable and similar charges

1 ACCOUNTING POLICIES (*continued*)

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses

Defined benefit schemes are funded, with the assets held separately from the Company in separate trustee administered funds A liability is recognised in the balance sheet in respect of the defined benefit plan which represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability Actuarial gains and losses are recognised in reserves in the year in which they arise.

A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date A pension scheme liability is recognised to the extent that the Company has a legal or constructive obligation to settle the liability

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

2 TURNOVER

Turnover is derived from the provision of goods and services within the UK and from the Company's principal activity as a motor dealer, and is stated net of VAT

3 OPERATING PROFIT	2010 £	2009 £
This is stated after charging/(crediting)		
Amortisation of goodwill	5,305	5,305
Depreciation - owned assets	453,401	424,539
Loss/(profit) on disposal of fixed assets	2,727	5,331
Auditor's remuneration for statutory audit	32,750	32,750
Auditor's remuneration for taxation services	35,545	34,415
Exceptional item – diminution in value of freehold property	195,185	-

4 INTEREST PAYABLE AND SIMILAR CHARGES	2010 £	2009 £
Interest payable		
Bank loans and overdrafts	218,085	229,489
Loans not wholly repayable within five years	5,500	2,750
Other loans	70,236	67,279
Dividends on variable rate preference shares	-	7,989
	293,821	307,507
Interest on defined benefit pension scheme liabilities	366,000	361,000
Expected return on scheme assets	(299,000)	(271,000)
	67,000	90,000
	360,821	397,507

5 EMPLOYEES AND DIRECTORS

	2010 Number	2009 Number
The average number of persons including Directors employed by the Company during the year was		
Sales staff	158	152
Service and workshop staff	118	125
Management and administration	38	41
	314	318
Staff costs for the above persons		£
Wages and salaries	7,655,681	7,622,911
Social security costs	746,091	738,896
Pension costs – contributions to defined contribution schemes	148,163	143,026
	8,549,935	8,504,833
DIRECTORS' EMOLUMENTS		
Emoluments	224,448	231,895
Benefits	46,453	46,857
Total emoluments	270,901	278,752
Emoluments, for management, excluding pension contributions	246,437	252,494
The emoluments of the highest paid director were		
Salary	199,558	159,045
Benefits	41,968	42,748
	241,526	201,793

Pension contributions of £15,964 (2009 £12,658) were paid in respect of one director, who is the highest paid

6 TAXATION

		2010	2009
		£	£
(a)	Analysis of tax charge for year		
	Current tax		
	United Kingdom corporation tax payable based on the result for the year	-	-
	Total current tax	-	-
	Deferred tax		
	Origination of timing differences		
	- timing differences in respect of defined benefit pension scheme deficit	(23,640)	(66,920)
	- other timing differences	30,000	18,360
	Total deferred tax	6,360	(48,560)
	Total tax credit/(charge) through the profit and loss account	6,360	(48,560)

		2010	2009
		£	£
(b)	Factors affecting tax charge for the year		
	The tax assessed for the year varies from the applied rate of corporation tax in the United Kingdom and the differences are explained below		
	(Loss)/profit on ordinary activities before taxation	(263,036)	54,098
	(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 28% (2009 28%)	(73,650)	15,147
	Effects of		
	Expenses not deductible for tax purposes (primarily entertainment and dividends classified as interest)	34,453	4,177
	Contributions to defined benefit pension scheme in excess of amounts charged to the profit and loss account	-	(92,250)
	Depreciation in excess of capital allowances	(2,413)	16,664
	Other timing differences	(271)	(6,903)
	Losses carried forward/(utilised)	41,881	63,165
		-	-
(c)	Analysis of tax charge recognised in the statement of total recognised gains and losses		
	Deferred tax		
	Origination of timing differences in respect of defined benefit pension scheme deficit	(24,360)	108,920

(d) Factors that may affect future tax charges

The company has tax losses of approximately £149,000 (2009 £127,000) available for offset against future taxable profits Future tax charges may be reduced by the utilisation of the losses

7 EQUITY DIVIDENDS

	2010	2009
	£	£
3½% Cumulative preference shares	175	175
Ordinary dividends proposed	40,000	-
	40,175	175

The ordinary dividends were proposed but not paid

8 FIXED ASSET INVESTMENTS SUBSIDIARY UNDERTAKINGS

	£
1 January 2010 and 31 December 2010	205

The investments in subsidiary undertakings, which are shown at cost, comprise five dormant wholly-owned subsidiary companies, Haynes of Maidstone Limited, Haynes Agricultural Limited, Haynes Trucks Limited, Haynes Agritec Limited and The Kent Diesel Centre Limited all of which are incorporated in Great Britain and registered in England and Wales

9 INTANGIBLE FIXED ASSETS

	Goodwill
	£
Cost	
1 January 2010 and 31 December 2010	26,525
Amortisation	
1 January 2010	21,220
Charge for the year	5,305
31 December 2010	26,525
Net book amount	
31 December 2010	-
31 December 2009	5,305

10 TANGIBLE FIXED ASSETS

	Freehold premises	Leasehold premises	Plant and equipment	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
COST OR VALUATION							
1 January 2010	13,758,556	1,500	1,605,145	1,098,029	759,879	807,508	18,030,617
Additions	-	-	31,721	79,072	53,283	468,178	632,254
Disposals	-	-	(29,008)	(12,696)	-	(398,549)	(440,253)
Revaluation	(1,493,556)	-	-	-	-	-	(1,493,556)
31 December 2010	12,265,000	1,500	1,607,858	1,164,405	813,162	877,137	16,729,062
DEPRECIATION							
1 January 2010	86,000	-	1,187,576	580,513	469,112	525,757	2,848,958
Charge for the year	31,000	-	92,246	104,731	91,825	133,599	453,401
Disposals	-	-	(29,008)	(9,969)	-	(225,842)	(264,819)
Revaluation	(117,000)	-	-	-	-	-	(117,000)
31 December 2010	-	-	1,250,814	675,275	560,937	433,514	2,920,540
NET BOOK AMOUNT							
31 December 2010	12,265,000	1,500	357,044	489,130	252,225	443,623	13,808,522
31 December 2009	13,672,556	1,500	417,569	517,516	290,767	281,751	15,181,659

10 TANGIBLE FIXED ASSETS (CONTINUED)

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which are shown at valuation and have an original cost of £4,660,439 (2009 £4,599,559 and accumulated depreciation of £86,000 (2009 £58,000)

The Company's freehold premises in Maidstone, Appledore, Eastry, Ashford and Uckfield were revalued on 9 March 2011 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use

The open market value of properties at 31 December 2010 of £16 2m significantly exceed the net book values included in the financial statements

11 STOCKS

	2010 £	2009 £
Cars and commercial vehicles	5,790,745	4,779,834
Agricultural vehicles and implements	5,261,833	4,015,759
Parts stock	2,375,826	2,294,437
	13,428,404	11,090,030

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

At 31 December 2010 the total amount of interest bearing consignment stock included above amounted to £3,510,088 (2009 £1,866,761) Excluded from the above is non interest bearing consignment stock of £5,548,834 (2009 £6,961,674)

12 DEBTORS

	2010 £	2009 £
Amounts due within one year		
Trade debtors	3,720,230	3,713,764
Other debtors	349,344	857,020
Deferred taxation	48,359	18,360
Prepayments and accrued income	1,156,770	1,483,624
	5,274,703	6,072,768

Deferred taxation provided in the financial statements is as follows

	Amount provided 2010 £	2009 £
Short term timing differences	7,950	8,437
Unrelieved trading losses	38,890	35,500
Excess of tax allowances over depreciation	1,520	(25,577)
	48,360	18,360

The tax losses in the year have arisen as a result of difficult trading conditions A deferred tax asset has been recognised on the basis of an expected improvement in trading conditions

13 CREDITORS Amounts falling due within one year

	2010	2009
	£	£
Bank loans (secured)	6,460,000	350,000
Bank overdrafts (secured)	1,601,868	1,339,211
Other loans (secured)	761,500	782,188
Proposed dividend	40,000	-
Trade creditors	10,073,769	8,888,257
Amounts owed to subsidiary undertakings	205	205
Other taxes and social security costs	248,421	204,605
Other creditors	116,177	196,984
Accruals and deferred income	1,605,993	985,086
	20,907,933	12,746,536

Other loans are secured on the company's stock

14 CREDITORS Amounts falling due in more than one year

	2010	2009
	£	£
Perpetual unsecured loan stock	55,000	55,000
Bank loans (secured)	-	6,460,000
Non-equity shares - variable cumulative preference shares	350,000	350,000
	405,000	6,865,000

15 ANALYSIS OF DEBT MATURITY

	2010	2009
	£	£
Bank loans		
Due within 1-2 years	-	6,460,000
Due within 2-5 years	-	-
Due in more than 5 years	-	-
	-	6,460,000
Due within 1 year	6,460,000	350,000
	6,460,000	6,810,000

As at 31 December 2010, the loan was due to be repaid on 31 December 2011 In accordance with FRS 25, this loan has been shown as falling due within one year

In December 2011, the company successfully agreed new loan and overdraft facilities of £7 625m These are due to be repaid by 31 March 2013

The bank loans and overdraft are guaranteed by way of a first legal mortgage over the Company's freehold properties at Ashford Road, Maidstone, Ashford and Uckfield, together with land at Parkwood, Maidstone Since the year end the bank has taken a debenture over the assets of the company

The bank has guaranteed two bonds to suppliers totalling £370,000 (2009 £370,000)

16 PROVISIONS FOR LIABILITIES AND CHARGES DEFERRED TAXATION

No provision has been made for deferred tax arising on revaluation of freehold properties that are held for continuing use in the business The Company has no estimate as to the potential amount of tax that would be payable if the premises were sold at their book values

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME

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 to the scheme are agreed with the scheme trustees, on the basis of actuarial recommendations With effect from 1 October 2003 the Company decided to discontinue future pension benefits accrued in the scheme, with members being entitled to pension or cash sum payable from Normal Retirement Date

A full actuarial valuation was carried out as at 1 April 2010 The results of that valuation have been projected to 31 December 2010 and then recalculated based on the assumptions set out below The liabilities have been calculated on the projected unit method

Key assumptions	At 31 December 2010	At 31 December 2009
LPI increases for pensions in payment	3 30%	3 20%
Liability discount rate	5 40%	5 90%
Inflation assumption	3 30%	3 20%
Revaluation of deferred pensions	3 30%	3 20%
Future expected lifetime of current pensioner at age 65		
Male born in 1943	21 3	20 8
Female born in 1943	24 7	24 2
Future expected lifetime of future pensioner at age 65		
Male born in 1963	23 1	21 9
Female born in 1963	26 7	25 3

	As at 31 December 2010		As at 31 December 2009	
	Long-term rate of return expected	Value £'000	Long-term rate of return expected	Value £'000
Equities	7 00%	3,709	7 50%	3,218
Bonds	4 50%	544	4 70%	783
Property	7 00%	397	7 50%	340
Cash	4 00%	50	4 50%	71
Total market value of assets		4,700		4,412
Present value of scheme liabilities		(6,484)		(6,368)
(Deficit) in the scheme		(1,784)		(1,956)
Related deferred tax asset		500		548
Net pension (liability)		(1,284)		(1,408)

The expected rate of return on scheme assets are those that the actuary considered reasonable at 28 February 2011, being the date of his report

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	146	205
Changes in assumptions underlying the present value of the scheme liabilities	(59)	(593)
	87	(388)

ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE	2010 £'000	2009 £'000
Expected return on pension scheme assets	299	271
Interest on pension scheme liabilities	(366)	(361)
	(67)	(90)

CHANGE IN THE FAIR VALUE OF SCHEME ASSETS

Balance at 1 January 2010	4,412	3,878
Expected return on scheme assets	299	271
Actuarial gain	146	205
Employer contributions	152	329
Benefits paid	(309)	(271)
Balance at 31 December 2010	4,700	4,412

The actual return on scheme assets in the year was £601,000 (2009 £476,000 loss)

CHANGE IN THE PRESENT VALUE OF SCHEME LIABILITIES

Balance at 1 January 2010	(6,368)	(5,685)
Interest cost	(366)	(361)
Actuarial gain	(59)	(593)
Benefits paid	309	271
Balance at 31 December 2010	(6,484)	(6,368)

MOVEMENT IN DEFICIT IN THE YEAR		
(Deficit) in scheme at start of year	(1,956)	(1,807)
Contributions	152	329
Other finance (expense)/income	(67)	(90)
Actuarial gain/(loss)	87	(388)
(Deficit) in scheme at year end	(1,784)	(1,956)

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

HISTORY OF EXPERIENCE GAINS AND LOSSES	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets					
Amount (£'000)	146	205	(1,414)	(113)	130
Percentage of the scheme assets	3%	5%	(36%)	(2%)	3%
Experience gains and losses on scheme liabilities					
Amount (£'000)	-	-	-	-	49
Percentage of the present value of the scheme liabilities	0%	0%	0%	0%	1%
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	87	(388)	(987)	379	191
Percentage of the present value of the scheme liabilities	(5%)	(6%)	(17%)	6%	3%

The Company expects to contribute £223,115 to the scheme during the year ending 31 December 2011

18 SHARE CAPITAL

	Number of Shares	Authorised £	2010 and 2009 Allotted, called-up and fully paid £
TREATED AS EQUITY			
Ordinary shares of £10 each	5,600	56,000	56,000
Non-voting ordinary shares of £10 each	400	4,000	4,000
3½% cumulative preference shares of £10 each	500	5,000	5,000
	6,500	65,000	65,000
TREATED AS NON-EQUITY			
Variable rate cumulative preference shares of £1 each	350,000	350,000	350,000

The 3½% cumulative preference shares have no rights other than the right to a dividend, subject to the Directors resolving to make dividend distributions, 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 As the right to the dividend is at the option of the Company, these shares are treated as equity shares

The variable rate cumulative preference shares (non-redeemable) 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 As the right to the dividend is (subject only to compliance with the Companies Act 2006 requirements as to distributions) absolute these shares are treated as non-equity shares

19 REVALUATION RESERVE

	2010 £	2009 £
As at 1 January 2010	9,156,997	9,156,997
Revaluation	(1,181,371)	-
As at 31 December 2010	7,975,626	9,156,997

20 PROFIT AND LOSS ACCOUNT

	2010 £	2009 £
At 1 January 2010	2,115,027	2,389,210
(Loss)/profit for the financial year	(256,676)	5,538
Other recognised gains and losses	62,640	(279,546)
Equity dividends paid	(175)	(175)
Equity dividends payable	(40,000)	-
At 31 December 2010	1,880,816	2,115,027

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
At 1 January 2010	11,337,024	11,611,207
(Loss)/profit for the financial year	(256,676)	5,538
Other recognised gains and losses	62,640	(279,546)
Equity dividends paid	(175)	(175)
Equity dividends payable	(40,000)	-
Revaluation	(1,181,371)	-
Net deduction from shareholders' funds	(1,415,582)	(274,183)
Closing shareholders' funds	9,921,442	11,337,024

22 LEASING OBLIGATIONS

	2010 Land and Buildings £	2009 Land and Buildings £
Commitments due under operating leases as at 31 December 2010 are as follows		
Leases expiring		
Within two to five years	12,000	-
	12,000	-

23 RELATED AND CONTROLLING PARTIES

As at 31 December 2009, the estate of Mr D B Haynes was the ultimate controlling party As at 31 December 2010, Mr A D S Haynes was the ultimate controlling party