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HAYNES BROTHERS LIMITED

DIRECTOR'S REPORT

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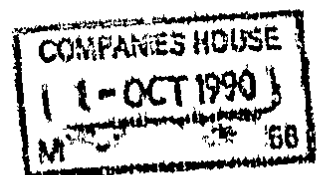
FINANCIAL STATEMENTS

31ST DECEMBER 1989

KIDSONS IMPEY

Chartered Accountants

LONDON



DIRECTOR'S REPORT

The director presents the annual report and the audited financial statements of the company for the year ended 31st December 1989.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as motor and agricultural engineers including Distributorships for Ford cars, vans, trucks and tractors, Iveco Ford trucks and Claas combines. The balance sheet on page 5 continues to reflect a strong commercial base despite the pressure of a highly competitive market.

PROFITS AND DIVIDENDS

The profit on ordinary activities for the year after tax amounted to £1,365. Dividends of £40,624 were paid during the year in respect of the variable rate preference shares. A dividend of £200,000 was paid in respect of the ordinary shares. It is recommended that a dividend of £175 be paid in respect of the 3½% preference shares. The balance is transferred to reserves, including extraordinary items of £831,425.

DIRECTORS

Mr. D.B. Haynes was a director of the company at 31st December 1989 and served throughout the year.

DIRECTOR'S SHAREHOLDINGS

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

	<u>At 31st December 1989</u>		<u>At 31st December 1988</u>	
	<u>Shares of £10 each</u>		<u>Shares of £10 each</u>	
	<u>3½% Cumulative</u>		<u>3½% Cumulative</u>	
	<u>Ordinary</u>	<u>preference shares</u>	<u>Ordinary</u>	<u>preference shares</u>
D.B. Haynes	4,200	225	4,200	225

In addition D.B. Haynes holds £14,000 (1988: £14,000) of the perpetual unsecured loan stock.

The director has no interest in the variable rate preference shares or the non-voting ordinary shares.

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.

DIRECTORS' REPORT

(CONTINUED)

## EMPLOYEE INVOLVEMENT

It is company policy to ensure that employees are provided with information on all matters of concern to them. Accordingly appropriate steps are taken to ensure that employees or their representatives are aware of the financial and economic factors affecting the company's performance, are consulted whenever necessary and are encouraged generally to be involved in the company's overall performance.

## DONATIONS

During the year, the company made donations for political and charitable purposes amounting to £2,856 (1988: £1,751).

## FIXED ASSETS

The movements in fixed assets during the year are set out in the notes to the financial statements.

No provision is made for depreciation of freehold property in the Town Centre (4.2 acres), Parkwood Industrial Estate (3.8) and at Appledore (0.75). The directors estimate that all three properties together have a current market value at least £4m in excess of the book value.

## AUDITORS

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

Registered Office:

23 Ashford Road,  
Maidstone,  
Kent.

18th July 1990.

By Order of the Board

B.H. FILLER P.C.A.

Secretary

HAYNES BROTHERS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 4 to 11 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December, 1989 and of its profit and source and application of funds for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

KIDSONS INPEY

London, 18th July 1990.

Chartered Accountants

# HAYNES BROTHERS LIMITED

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## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1989

	Note	1989 £	1988 £
TURNOVER	2	29,624,346	28,163,430
Cost of sales		27,201,943	25,726,041
Gross profit		2,422,403	2,437,389
Advertising and distribution costs		421,799	274,843
Administrative expenses		1,412,333	1,213,354
OPERATING PROFIT	3	588,271	949,182
Interest payable	3	135,856	100,122
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	452,415	849,060
Taxation	6	149,050	306,250
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		303,365	542,810
Extraordinary items	7	831,425	-
PROFIT FOR THE FINANCIAL YEAR		1,134,790	542,810
Dividends	8	240,799	39,617
RETAINED PROFIT FOR THE FINANCIAL YEAR		893,991	503,193
BALANCE BROUGHT FORWARD		2,390,511	1,887,318
BALANCE CARRIED FORWARD		3,284,502	2,390,511

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

# HAYNES BROTHERS LIMITED

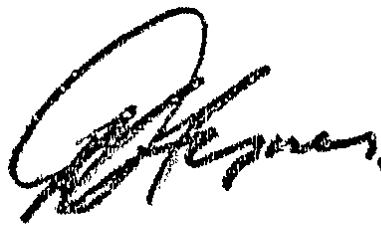
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## BALANCE SHEET - 31ST DECEMBER 1989

	Note	1989 £	1988 £
<b>FIXED ASSETS</b>			
Tangible assets	9	2,022,728	743,279
<b>CURRENT ASSETS</b>			
Stocks	10	3,550,013	3,358,964
Debtors	11	3,515,957	3,079,557
Cash at bank and in hand		7,363	45,106
		7,073,333	6,483,627
<b>CREDITORS: amounts falling due within one year</b>	12	4,461,762	3,474,598
<b>NET CURRENT ASSETS</b>		2,611,571	3,009,029
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,634,299	3,752,308
<b>CREDITORS: amounts falling due after more than one year</b>	12	55,000	60,000
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	44,942	51,942
		99,942	111,942
<b>NET ASSETS</b>		4,534,357	3,640,366
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	415,000	415,000
Capital reserve		9,855	9,855
General reserve		825,000	825,000
Profit and loss account		3,284,502	2,390,511
<b>SHAREHOLDERS' FUNDS</b>		4,534,357	3,640,366

On behalf of the Board

D.B. HAYNES - Director



18th July 1990.

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

HAYNES BROTHERS LIMITED  
SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 1989

	1989	1988
	£	£
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	452,415	344,080
Adjustment for items not involving the movement of funds:		56,100
Depreciation	56,244	63
(Profit) loss on sale of tangible fixed assets	(23)	46,163
	56,221	
	508,636	905,223
<b>TOTAL GENERATED FROM OPERATIONS</b>		
<b>FUNDS FROM OTHER SOURCES</b>		
Proceeds from disposal of tangible fixed assets	850,236	474
	1,358,872	905,797
<b>APPLICATION OF FUNDS</b>		
Purchase of tangible fixed assets	1,354,481	120,785
Mortgage repayments	5,000	5,000
Dividends paid	240,799	61,466
ACT paid	13,383	14,683
Corporation tax paid	386,459	189,731
	2,000,122	391,665
	(641,250)	414,132
<b>(DECREASE) INCREASE IN WORKING CAPITAL</b>		
<b>REPRESENTED BY:-</b>		
Increase in stocks	191,049	388,163
Increase in debtors	455,369	367,603
Decrease (increase) in creditors	387,135	(64,006)
(Decrease) increase in deposit with Ford Motor Company	(18,969)	186,124
	1,014,584	877,884
Movement in net liquid funds:	(1,654,834)	(163,752)
(Decrease) in cash and bank	(661,250)	414,132

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

## NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1989

## 1. ACCOUNTING POLICIES

## (a) Basis of accounting

The financial statements have been prepared under the historical cost accounting convention except for freehold land and buildings which are partially stated at revalued amounts.

## (b) Cost of sales

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

## (c) Depreciation

Depreciation is calculated to write off the cost of all tangible fixed assets, other than freehold land and buildings which are not depreciated, in equal annual instalments over their estimated useful lives at the rate of 10% per annum.

## (d) Stocks

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

## (e) Deferred taxation

Deferred taxation is provided at current taxation rates under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes.

## (f) Assets held under finance leases

Rental payments are charged directly against profits.

## 2. TURNOVER

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

## 3. PROFIT ON ORDINARY ACTIVITIES

	1989	1988
BEFORE TAXATION	£	£

This is stated after charging:

## Interest payable:

Loans wholly repayable within five years	8,271	6,829
Loans not wholly repayable within five years	5,500	5,500
Bank overdraft and other interest	122,085	87,793
	135,856	100,122
Hire of plant and machinery held under finance leases	26,359	10,955
Depreciation	56,244	56,100
Auditors' remuneration	11,000	9,500
Directors' emoluments (including pension contributions) (see note 4)	319,241	210,339

HAYNES BROTHERS LIMITED

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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1989

(CONTINUED)

4. DIRECTORS' EMOLUMENTS	1989 £	1988 £
For management	228,481	218,139
Emoluments, excluding pension contributions, are analysed as follows:-		
Highest paid director (including pension - related supplement £60,000 (1988: £40,000))	188,481	158,139
5. EMPLOYEES	1989	1988
(a) The average number of persons including directors employed by the company during the year was:		
Service and workshop staff	156	153
Management and administration	71	71
Sales staff	27	24
	254	248
(b) Staff costs:	£	£
Wages and salaries	2,818,745	2,495,260
Social security costs	278,481	243,743
Other pension costs	165,705	150,758
	3,262,931	2,889,761
6. TAXATION	1989 £	1988 £
United Kingdom corporation tax based on the profit for the year at 34% (1988: 35%)	160,000	315,000
Transfer from deferred taxation	(7,000)	(8,000)
(Over) provision in respect of prior years	(3,950)	(750)
	149,050	306,250
7. EXTRAORDINARY ITEM	1989 £	1988 £
Surplus on sale of freehold property	831,425	-

# HAYNES BROTHERS LIMITED

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## NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1989

(CONTINUED)

### 8. DIVIDENDS

	1989 £	1988 £
3½% Cumulative preference shares - proposed	175	175
Variable rate cumulative preference shares - paid	40,624	39,442
Ordinary shares - paid	200,000	-
	240,799	39,617

### 9. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures and fittings £	Plant and equipment £	Payments on Account and Assets in the course of construction £	Total £
<u>COST OR VALUATION</u>					
1st January 1989	452,747	189,048	594,100	49,624	1,285,519
Additions	1,288,230	35,364	30,887	-	1,354,481
Transfers	49,624	-	-	(49,624)	-
Disposals	(18,575)	(236)	(40)	-	(18,851)
31st December 1989	1,772,026	224,176	624,947	-	2,621,149
<u>DEPRECIATION</u>					
1st January 1989	-	121,256	420,984	-	542,240
Charge for the year	-	17,605	38,639	-	56,244
Disposals	-	(23)	(40)	-	(63)
31st December 1989	-	138,838	459,583	-	598,421
<u>NET BOOK AMOUNT</u>					
31st December 1989	1,772,026	85,338	165,364	-	2,022,728
31st December 1988	452,747	67,792	173,116	49,624	743,279

All tangible fixed assets are shown at cost with the exception of freehold land and buildings which comprised £9,500 at valuation in 1946 and subsequent additions at cost of £1,762,526.

## NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1989

## (CONTINUED)

10. STOCKS	1989 £	1988 £
Cars and commercial vehicles	1,855,689	1,557,304
Agricultural vehicles and implements	690,130	800,241
Parts stock	1,004,194	1,001,419
	<u>3,550,013</u>	<u>3,358,964</u>

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

11. DEBTORS	1989 £	1988 £
Amounts due within one year:		
Trade debtors	1,713,923	1,760,546
Deposit with Ford Motor Company	985,761	1,004,730
Capital debtors	450,000	-
Other debtors	245,601	231,352
Prepayments and accrued income	120,672	82,929
	<u>3,515,957</u>	<u>3,079,557</u>

12. CREDITORS	Amounts falling due within one year		Amounts falling due after more than one year	
	1989 £	1988 £	1989 £	1988 £
Bank loans and overdrafts	1,674,267	56,176	-	-
Mortgage loan	5,000	5,000	-	5,000
Perpetual unsecured loan stock	-	-	55,000	55,000
Trade creditors	1,796,691	2,309,617	-	-
Stocking loans	50,000	50,000	-	-
Corporation tax	125,208	435,963	-	-
Other taxes and social security costs	219,946	64,179	-	-
Other creditors	378,126	247,410	-	-
Accruals and deferred income	262,269	306,078	-	-
Proposed dividends	175	175	-	-
	<u>4,461,762</u>	<u>3,474,598</u>	<u>55,000</u>	<u>60,000</u>

# HAYNES BROTHERS LIMITED

11.

## NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1989

### (CONTINUED)

#### 13. PROVISIONS FOR LIABILITIES AND CHARGES

1989  
£

1988  
£

The provision included in the balance sheet relates to deferred taxation and consists of the following:-

Accelerated capital allowances	44,000	52,000
Advance corporation tax recoverable	(58)	(58)
	44,942	51,942

#### 14. CALLED-UP SHARE CAPITAL

1989

1988

	Authorised £	Alotted, Issued and Fully Paid £	Authorised £	Alotted, Issued and Fully Paid £
Ordinary shares of £10 each	56,000	56,000	56,000	56,000
Non-voting ordinary shares of £10 each	4,000	4,000	4,000	4,000
Variable rate preference shares of £1 each	350,000	350,000	350,000	350,000
3½% cumulative preference shares of £10 each	5,000	5,000	5,000	5,000
	415,000	415,000	415,000	415,000

#### 15. LEASING COMMITMENTS

£

Future commitments due under finance leases at 31 December 1989 are as follows:

Year to 31 December 1990	26,354
Years to 31 December 1994	41,562
	67,917
Less future finance charges	(11,206)
	56,711

#### 16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments authorised by the Board and for which contracts had been placed amounted to £Nil (1988: £800,000).

There were no contingent liabilities at the balance sheet date.

An amount of compensation is receivable from the local authority in respect of considerable disturbance affecting the company's Town Centre operations.