

Haynes Brothers Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2004



Registered number : 48511

Haynes Brothers Limited

DIRECTORS' REPORT

31 December 2004

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Haynes of Maidstone Limited is Kent's first Ford Main Dealer, distributing 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 car and van rental, Ford Rapid Fit and Ford Direct used cars. The Company also has a Business Centre and operates from 8.5 acres of freehold premises at Ashford Road and Parkwood, Maidstone.

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

Haynes Agricultural Limited, as Agricultural Engineers, holds 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, Appledore and now at Uckfield, following the Company's purchase in the year of the assets of Sussex Tractors Limited, at Uckfield and Lingfield.

Haynes Agritec Limited, a newly formed Agricultural subsidiary, has been set up to hold the Case IH franchise and JCB agricultural franchise for parts of Sussex, Surrey and Kent. Following the acquisition referred to above, the Company operates from premises at Lingfield and part of the much larger freehold premises at Uckfield.

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

The Company is pleased to report a year on year increase in both sales and operating profit. However, its profit before tax has been affected by increased interest costs and exceptional charges relating to the Company's acquisition in the year.

This acquisition, in August 2004, was a key move for the Company giving the agricultural business critical mass in the South East with economies of scale through a wider branch network and opportunities to benefit from important additional agricultural farm machinery franchises.

As part of the acquisition process, the Company's freehold properties were professionally revalued adding just under £2m to the revaluation reserve.

In the car, van and truck sectors, trading conditions remain tough as manufacturing groups wrestle with over capacity supply issues in Europe, fierce competition from the Far East, increasing commodity prices, exchange rate fluctuations and the emerging ramifications of Block Exemption changes.

Whilst new and used vehicle sales volumes remain reasonably strong for the Company, margins have reduced and as a result the Company continues to take action to reduce its cost base wherever possible.

CONCLUSION

The Company remains a firm partner with each of its major manufacturer franchises. Overall the Company's balance sheet continues to reflect a very strong commercial base from which the Company will continue to expand its business base where appropriate.

Haynes Brothers Limited

DIRECTORS' REPORT

31 December 2004

PROFITS AND DIVIDENDS

The profit on ordinary activities for the year before tax amounted to £32,049 (2003: £16,853).

Dividends of £20,640 (2003: £17,536) were paid in the year on the variable rate cumulative preference shares and a dividend of £175 (2003: £175) was paid in respect of the 3½% preference shares. The directors have approved an interim dividend of £100,000 (2003: £20,000) on the ordinary shares – this dividend will be paid on 18 November 2005.

DIRECTORS

The following were directors of the company at 31 December 2004 and served throughout the year and subsequently:

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

DIRECTORS' SHAREHOLDINGS

The interests of the directors in the company's share capital as at 31 December 2003 and 2004 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

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 (2003: £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 £2,112 (2003: £2,512).

Haynes Brothers Limited

DIRECTORS' REPORT

31 December 2004

AUDITORS

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

By order of the board



T. J. Pickard

Secretary

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

21 October 2005

Haynes Brothers Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYNES BROTHERS LIMITED

We have audited the financial statements on pages 6 to 22.

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

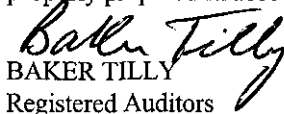
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2004 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

21 October 2005

Haynes Brothers Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

		2004	2003
		£	(as restated) £
TURNOVER	2	51,406,303	47,405,011
Cost of sales		(47,357,425)	(43,896,294)
Gross profit		4,048,878	3,508,717
Advertising and distribution costs		(1,096,635)	(907,570)
Administrative expenses		(2,643,331)	(2,375,519)
OPERATING PROFIT		308,912	225,628
Interest payable	3	(276,863)	(208,775)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	32,049	16,853
Taxation	6	788	(30,353)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		32,837	(13,500)
Dividends (including non-equity dividends)	7	(120,815)	(37,711)
RETAINED LOSS FOR THE FINANCIAL YEAR		(87,978)	(51,211)
BALANCE BROUGHT FORWARD – AS RESTATED	19	4,180,291	4,231,502
BALANCE CARRIED FORWARD		4,092,313	4,180,291

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004	2003
	£	£
Retained loss for the financial year	(87,978)	(51,211)
Unrealised surplus on revaluation of freehold properties	1,955,150	-
Total recognised gains and losses relating to the year	1,867,172	(51,211)

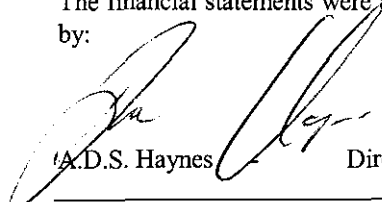
Haynes Brothers Limited

BALANCE SHEET

As at 31 December 2004

	Note	£	2004 £	2003 (as restated) £
FIXED ASSETS				
Investments	8		204	204
Intangible assets	9		26,525	-
Tangible assets	10		10,944,877	8,197,325
			<u>10,971,606</u>	<u>8,197,529</u>
CURRENT ASSETS				
Stocks	11	6,180,408	6,497,532	
Debtors	12	5,723,401	4,624,122	
Cash at bank and in hand		163,964	4,983	
		<u>12,067,773</u>	<u>11,126,637</u>	
CREDITORS: amounts falling due within one year	13	(11,239,552)	(10,373,178)	
			<u>828,221</u>	<u>753,459</u>
NET CURRENT ASSETS				
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,799,827</u>	<u>8,950,988</u>
CREDITORS: amounts falling due after more than one year	14	1,021,667	55,000	
PROVISION FOR LIABILITIES AND CHARGES	17	46,500	31,500	
			<u>(1,068,167)</u>	<u>(86,500)</u>
NET ASSETS				
			<u>10,731,660</u>	<u>8,864,488</u>
CAPITAL AND RESERVES				
Called up share capital	18		415,000	415,000
Revaluation reserve	19		6,224,347	4,269,197
Profit and loss account	19		4,092,313	4,180,291
			<u>10,731,660</u>	<u>8,864,488</u>
SHAREHOLDERS' FUNDS				
ATTRIBUTABLE TO:				
Equity shareholders			10,376,660	8,509,488
Non-equity shareholders			355,000	355,000
			<u>10,731,660</u>	<u>8,864,488</u>

The financial statements were approved by the Board of Directors on 21 October 2005 and signed on their behalf by:


A.D.S. Haynes

Director

Haynes Brothers Limited

CASH FLOW STATEMENT

For the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Net cash inflow from operating activities	a	339,152	901,395
Returns on investment and servicing of finance	c	(297,678)	(226,486)
Taxation		10,156	-
Capital expenditure	c	(505,315)	(389,500)
Acquisitions and disposals		(933,525)	-
		<hr/>	<hr/>
		(1,387,210)	285,409
Equity dividends paid		(20,000)	-
Financing	c	1,066,667	(18,331)
(DECREASE)/ INCREASE IN CASH IN THE YEAR		<hr/> <hr/>	<hr/> <hr/>
		(340,543)	267,078

SIGNIFICANT NON-CASH TRANSACTIONS

The only significant non-cash transaction was the revaluation of the freehold properties, which resulted in an increase in their book value of £1,955,150 (2003: £Nil).

Haynes Brothers Limited

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2004

a)	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
		2004	2003
			<i>(as restated)</i>
		£	£
	Operating profit	308,912	225,628
	Depreciation	308,913	255,385
	Loss on disposal of fixed assets	-	306
	Increase/(decrease) in stocks	628,124	(904,897)
	(Increase)/decrease in debtors	(1,141,529)	635,188
	Increase in creditors	234,732	689,785
		<u>339,152</u>	<u>901,395</u>
	Net cash inflow from operating activities		
b)	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
	(Decrease)/increase in cash in the year	(340,543)	267,078
	Net loan repayments	33,333	18,331
	New loans in the year	(1,100,000)	-
	Net debt at 1 January	(4,789,372)	(5,074,781)
		<u>(6,196,582)</u>	<u>(4,789,372)</u>
	Net debt at 31 December		
c)	GROSS CASH FLOWS		
i)	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Interest paid	(276,863)	(208,775)
	Non-equity dividends	(20,815)	(17,711)
		<u>(297,678)</u>	<u>(226,486)</u>
ii)	CAPITAL EXPENDITURE		
	Payment to acquire tangible fixed assets	(783,928)	(702,205)
	Receipts from sale of tangible fixed assets	278,613	312,705
		<u>(505,315)</u>	<u>(389,500)</u>
iii)	FINANCING		
	Capital element of finance leases	-	(14)
	Loans repaid	(33,333)	(18,317)
		<u>(33,333)</u>	<u>(18,331)</u>
	New loans in the year	1,100,000	-
		<u>1,066,667</u>	<u>(18,331)</u>

Haynes Brothers Limited

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2004

d)	NET DEBT	At 1 January 2004 £	Cash flows £	At 31 December 2004 £
	Cash at bank and in hand	4,983	158,981	163,964
	Bank loan and overdrafts	(4,039,355)	(499,524)	(4,538,879)
		<u>(4,034,372)</u>	<u>(340,543)</u>	<u>(4,374,915)</u>
	Other loans due within 1 year	(700,000)	-	(700,000)
	Bank loan due within 1 year	-	(100,000)	(100,000)
	Other loans due after more than 1 year	-	(100,000)	(100,000)
	Bank loan due after more than 1 year	-	(866,667)	(866,667)
	Perpetual loan stock	(55,000)	-	(55,000)
		<u>(4,789,372)</u>	<u>(1,407,210)</u>	<u>(6,196,582)</u>

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

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.

Except for the depreciation of freehold buildings, the financial statements have been prepared on a consistent basis with prior years. In preparing the financial statements for 2004, it has been decided that it would be appropriate to commence to depreciate freehold buildings. This results in an increase in depreciation charges of £17,500 and a reduction in net assets of the same amount.

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.

Revaluation of properties

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.

Depreciation

Depreciation is calculated to write off the cost 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.

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.

Operating leases

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

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

1 ACCOUNTING POLICIES (*continued*)

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.

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 an agreement to sell the asset.

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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

2 TURNOVER

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

Haynes Brothers Limited
 NOTES TO THE FINANCIAL STATEMENTS
 31 December 2004

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004	2003
		£	£
	This is stated after charging/(crediting):		
	Interest payable:		
	Loans wholly repayable within five years	40,517	34,722
	Loans not wholly repayable within five years	5,500	5,500
	Bank overdraft and other interest	230,846	168,533
		<u>276,863</u>	<u>208,775</u>
	Amortisation of goodwill	-	-
	Depreciation - owned assets	308,913	255,385
	Loss on disposal of tangible fixed assets	-	306
	Auditors' remuneration for audit	25,000	25,000
	Auditors' remuneration for other services	31,403	23,750
	Operating leases - rent payable	48,520	48,520
	- other	62,339	29,344
	Exceptional costs	42,415	-
		<u> </u>	<u> </u>

Exceptional costs relate to costs incurred with an aborted expansion plan and the direct costs of integration of the company's acquisition in the year.

4	DIRECTORS' EMOLUMENTS		
	Total emoluments	243,239	243,050
		<u> </u>	<u> </u>
	Emoluments, for management, excluding pension contributions	243,139	242,950
		<u> </u>	<u> </u>
	The emoluments of the highest paid director were	136,724	122,676
		<u> </u>	<u> </u>

Pension contributions of £100 (2003: £100) were paid in respect of one director, who is the highest paid.

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
31 December 2004

5	EMPLOYEES	2004 Number	2003 Number
	The average number of persons including directors employed by the company during the year was:		
	Sales staff	135	136
	Service and workshop staff	116	122
	Management and administration	37	39
		288	297
	Staff costs:	£	£
	Wages and salaries	6,052,161	5,671,568
	Social security costs	594,228	536,999
	Other pension costs	266,938	252,160
		6,913,327	6,460,727

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.

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. New contributions of £147,888 were paid to the scheme in the year.

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 £114,450 (2003 : £48,340).

Haynes Brothers Limited
 NOTES TO THE FINANCIAL STATEMENTS
 31 December 2004

6	TAXATION	2004	2003 <i>(as restated)</i>
		£	£
(a)	Analysis of tax (credit)/charge for year		
	Current tax:		
	United Kingdom corporation tax payable/(recoverable) based on the result for the year	-	15,882
	Adjustment in respect of prior years	(15,788)	24,971
		<u>(15,788)</u>	<u>40,853</u>
	Deferred tax:		
	Origination and reversal of timing differences	15,000	(10,500)
		<u>(788)</u>	<u>30,353</u>
(b)	Factors affecting tax charge for the year		
	The tax assessed for the year is less than (2003: greater than) the applied rate of corporation tax in the United Kingdom for this company of 19% (2003: 19%).		
	The differences are explained below:		
	Profit on ordinary activities before taxation	32,049	16,853
	Profit on ordinary activities before taxation multiplied by the applied rate of corporation tax for small companies of 19% (2003: 19%)	6,089	3,202
	Effects of:		
	Expenses not deductible for tax purposes	7,410	2,505
	Capital allowances in period in excess of depreciation	(8,740)	(2,935)
	Losses utilised/(carried forward)	(4,759)	13,110
	Adjustment to taxation of prior years	(15,788)	24,971
		<u>(15,788)</u>	<u>40,853</u>
(c)	Factors that may affect future tax charges		
	The company has tax losses of approximately £24,000 (2003: £138,000 – as restated) available for offset against future taxable profits. As the value of these losses has been recognised within the deferred tax provision, their utilisation will have no impact on the future charge, although tax payable will be reduced.		

Haynes Brothers Limited
 NOTES TO THE FINANCIAL STATEMENTS
 31 December 2004

	2004	2003
	£	£
7	DIVIDENDS	
	Paid in the year - non-equity dividends	
		3½% Cumulative preference shares
	175	175
		Variable rate cumulative preference shares
	20,640	17,536
	Proposed – equity dividends	
		Interim dividend of £16.67 (2003 - £3.33) per ordinary share
	100,000	20,000
	<u>120,815</u>	<u>37,711</u>

8	FIXED ASSET INVESTMENTS	Subsidiary undertakings £
	1 January 2004 and 31 December 2004	204

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

9	GOODWILL	£
	Cost	
	1 January 2004	-
	Arising on acquisition	26,525
	31 December 2004	<u>26,525</u>
	Amortisation	
	1 January 2004	-
	Charge for the year	-
	31 December 2004	<u>-</u>
	Net book amount	
	31 December 2004	<u>26,525</u>
	31 December 2003	<u>-</u>

No goodwill amortisation was charged in the year as any charge would have been immaterial. Goodwill amortisation will be charged in future years.

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

10	TANGIBLE FIXED ASSETS	Freehold premises £	Leasehold premises £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
	COST OR VALUATION							
	1 January 2004	7,140,000	1,500	1,251,187	456,282	269,677	654,975	9,773,621
	Additions	569,700	-	139,601	104,540	39,580	526,507	1,379,928
	Revaluation	1,955,150	-	-	-	-	-	1,955,150
	Disposals	-	-	(63,219)	(20,142)	-	(393,249)	(476,610)
	31 December 2004	9,664,850	1,500	1,327,569	540,680	309,257	788,233	12,632,089
	DEPRECIATION							
	1 January 2004	-	-	800,412	231,364	187,530	356,990	1,576,296
	Charge for the year	17,500	-	83,721	41,415	43,042	123,235	308,913
	Disposals	-	-	(63,606)	(20,142)	-	(114,249)	(197,997)
	31 December 2004	17,500	-	820,527	252,637	230,572	365,976	1,687,212
	NET BOOK AMOUNT							
	31 December 2004	9,647,350	1,500	507,042	288,043	78,685	422,257	10,944,877
	31 December 2003	7,140,000	1,500	450,775	224,918	82,147	297,985	8,197,325

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which have an original cost of £3,425,653.

The company's freehold premises in Maidstone, Appledore, Eastry and Uckfield were revalued on 1 December 2004 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use.

The freehold land and buildings 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 and the newly acquired premises at Uckfield on the Squires Farm Industrial Estate.

11	STOCKS	2004 £	2003 £
	Cars and commercial vehicles	2,448,473	3,296,347
	Agricultural vehicles and implements	1,548,217	1,406,370
	Parts stock	2,183,718	1,794,815
		6,180,408	6,497,532

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

At 31 December 2004 the total amount of consignment stock held on a sale or return basis and not recorded in the balance sheet amounted to £1,162,721 (2003: £1,106,000). The principal terms of the consignment agreements, which can be terminated by either side, are such that the company can return any or all of the stock to the relevant suppliers without financial or commercial penalties and the supplier can vary stock prices.

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31 December 2004

11 STOCKS (CONTINUED)

The company has been invoiced £8,048,147 (2003 : £5,792,868) 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.

12	DEBTORS	2004	2003
		£	(as restated) £
	Amounts due within one year:		
	Trade debtors	4,122,730	3,395,020
	Other debtors	714,250	675,464
	Prepayments and accrued income	871,421	528,388
	Corporation tax recoverable	15,000	25,250
		<u>5,723,401</u>	<u>4,624,122</u>

13 CREDITORS: Amounts falling due within one year

	Bank loans – note 15	100,000	-
	Bank overdrafts (secured)	4,538,879	4,039,355
	Other loans	708,192	700,000
	Trade creditors	3,414,870	4,111,012
	Amounts owed to subsidiary undertakings	204	204
	Proposed dividends	100,000	20,000
	Corporation tax	-	15,882
	Other taxes and social security costs	1,374,126	646,962
	Other creditors	121,171	302,360
	Accruals and deferred income	882,110	537,403
		<u>11,239,552</u>	<u>10,373,178</u>

14 CREDITORS: Amounts falling due in more than one year

	Perpetual unsecured loan stock	55,000	55,000
	Bank loans – note 15	866,667	-
	Other loans – note 15	100,000	-
		<u>1,021,667</u>	<u>55,000</u>

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15	ANALYSIS OF DEBT MATURITY	2004	2003
		£	£
	Other loans:		
	Due within 2-5 years	100,000	-
		<u> </u>	<u> </u>
	Bank loans:		
	Not wholly repayable within 5 years	966,667	-
	Included in current liabilities	(100,000)	-
		<u> </u>	<u> </u>
		866,667	-
		<u> </u>	<u> </u>
	Loan maturity analysis:		
	Due within 1-2 years	100,000	-
	Due within 2-5 years	300,000	-
	Due in more than 5 years	466,667	-
		<u> </u>	<u> </u>
		866,667	-
		<u> </u>	<u> </u>

The other loan is repayable in 3 years.

The bank loan is guaranteed by way of a first legal mortgage over the freehold property newly acquired at Uckfield on the Squires Farm Industrial Estate.

The bank loan is repayable over 10 years, and interest is charged at 1% per annum over the bank's loan base rate.

16	LEASING OBLIGATIONS	2004	2004	2003	2003
		Land and	Other	Land and	Other
		Buildings	£	Buildings	£
		£	£	£	£
	Commitments due under operating leases for the year to 31 December 2005 are as follows:				
	Leases expiring:				
	In less than one year	-	13,239	-	25,004
	Within two to five years	-	49,100	-	5,040
	After more than five years	48,500	-	48,500	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		48,500	62,339	48,500	30,044
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

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17	PROVISIONS FOR LIABILITIES AND CHARGES: DEFERRED TAXATION	Accelerated capital allowances £	Short term timing differences £	Total £
	1 January 2004 – as restated	60,000	(28,500)	31,500
	Transfer from profit and loss account	(6,000)	21,000	15,000
	31 December 2004	<u>54,000</u>	<u>(7,500)</u>	<u>46,500</u>

Full provision has been made, based on a corporation tax rate of 19% (2003: 19%), in respect of corporation tax deferred because of timing differences.

18	CALLED-UP SHARE CAPITAL	Number of Shares	Authorised £	2004 and 2003 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>

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.

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19	RESERVES	Revaluation reserve £	Profit and loss account £	Total £
	At 1 January 2004			
	As originally stated	4,269,197	4,287,502	8,556,699
	Prior year adjustment	-	(56,000)	(56,000)
	As restated	4,269,197	4,231,502	8,500,699
	Retained loss for the financial year	-	(51,211)	(51,211)
	At 31 December 2003	4,269,197	4,180,291	8,449,488
	At 1 January 2004			
	As originally stated	4,269,197	4,292,291	8,561,488
	Prior year adjustment	-	(112,000)	(112,000)
	As restated	4,269,197	4,180,291	8,449,488
	Retained loss for the financial year	-	(87,978)	(87,978)
	Revaluation in the year	1,955,150	-	1,955,150
	At 31 December 2004	6,224,347	4,092,313	10,316,660

The prior year adjustment reflects the correction of fundamental errors and their associated tax impact in two areas. These errors related to the manner in which other debtors and the provision for bonuses due in respect of the year had been accounted for. The company has addressed these issues accordingly.

20	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2004 £	2003 £
	Profit/(loss) for the financial year	32,837	(13,500)
	Dividends	(120,815)	(37,711)
	Other recognised gains and losses relating to the year	1,955,150	-
	Net addition to shareholders' funds	1,867,172	(51,211)
	Opening shareholders' funds - as restated	8,864,488	8,915,699
	Closing shareholders' funds	10,731,660	8,864,488

21 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.

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22 ACQUISITIONS

On 1 August 2004, the company acquired certain of the business and assets of Sussex Tractors Limited.

The net assets acquired at the fair value adjustments over as follows:

	Book value £'000	Fair value adjustments £'000	Fair values £'000
Fixed assets	551	45	596
Stock	311	-	311
	<u>862</u>	<u>45</u>	<u>907</u>
Consideration - cash			912
Costs of acquisition - cash			22
			<u>934</u>
Goodwill arising on acquisition			<u>27</u>

The fair value adjustments relate to the revaluation of the freehold property.