

48511

HAYNES BROTHERS LIMITED

DIRECTOR'S REPORT

AND

FINANCIAL STATEMENTS

31ST DECEMBER 1988

KIDSONS

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 1988.

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 for the year after tax amounted to £542,810. Dividends of £39,442 were paid during the year in respect of the variable rate preference shares. It is recommended that a dividend of £175 be paid in respect of the 3½% preference shares. The balance is transferred to reserves.

DIRECTORS

Mr. D.B. Haynes was a director of the company at 31st December 1988 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 1988</u>		<u>At 31st December 1987</u>	
	<u>Shares of £10 each</u>		<u>Shares of £10 each</u>	
	3½% Cumulative		3½% Cumulative	
	<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 (1987: £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 £1,751 (1987: £2,124).

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. The directors estimate that the Ashford Road and Parkwood Industrial Estate properties in Maidstone and the Appledore property, have a current market value at least £2m in excess of the book value.

CLOSE COMPANY PROVISIONS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

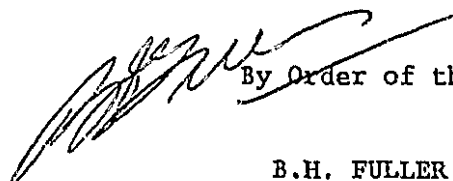
AUDITORS

A resolution to reappoint the auditors, Messrs. Kidsons, Chartered Accountants, will be proposed at the annual general meeting.

Registered Office:

23 Ashford Road,  
Maidstone,  
Kent.

9th August 1989.

 By Order of the Board  
B.H. FULLER F.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 approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings, give a true and fair view of the state of the company's affairs at 31st December, 1988 and of its profit and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

KIDSONS

London, 9th August 1989.

Chartered Accountants

HAYNES BROTHERS LIMITED

4.

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>Note</u>	<u>1988</u> £	<u>1987</u> £
TURNOVER	2	28,163,430	24,922,139
Cost of sales		<u>25,726,041</u>	<u>22,873,478</u>
Gross profit		2,437,389	2,048,661
Advertising and distribution costs		274,853	238,501
Administrative expenses		<u>1,213,354</u>	<u>1,136,792</u>
OPERATING PROFIT	3	949,182	673,368
Interest payable	3	<u>100,122</u>	<u>78,358</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	849,060	595,010
Taxation	6	<u>306,250</u>	<u>210,853</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		542,810	384,157
Dividends	7	<u>39,617</u>	<u>243,517</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		503,193	140,640
BALANCE BROUGHT FORWARD		<u>1,887,318</u>	<u>1,746,678</u>
BALANCE CARRIED FORWARD		<u><u>2,390,511</u></u>	<u><u>1,887,318</u></u>

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

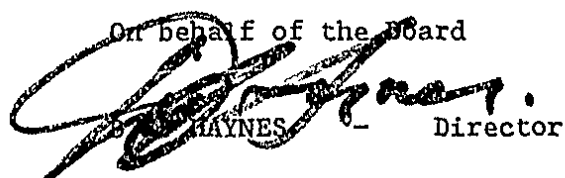
## HAYNES BROTHERS LIMITED

5.

BALANCE SHEET - 31ST DECEMBER 1988

	<u>Note</u>	£	1988	£	1987	£
FIXED ASSETS						
Tangible assets	8		743,279		679,231	
CURRENT ASSETS						
Stocks	9	3,358,964		2,970,801		
Debtors	10	3,079,557		2,525,830		
Cash at bank and in hand		45,106		352,682		
			6,483,627		5,849,313	
CREDITORS: amounts falling due within one year	11	3,474,598		3,273,102		
NET CURRENT ASSETS			3,009,029		2,576,211	
TOTAL ASSETS LESS CURRENT LIABILITIES			3,752,308		3,255,442	
CREDITORS: amounts falling due after more than one year	11	60,000		65,000		
PROVISIONS FOR LIABILITIES AND CHARGES	12	51,942		53,269		
			111,942		118,269	
NET ASSETS			3,640,366		3,137,173	
CAPITAL AND RESERVES						
Called-up share capital	13	415,000		415,000		
Capital reserve		9,855		9,855		
General reserve		825,000		825,000		
Profit and loss account		2,390,511		1,887,318		
SHAREHOLDERS' FUNDS			3,640,366		3,137,173	

On behalf of the Board



HAYNES Director

9th August 1989.

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

SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>1988</u>	<u>1987</u>
	£	£
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	849,060	595,010
Adjustment for items not involving the movement of funds:		
Depreciation	56,100	53,304
Loss on sale of tangible fixed assets	63	-
	<u>56,163</u>	<u>53,304</u>
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>905,223</b>	<b>648,314</b>
<b>FUNDS FROM OTHER SOURCES</b>		
Proceeds from disposal of tangible fixed assets	574	-
	<u>574</u>	<u>-</u>
	<b>905,797</b>	<b>648,314</b>
<b>APPLICATION OF FUNDS</b>		
Purchase of tangible fixed assets	120,785	34,913
Mortgage repayments	5,000	5,000
Dividends paid	61,466	221,668
ACT paid	14,683	91,872
Corporation tax paid	189,731	61,687
Loan repaid	-	50,000
	<u>391,665</u>	<u>465,140</u>
<b>INCREASE IN WORKING CAPITAL</b>	<b>514,132</b>	<b>183,174</b>
<b>REPRESENTED BY:-</b>		
Increase in stocks	388,163	38,010
Increase in debtors	367,603	551,074
(Increase) in creditors	(64,006)	(781,152)
Increase in deposit with Ford Motor Company	186,124	209,491
	<u>877,884</u>	<u>17,423</u>
Movement in net liquid funds:		
(Decrease)/increase in cash and bank	(363,752)	165,751
	<u>514,132</u>	<u>183,174</u>

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

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1988

## 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

	<u>1988</u>		<u>1987</u>
BEFORE TAXATION	£	£	£
This is stated after charging:			
Interest payable:			
Loans wholly repayable within five years	6,829		12,413
Loans not wholly repayable within five years	5,500		5,500
Bank overdraft and other interest	<u>87,793</u>		<u>60,445</u>
		100,122	78,358
Hire of plant and machinery held under finance leases		30,955	17,158
Depreciation		56,100	53,304
Auditors' remuneration		9,500	9,000
Directors' emoluments (including pension contributions) (see note 4)		<u>218,139</u>	<u>215,340</u>

## NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1988

## (CONTINUED)

4. DIRECTORS' EMOLUMENTS	<u>1988</u> £	<u>1987</u> £
For management	<u>218,139</u>	<u>215,340</u>
Emoluments, excluding pension contributions, are analysed as follows:-		
Highest paid director (including pension - related supplement £40,000 (1987: £40,000))	<u>158,139</u>	<u>139,431</u>
In 1987 another director received emoluments within the range of £15,001 - £20,000.		
5. EMPLOYEES	<u>1988</u>	<u>1987</u>
(a) The average number of persons including directors employed by the company during the year was:		
Service and workshop staff	153	164
Management and administration	71	75
Sales staff	24	23
	<u>248</u>	<u>262</u>
(b) Staff costs:	£	£
Wages and salaries	2,495,260	2,346,835
Social security costs	243,743	227,445
Other pension costs	150,758	155,767
	<u>2,889,761</u>	<u>2,730,047</u>
6. TAXATION	<u>1988</u> £	<u>1987</u> £
United Kingdom corporation tax based on the profit for the year at 35% (1987: 35%)	315,000	225,000
Transfer from deferred taxation	(8,000)	(12,000)
(Over) provision in respect of prior years	(750)	(2,147)
	<u>306,250</u>	<u>210,853</u>

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1988(CONTINUED)

7. DIVIDENDS	<u>1988</u> £	<u>1987</u> £
3½% Cumulative preference shares - proposed	175	175
Variable rate cumulative preference shares - paid	39,442	21,493
- proposed	-	21,849
Ordinary shares - paid	-	200,000
	<u>39,617</u>	<u>243,517</u>

## 8. TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings</u> £	<u>Fixtures and fittings</u> £	<u>Plant and equipment</u> £	<u>Payments on Account and Assets in the course of construction</u> £	<u>Total</u> £
<u>COST OR VALUATION</u>					
1st January 1988	452,747	171,096	542,616	-	1,166,459
Additions	-	19,677	51,484	49,624	120,785
Disposals	-	(1,725)	-	-	(1,725)
31st December 1988	<u>452,747</u>	<u>189,048</u>	<u>594,100</u>	<u>49,624</u>	<u>1,285,519</u>
<u>DEPRECIATION</u>					
1st January 1988	-	107,836	379,392	-	487,228
Charge for the year	-	14,508	41,592	-	56,100
Disposals	-	(1,088)	-	-	(1,088)
31st December 1988	<u>-</u>	<u>121,256</u>	<u>420,984</u>	<u>-</u>	<u>542,240</u>
<u>NET BOOK AMOUNT</u>					
31st December 1988	<u>452,747</u>	<u>67,792</u>	<u>173,116</u>	<u>49,624</u>	<u>743,279</u>
31st December 1987	<u>452,747</u>	<u>63,260</u>	<u>163,224</u>	<u>-</u>	<u>679,231</u>

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 £443,247.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1988(CONTINUED)

9. STOCKS	<u>1988</u> £	<u>1987</u> £
Cars and commercial vehicles	1,557,304	1,439,127
Agricultural vehicles and implements	800,241	688,335
Parts stock	1,001,419	843,339
	<u>3,358,964</u>	<u>2,970,801</u>

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

10. DEBTORS	<u>1988</u> £	<u>1987</u> £
Amounts due within one year:		
Trade debtors	1,760,546	1,475,586
Deposit with Ford Motor Company	1,004,730	818,606
Other debtors	231,352	162,814
Prepayments and accrued income	82,929	68,824
	<u>3,079,557</u>	<u>2,525,830</u>

11. CREDITORS	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>1988</u> £	<u>1987</u> £	<u>1988</u> £	<u>1987</u> £
Bank loans and overdrafts	56,176	-	-	-
Mortgage loan [note (i)]	5,000	5,000	5,000	10,000
Perpetual unsecured loan stock	-	-	55,000	55,000
Trade creditors	2,309,617	2,207,717	-	-
Stocking loans	50,000	50,000	-	-
Corporation tax	435,963	332,737	-	-
Other taxes and social security costs	64,179	170,736	-	-
Other creditors	247,410	224,143	-	-
Accruals and deferred income	306,078	260,745	-	-
Proposed dividends	175	22,024	-	-
	<u>3,474,598</u>	<u>3,273,102</u>	<u>60,000</u>	<u>65,000</u>

- (i) This loan is secured by a charge on the company's freehold property at Parkwood and is being repaid by quarterly instalments of £1,250. It bears interest at 1½% over Bank Base Rate with a maximum of 10%.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1988(CONTINUED)

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

1988

£

1987

£

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

Accelerated capital allowances	52,000	60,000
Advance corporation tax recoverable	(58)	(6,731)
	<u>51,942</u>	<u>53,269</u>

## 13. CALLED-UP SHARE CAPITAL

19881987

	<u>Authorised</u>	<u>Allotted, Issued and Fully Paid</u>	<u>Authorised</u>	<u>Allotted, Issued and Fully Paid</u>
	£	£	£	£
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
	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>

## 14. LEASING COMMITMENTS

£

Future commitments due under finance leases at 31 December 1988 are as follows:

Year to 31 December 1989	10,218
Years to 31 December 1993	15,740
	<u>25,958</u>
Less future finance charges	(3,639)
	<u>22,319</u>

## 15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments authorised by the Board and for which contracts had been placed amounted to £800,000 (1987: £Nil) subject to an amount of compensation from the local authority.

There were no contingent liabilities at the balance sheet date.