

Haynes Brothers Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2007



Registered number 48511

Haynes Brothers Limited

DIRECTORS' REPORT

For the year ended 31 December 2007

The Directors present their Annual Report and the audited Financial Statements of the Company for the year ended 31 December 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company wholly owns five dormant agency subsidiary companies

Haynes of Maidstone Limited T/A Haynes Ford is Kent's first Ford Main Dealer, distributing Ford cars and, as a Transit Specialist Dealer, Ford commercial vehicles. The Company is also a Ford car and commercial vehicle authorised repairer and has a Ford accredited Accident Repair Centre. Other franchises include Ford car and van rental, Ford Rapid Fit and Ford Direct used cars. The Company also has a Business Centre and operates from 8.5 acres of freehold premises at Ashford Road and Parkwood, Maidstone.

Haynes Trucks Limited has the franchise for Iveco trucks, Iveco Daily vans and Irisbus with depots at Maidstone, Ashford and Canterbury. It also has the Fiat Commercial Vehicle franchise covering Maidstone and most of the Medway Towns.

Haynes Agricultural Limited, 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, Eastry, and Uckfield.

Haynes Agritec Limited, a more recently formed Agricultural subsidiary, holds the Case IH franchise and JCB agricultural franchise for parts of Sussex, Surrey and Kent. The Company operates from premises at Lingfield, Appledore and part of the much larger freehold premises at Uckfield.

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.

The Company is pleased to report that overall it had another record sales year with Group sales improving by £10m to £70m in the year, with all Group companies reporting increased sales. In the Ford Car and Commercial vehicle company sales were up 15.6% vs 06. In the Truck company sales increased by 13%, in the Agricultural company sales increased by 21% and the Kent Diesel Centre sales increased by 13%.

Along with increased sales the Company can report a pre-tax profit in the year of £573,720, despite a significant increase in interest costs associated with its recent expansion and modernisation. The results were largely attributable to a strong performance by Haynes of Maidstone Ltd, driven by strong new car sales and by an improvement in profitability of Haynes Trucks Ltd and Haynes Agricultural Ltd. The Company also received a net VAT refund of £259,504 related to historic overpayments of VAT on Company demonstrators.

There were two key business developments in the year, namely our appointment as a Fiat Commercial Vehicle Dealer under Haynes Trucks Ltd, which made a positive start and helped contribute to Haynes Trucks Ltd results and our Appledore branch was rebranded from New Holland to Case IH. This gave Haynes Agritec Ltd a much needed Case IH base in Kent.

Additionally, the Company had its extensive freehold property portfolio professionally revalued in 07 by London Agents, Montague Evans, to reflect current market conditions for existing use and the Company can report that the overall value of its freehold property increased by £2,932,650 since the previous valuation in 04. This increase is reflected in the positive upward move in Shareholder funds reported in these accounts, taking them to over £12m. Based on these figures, the Company has recommended a dividend of £75,000 payable on the Ordinary Shares in 2008.

In the opinion of the Directors, whilst trading conditions remain tough in all sectors and the outlook for the UK economy is uncertain, the Company has a very strong underlying business, with a growing customer base and a sound reputation for service in each of the areas in which it operates. The Directors also believe that recent improvements in the rural economy should greatly assist the business potential of our agricultural companies.

Haynes Brothers Limited

DIRECTORS' REPORT

For the year ended 31 December 2007

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 profit on ordinary activities for the year before tax amounted to £573,720 (2006 loss £114,651)

No dividends were paid in the year on the ordinary shares. A dividend of £175 (2006 £175) was paid in respect of the 3½% preference shares and a dividend of £21,500 (2006 £21,683) was charged to interest payable in respect of variable rate preference shares

RISKS

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 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 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 2007 and served throughout the year and subsequently:

D B Haynes
A D S Haynes

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 £1,035 (2006 £2,601)

Haynes Brothers Limited

DIRECTORS' REPORT

For the year ended 31 December 2007

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

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board



T J Pickard

Secretary

26 March 2008

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 Annual 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). The financial statements are required by law to 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYNES BROTHERS LIMITED

We have audited the financial statements on pages 6 to 23

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 December 2007 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit Ltd
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

31 March 2008

Haynes Brothers Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
TURNOVER	2	70,025,234	59,993,316
Cost of sales		(65,129,690)	(55,610,188)
Gross profit		4,895,544	4,383,128
Advertising and distribution costs		(1,241,745)	(1,192,957)
Administrative expenses		(2,724,072)	(2,884,278)
OPERATING PROFIT	3	929,727	305,893
Interest receivable	4	211,954	34,000
Interest payable	5	(567,961)	(454,544)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		573,720	(114,651)
Taxation	7	(112,000)	(57,693)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	21	461,720	(172,344)

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

Haynes Brothers Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Profit/(loss) for the financial year		461,720	(172,344)
Actuarial gain on defined benefit pension scheme	18	379,000	191,000
Deferred tax thereon	7	(113,700)	(57,300)
Unrealised surplus on the revaluation of freehold premises	20	2,932,650	-
Total recognised gains and losses relating to the year		<u>3,659,670</u>	<u>(38,644)</u>

Haynes Brothers Limited

BALANCE SHEET

As at 31 December 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Intangible assets	10		15,915		21,220
Tangible assets	11		14,185,744		11,255,758
Investments	9		205		205
			<u>14,201,864</u>		<u>11,277,183</u>
CURRENT ASSETS					
Stocks	12	10,131,398		10,188,731	
Debtors	13	6,330,670		5,583,206	
Cash at bank and in hand		542,470		618,799	
		<u>17,004,538</u>		<u>16,390,736</u>	
CREDITORS amounts falling due within one year	14	(17,218,242)		(16,794,254)	
NET CURRENT (LIABILITIES)			<u>(213,704)</u>		<u>(403,518)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			13,988,160		10,873,665
CREDITORS amounts falling due after more than one year					
	15		<u>(971,667)</u>		<u>(1,071,667)</u>
NET ASSETS EXCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			13,016,493		9,801,998
Defined benefit pension scheme deficit	18		<u>(751,000)</u>		<u>(1,196,000)</u>
NET ASSETS INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>12,265,493</u>		<u>8,605,998</u>
CAPITAL AND RESERVES					
Called up share capital	19		65,000		65,000
Revaluation reserve	20		9,156,997		6,224,347
Profit and loss account	21		3,043,496		2,316,651
SHAREHOLDERS' FUNDS	22		<u>12,265,493</u>		<u>8,605,998</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2008 and signed on their behalf by

A D S Haynes - Managing Director



Haynes Brothers Limited

CASH FLOW STATEMENT

For the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Net cash inflow from operating activities	a	60,015	1,042,763
Returns on investment and servicing of finance	c	(567,961)	(454,544)
Taxation		-	27,295
Capital expenditure	c	<u>(430,857)</u>	<u>(639,912)</u>
		(938,803)	(24,398)
Equity dividends paid		<u>(175)</u>	<u>(175)</u>
		(938,978)	(24,573)
Cash outflow before financing		(938,978)	(24,573)
Financing	c	<u>(200,000)</u>	<u>(100,000)</u>
DECREASE IN CASH IN THE YEAR		<u><u>(1,138,978)</u></u>	<u><u>(124,573)</u></u>

Haynes Brothers Limited
NOTES TO THE CASH FLOW STATEMENT
For the year ended 31 December 2007

a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
	2007 £	2006 £
Operating profit	929,727	305,893
Depreciation	433,521	383,883
Amortisation	5,305	5,305
Decrease/(increase) in stocks	57,333	(50,271)
(Increase)/decrease in debtors	(567,510)	362,259
Decrease/(increase) in creditors	(573,361)	223,694
Defined benefit pension scheme contributions	(225,000)	(188,000)
Net cash inflow from operating activities	<u>60,015</u>	<u>1,042,763</u>
b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Decrease in cash in the year	(1,138,978)	(124,573)
Net loan repayments	200,000	100,000
Net debt at 1 January	<u>(7,895,877)</u>	<u>(7,871,304)</u>
Net debt at 31 December	<u>(8,834,855)</u>	<u>(7,895,877)</u>
c) GROSS CASH FLOWS		
i) RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest paid	(546,461)	(432,861)
Non-equity dividends	(21,500)	(21,683)
	<u>(567,961)</u>	<u>(454,544)</u>
ii) CAPITAL EXPENDITURE		
Payment to acquire tangible fixed assets	(665,192)	(826,281)
Receipts from sale of tangible fixed assets	234,335	186,369
	<u>(430,857)</u>	<u>(639,912)</u>
iii) FINANCING		
Bank loans repaid	(100,000)	(100,000)
Other loans repaid	(100,000)	-
	<u>(200,000)</u>	<u>(100,000)</u>

Haynes Brothers Limited
NOTES TO THE CASH FLOW STATEMENT
For the year ended 31 December 2007

d) NET DEBT	At 1 January 2007 £	Cash flows £	Transfers £	At 31 December 2007 £
Cash at bank and in hand	618,799	(76,329)	-	542,470
Bank overdrafts	(6,243,009)	(1,062,649)	-	(7,305,658)
	(5,624,210)	(1,138,978)	-	(6,763,188)
Other loans due within 1 year	(1,000,000)	100,000	(100,000)	(1,000,000)
Bank loan due within 1 year	(100,000)	100,000	(100,000)	(100,000)
Other loans due after more than 1 year	(100,000)	-	100,000	-
Bank loan due after more than 1 year	(666,667)	-	100,000	(566,667)
Perpetual loan stock	(55,000)	-	-	(55,000)
Non-equity preference shares	(350,000)	-	-	(350,000)
	<u>(7,895,877)</u>	<u>(938,978)</u>	<u>-</u>	<u>(8,834,855)</u>

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

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.

Turnover

Sales are included in turnover on the following basis:

Trucks, commercial vehicles, cars, parts, tractors and agricultural implements	On delivery
Service	On release of the vehicle to the customer
New agricultural combines	On delivery

Turnover excludes value added tax.

Cost of sales

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

Revaluation of properties

Freehold properties are revalued in accordance with FRS 15 with a full valuation carried out by professionally qualified Chartered Surveyors on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors every five years and an interim valuation is carried out in year three.

Depreciation

Depreciation is calculated to write off the cost / 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.

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.

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

1 ACCOUNTING POLICIES (*continued*)

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term

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 hired to customers on a short-term basis, the asset being included in agricultural stocks.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are only recognised to the extent that there is reasonable expectation that these will be recoverable in the foreseeable future.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 finance costs.

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. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency.

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

1 ACCOUNTING POLICIES (*continued*)

Retirement benefits - continued

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.

3	OPERATING PROFIT	2007 £	2006 £
	This is stated after charging		
	Amortisation of goodwill	5,305	5,305
	Depreciation - owned assets	433,521	383,883
	Auditor's remuneration for audit	30,500	39,250
	Auditor's remuneration for taxation compliance services	50,795	7,295
	Operating leases - rent payable	55,000	55,000
	- other	29,079	41,461
		<u>564,190</u>	<u>562,294</u>

4 INTEREST RECEIVABLE

Expected return on defined benefit pension scheme assets	370,000	354,000
Interest on defined benefit pension scheme liabilities	(338,000)	(320,000)
	<u>32,000</u>	<u>34,000</u>
Other interest receivable	179,954	-
	<u>211,954</u>	<u>34,000</u>

Other interest receivable relates to interest accrued on a VAT refund.

5 INTEREST PAYABLE

Interest payable		
Bank loans not wholly repayable within five years	71,047	55,466
Loans not wholly repayable within five years	5,500	5,500
Bank overdraft and other interest	469,914	371,895
Dividends on variable rate preference shares	21,500	21,683
	<u>567,961</u>	<u>454,544</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

6	EMPLOYEES AND DIRECTORS	2007 Number	2006 Number
	The average number of persons including Directors employed by the Company during the year was		
	Sales staff	150	152
	Service and workshop staff	128	130
	Management and administration	41	39
		<u>319</u>	<u>321</u>
	Staff costs	£	£
	Wages and salaries	7,492,643	7,157,228
	Social security costs	734,546	680,823
	Pension costs – contributions to defined contribution schemes	139,188	133,814
		<u>8,366,377</u>	<u>7,971,865</u>
	DIRECTORS' EMOLUMENTS		
	Total emoluments	<u>253,748</u>	<u>251,160</u>
	Emoluments, for management, excluding pension contributions	<u>243,784</u>	<u>240,905</u>
	The emoluments of the highest paid director were	<u>145,836</u>	<u>140,859</u>
	Pension contributions of £9,964 (2006 £10,255) were paid in respect of one director, who is the highest paid		
7	TAXATION	2007	2006
(a)	Analysis of tax charge for year	£	£
	<i>Current tax</i>		
	United Kingdom corporation tax payable based on the result for the year	35,000	-
	Adjustment in respect of prior years	-	(14,307)
	Total current tax	<u>35,000</u>	<u>(14,307)</u>
	<i>Deferred tax</i>		
	Origination of timing differences		
	- timing differences in respect of defined benefit pension scheme deficit	77,000	72,000
	Total deferred tax	<u>77,000</u>	<u>72,000</u>
	Total tax charge through the profit and loss account	<u>112,000</u>	<u>57,693</u>

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

7 TAXATION (continued)

	2007 £	2006 £
(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		
Profit/(loss) on ordinary activities before taxation	573,720	(114,651)
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2006 30%)	172,116	(34,395)
Effects of		
Expenses not deductible for tax purposes (primarily entertainment and dividends classified as interest)	10,097	10,948
Contributions to defined benefit pension scheme in excess of amounts charged to the profit and loss account	(77,000)	(72,000)
Depreciation in excess of capital allowances	(8,806)	113,588
Other timing differences	(13,151)	(3,697)
Losses utilised	(48,256)	(14,444)
Adjustment to taxation of prior years	-	(14,307)
	<u>35,000</u>	<u>(14,307)</u>
(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	113,700	57,300
(d) Factors that may affect future tax charges		
The company has tax losses of approximately £175,000 (2006 £357,000) available for offset against future taxable profits. Future tax charges may be reduced by the utilisation of the losses and by the recognition of related deferred tax assets		

8 EQUITY DIVIDENDS	2007 £	2006 £
3½% Cumulative preference shares	<u>175</u>	<u>175</u>

9 FIXED ASSET INVESTMENTS SUBSIDIARY UNDERTAKINGS	£
1 January 2007 and 31 December 2007	<u>205</u>

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

Haynes Brothers Limited
NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

10	GOODWILL							£
	Cost							
	1 January 2007 and 31 December 2007							26,525
	Amortisation							
	1 January 2007							5,305
	Charge for the year							5,305
	31 December 2007							10,610
	Net book amount							
	31 December 2007							15,915
	31 December 2006							21,220
11	TANGIBLE FIXED ASSETS	Freehold premises	Leasehold premises	Plant and equipment	Fixtures and fittings	Computer equipment	Motor vehicles	Total
		£	£	£	£	£	£	£
	COST OR VALUATION							
	1 January 2007	9,664,850	1,500	1,447,490	909,639	433,738	840,962	13,298,179
	Additions	15,181	-	132,550	113,640	53,020	350,801	665,192
	Revaluation	2,860,150	-	-	-	-	-	2,860,150
	Disposals	-	-	(22,066)	(12,848)	-	(332,000)	(366,914)
	31 December 2007	12,540,181	1,500	1,557,974	1,010,431	486,758	859,763	16,456,607
	DEPRECIATION							
	1 January 2007	72,500	-	984,514	353,828	316,624	314,955	2,042,421
	Charge for the year	27,500	-	101,962	90,063	52,631	161,365	433,521
	Disposals	-	-	(22,066)	(12,848)	-	(97,665)	(132,579)
	Removed on revaluation	(72,500)	-	-	-	-	-	(72,500)
	31 December 2007	27,500	-	1,064,410	431,043	369,255	378,655	2,270,863
	NET BOOK AMOUNT							
	31 December 2007	12,512,681	1,500	493,564	579,388	117,503	481,108	14,185,744
	31 December 2006	9,592,350	1,500	462,976	555,811	117,114	526,007	11,255,758

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 £3,425,653

The Company's freehold premises in Maidstone, Appledore, Eastry and Uckfield were revalued on 24 June 2007 by Montagu Evans Chartered Surveyors on the basis of open market value for existing use

The Company's bankers hold a first legal mortgage over the Company's freehold properties in Ashford Road, Maidstone and Uckfield, together with land at Parkwood, Maidstone

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12	STOCKS	2007 £	2006 £
	Cars and commercial vehicles	4,670,746	5,015,004
	Agricultural vehicles and implements	3,067,935	2,699,913
	Parts stock	2,392,717	2,473,814
		<u>10,131,398</u>	<u>10,188,731</u>

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

At 31 December 2007 the total amount of consignment stock amounted to £1,649,693 (2006 £2,594,093)

The Company has been invoiced £5,061,281 (2006 £5,640,321) in respect of vehicles which are excluded from the above stock values as the Company does not bear all the risks and rewards of ownership of this stock. In particular, the Company bears no stock holding costs and the stock is subject to appropriation by other dealers

13	DEBTORS	2007 £	2006 £
	Amounts due within one year		
	Trade debtors	4,430,779	3,938,244
	Other debtors	647,325	466,016
	Prepayments and accrued income	1,252,566	1,178,946
		<u>6,330,670</u>	<u>5,583,206</u>

14	CREDITORS Amounts falling due within one year		
	Bank loans (secured)	100,000	100,000
	Bank overdrafts (secured)	7,305,658	6,243,009
	Other loans	1,000,000	1,100,000
	Trade creditors	5,854,273	7,505,093
	Corporation tax	35,000	-
	Amounts owed to subsidiary undertakings	205	205
	Other taxes and social security costs	1,488,887	1,181,865
	Other creditors	150,958	124,171
	Accruals and deferred income	1,283,261	539,911
		<u>17,218,242</u>	<u>16,794,254</u>

15	CREDITORS Amounts falling due in more than one year		
	Perpetual unsecured loan stock	55,000	55,000
	Bank loans (secured)	566,667	666,667
	Non-equity shares - variable cumulative preference shares	350,000	350,000
		<u>971,667</u>	<u>1,071,667</u>

Haynes Brothers Limited
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31 December 2007

	2007 £	2006 £
16 ANALYSIS OF DEBT MATURITY		
Bank loans		
Due within 1-2 years	100,000	100,000
Due within 2-5 years	300,000	300,000
Due in more than 5 years	166,667	266,667
	<hr/>	<hr/>
	566,667	666,667
Due within 1 year	100,000	100,000
	<hr/>	<hr/>
	666,667	766,667
	<hr/>	<hr/>

The bank loan is guaranteed by way of a first legal mortgage over the Company's freehold properties at Ashford Road, Maidstone and Uckfield, together with land at Parkwood, Maidstone. The bank loan is repayable over 10 years by equal quarterly instalments, and interest is charged at 1% per annum over the bank's loan base rate.

17 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.

18 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 2005. The results of that valuation have been projected to 31 December 2007 and then recalculated based on the assumptions set out below. The liabilities have been calculated on the projected unit method.

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18 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

Key assumptions	At 31 December 2007	At 31 December 2006	At 31 December 2005
LPI increases for pensions in payment	3.00%	2.80%	2.50%
Liability discount rate	5.80%	5.10%	4.75%
Inflation assumption	3.30%	3.10%	2.75%
Revaluation of deferred pensions	3.30%	3.10%	2.75%

	As at 31 December 2007		As at 31 December 2006		As at 31 December 2005	
	Long-term rate of return expected	Value £'000	Long-term rate of return expected	Value £'000	Long-term rate of return expected	Value £'000
Equities	8.00%	3,529	8.00%	3,865	8.00%	3,864
Bonds	5.00%	1,209	5.00%	677	5.00%	480
Property	8.00%	448	8.00%	169	8.00%	196
Cash	5.00%	5	5.00%	427	5.00%	235
Total market value of assets		5,191		5,138		4,775
Present value of scheme liabilities		(6,264)		(6,847)		(6,890)
(Deficit) in the scheme		(1,073)		(1,709)		(2,115)
Related deferred tax asset		322		513		635
Net pension (liability)		<u>(751)</u>		<u>(1,196)</u>		<u>(1,480)</u>

AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	(113)	130
Experience gains and losses arising on the scheme liabilities	-	49
Changes in assumptions underlying the present value of the scheme liabilities	492	12
	<u>379</u>	<u>191</u>

MOVEMENT IN DEFICIT IN THE YEAR		
(Deficit) in scheme at start of year	(1,709)	(2,115)
Current service cost	-	-
Contributions	225	181
Other finance income	32	34
Actuarial gain	379	191
(Deficit) in scheme at year end	<u>(1,073)</u>	<u>(1,709)</u>

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18 RETIREMENT BENEFITS - DEFINED BENEFIT PENSION SCHEME (continued)

HISTORY OF EXPERIENCE GAINS AND LOSSES	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets				
Amount (£'000)	(113)	130	526	130
Percentage of the scheme assets	(2%)	3%	11%	3%
Experience gains and losses on scheme liabilities				
Amount (£'000)	-	49	-	-
Percentage of the present value of the scheme liabilities	0%	1%	0%	0%
Total amount recognised in statement of total recognised gains and losses				
Amount (£'000)	379	191	(45)	(122)
Percentage of the present value of the scheme liabilities	6%	3%	(1%)	(2%)

Further historical information is not available

19 SHARE CAPITAL

	Number of Shares	Authorised £	2007 and 2006 Allotted, called-up and fully paid £
TREATED AS EQUITY			
Ordinary shares of £10 each	5,600	56,000	56,000
Non-voting ordinary shares of £10 each	400	4,000	4,000
3½% cumulative preference shares of £10 each	500	5,000	5,000
	<u>6,500</u>	<u>65,000</u>	<u>65,000</u>
TREATED AS NON-EQUITY			
Variable rate cumulative preference shares of £1 each	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>

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 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 1985 requirements as to distributions) absolute these shares are treated as non-equity shares.

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20	REVALUATION RESERVE	2007 £	2006 £		
	1 January 2007	6,224,347	6,224,347		
	Revaluation in the year	2,932,650	-		
	31 December 2007	<u>9,156,997</u>	<u>6,224,347</u>		
21	PROFIT AND LOSS ACCOUNT	2007 £	2006 £		
	At 1 January 2007	2,316,651	2,355,470		
	Profit/(loss) for the financial year	461,720	(172,344)		
	Other recognised gains and losses	265,300	133,700		
	Equity dividends paid	(175)	(175)		
	At 31 December 2007	<u>3,043,496</u>	<u>2,316,651</u>		
22	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2007 £	2006 £		
	At 1 January 2007	8,605,998	8,644,817		
	Profit/(loss) for the financial year	461,720	(172,344)		
	Other recognised gains and losses	3,197,950	133,700		
	Equity dividends paid	(175)	(175)		
	Net increase in/(deduction from) shareholders' funds	<u>3,659,495</u>	<u>(38,819)</u>		
	Closing shareholders' funds	<u>12,265,493</u>	<u>8,605,998</u>		
23	LEASING OBLIGATIONS	2007 Land and Buildings £	2007 Other £	2006 Land and Buildings £	2006 Other £
	Commitments due under operating leases as at 31 December 2007 are as follows				
	Leases expiring				
	In less than one year	-	25,366	-	41,461
	Within two to five years	-	3,712	-	-
	After more than five years	55,000	-	55,000	-
		<u>55,000</u>	<u>29,078</u>	<u>55,000</u>	<u>41,461</u>

Haynes Brothers Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

24 CONTROL

Mr D B Haynes, the Chairman, owns 46% and Mr A D S Haynes, the Managing Director, owns 24% of the equity share capital of the Company, taken together these shares control 75% of the voting rights