

HAYNES BROTHERS LIMITED
REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1999

REGISTERED NUMBER : 48511



HAYNES BROTHERS LIMITED

DIRECTORS REPORT

31 December 1999

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 1999.

Principal activities and business review

The company trades under the name Haynes of Maidstone Limited as Motor Engineers with a Distributorship for Ford cars, a Ford Transit Specialist Dealer Franchise and a Ford Rent-a-Car and Rent-a-Van Franchise. Additionally, the company holds an Iveco Ford Truck Franchise together with a Bosch Agency. The company also trades under the name Haynes Agricultural (Kent) Limited as Agricultural Engineers including the New Holland Franchise for Tractors and Harvest Equipment for Kent together with other Franchises for agricultural and related equipment.

In the face of the continuing pressures generally of a highly competitive market, the balance sheet on page 6 continues to reflect a very strong commercial base, from which the company will continue wherever possible to expand its business opportunities.

Statement of directors' responsibilities

The directors are required under company law 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 these financial statements they are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, and give details of any departures;
- prepare the financial statements on a going concern basis unless in my view the company will be unable to continue in business.

They are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

Profits and dividends

The profit on ordinary activities for the year after tax amounted to £138,044 (1998: £82,298). Dividends of £28,995 (1998: £28,233) were paid in the year on the variable rate cumulative preference shares. It is recommended that a dividend of £175 be paid in respect of the 3½% preference shares. The directors recommend the payment of a final dividend of £60,000 on the ordinary shares. The balance of £48,874 (1998: £13,890) is added to reserves.

Directors

The following were directors of the company at 31 December 1999 and served throughout the year.

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

HAYNES BROTHERS LIMITED

DIRECTORS REPORT

31 December 1999

(continued)

Directors shareholdings

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

	At 31 December 1999		At 31 December 1999	
	Shares of £10 each		Shares of £10 each	
	Ordinary	3½% cumulative preference shares	Ordinary	3½% cumulative preference shares
D.B. Haynes	4,200	-	4,200	-
A.D.S. Haynes	-	225	-	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 (1998: £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 £4,231 (1998: £3,814).

HAYNES BROTHERS LIMITED

DIRECTORS REPORT

31 December 1999

(continued)

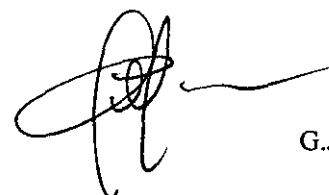
Auditors

HLB Kidsons, formerly Kidsons Impey, have agreed to offer themselves for re-election as auditors of the company.

Mr P.E. Haynes, a partner in HLB Kidsons, has an interest in his capacity as a Trustee, in 150 non-voting ordinary shares of £10 each.

Mrs A. Gregory-Jones, a partner in HLB Kidsons, has an interest in her capacity as a Trustee, in 1,150 ordinary shares of £10 each and 250 non-voting ordinary shares of £10 each.

By order of the board



G.J. Morgan

Secretary

Registered Office:
23 Ashford Road
Maidstone
Kent
ME14 5DQ

26 July 2000

HAYNES BROTHERS LIMITED

AUDITORS' REPORT

Auditors' report to the members of Haynes Brothers Limited

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 1 the directors of the company are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HLB Kidsons

Registered Auditors

Chartered Accountants

London

26 July 2000

HAYNES BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	2	36,025,031	32,490,843
Cost of sales		<u>(33,283,050)</u>	<u>(29,978,425)</u>
Gross profit		2,741,981	2,512,418
Advertising and distribution costs		(804,196)	(694,890)
Administrative expenses		<u>(1,608,697)</u>	<u>(1,487,469)</u>
Operating profit		329,088	330,059
Interest payable	3	<u>(148,749)</u>	<u>(223,660)</u>
Profit on ordinary activities before taxation	3	180,339	106,399
Taxation	6	<u>(42,295)</u>	<u>(24,101)</u>
Profit on ordinary activities after taxation		138,044	82,298
Dividends (including non-equity dividends)	7	<u>(89,170)</u>	<u>(68,408)</u>
Retained profit for the financial year		48,874	13,890
Balance brought forward		<u>4,365,341</u>	<u>4,351,451</u>
Balance carried forward		<u>4,414,215</u>	<u>4,365,341</u>

All activities are classed as continuing.

A statement of recognised gains and losses has not been prepared as there are no recognised gains and losses other than the profit for the year.

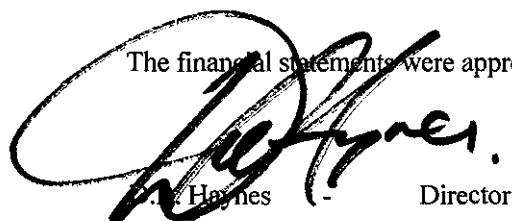
HAYNES BROTHERS LIMITED

BALANCE SHEET

at 31 December 1999

	Note	1999	1998
		£	£
Fixed assets			
Investments	8	202	202
Tangible assets	9	<u>5,456,609</u>	<u>5,426,423</u>
		5,456,811	5,426,625
Current assets			
Stocks	10	5,100,377	5,505,923
Debtors	11	2,550,419	2,121,796
Cash at bank and in hand		<u>3,329</u>	<u>2,569</u>
		7,654,125	7,630,288
Creditors: amounts falling due within one year	12	<u>(5,075,672)</u>	<u>4,776,163</u>
Net current assets		<u>2,578,453</u>	<u>2,854,125</u>
Total assets less current liabilities		8,035,264	8,280,750
Creditors: amounts falling due after more than one year	12	368,018	669,378
Provisions for liabilities and charges	14	<u>28,000</u>	<u>21,000</u>
		(396,018)	690,378
Net assets		<u>7,639,246</u>	<u>7,590,372</u>
Capital and reserves			
Called up share capital	15	415,000	415,000
Revaluation reserve	16	2,810,031	2,810,031
Profit and loss account	16	<u>4,414,215</u>	<u>4,365,341</u>
Net assets		<u>7,639,246</u>	<u>7,590,372</u>
Attributable to:			
Equity shareholders		7,284,246	7,235,372
Non-equity shareholders		<u>355,000</u>	<u>355,000</u>
		<u>7,639,246</u>	<u>7,590,372</u>

The financial statements were approved by the Board of Directors on 26 July 2000.


D. Haynes - Director

HAYNES BROTHERS LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities	a	520,882	407,652
Returns on investment and servicing of finance	c	(177,919)	(252,243)
Taxation		(8,242)	(18,968)
Capital expenditure	c	<u>(229,200)</u>	<u>(193,282)</u>
		105,521	(56,841)
Equity dividends paid		(40,000)	(50,000)
Financing	c	<u>(160,482)</u>	<u>(484,594)</u>
Decrease in cash in the year		<u>(94,961)</u>	<u>(591,435)</u>

NOTES TO CASH FLOW STATEMENT

for the year ended 31 December 1999

a) Reconciliation of operating profit to net cash inflow from operating activities

	1999 £	1998 £
Operating profit	329,088	330,059
Depreciation charges	167,772	139,725
Loss on disposal of investments	-	7,880
Loss/(profit) on disposal of fixed assets	31,242	(15,500)
Decrease/(increase) in stocks	405,546	518,939
(Increase)/decrease in debtors	(428,623)	605,253
Increase/(decrease) in creditors	<u>15,857</u>	<u>(1,178,754)</u>
	<u>520,882</u>	<u>407,652</u>

b) Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
(Decrease) in cash in the year	(94,961)	(591,435)
New finance leases	-	(24,750)
Net loan repayments	160,482	484,594
Net debt at 1 January	<u>(2,208,484)</u>	<u>(2,076,893)</u>
Net debt at 31 December	<u>(2,142,963)</u>	<u>(2,208,484)</u>

HAYNES BROTHERS LIMITED

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 1999

c) Gross cash flows

	1999 £	1998 £
i) Returns on investment and servicing of finance		
Interest paid	(148,749)	(223,660)
Non-equity dividends	<u>(29,170)</u>	<u>(28,583)</u>
	<u>(177,919)</u>	<u>(252,243)</u>
ii) Capital expenditure		
Payment to acquire tangible fixed assets	(229,200)	(219,982)
Receipts from sale of tangible fixed assets	<u>-</u>	<u>26,700</u>
	<u>(229,200)</u>	<u>(193,282)</u>
iii) Financing		
Bills of exchange	-	-
Capital element of finance leases	(62,838)	(77,274)
New loans received	-	100,000
Loans repaid	<u>(97,644)</u>	<u>(507,320)</u>
	<u>(160,482)</u>	<u>(484,594)</u>

d) Net debt

	At 1 January 1999 £	Cash flow £	At 31 December 1999 £
Cash at bank and in hand	2,569	760	3,329
Bank loan and overdrafts	<u>(1,408,304)</u>	<u>(95,721)</u>	<u>(1,504,025)</u>
	(1,405,735)	(94,961)	(1,500,696)
Other loans due within 1 year	(596,097)	76,093	(520,004)
Other loans due after more than 1 year	(134,876)	21,551	(113,325)
Finance leases	<u>(71,776)</u>	<u>62,838</u>	<u>(8,938)</u>
	<u>(2,208,484)</u>	<u>65,521</u>	<u>(2,142,963)</u>

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

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 certain freehold land and buildings which are stated at revalued amounts. Consolidated accounts have not been prepared as the company's subsidiaries are dormant and their assets and liabilities are insignificant.

Cost of sales

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

Depreciation

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

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

Stocks

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

The dealership has made arrangements with a limited number of customers which include the commitment to repurchase vehicles at a future date at a pre-determined price. In accordance with Financial Reporting Standard No. 5, the residual interest in these vehicles is included in stock with the corresponding liability included in creditors falling due within one year and creditors falling due after more than one year.

Deferred taxation

Deferred taxation is provided under the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Assets held under finance leases

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

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

Operating leases

Rentals paid under operating leases are charged to income as incurred.

Pensions

Contributions are charged to the profit and loss account on the basis of actuarial recommendations to the scheme trustees.

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 1999

(continued)

3 Profit on ordinary activities before taxation

	1999		1998
	£	£	£
This is stated after charging:			
Interest payable:			
Finance charges under finance leases	4,595		4,481
Loans wholly repayable within five years	34,026		73,977
Loans not wholly repayable within five years	5,500		5,500
Bank overdraft and other interest	<u>104,628</u>		<u>139,702</u>
	148,749		223,660
Depreciation			
- owned assets	162,821		116,675
- assets held under finance leases	4,951		23,050
Auditors' remuneration for audit	20,500		19,500
Auditors' remuneration for other services	37,499		21,543
Operating leases - rent payable	<u>3,531</u>		<u>-</u>

4 Directors' emoluments

	1999	1998
	£	£
Total emoluments	<u>242,513</u>	<u>234,317</u>
Emoluments, for management, excluding pension contributions	<u>242,313</u>	<u>234,317</u>
The emoluments of the highest paid director were	<u>166,152</u>	<u>171,353</u>

Pension contributions of £200 were paid in respect of one director, who was not the highest paid.

5 Employees

The average number of persons including directors employed by the company during the year was:

Service and workshop staff	139	140
Management and administration	64	62
Sales staff	<u>28</u>	<u>26</u>
	<u>231</u>	<u>228</u>
Staff costs:	£	£
Wages and salaries	3,821,458	3,701,545
Social security costs	350,264	352,366
Other pension costs	<u>136,194</u>	<u>124,095</u>
	<u>4,307,916</u>	<u>4,178,006</u>

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

(continued)

5 Employees (continued)

Pensions costs

The company operates a 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 so as to spread the cost of pensions over employees' working lives with the company.

The financial position of the scheme is determined by a qualified actuary on the basis of triennial valuations using the projected unit 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 rates of increase in salaries. The most recent valuation available was at 1st April 1999. It was then assumed that share dividends would increase by 4%, pensionable salaries by 6 % and investment returns by 9 % per annum. This valuation showed that the scheme's assets covered 97% (1996: 100%) of its liabilities on the MFR basis and additional contributions of £18,000 p.a. will be paid until the next valuation.

For the purposes of determining the pension charge in the financial statements, different actuarial assumptions are used, the key change being a higher assumed investment return. These assumptions lead to a pension charge for the year of £136,194 (1998: £124,095).

The contributions of the company for the year were 10.3% (staff) and 2.4% (works) and contributions will change to 6.9% for all pensionable salaries from 1 May 2000. Employee contributions have been at the rate of 3% of pensionable salaries since 1 April 1999 and at lower rates for previous periods.

6	Taxation	1999	1998
		£	£
	United Kingdom corporation tax payable based on the profit for the year at 20.25% (1998: 21%)	45,000	25,000
	Over-provision in respect of earlier years	(9,705)	(1,899)
	Transfer to deferred taxation (Note 13)	<u>7,000</u>	<u>1,000</u>
		<u>42,295</u>	<u>24,101</u>
7	Dividends	£	£
	3 1/2% Cumulative preference shares - proposed (non-equity)	175	175
	Variable rate cumulative preference shares - paid (non-equity)	28,995	28,233
	Ordinary shares - final proposed (equity)	<u>60,000</u>	<u>40,000</u>
		<u>89,170</u>	<u>68,408</u>
8	Fixed asset investments	Subsidiary undertakings	Total
		£	£
	At 31 December 1998	<u>202</u>	<u>202</u>
	At 31 December 1999	<u>202</u>	<u>202</u>

The investments in subsidiary undertakings comprise two dormant agency wholly-owned subsidiary companies, Haynes of Maidstone Limited and Haynes Agricultural (Kent) Limited which are incorporated in Great Britain and registered in England and Wales together with a dormant company, Haynes Truck (Contracts) Limited.

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

(continued)

9	Tangible fixed assets	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Computer Equipment £	Motor vehicles £	Total £
	Cost or valuation						
	1 January 1999	4,810,984	1,042,896	257,653	30,058	478,095	6,619,686
	Additions	-	38,639	34,142	62,829	93,590	229,200
	Disposals	-	(66,626)	(4,276)	-	(38,006)	(108,908)
	31 December 1999	<u>4,810,984</u>	<u>1,014,909</u>	<u>287,519</u>	<u>92,887</u>	<u>533,679</u>	<u>6,739,978</u>
	Depreciation						
	1 January 1999	-	721,859	218,869	6,010	246,525	1,193,263
	Charge for the year	-	66,924	11,555	18,013	71,280	167,772
	Disposals	-	(66,099)	(4,276)	-	(7,291)	(77,666)
	31 December 1999	-	<u>722,684</u>	<u>226,148</u>	<u>24,023</u>	<u>310,514</u>	<u>1,283,369</u>
	Net book amount						
	31 December 1999	<u>4,810,984</u>	<u>292,225</u>	<u>61,371</u>	<u>68,864</u>	<u>223,165</u>	<u>5,456,609</u>
	31 December 1998	<u>4,810,984</u>	<u>321,037</u>	<u>38,784</u>	<u>24,048</u>	<u>231,570</u>	<u>5,426,423</u>

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which comprised £4,521,000 at valuation in 1992 and £269,355 at cost. The company's freehold premises in Maidstone were revalued on 19th November 1992 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use. The freehold properties at Appledore and Eastry continue to be shown at cost.

Included in motor vehicles are vehicles being acquired under finance leases with a book value of £nil (1998: £93,500) on which the depreciation charge for the year was £nil. Included in computer equipment is equipment being acquired under finance leases with a book value of £14,856 (1998: £19,800) on which depreciation charge for the year was £4,951.

10	Stocks	1999 £	1998 £
	Cars and commercial vehicles	2,012,110	2,329,534
	Vehicle repurchase commitments	520,373	723,532
	Agricultural vehicles and implements	948,961	1,142,691
	Parts stock	<u>1,618,933</u>	<u>1,310,166</u>
		<u>5,100,377</u>	<u>5,505,923</u>

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

At 31 December 1999 the total amount of consignment stock held on a sale or return basis and not recorded in the balance sheet amounted to £3,592,603 (1998: £1,849,016). 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. The dealer was previously required to lodge a financial deposit under these agreements.

Stocks include £520,373 (1998: £723,532) relating to the residual interest on vehicles which include a commitment to repurchase at a future date at a pre-determined price. The corresponding liability is included in creditors falling due within one year and creditors falling due after more than one year to comply with Financial Reporting Standard No. 5

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

(continued)

11	Debtors			1999	1998
				£	£
	Amounts due within one year:				
	Trade debtors			2,062,424	1,738,629
	Other debtors			232,446	159,900
	Prepayments and accrued income			<u>255,549</u>	<u>223,267</u>
				<u>2,550,419</u>	<u>2,121,796</u>
12	Creditors	Amounts falling due within one year	Amounts falling due after more than one year		
		1999	1998	1999	1998
		£	£	£	£
	Bank loans and overdrafts	1,504,025	1,408,304	-	-
	Perpetual unsecured loan stock	-	-	55,000	55,000
	Other loans	520,004	596,097	58,325	79,876
	Trade creditors	1,786,212	1,746,705	-	-
	Corporation tax	44,957	1,827	-	-
	Advance corporation tax	-	16,077	-	-
	Other taxes and social security costs	133,196	142,776	-	-
	Other creditors	235,037	214,071	-	-
	Accruals and deferred income	517,246	349,123	-	-
	Amounts owed to subsidiary undertakings	202	202	-	-
	Net obligations under finance leases	8,938	71,776	-	-
	Vehicle repurchase commitments	265,680	189,030	254,693	534,502
	Proposed dividends	<u>60,175</u>	<u>40,175</u>	-	-
		<u>5,075,672</u>	<u>4,776,163</u>	<u>368,018</u>	<u>669,398</u>
13	Leasing obligations			1999	1998
				Other	Other
				£	£
	Commitments due under operating leases for the year to 31 December 2000 are as follows:				
	Leases expiring:				
	In less than one year			<u>23,595</u>	-
14	Provisions for liabilities and charges	Accelerated capital allowances	Short term timing differences		Total
		£	£		£
	Full provision has been made, based on a corporation tax rate of 21%, in respect of corporation tax deferred because of timing differences				
	At 1st January 1999	30,500	(9,500)		21,000
	Transfer from profit and loss account-movement	-	<u>7,000</u>		<u>7,000</u>
	At 31 December 1999	<u>30,500</u>	<u>(2,500)</u>		<u>28,000</u>

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

(continued)

15	Called-up share capital	1998 and 1999		
		Number of shares	Authorised £	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	<u>4,000</u>	<u>4,000</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	<u>5,000</u>	<u>5,000</u>
			<u>355,000</u>	<u>355,000</u>
	Total share capital		<u>415,000</u>	<u>415,000</u>

The variable rate 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 30th 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.

16	Reserves	Total £	Revaluation reserve £	Profit and loss account £
	1st January 1999	7,175,372	2,810,031	4,365,341
	Profit for the financial year	<u>48,874</u>	<u>-</u>	<u>48,874</u>
	31 December 1999	<u>7,224,246</u>	<u>2,810,031</u>	<u>4,414,215</u>

17	Capital commitments and contingent liabilities	1999 £	1998 £
	Capital commitments authorised by the Board and for which contracts had been placed:	<u>Nil</u>	<u>Nil</u>
	Contingent liabilities:		
	Indemnity re advance payment guarantee	<u>Nil</u>	<u>115,000</u>

HAYNES BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

(continued)

18	Reconciliation of movement in shareholders' funds	1999 £	1998 £
	Profit for the financial year	138,044	82,298
	Dividends	<u>(89,170)</u>	<u>(68,408)</u>
	Net addition to shareholders' funds	48,874	13,890
	Opening shareholders' funds	<u>7,590,372</u>	<u>7,576,482</u>
	Closing shareholders' funds	<u>7,639,246</u>	<u>7,590,372</u>

19 **Related party transactions**

Mr D.B. Haynes, the Chairman, owns 46% and Mr A.D.S. Haynes has an interest in 24% of the equity share capital of the company; taken together these shares control 75% of the voting rights.

Included in other loans is a balance of £Nil (1998: £67,973) owing to Mr D.B. Haynes; the loan was repaid in full during the year.