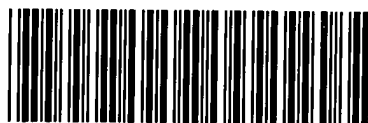


Company Registration No. 00048511 (England and Wales)

**HAYNES BROTHERS, LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2017**

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# **HAYNES BROTHERS,LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	A.D.S. Haynes L. Haynes S. Hyde
<b>Secretary</b>	T.J. Pickard
<b>Company number</b>	00048511
<b>Registered office</b>	23 Ashford Road Maidstone Kent ME14 5DQ
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Marlborough House Victoria Road South Chelmsford Essex CM1 1LN

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# **HAYNES BROTHERS, LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present the strategic report for the year ended 31 December 2017.

#### **Fair review of the business**

2017 proved to be another very positive year for the Company with the Company posting a strong set of results, despite a slight decrease in group turnover.

Overall group turnover decreased by 0.4%. Turnover in the Truck business decreased by 14%, turnover in the Ford business decreased by 1.3%, but the Company's Agricultural business increased turnover by 13.2%.

2017 was also another important year for the Company as it concluded the final phase of its long term project to consolidate and modernise its premises. This included finalising the sale of its Parkwood site and undertaking a major construction project to extend and modernise its FordStore Ashford Road Car Showroom. It also relocated its Ford Accredited Accident Repair Centre from Parkwood to its main site at Ashford Road, with an investment in two new state-of-the-art low bake ovens. It also opened a new vehicle storage compound and PDI Centre at Sheerness Port.

We consider that our key financial performance indicators are turnover, gross profit margin, stock turn and number of units sold. These indicators are monitored on a monthly basis. As at 31st December, these KPIs are:-

	2017	2016
Turnover	£80.9m	£81.3m
Gross profit margin	7.6%	7.2%
Stock turn	6.2	5.4
Number of units sold	4,173	4,259

The operations directors meet weekly to discuss a number of financial issues, but also consider other non-financial items. These include staff turnover, workshop efficiency rates, key customer contracts and manufacturer performance bonuses.

Whilst trading still remains very challenging as a result of the highly competitive business areas in which the Company operates and with concerns over diesel engines and Brexit, these results show that the Company's consolidation and modernisation strategy has started to bear fruit.

Finally, the Company was pleased to learn that it won the 2017 Ford Motor Company's Chairman's Award for outstanding sales and service performance. This is the sixth time the Company has won this prestigious award in recent times and reflects the Company's total commitment to very high levels of customer service.

In the opinion of the Directors, the Company has very strong underlying businesses with a wide customer base, good franchises and a committed, experienced staff. The fact that the Company operates in different business areas with different economic cycles, should continue to assist it to make the most of these uncertain times.

#### **Conclusion**

The Company remains a firm partner with each of the major manufacturers it represents and overall its balance sheet continues to reflect a very strong commercial base from which the Company will continue to expand its operations wherever appropriate.

# **HAYNES BROTHERS, LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **Principal risks and uncertainties**

The Company seeks to balance risks with the costs of risk mitigation. The Company's main exposure to risk arises in the following areas:

- The Company has substantial working capital, which is funded by borrowings from the bank, from manufacturers and from other stock funders. The interest charged on these borrowings is dependent on underlying base rates and the Company is therefore exposed to interest rate risks. The Company constantly monitors trends in interest rates and if appropriate takes necessary action to mitigate its exposure.
- The Company has to nominate the vehicles which it wishes to acquire in the coming year and therefore is exposed to the risks associated with this commitment. The Company monitors levels of current stocks and market conditions before making its purchasing decisions.
- The Company is exposed to pricing risks through the stocks of used vehicles and vehicles for its own use. The pricing risk relating to new vehicles is mitigated by the use of consignment stock.

The Company is not exposed to foreign exchange risk and credit risk is not considered significant as the Company only extends credit in respect of certain activities and there is only very limited concentration of credit.

By order of the board



.....  
T.J. Pickard

**Secretary**

22/8/18

# **HAYNES BROTHERS,LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their annual report and financial statements for the year ended 31 December 2017.

#### **Principal activities**

**Haynes Bros Ltd**, established in 1790 and incorporated in 1896, is the holding company for 4 operating divisions:

**Haynes of Maidstone trading as Haynes Ford** is Kent's first Ford Main Dealer having been appointed in 1911. It distributes Ford cars and, as a Transit Centre, Ford commercial vehicles. It also operates with 'Ford Store' status. The Company is also a Ford car and commercial vehicle authorised repairer and has a Ford accredited Accident Repair Centre, supported by a large parts centre. It also operates the Ford Approved Used and Ford Direct franchises.

**Haynes Trucks** has the franchise for Iveco trucks and Iveco Daily vans covering most of Kent with freehold depots at Maidstone and Ashford and a satellite site at Canterbury. It also has the 'Fiat Professional' Commercial Vehicle franchise covering Maidstone and most of the Medway Towns.

**Haynes Agricultural** as Agricultural Engineers, hold the New Holland franchise for tractors and harvest equipment, as well as other leading makes of agricultural and related equipment, for Kent and part of Sussex. It operates from a large freehold site at Uckfield and rented branches at Great Chart and Wrotham.

**Haynes Agritec** holds the Case IH franchise and JCB agricultural franchise for parts of Kent and Sussex respectively. The Company operates from the Company's freehold site at Uckfield and an 'on farm' depot at Birchington.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A.D.S. Haynes  
L. Haynes  
S. Hyde

#### **Results and dividends**

The results for the year are set out on page 8.

A dividend of £150,000 (2016: £90,000) on ordinary shares was paid in the year. A dividend of £175 (2016: £175) on 3½% preference shares was paid in the year.

#### **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.

#### **Future developments**

The Company has successfully completed a period of consolidation which has placed it in a much stronger financial position. The Company will continue to invest in improvements in its facilities for the benefit of both customers and staff. It will also look at appropriate expansion opportunities as they arise.

# HAYNES BROTHERS,LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### **Matters of strategic importance**

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of financial risk management objectives and policies, exposure to price risk, credit risk, liquidity risk and cash flow risk.

### **Auditor**

A resolution to reappoint RSM UK Audit LLP as auditor of the Company will be put to the members at the Annual General Meeting.

### **Statement of disclosure to auditor**

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



.....  
T.J. Pickard

**Secretary**

22/8/18  
.....

# **HAYNES BROTHERS, LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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## **Opinion**

We have audited the financial statements of Haynes Brothers,Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYNES BROTHERS, LIMITED (CONTINUED)

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Andrew Monteith (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford  
Essex, CM1 1LN  
23<sup>rd</sup> August 2018

# **HAYNES BROTHERS, LIMITED**

## **INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Notes	2017 £	2016 £
Turnover	3	80,929,106	81,258,650
Cost of sales		(74,807,080)	(75,384,009)
<b>Gross profit</b>		<b>6,122,026</b>	<b>5,874,561</b>
Distribution costs		(1,331,916)	(1,399,269)
Administrative expenses		(3,752,954)	(3,578,379)
<b>Operating profit</b>	7	<b>1,037,156</b>	<b>896,913</b>
Interest payable and similar expenses	9	(213,761)	(279,847)
<b>Profit on ordinary activities before taxation</b>		<b>823,395</b>	<b>617,066</b>
Taxation	10	(160,868)	(65,089)
<b>Profit for the financial year</b>	26	<b>662,527</b>	<b>551,977</b>

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# HAYNES BROTHERS,LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

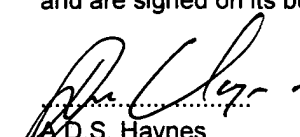
	2017 £	2016 £
<b>Profit for the year</b>	<b>662,527</b>	<b>551,977</b>
<b>Other comprehensive income</b>		
Actuarial loss on defined benefit pension schemes	(22,000)	(183,000)
Tax relating to tangible fixed assets held at revaluation	55,513	104,206
Tax relating to actuarial gains and losses on defined benefit pension schemes	3,740	31,110
<b>Other comprehensive income for the year</b>	<b>37,253</b>	<b>(47,684)</b>
<b>Total comprehensive income for the year</b>	<b>699,780</b>	<b>504,293</b>

	2017 £	2016 £
<b>Note of historical cost profits and losses</b>		
Profit on ordinary activities before tax	823,395	617,066
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount.	17,931	26,554
<b>Historical cost profit on ordinary activities before tax</b>	<b>841,326</b>	<b>643,620</b>

**HAYNES BROTHERS,LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2017**

	Notes	2017 £	£	2016 £	£
<b>Fixed assets</b>					
Tangible assets	12	15,424,430		14,624,093	
Investments	13	205		205	
		<u>15,424,635</u>		<u>14,624,298</u>	
<b>Current assets</b>					
Stocks	16	11,945,044		13,725,341	
Debtors	15	6,484,831		7,889,244	
Cash at bank and in hand		2,786		2,640	
		<u>18,432,661</u>		<u>21,617,225</u>	
<b>Creditors: amounts falling due within one year</b>	17	(15,632,458)		(17,606,892)	
<b>Net current assets</b>		<u>2,800,203</u>		<u>4,010,333</u>	
<b>Total assets less current liabilities</b>		<u>18,224,838</u>		<u>18,634,631</u>	
<b>Creditors: amounts falling due after more than one year</b>	18	(3,902,692)		(4,754,259)	
<b>Provisions for liabilities</b>	23	(1,008,426)		(929,257)	
<b>Net assets excluding pension liability</b>		<u>13,313,720</u>		<u>12,951,115</u>	
<b>Defined benefit pension liability</b>	8	(1,289,000)		(1,476,000)	
<b>Net assets</b>		<u><u>12,024,720</u></u>		<u><u>11,475,115</u></u>	
<b>Capital and reserves</b>					
Called up share capital	24	65,000		65,000	
Revaluation reserve	26	7,723,469		7,713,969	
Capital redemption reserve	26	350,000		350,000	
Profit and loss reserves	26	3,886,251		3,346,146	
<b>Total equity</b>		<u><u>12,024,720</u></u>		<u><u>11,475,115</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 22<sup>nd</sup> August 2018 and are signed on its behalf by:

  
A.D.S. Haynes  
Director

# HAYNES BROTHERS, LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2016</b>	<b>24,26</b>	65,000	9,819,463	350,000	826,534	11,060,997
<b>Year ended 31 December 2016:</b>						
Profit for the year		-	-	-	551,977	551,977
Other comprehensive income:						
Actuarial losses on defined benefit plans		-	-	-	(183,000)	(183,000)
Tax relating to items recognised in other comprehensive income		-	104,206	-	31,110	135,316
Total comprehensive income for the year		-	104,206	-	400,087	504,293
Dividends		-	-	-	(90,175)	(90,175)
Transfers		-	(2,209,700)	-	2,209,700	-
<b>Balance at 31 December 2016</b>	<b>24,26</b>	65,000	7,713,969	350,000	3,346,146	11,475,115
<b>Year ended 31 December 2017:</b>						
Profit for the year		-	-	-	662,527	662,527
Other comprehensive income:						
Actuarial losses on defined benefit plans		-	-	-	(22,000)	(22,000)
Tax relating to items recognised in other comprehensive income		-	55,513	-	3,740	59,253
Total comprehensive income for the year		-	55,513	-	644,267	699,780
Dividends		-	-	-	(150,175)	(150,175)
Transfers		-	(46,013)	-	46,013	-
<b>Balance at 31 December 2017</b>	<b>24,26</b>	65,000	7,723,469	350,000	3,886,251	12,024,720

# HAYNES BROTHERS,LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	643,391		1,710,236	
Income taxes paid		(162,641)		-	
<b>Net cash inflow from operating activities</b>		<b>480,750</b>		<b>1,710,236</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(1,087,249)		(987,830)	
Proceeds on disposal of tangible fixed assets		2,757,220		-	
<b>Net cash generated from/(used in) investing activities</b>		<b>1,669,971</b>		<b>(987,830)</b>	
<b>Financing activities</b>					
Proceeds of new bank loans		-		750,000	
Repayment of bank loans		(1,839,000)		(212,000)	
Payment of finance leases obligations		(107,843)		(260,576)	
Interest paid		(172,761)		(225,847)	
Dividends paid		(150,175)		(90,175)	
<b>Net cash used in financing activities</b>		<b>(2,269,779)</b>		<b>(38,598)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(119,058)</b>		<b>683,808</b>	
Cash and cash equivalents at beginning of year		(710,355)		(1,394,163)	
<b>Cash and cash equivalents at end of year</b>		<b>(829,413)</b>		<b>(710,355)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		2,786		2,640	
Bank overdrafts included in creditors payable within one year		(832,199)		(712,995)	

# **HAYNES BROTHERS, LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1 Accounting policies**

#### **Company information**

Haynes Brothers, Limited is a private company limited by shares incorporated in England and Wales. The registered office is 23 Ashford Road, Maidstone, Kent, ME14 5DQ.

The Company's principal activities and the nature of its operations are disclosed in the Strategic and Directors' Report.

#### **Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

The subsidiary undertakings of Haynes Brothers, Limited are dormant and their assets and liabilities are not considered material. Therefore, consolidated accounts have not been prepared.

#### **Going concern**

The Company meets its day to day working capital requirements through an overdraft and loan facility. This is provided by its bank, where the Company has a very long standing relationship, and where, in the opinion of the directors, the security provided by the Company is more than ample to cover its loan obligations.

As noted in the Strategic Report the business is operating in challenging times. The current economic conditions create uncertainty of the level of demand for the Company's products and the maintenance of profit margins although the Company continues to operate across a range of diversified markets which affords it some protection.

The Directors have prepared projections for the period ending 16 months after the approval of these financial statements. These projections have been prepared on the assumption that these economic conditions will continue. On the basis of these projections the Directors consider that they will have in place all the finance required to support both the current and future activities.

#### **Turnover**

Turnover is recognised at the fair value of the consideration received for the following, provided in the normal course of business, and is shown net of discounts, VAT and other sales related taxes:

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

#### **Intangible assets**

Goodwill representing the excess of the purchase price compared with the fair value of the identifiable 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.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies (Continued)

#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, so as to write off the cost or valuation of assets less their residual values on a straight line basis over their useful lives as follows:

Freehold buildings	1%
Leasehold premises	over the lease term
Plant and equipment	10-20%
Fixtures and fittings	10-20%
Computers	10-20%
Motor vehicles	written down to estimated useful value

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

#### **Impairment of fixed assets**

At each reporting end date, the Company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.



# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

---

#### 1 Accounting policies (Continued)

##### **Financial instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade debtors, other debtors and accrued income, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

##### **Other financial assets**

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, loans and overdrafts, accruals and preference shares that are classified as debt, are initially recognised at transaction price and subsequently carried at amortised cost.

Loans are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method. Under the effective interest method the interest expense is recognised at the effective interest rate which is the rate that exactly discounts future discounted payments through the expected life of the loan.

##### **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 basic financial liabilities. Dividends on preference shares classed as financial liabilities are presented within interest payable and other charges.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies (Continued)

##### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

##### ***Equity instruments***

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

##### ***Taxation***

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

# **HAYNES BROTHERS, LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **1 Accounting policies (Continued)**

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **Retirement benefits**

##### *Defined contribution scheme*

For defined contribution schemes the amount charged to profit or loss 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.

##### *Defined benefit scheme*

A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method.

The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Defined benefit schemes are funded, with the assets held separately from the Company in separate trustee administered funds.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies (Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Finance costs**

Finance costs of debt and non-equity shares are recognised in profit or loss over the term of such instruments at a constant rate on the carrying amount.

### 2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical area of judgement**

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. This includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made by the directors as to the recoverability of the carrying amount of stock.

#### **Key sources of estimation uncertainty**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The actuarial calculation of the defined benefit pension scheme requires assumptions to be made in respect of the mortality rates of members, the discount rate and the rate of inflation that should be used. Further details can be found in note 8.

### 3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2017 £	2016 £
<b>Turnover analysed by class of business</b>		
Vehicle and part sales	74,518,492	75,101,414
Services	6,410,614	6,157,236
	<u>80,929,106</u>	<u>81,258,650</u>

# **HAYNES BROTHERS, LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

### **3 Turnover and other revenue (Continued)**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by geographical market</b>		
UK	80,929,106	81,258,650

### **4 Auditor's remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Fees payable to the Company's auditor and its associates:</b>		
<b>For audit services</b>		
Audit of the Company's financial statements	36,000	35,000
<b>For other services</b>		
Taxation compliance services	4,000	4,000
All other non-audit services	7,450	6,500
	11,450	10,500

### **5 Employees**

The average monthly number of persons (including directors) employed by the Company during the year was:

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Sales	99	106
Service and workshop	123	127
Management and administration	43	36
	265	269

Their aggregate remuneration comprised:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Wages and salaries	7,386,729	7,258,948
Social security costs	704,515	688,443
Pension costs	140,867	140,172
	8,232,111	8,087,563

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	234,035	221,281
Benefits	52,079	44,934
Company pension contributions to defined contribution schemes	17,404	16,778
	<u>303,518</u>	<u>282,993</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	217,551	209,721
Benefits	31,894	28,181
Company pension contributions to defined contribution schemes	17,404	16,778
	<u></u>	<u></u>

### 7 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	309,257	323,502
Depreciation of tangible fixed assets held under finance leases	32,993	59,823
(Profit)/loss on disposal of tangible fixed assets	-	1,399
Cost of stocks recognised as an expense	69,984,694	70,671,972
Impairment of stocks recognised or reversed	45,638	70,773
Operating lease charges	372,320	172,818
	<u></u>	<u></u>

The impairment of stocks recognised or reversed is included within cost of sales.

### 8 Retirement benefit schemes

#### Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £140,867 (2016: £140,172). Contributions totalling £20,167 (2016: £22,146) were payable to the fund at the year end.

#### Defined benefit schemes

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. 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.

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 8 Retirement benefit schemes (Continued)

#### Valuation

A full actuarial valuation was carried out as at 1 April 2016. The results of that valuation have been projected to 31 December 2017 and then recalculated based on the assumptions set out below. The liabilities have been calculated on the projected unit method.

#### Funding policy

The Company expects to contribute £256,000 to the scheme during the year ending 31 December 2018.

	2017	2016
	%	%
<i>Key assumptions</i>		
Discount rate	2.45	2.85
Expected rate of increase of pensions in payment	2.05	2.00
Inflation assumption - RPI	3.05	3.00
Revaluation of deferred pensions	2.05	2.00
Proportion of employees commuting pension for cash	100.00	100.00
<i>Mortality assumptions</i>	2017	2016
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	86.4	86.4
- Females	88.4	88.6
Retiring in 20 years		
- Males	87.0	87.0
- Females	89.1	89.3
	2017	2016
<i>Amounts recognised in the income statement</i>	£	£
Net interest on defined benefit liability	41,000	54,000
	2017	2016
<i>Amounts taken to other comprehensive income</i>	£	£
Actual return on scheme assets	(282,000)	(653,000)
Less: calculated interest element	140,000	162,000
Return on scheme assets excluding interest income	(142,000)	(491,000)
Actuarial changes related to obligations	164,000	674,000
Total costs	22,000	183,000

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 8 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the Company's obligations in respect of defined benefit plans are as follows:

	2017 £	2016 £
Present value of defined benefit obligations	6,454,000	6,561,000
Fair value of plan assets	(5,165,000)	(5,085,000)
Deficit in scheme	1,289,000	1,476,000

#### *Movements in the present value of defined benefit obligations*

	2017 £
Liabilities at 1 January 2017	6,561,000
Benefits paid	(452,000)
Actuarial gains and losses	164,000
Interest cost	181,000
At 31 December 2017	6,454,000

The defined benefit obligations arise from plans which are wholly or partly funded.

#### *Movements in the fair value of plan assets*

	2017 £
Fair value of assets at 1 January 2017	5,085,000
Interest income	140,000
Return on plan assets (excluding amounts included in net interest)	142,000
Benefits paid	(452,000)
Contributions by the employer	250,000
At 31 December 2017	5,165,000

#### *The analysis of the scheme assets at the reporting date were as follows:*

	2017 £	2016 £
Equity instruments	4,193,000	4,131,000
Property	213,000	185,000
Bonds	750,000	734,000
Cash	9,000	35,000
	5,165,000	5,085,000



# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 9 Interest payable and similar expenses

	2017 £	2016 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	167,261	202,133
Dividends on redeemable preference shares not classified as equity	5,500	5,500
Other interest on financial liabilities	-	18,214
	<u>172,761</u>	<u>225,847</u>
<b>Other finance costs:</b>		
Net interest on the net defined benefit liability	41,000	54,000
	<u>213,761</u>	<u>279,847</u>

### 10 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	22,446	162,641
	<u>22,446</u>	<u>162,641</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	138,422	(97,552)
	<u>138,422</u>	<u>(97,552)</u>
<b>Total tax charge</b>	<u>160,868</u>	<u>65,089</u>

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
<b>Profit before taxation</b>	<u>823,395</u>	<u>617,066</u>
<b>Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)</b>	158,504	123,413
Tax effect of utilisation of tax losses not previously recognised	-	(95,561)
Other timing differences	2,364	37,237
<b>Taxation for the year</b>	<u>160,868</u>	<u>65,089</u>

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 10 Taxation (Continued)

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017 £	2016 £
Deferred tax arising on:		
Tangible fixed assets held at revaluation	(55,513)	(104,206)
Actuarial differences on defined benefit pension schemes	(3,740)	(31,110)
	<u>(59,253)</u>	<u>(135,316)</u>

#### Factors that may affect future, current and total tax charges

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. A further reduction to 17% was substantively enacted in September 2016 and will take effect from 1 April 2020.

### 11 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2017 and 31 December 2017	<u>26,525</u>
<b>Amortisation and impairment</b>	
At 1 January 2017 and 31 December 2017	<u>26,525</u>
<b>Carrying amount</b>	
At 31 December 2017	-
At 31 December 2016	-

## HAYNES BROTHERS,LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 12 Tangible fixed assets

	Freehold buildings £	Leasehold premises £	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
<b>Cost or valuation</b>							
At 1 January 2017	13,247,365	4,033	729,574	1,113,067	593,569	1,210,308	16,897,916
Additions	208,393	-	237,965	346,113	162,670	229,318	1,184,459
Disposals	-	-	(45,262)	(85,785)	(47,897)	(88,357)	(267,301)
At 31 December 2017	13,455,758	4,033	922,277	1,373,395	708,342	1,351,269	17,815,074
<b>Depreciation</b>							
At 1 January 2017	114,389	-	454,194	786,469	494,118	424,653	2,273,823
Depreciation charged in the year	34,768	-	53,506	75,814	55,174	122,988	342,250
Eliminated in respect of disposals	-	-	(45,262)	(85,785)	(47,897)	(46,485)	(225,429)
At 31 December 2017	149,157	-	462,438	776,498	501,395	501,156	2,390,644
<b>Carrying amount</b>							
At 31 December 2017	13,306,601	4,033	459,839	596,897	206,947	850,113	15,424,430
At 31 December 2016	13,132,976	4,033	275,380	326,598	99,451	785,655	14,624,093

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 12 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2017 £	2016 £
Motor vehicles	200,495	247,282
Depreciation charge for the year in respect of leased assets	32,993	59,823

The freehold properties were valued at £14,580,000 as at 31 December 2015 by Montagu Evans, Chartered Surveyors, independent valuers not connected with the Company on the basis of market value. The valuation conforms to International Valuation Standards.

The directors do not consider that the fair value of the properties is materially different as at 31 December 2017 as compared to 31 December 2015 so no further revaluation has been recognised in the current year.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	5,112,756	4,904,363
Accumulated depreciation	507,697	490,860
Carrying value	4,605,059	4,413,503

### 13 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	14	205	205

#### Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2017 & 31 December 2017	205
Carrying amount	
At 31 December 2017	205
At 31 December 2016	205

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 14 Subsidiaries

The investments in subsidiary undertakings, which are shown at cost, comprise five dormant wholly owned subsidiary companies.

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Haynes Agricultural Limited a)		Dormant	Ordinary	99.00	
Haynes Agritec Limited a)		Dormant	Ordinary	100.00	
Haynes of Maidstone Limited a)		Dormant	Ordinary		99.00
Haynes Trucks Limited a)		Dormant	Ordinary	100.00	
The Kent Diesel Centre Limited a)		Dormant	Ordinary		100.00

Consolidated accounts have not been prepared as the Company's subsidiaries are dormant and their assets and liabilities are insignificant.

a) 23 Ashford Road, Maidstone, Kent, ME14 5DA

#### 15 Debtors

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,145,580	2,679,704
Other debtors	627,566	3,642,291
Prepayments and accrued income	2,711,685	1,567,249
	<u>6,484,831</u>	<u>7,889,244</u>

During the year, an impairment loss of £5,627 (2016: £10,356) was recognised in respect of trade debtors due from customers. This amount is included within administrative expenses.

The other debtor balance in the prior year included £2,757,220 of proceeds in respect of the disposal of property. The proceeds were received during the current year.

#### 16 Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>11,945,044</u>	<u>13,725,341</u>

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

At 31 December 2017 the total amount of interest bearing consignment stock included above amounted to £2,453,284 (2016: £3,672,271). Excluded from the above is non interest bearing consignment stock of £8,705,335 (2016: £7,630,193).

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 17 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	19	1,044,199	1,924,995
Obligations under finance leases	20	37,739	35,805
Trade creditors		11,956,864	12,985,922
Amounts due to subsidiary undertakings		205	205
Corporation tax		22,446	162,641
Other taxation and social security		293,925	428,152
Other creditors		781,173	1,046,145
Accruals and deferred income		1,495,907	1,023,027
		<u>15,632,458</u>	<u>17,606,892</u>

Trade creditors of £3,544,629 (2016: £3,960,644) are secured by way of a floating charge on the company's stock and by way of a fixed and floating charge over all property and assets, debts, building, fixtures and fixed plant and machinery. Finance leases are secured on the related assets.

Other creditors of £194,071 (2016: £258,086) are secured by way of a fixed and floating charge over all property and assets, debts, building, fixtures and fixed plant and machinery.

### 18 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans	19	3,786,320	4,625,320
Obligations under finance leases	20	61,372	73,939
Perpetual unsecured loan stock	19	55,000	55,000
		<u>3,902,692</u>	<u>4,754,259</u>

### 19 Borrowings

	2017 £	2016 £
Bank loans	3,998,320	5,837,320
Bank overdrafts	832,199	712,995
Perpetual unsecured loan stock	55,000	55,000
	<u>4,885,519</u>	<u>6,605,315</u>
Payable within one year	1,044,199	1,924,995
Payable after one year	3,841,320	4,625,320

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 19 Borrowings (Continued)

The bank loans and overdraft are guaranteed by way of a first legal mortgage over the company's freehold properties at Ashford Road, Maidstone, Ashford and Uckfield, together with a fixed charge over plant, fixtures and equipment at these premises.

The bank has guaranteed two bonds to suppliers totalling £370,000 (2016: £370,000).

Interest at an average rate of 3% above LIBOR is payable on £3,998,320 bank loan balance, of which £212,000 is included in creditors due within one year and £3,786,320 is due in more than one year. The bank loan is repayable in quarterly instalments of £53,000 and a final instalment of £4,095,320. The loan is subject to interest cover and loan to value covenants.

Interest at 3.25% above base rate is payable on the overdraft.

### 20 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Less than one year	37,739	35,805
Between one and five years	61,372	73,939
	<u>99,111</u>	<u>109,744</u>

Finance lease payments represent amounts payable by the Company for certain items of plant and machinery. No restrictions are placed on the use of the assets. Lease terms are typically 3-4 years.

### 21 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	<u>5,414,940</u>	<u>6,242,649</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	<u>18,779,872</u>	<u>21,456,945</u>

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
<b>Balances:</b>		
Short term timing differences	(14)	(4,276)
Unrelieved trading losses	-	(18,713)
Excess of capital allowances over depreciation	54,547	(25,370)
Retirement benefit obligations	(219,130)	(250,920)
Revaluation of freehold land	790,879	815,169
Revaluation of freehold buildings	382,144	413,367
	<u>1,008,426</u>	<u>929,257</u>
<b>Movements in the year:</b>		<b>2017 £</b>
Liability at 1 January 2017		929,257
Charge to profit or loss		138,422
Credit to other comprehensive income		(59,253)
Liability at 31 December 2017		<u>1,008,426</u>

### 23 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	22	<u>1,008,426</u>	<u>929,257</u>



# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 24 Share capital

	2017 £	2016 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
5,600 Ordinary shares of £10 each	56,000	56,000
400 Non-voting ordinary shares of £10 each	4,000	4,000
	<u>60,000</u>	<u>60,000</u>
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
500 3½% cumulative preference shares of £10 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

#### **Cumulative preference shares**

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.

#### **Ordinary share rights**

The Company's ordinary shares carry no right to fixed income. The 5,600 shares of £10 each carry the right to one vote at general meetings of the Company.

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 25 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	662,527	551,977
<b>Adjustments for:</b>		
Taxation charged	160,868	65,089
Finance costs	213,761	279,847
(Gain)/loss on disposal of tangible fixed assets	-	1,399
Depreciation and impairment of tangible fixed assets	342,250	383,325
Pension scheme contribution	(250,000)	(269,000)
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	1,822,169	(760,268)
(Increase)/decrease in debtors	(1,352,807)	653,227
(Decrease)/increase in creditors	(955,377)	804,640
<b>Cash generated from operations</b>	<b>643,391</b>	<b>1,710,236</b>

The principal non-cash transactions are acquisitions of tangible fixed assets by means of a finance lease of £97,210 (2016: £148,605).

The increase in debtors in 2017 does not include the effect of £2,757,270 property disposal proceeds received in 2017 relating to the property disposed in 2016. These proceeds have been reported within 'investing activities' on the face of the cash flow statement.

### 26 Reserves

#### Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings net of deferred tax. Excess depreciation charged on revalued buildings over the historical cost depreciation is transferred from the revaluation reserve to the profit and loss reserve annually. When the revalued land and buildings are disposed of, the cumulative revaluation gains and losses, net of deferred tax, are transferred to the profit and loss reserve.

#### Capital redemption reserve

The nominal value of shares purchased and subsequently cancelled. In the prior year £350,000 was transferred from the profit and loss reserve to the capital redemption reserve being the nominal value of preference shares cancelled in the year.

#### Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

# **HAYNES BROTHERS, LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **27 Operating lease commitments**

#### **Lessee**

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Within one year	306,416	249,816
Between one and five years	613,714	455,152
In over five years	380,438	64,667
	<u>1,300,568</u>	<u>769,635</u>

### **28 Related party transactions**

#### **Remuneration of key management personnel**

The remuneration of key management personnel, which includes directors, is as follows.

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Aggregate compensation	<u>710,263</u>	<u>659,614</u>

Dividends of £105,079 (2016: £63,079) were payable to Directors in the year.

### **29 Controlling party**

Mr A.D.S. Haynes is the ultimate controlling party.