

Haynes Brothers Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2011



Registered number 48511

Haynes Brothers Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

The Directors present their Annual Report and the audited Financial Statements of the Company for the year ended 31st December 2011

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, and also operates the Ford Direct 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, Uckfield and Great Chart.

Haynes Agritec holds the Case IH franchise and JCB agricultural franchise now for parts of Kent and Sussex respectively. The Company operates from depots at Birchington and Uckfield.

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

2011 proved to be another very challenging year due to the continued disappointing performance of the UK economy, with Group turnover down by 3.7%. The key impact of this turnover decline was within Haynes Ford where sales were down 10.7%. In the agricultural business sales increased by 11.4% due to greater confidence in the rural economy and in the truck business sales declined by 6.9%. Sales in the Kent Diesel Centre Ltd were also down by 20.3%.

As a result of the Group's sales decline and with little prospect of a resurgence of the UK economy in the immediate future, the Company undertook a thorough review of its trading operations. Significant action was taken in the Ford business where the Company took the decision to close its Car and Van Rental Operations as well as its Rapid Fit operation. Additional significant cost saving measures were also implemented. In the agricultural business the Company continued with its restructuring plan and opened its new New Holland branch at Great Chart, whilst closing and putting on the market its smaller satellite branches at Eastry and Appledore.

2011 was also the year in which the Company celebrated 100 years as a Ford Main Dealer with a range of key events to celebrate this landmark year. Ford Motor Company's Worldwide Executive Chairman, William Clay Ford Jnr, presented our Chairman and Managing Director with a signed print of the Ford GTs winning at Le Mans in 1966 to commemorate this special occasion. The Company was also presented in the year with the 'New Holland Dealer of the Year Award' in recognition of its high sales results for this brand.

Whilst trading remains very challenging as a result of the 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.

Haynes Brothers Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

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 £(396,596) (2010 loss of £263,036)

No ordinary dividends were paid in the year (2010 £Nil) No dividend is proposed for the year (2010 £40,000) A dividend of £175 (2010 £175) was paid in respect of the 3½% preference shares and a dividend of £Nil (2010 £Nil) 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 2011 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

Haynes Brothers Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2011

DONATIONS

During the year, the Company made donations for charitable purposes amounting to £1,138 (2010 £1,407)

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 2011 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

Secretary

Date

27/09/2012

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

Haynes Brothers Limited

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 24

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 2011 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

Andrew Monteith (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes, Bucks MK9 1BP

29th September 2012.



Haynes Brothers Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

	Note	Profit and loss Pre exceptional item and FRS 17 notional interest 2011	Exceptional item and FRS 17 notional interest 2011	Total 2011	Profit and loss Pre exceptional item and FRS 17 notional interest 2010	Exceptional item and FRS 17 notional interest 2010 (note 3)	Total 2010
		£	£	£	£	£	£
TURNOVER	2	68,908,551	-	68,908,551	71,526,235	-	71,526,235
Cost of sales		(64,178,994)	-	(64,178,994)	(66,591,861)	(195,185)	(66,787,046)
Gross profit		<u>4,729,557</u>	-	<u>4,729,557</u>	<u>4,934,374</u>	<u>(195,185)</u>	<u>4,739,189</u>
Advertising and distribution costs		(1,467,707)	-	(1,467,707)	(1,323,786)	-	(1,323,786)
Administrative expenses		(3,309,113)	-	(3,309,113)	(3,317,618)	-	(3,317,618)
OPERATING (LOSS)/PROFIT	3	<u>(47,263)</u>	-	<u>(47,263)</u>	<u>292,970</u>	<u>(195,185)</u>	<u>97,785</u>
Interest payable and similar charges	4	(298,333)	(51,000)	(349,333)	(293,821)	(67,000)	(360,821)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(345,596)</u>	<u>(51,000)</u>	<u>(396,596)</u>	<u>(851)</u>	<u>(262,185)</u>	<u>(263,036)</u>
Taxation	6	(66,343)	-	(66,343)	6,360	-	6,360
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	<u>(411,939)</u>	<u>(51,000)</u>	<u>(462,939)</u>	<u>5,509</u>	<u>(262,185)</u>	<u>(256,676)</u>

The operating (loss)/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 2011

	<i>Note</i>	2011 £	2010 £
Loss for the financial year		(462,939)	(256,676)
Actuarial (loss)/gain on defined benefit pension scheme	17	(1,227,000)	87,000
Deferred tax thereon	6	308,343	(24,360)
Revaluation of freehold premises		-	(1,181,371)
Total recognised gains and losses relating to the year		<u>(1,381,596)</u>	<u>(1,375,407)</u>

NOTE OF HISTORICAL COST PROFITS & LOSSES

	2011 £	2010 £
Loss on ordinary activities before tax	(396,596)	(263,036)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on revalued amount	21,000	21,000
Historical cost loss on ordinary activities before tax	<u>(375,596)</u>	<u>(242,036)</u>

Haynes Brothers Limited

BALANCE SHEET

As at 31 December 2011

Company Registration No: 48511

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Intangible assets	9		-		-
Tangible assets	10		13,783,148		13,808,522
Investments	8		205		205
			<u>13,783,353</u>		<u>13,808,727</u>
CURRENT ASSETS					
Stocks	11	12,914,935		13,428,404	
Debtors	12	5,188,669		5,274,703	
Cash at bank and in hand		5,840		6,541	
		<u>18,109,444</u>		<u>18,709,648</u>	
CREDITORS amounts falling due within one year	13	(15,054,053)		(20,907,933)	
NET CURRENT LIABILITIES			<u>3,055,391</u>		<u>(2,198,285)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,838,744</u>		<u>11,610,442</u>
CREDITORS amounts falling due after more than one year	14		(6,294,073)		(405,000)
NET ASSETS EXCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>10,544,671</u>		<u>11,205,442</u>
Defined benefit pension scheme deficit	17		(2,005,000)		(1,284,000)
NET ASSETS INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>8,539,671</u>		<u>9,921,442</u>
CAPITAL AND RESERVES					
Called up share capital	18		65,000		65,000
Revaluation reserve	19		7,975,626		7,975,626
Profit and loss account	20		499,045		1,880,816
SHAREHOLDERS' FUNDS	21		<u>8,539,671</u>		<u>9,921,442</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27/09/2012 and signed on their behalf by

A D S Haynes - Chairman



Haynes Brothers Limited

CASH FLOW STATEMENT

For the year ended 31 December 2011

	<i>Note</i>	2011 £	2010 £
Net cash inflow from operating activities	a	1,251,221	861,523
Returns on investment and servicing of finance	c	(298,333)	(293,821)
Capital expenditure	c	(448,529)	(459,548)
		<u>504,361</u>	<u>108,154</u>
Equity dividends paid		(175)	(175)
Cash inflow before financing		<u>504,186</u>	<u>107,979</u>
Financing	c	(196,500)	(370,688)
		<u>307,686</u>	<u>(262,709)</u>
INCREASE / (DECREASE) IN CASH IN THE YEAR		<u>307,686</u>	<u>(262,709)</u>

Haynes Brothers Limited

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 December 2011

a)	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
		2011	2010
		£	£
	Operating (loss)/profit	(47,263)	97,785
	Depreciation	471,127	453,401
	Loss on disposal of tangible fixed assets	2,777	2,728
	Amortisation	-	5,305
	Decrease/(increase) in stocks	513,469	(2,338,374)
	Decrease in debtors	104,393	827,435
	Increase in creditors	521,718	1,770,058
	Defined benefit pension scheme contributions	(315,000)	(152,000)
	Exceptional item – diminution in value of freehold property	-	195,185
	Net cash inflow from operating activities	<u>1,251,221</u>	<u>861,523</u>
b)	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
	Increase/(decrease) in cash in the year	307,686	(262,709)
	Net loan repayments	196,500	370,688
	Net debt at 1 January	<u>(9,221,827)</u>	<u>(9,329,806)</u>
	Net debt at 31 December	<u>(8,717,641)</u>	<u>(9,221,827)</u>
c)	GROSS CASH FLOWS		
i)	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Interest paid	<u>(298,333)</u>	<u>(293,821)</u>
ii)	CAPITAL EXPENDITURE		
	Payment to acquire tangible fixed assets	(696,052)	(632,254)
	Receipts from sale of tangible fixed assets	247,523	172,706
		<u>(448,529)</u>	<u>(459,548)</u>
iii)	FINANCING		
	Bank loans repaid	(335,000)	(350,000)
	Other loans repaid	-	(20,688)
	New other loans	138,500	-
		<u>(196,500)</u>	<u>(370,688)</u>

Haynes Brothers Limited

NOTES TO THE CASH FLOW STATEMENT (continued)

For the year ended 31 December 2011

d)	NET DEBT	At 1 January 2011 £	Cash flows £	Transfers £	At 31 December 2011 £
	Cash at bank and in hand	6,541	(701)	-	5,840
	Bank overdrafts	(1,601,868)	308,387	-	(1,293,481)
		<u>(1,595,327)</u>	<u>307,686</u>	<u>-</u>	<u>(1,287,641)</u>
	Other loans due within 1 year	(761,500)	(138,500)	-	(900,000)
	Bank loan due within 1 year	(6,460,000)	335,000	5,745,000	(380,000)
	Bank loan due after more than 1 year	-	-	(5,745,000)	(5,745,000)
	Perpetual loan stock	(55,000)	-	-	(55,000)
	Non-equity preference shares	(350,000)	-	-	(350,000)
		<u>(9,221,827)</u>	<u>504,186</u>	<u>-</u>	<u>(8,717,641)</u>

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 projections 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, the refinancing agreed in December 2011 (see note 15), and ongoing discussions with regard to the renewal of facilities, the Directors consider that they will 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. Surpluses and temporary diminutions arising on valuation are taken to the revaluation reserve. 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.

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (*continued*)

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

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

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding

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

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (*continued*)

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.

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.

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

3	OPERATING PROFIT	2011	2010
		£	£
	This is stated after charging/(crediting)		
	Amortisation of goodwill	-	5,305
	Depreciation - owned assets	471,127	453,401
	Loss on disposal of fixed assets	2,777	2,727
	Auditor's remuneration for statutory audit	33,500	32,750
	Auditor's remuneration for taxation services	11,445	35,545
	Exceptional item – diminution in value of freehold property	-	195,185
	Operating lease rentals	42,000	9,334
		<u> </u>	<u> </u>
4	INTEREST PAYABLE AND SIMILAR CHARGES	2011	2010
		£	£
	Interest payable		
	Bank loans and overdrafts	219,944	218,085
	Loans not wholly repayable within five years	5,500	5,500
	Other loans	72,889	70,236
		<u> </u>	<u> </u>
		298,333	293,821
	Interest on defined benefit pension scheme liabilities	338,000	366,000
	Expected return on scheme assets	(287,000)	(299,000)
		<u> </u>	<u> </u>
		51,000	67,000
		<u> </u>	<u> </u>
		349,333	360,821
		<u> </u>	<u> </u>
5	EMPLOYEES AND DIRECTORS	2011	2010
		Number	Number
	The average number of persons including Directors employed by the Company during the year was		
	Sales staff	144	158
	Service and workshop staff	108	118
	Management and administration	34	38
		<u> </u>	<u> </u>
		286	314
		<u> </u>	<u> </u>
	Staff costs for the above persons	£	£
	Wages and salaries	7,296,256	7,655,681
	Social security costs	715,215	746,091
	Pension costs – contributions to defined contribution schemes	138,296	148,163
		<u> </u>	<u> </u>
		8,149,767	8,549,935
		<u> </u>	<u> </u>
	DIRECTORS' EMOLUMENTS		
	Emoluments	218,048	224,448
	Benefits	46,080	46,453
		<u> </u>	<u> </u>
	Total emoluments	264,128	270,901
		<u> </u>	<u> </u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

5	EMPLOYEES AND DIRECTORS (CONTINUED)	2011 Number	2010 Number
	Emoluments, for management, excluding pension contributions	<u>243,314</u>	<u>246,437</u>
	The emoluments of the highest paid director were		
	Salary	199,558	199,558
	Benefits	<u>37,759</u>	<u>41,968</u>
		<u>237,317</u>	<u>241,526</u>
	Pension contributions of £15,964 (2010 £15,964) were paid in respect of one director, who is the highest paid		
6	TAXATION	2011 £	2010 £
(a)	Analysis of tax charge for year		
	<i>Current tax</i>		
	United Kingdom corporation tax payable based on the result for the year	-	-
	Total current tax	<u>-</u>	<u>-</u>
	<i>Deferred tax</i>		
	Origination of timing differences		
	- timing differences in respect of defined benefit pension scheme deficit	(66,343)	(23,640)
	- other timing differences	-	30,000
	Total deferred tax	<u>(66,343)</u>	<u>6,360</u>
	Total tax credit/(charge) through the profit and loss account	<u>(66,343)</u>	<u>6,360</u>
		2011 £	2010 £
(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	<u>(396,596)</u>	<u>(263,036)</u>
	(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 26.5% (2010 28%)	(105,098)	(73,650)
	Effects of		
	Expenses not deductible for tax purposes	-	58,253
	Contributions to defined benefit pension scheme in excess of amounts charged to the profit and loss account	(69,942)	(23,800)
	Depreciation in excess of capital allowances	12,033	(2,413)
	Other timing differences	(617)	(271)
	Losses carried forward/(utilised)	<u>163,624</u>	<u>41,881</u>
		<u>-</u>	<u>-</u>

Haynes Brothers Limited
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2011

6 TAXATION (CONTINUED)

	2011 £	2010 £
(c) Analysis of tax charge recognised in the statement of total recognised gains and losses		
<i>Deferred tax</i>		
Origination of timing differences in respect of defined benefit pension scheme deficit	308,343	(24,360)

(d) Factors that may affect future tax charges

The company has tax losses of approximately £767,000 (2010 £149,000) available for offset against future taxable profits. Future tax charges may be reduced by the utilisation of the losses.

7 EQUITY DIVIDENDS

	2011 £	2010 £
3½% Cumulative preference shares	175	175
Ordinary dividends proposed	-	40,000
	<u>175</u>	<u>40,175</u>

The ordinary dividends in 2010 were proposed but not paid.

8 FIXED ASSET INVESTMENTS SUBSIDIARY UNDERTAKINGS

	£
1 January 2011 and 31 December 2011	<u>205</u>

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 2011 and 31 December 2011	26,525
Amortisation	
1 January 2011 and 31 December 2011	<u>26,525</u>
Net book amount	
31 December 2010 and 31 December 2011	<u>-</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

10 TANGIBLE FIXED ASSETS	Freehold premises £	Leasehold premises £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
COST OR VALUATION							
1 January 2011	12,265,000	1,500	1,607,858	1,164,405	813,162	877,137	16,729,062
Additions	-	-	46,918	131,476	35,576	482,082	696,052
Disposals	-	-	(199,204)	(11,330)	(7,177)	(371,333)	(589,044)
31 December 2011	<u>12,265,000</u>	<u>1,500</u>	<u>1,455,572</u>	<u>1,284,551</u>	<u>841,561</u>	<u>987,886</u>	<u>16,836,070</u>
DEPRECIATION							
1 January 2011	-	-	1,250,814	675,275	560,937	433,514	2,920,540
Charge for the year	31,000	-	90,007	114,975	82,488	152,657	471,127
Disposals	-	-	(198,098)	(10,403)	(6,436)	(123,808)	(338,745)
31 December 2011	<u>31,000</u>	<u>-</u>	<u>1,142,723</u>	<u>779,847</u>	<u>636,989</u>	<u>462,363</u>	<u>3,052,922</u>
NET BOOK AMOUNT							
31 December 2011	<u>12,234,000</u>	<u>1,500</u>	<u>312,849</u>	<u>504,704</u>	<u>204,572</u>	<u>525,523</u>	<u>13,783,148</u>
31 December 2010	<u>12,265,000</u>	<u>1,500</u>	<u>357,044</u>	<u>489,130</u>	<u>252,225</u>	<u>443,623</u>	<u>13,808,522</u>

The net book value of motor vehicles includes £195,713 in respect of assets held under finance leases. The depreciation charge in respect of these assets was £nil (2010 £nil)

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 (2010 £4,660,439) and accumulated depreciation of £31,000 (2010 £Nil)

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 2011 of £16.2m significantly exceeds the net book values included in the financial statements

11 STOCKS	2011 £	2010 £
Cars and commercial vehicles	6,827,875	5,790,745
Agricultural vehicles and implements	3,548,224	5,261,833
Parts stock	2,538,836	2,375,826
	<u>12,914,935</u>	<u>13,428,404</u>

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

At 31 December 2011 the total amount of interest bearing consignment stock included above amounted to £3,426,219 (2010 £3,510,088). Excluded from the above is non interest bearing consignment stock of £5,300,536 (2010 £5,548,834)

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

12	DEBTORS	2011	2010
		£	£
	Amounts due within one year		
	Trade debtors	3,778,181	3,720,230
	Other debtors	424,773	349,344
	Deferred taxation	48,359	48,359
	Prepayments and accrued income	937,356	1,156,770
		<u>5,188,669</u>	<u>5,274,703</u>

Deferred taxation provided in the financial statements is as follows

		Amount provided	
		2011	2010
		£	£
	Short term timing differences	4,998	7,950
	Unrelieved trading losses	31,057	38,890
	Excess of tax allowances over depreciation	12,304	1,519
		<u>48,359</u>	<u>48,359</u>

A deferred tax asset has been recognised on the basis of an expected improvement in trading conditions
There is an unrecognised deferred tax asset of £176,000 in respect of unrelieved trading losses

13	CREDITORS Amounts falling due within one year	2011	2010
		£	£
	Bank loans (secured)	380,000	6,460,000
	Bank overdrafts (secured)	1,293,481	1,601,868
	Other loans (secured)	900,000	761,500
	Proposed dividend	40,000	40,000
	Trade creditors	10,459,791	10,073,769
	Amounts owed to subsidiary undertakings	205	205
	Other taxes and social security costs	321,728	248,421
	Other creditors	154,257	116,177
	Accruals and deferred income	1,452,951	1,605,993
	Finance leases	51,640	-
		<u>15,054,053</u>	<u>20,907,933</u>

Other loans are secured on the company's stock. Finance leases are secured on the related assets

14	CREDITORS Amounts falling due in more than one year	2011	2010
		£	£
	Perpetual unsecured loan stock	55,000	55,000
	Bank loans (secured)	5,745,000	-
	Non-equity shares - variable cumulative preference shares	350,000	350,000
	Finance leases	144,073	-
		<u>6,294,073</u>	<u>405,000</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

	2011 £	2010 £
15 ANALYSIS OF DEBT MATURITY		
Bank loans		
Due within 1-2 years	5,745,000	-
	-	-
Due within 1 year	380,000	6,460,000
	<u>6,125,000</u>	<u>6,460,000</u>

In December 2011, the company 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. The bank also has a debenture over the assets of the company.

The bank has guaranteed two bonds to suppliers totalling £370,000 (2010 £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 2011 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 2011	At 31 December 2010
LPI increases for pensions in payment	2.80%	3.30%
Liability discount rate	4.40%	5.40%
Inflation assumption	2.80%	3.30%
Revaluation of deferred pensions	2.80%	3.30%
Future expected lifetime of current pensioner at age 65		
Male aged 65 now	21.3	21.3
Female aged 65 now	24.7	24.7
Future expected lifetime of future pensioner at age 65		
Male aged 45 now	23.1	23.1
Female aged 45 now	26.7	26.7

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

	As at 31 December 2011		As at 31 December 2010	
	Long-term rate of return expected	Value £'000	Long-term rate of return expected	Value £'000
Equities	5.50%	3,136	7.00%	3,709
Bonds	3.45%	465	4.50%	544
Property	5.50%	422	7.00%	397
Cash	2.50%	141	4.00%	50
Total market value of assets		4,164		4,700
Present value of scheme liabilities		(6,911)		(6,484)
(Deficit) in the scheme		(2,747)		(1,784)
Related deferred tax asset		742		500
Net pension (liability)		(2,005)		(1,284)

The expected rate of return on scheme assets are those that the actuary considered reasonable at 1 August 2012, being the date of his report

AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	(671)	146
Changes in assumptions underlying the present value of the scheme liabilities	(556)	(59)
	(1,227)	87

ANALYSIS OF THE AMOUNT CHARGED TO INTEREST PAYABLE

	2011 £'000	2010 £'000
Expected return on pension scheme assets	287	299
Interest on pension scheme liabilities	(338)	(366)
	(51)	(67)

CHANGE IN THE FAIR VALUE OF SCHEME ASSETS

	2011	2010
	£'000	£'000
Balance at 1 January 2011	4,700	4,412
Expected return on scheme assets	287	299
Actuarial gain	(671)	146
Employer contributions	315	152
Benefits paid	(467)	(309)
Balance at 31 December 2011	4,164	4,700

The actual return on scheme assets in the year was £384,000 (2010 £601,000 loss)

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

17 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

CHANGE IN THE PRESENT VALUE OF SCHEME LIABILITIES

	2011 £'000	2010 £'000
Balance at 1 January 2011	(6,484)	(6,368)
Interest cost	(338)	(366)
Actuarial gain	(556)	(59)
Benefits paid	467	309
Balance at 31 December 2011	<u>(6,911)</u>	<u>(6,484)</u>

MOVEMENT IN DEFICIT IN THE YEAR

(Deficit) in scheme at start of year	(1,784)	(1,956)
Contributions	315	152
Other finance (expense)/income	(51)	(67)
Actuarial gain/(loss)	(1,227)	87
(Deficit) in scheme at year end	<u>(2,747)</u>	<u>(1,784)</u>

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
Amount (£'000)	(671)	146	205	(1,414)	(113)
Percentage of the scheme assets	(16%)	3%	5%	(36%)	(2%)
Experience gains and losses on scheme liabilities					
Amount (£'000)	-	-	-	-	-
Percentage of the present value of the scheme liabilities	0%	0%	0%	0%	0%
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	(1,227)	87	(388)	(987)	379
Percentage of the present value of the scheme liabilities	(18%)	(5%)	(6%)	(17%)	6%

The Company expects to contribute £249,000 to the scheme during the year ending 31 December 2012

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

18	SHARE CAPITAL		2011 and 2010 Allotted, called-up and fully paid £
		Number of Shares	Authorised £
			£
	TREATED AS EQUITY		
	Ordinary shares of £10 each	5,600	56,000
	Non-voting ordinary shares of £10 each	400	4,000
	3½% cumulative preference shares of £10 each	500	5,000
		6,500	65,000
		6,500	65,000
	TREATED AS NON-EQUITY		
	Variable rate cumulative preference shares of £1 each	350,000	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	2011 £	2010 £
	As at 1 January 2011	7,975,626	9,156,997
	Revaluation	-	(1,181,371)
	As at 31 December 2011	7,975,626	7,975,626
		7,975,626	7,975,626
20	PROFIT AND LOSS ACCOUNT	2011 £	2010 £
	At 1 January 2011	1,880,816	2,115,027
	Loss for the financial year	(462,939)	(256,676)
	Other recognised gains and losses	(918,657)	62,640
	Equity dividends paid	(175)	(175)
	Equity dividends payable	-	(40,000)
	At 31 December 2011	499,045	1,880,816
		499,045	1,880,816

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

21	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2011 £	2010 £
	At 1 January 2010	9,921,442	11,337,024
	Loss for the financial year	(462,939)	(256,676)
	Other recognised gains and losses	(918,657)	62,640
	Equity dividends paid	(175)	(175)
	Equity dividends payable	-	(40,000)
	Revaluation	-	(1,181,371)
	Net deduction from shareholders' funds	(1,381,771)	(1,415,582)
	Closing shareholders' funds	8,539,671	9,921,442
22	LEASING OBLIGATIONS	2011 Land and Buildings £	2010 Land and Buildings £
	Commitments due under operating leases as at 31 December 2011 are as follows		
	Leases expiring		
	Within two to five years	57,000	12,000
		57,000	12,000

The above shows the payments the Company is committed to make during the next year in respect of Operating Leases, analysed by lease maturity date

- 23 RELATED AND CONTROLLING PARTIES
- Mr A D S Haynes is the ultimate controlling party