

Company Registration No. 502230 (England and Wales)

ALVIS BROTHERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



ALVIS BROTHERS LIMITED

COMPANY INFORMATION

Directors	J Alvis M G Alvis J Alvis (as trustee)
Secretary	Mrs P J Alvis
Company number	502230
Registered office	Lye Cross Farm Redhill, Wrington Bristol BS40 5RH
Auditors	Lentells Limited 11 The Crescent Taunton Somerset TA1 4EA
Business address	Lye Cross Farm Redhill, Wrington Bristol BS40 5RH
Bankers	HSBC plc 30 High Street Weston-Super-Mare North Somerset BS23 1JE
Solicitors	Bennetts High Street Wrington Bristol BS18 7QB

ALVIS BROTHERS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 21

ALVIS BROTHERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report together with financial statements for the year ended 31 March 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of cheese making. It also produces and sells milk, undertakes pig rearing and generates income from its other assets.

The cheese market remains competitive.

Following de-population of the pig enterprise a contract rearing agreement is now in operation with a major breeder.

The outlook for the coming year suggests moderate growth in organic cheese sales.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 April 2004:

J Alvis
M G Alvis
J Alvis (as trustee)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2005	1 April 2004
J Alvis	10,500	10,500
M G Alvis	9,000	9,000
J Alvis (as trustee)	2,250	2,250

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Lentells Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

ALVIS BROTHERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

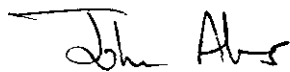
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

On behalf of the board



.....
J Alvis
Director
.....

26 October 05

ALVIS BROTHERS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALVIS BROTHERS LIMITED

We have audited the financial statements of Alvis Brothers Limited for the year ended 31 March 2005, which comprise the profit and loss account, balance sheet, cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 the directors and auditors

The director's responsibility for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lentells Limited
Chartered Accountants
Registered Auditor

Lentells LA

31 October 2005

11 The Crescent
Taunton
Somerset TA1 4EA

ALVIS BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Turnover	2	15,334,129	15,249,117
Cost of sales		(11,494,526)	(11,806,749)
Gross profit		3,839,603	3,442,368
Administrative expenses		(3,650,887)	(3,245,023)
Other operating income		69,691	79,868
Operating profit	3	258,407	277,213
Profit share from joint venture	4	64,044	142,682
Other interest receivable and similar income		2,770	4,991
Interest payable and similar charges	5	(259,004)	(214,288)
Profit on ordinary activities before taxation		66,217	210,598
Tax on profit on ordinary activities	6	(72,298)	(92,605)
(Loss)/profit on ordinary activities after taxation	18	(6,081)	117,993

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ALVIS BROTHERS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005

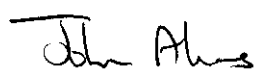
	2005 £	2004 £
(Loss)/profit for the financial year	(6,081)	117,993
Prior year adjustment	-	16,419
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>(6,081)</u>	<u>134,412</u>

ALVIS BROTHERS LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	7	431,566		493,218	
Tangible assets	8 & 9	5,383,256		5,417,308	
Investments	10	358,982		366,273	
		<u>6,173,804</u>		<u>6,276,799</u>	
Current assets					
Stocks	11	3,625,285		4,659,495	
Debtors	12	1,629,587		1,597,697	
		<u>5,254,872</u>		<u>6,257,192</u>	
Creditors: amounts falling due within one year	13	<u>(3,201,247)</u>		<u>(3,662,084)</u>	
Net current assets		<u>2,053,625</u>		<u>2,595,108</u>	
Total assets less current liabilities		<u>8,227,429</u>		<u>8,871,907</u>	
Creditors: amounts falling due after more than one year	14	(1,988,475)		(2,659,799)	
Provisions for liabilities and charges	15				
Deferred tax liability		(141,599)		(98,148)	
Accruals and deferred income	16	(49,109)		(59,633)	
		<u>6,048,246</u>		<u>6,054,327</u>	
Capital and reserves					
Called up share capital	17	30,000		30,000	
Profit and loss account	18	6,018,246		6,024,327	
Shareholders' funds - equity interests	19	<u>6,048,246</u>		<u>6,054,327</u>	

The financial statements were approved by the Board on 26-10-05



J Alvis
Director

ALVIS BROTHERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	£	2005 £	£	2004 £
Net cash inflow/(outflow) from operating activities		917,649		(244,221)
Returns on investments and servicing of finance				
Interest and investment income received	66,814		147,673	
Interest paid	(256,237)		(205,182)	
Interest element of finance lease rentals	(2,767)		(9,106)	
Net cash outflow for returns on investments and servicing of finance		(192,190)		(66,615)
Taxation		(70,457)		(26,050)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(497,343)		(714,950)	
Payments to acquire investments	7,293		(142,682)	
Receipts from sales of tangible assets	28,220		22,288	
Net cash outflow for capital expenditure		(461,830)		(835,344)
Net cash inflow/(outflow) before management of liquid resources and financing		193,172		(1,172,230)
Management of liquid resources				
Current asset investments	-		15,293	
		-		15,293
Financing				
Other new short term loans	366,954		-	
Government grant received	-		70,157	
Repayment of long term bank loan	(137,792)		(145,419)	
Repayment of other long term loans	(527,501)		-	
Repayment of other short term loans	2,226		9,922	
Capital element of hire purchase contracts	(22,942)		(67,809)	
Net cash outflow from financing		(319,055)		(133,149)
Decrease in cash in the year		(125,883)		(1,290,086)

ALVIS BROTHERS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2005		2004	
		£		£	
	Operating profit	258,407		277,213	
	Depreciation of tangible assets	531,254		476,617	
	Amortisation of intangible assets	61,652		61,652	
	Profit on disposal of tangible assets	(28,080)		(16,075)	
	Decrease in stocks	1,034,210		420,837	
	Increase in debtors	(31,890)		(74,152)	
	Decrease in creditors within one year	(897,380)		(1,379,789)	
	Movement on grant provision	(10,524)		(10,524)	
	Net cash inflow/(outflow) from operating activities	917,649		(244,221)	
2	Analysis of net debt	1 April 2004	Cash flow	Other non- 31 March 2005	
		£	£	cash changes	£
	Net cash:				
	Bank overdrafts	(751,019)	(125,883)	-	(876,902)
	Debt:				
	Finance leases	(29,120)	22,942	-	(6,178)
	Debts falling due within one year	(139,290)	(369,180)	-	(508,470)
	Debts falling due after one year	(2,653,621)	665,292	-	(1,988,329)
		(2,822,031)	319,054	-	(2,502,977)
	Net debt	(3,573,050)	193,171	-	(3,379,879)
3	Reconciliation of net cash flow to movement in net debt	2005		2004	
		£		£	
	Decrease in cash in the year	(125,883)		(1,290,086)	
	Cash (outflow)/inflow from (increase)/decrease in liquid resources	-		(15,293)	
	Cash outflow from decrease in debt and lease financing	319,054		203,305	
	Change in net debt resulting from cash flows	193,171		(1,102,074)	
	New finance lease	-		(12,234)	
	Movement in net debt in the year	193,171		(1,114,308)	
	Opening net debt	(3,573,050)		(2,458,742)	
	Closing net debt	(3,379,879)		(3,573,050)	

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention, and in compliance with UK accounting standards.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Milk Quota

Milk quota is classified as an intangible asset. Amortisation is in equal annual instalments to the year 2012 to reflect its useful economic life.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	4% straight line on buildings only
Plant and machinery	10% - 20% straight line
Motor vehicles	20% straight line

1.5 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

1 Accounting policies

(continued)

1.10 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

1.11 Retirement benefits

The company operates a defined contribution pension scheme. The pension costs are charged to the profit and loss account as they fall due.

2 Turnover

Geographical market

	Turnover	
	2005	2004
	£	£
United Kingdom	14,648,609	14,587,795
Other	685,520	661,322
	<u>15,334,129</u>	<u>15,249,117</u>

3 Operating profit

	2005	2004
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	61,652	61,652
Depreciation of tangible assets	531,254	476,617
Loss on foreign exchange transactions	10,793	-
Operating lease rentals		
- Other assets	62,406	70,801
Auditors' remuneration	7,000	7,000
and after crediting:		
Profit on disposal of tangible assets	(28,080)	(16,075)
Amortisation of deferred grant income	(10,524)	(10,524)
Profit on foreign exchange transactions	-	(10,118)
	<u></u>	<u></u>

4 Profit share from joint venture

	2005	2004
	£	£
Income from fixed asset investments	64,044	142,682
	<u></u>	<u></u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

5	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	224,970	167,614
	Lease finance charges	2,767	9,106
	Other interest	31,267	37,568
		<u>259,004</u>	<u>214,288</u>
6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	28,847	70,457
	Current tax charge	<u>28,847</u>	<u>70,457</u>
	Deferred tax		
	Deferred tax	43,451	22,148
		<u>72,298</u>	<u>92,605</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>66,217</u>	<u>210,598</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.10% (2004: 25.33%)	<u>12,647</u>	<u>53,344</u>
	Effects of:		
	Non deductible expenses	461	841
	Depreciation add back	102,107	132,272
	Capital allowances	(79,543)	(96,940)
	Tax losses utilised	-	(8,113)
	Other tax adjustments	(6,825)	(10,947)
		<u>16,200</u>	<u>17,113</u>
	Current tax charge	<u>28,847</u>	<u>70,457</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

7 Intangible fixed assets

	Milk Quota £
Cost	
At 1 April 2004 & at 31 March 2005	1,864,998
Amortisation	
At 1 April 2004	1,371,780
Charge for the year	61,652
At 31 March 2005	1,433,432
Net book value	
At 31 March 2005	431,566
At 31 March 2004	493,218

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

8 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2004	4,617,084	4,773,956	590,348	9,981,388
Additions	35,455	399,837	41,250	476,542
Disposals	(140)	-	(7,500)	(7,640)
At 31 March 2005	4,652,399	5,173,793	624,098	10,450,290
Depreciation				
At 1 April 2004	986,506	3,537,761	505,563	5,029,830
On disposals	-	-	(7,500)	(7,500)
Charge for the year	93,501	403,462	34,291	531,254
At 31 March 2005	1,080,007	3,941,223	532,354	5,553,584
Net book value				
At 31 March 2005	3,572,392	1,232,570	91,744	4,896,706
At 1 April 2004	3,630,578	1,236,195	84,785	4,951,558

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £
Net book values	
At 31 March 2005	17,517
At 31 March 2004	38,090
Depreciation charge for the year	
31 March 2005	6,569
31 March 2004	9,040

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

9 Other tangible fixed assets

	Herd £
Cost	
At 1 April 2004	465,750
Additions	20,800
	<hr/>
At 31 March 2005	486,550
	<hr/>

10 Fixed asset investments

	Unlisted investments £
Cost	
At 1 April 2004	366,273
Additions	64,044
Revaluation	(71,335)
	<hr/>
At 31 March 2005	358,982
	<hr/>

The company holds a 50% interest in a joint venture that is a Limited Liability Partnership called Alvis Brothers Contracting.

The company's share of profit is shown in the profit and loss account.

The carrying value of the investment as shown above represents the company's capital account balance in that partnership.

11 Stocks	2005 £	2004 £
Stocks	3,625,285	4,659,495
	<hr/>	<hr/>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

12 Debtors	2005 £	2004 £
Trade debtors	1,485,370	1,361,961
Amounts owed by participating interests	-	1,728
Other debtors	144,217	234,008
	<u>1,629,587</u>	<u>1,597,697</u>

Amounts falling due after more than one year and included in the debtors above are:

	2005 £	2004 £
Other debtors	<u>35,925</u>	<u>40,945</u>

13 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	1,385,372	890,309
Net obligations under finance leases	6,032	22,942
Trade creditors	876,096	916,920
Corporation tax	28,847	70,457
Other taxes and social security costs	42,834	46,279
Directors' current accounts	531,701	523,434
Other creditors	276,262	1,130,940
Accruals and deferred income	54,103	60,803
	<u>3,201,247</u>	<u>3,662,084</u>

The bank loans and overdraft are secured by a First Floating Charge over all assets and undertaking both present and future dated 7th January 2005. The loans are scheduled to be repaid over monthly and quarterly instalments, at interest rates to be agreed with the company's bankers. Currently these are 0.85% and 1% over bank base rate.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

14 Creditors: amounts falling due after more than one year	2005 £	2004 £
Bank loans	535,830	673,621
Other loans	1,452,499	1,980,000
Net obligations under finance leases	146	6,178
	<u>1,988,475</u>	<u>2,659,799</u>
Analysis of loans		
Not wholly repayable within five years by instalments:	-	812,911
Not wholly repayable within five years other than by instalments:	-	1,980,000
Wholly repayable within five years	2,496,799	-
	<u>2,496,799</u>	<u>2,792,911</u>
Included in current liabilities	(508,470)	(139,290)
	<u>1,988,329</u>	<u>2,653,621</u>
Instalments not due within five years	-	41,456
	<u>-</u>	<u>41,456</u>
Loan maturity analysis		
In more than one year but not more than two years	537,812	146,417
In more than two years but not more than five years	1,450,517	485,748
In more than five years	-	2,021,456
	<u>1,988,329</u>	<u>2,653,621</u>
Net obligations under finance leases		
Repayable within one year	6,032	22,942
Repayable between one and five years	146	6,178
	<u>6,178</u>	<u>29,120</u>
Included in liabilities falling due within one year	(6,032)	(22,942)
	<u>146</u>	<u>6,178</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

15 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 April 2004	98,148
Profit and loss account	43,451
	<u>141,599</u>
Balance at 31 March 2005	<u>141,599</u>

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>141,599</u>	<u>98,148</u>

16 Accruals and deferred income

	Government grants £
Balance at 1 April 2004	59,633
Amortisation in the year	(10,524)
	<u>49,109</u>
Balance at 31 March 2005	<u>49,109</u>

17 Share capital

	2005 £	2004 £
Authorised		
30,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
Allotted, called up and fully paid		
30,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

18 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2004	6,024,327
Retained loss for the year	(6,081)
Balance at 31 March 2005	<u>6,018,246</u>

19 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
(Loss)/Profit for the financial year	(6,081)	117,993
Opening shareholders' funds	<u>6,054,327</u>	<u>5,936,334</u>
Closing shareholders' funds	<u>6,048,246</u>	<u>6,054,327</u>

20 Contingent liabilities

There is a contingent liability in respect of an unlimited composite cross guarantee given to secure all bank borrowings of Alvis Brothers (Lye Cross) Limited amounting to £135,393 (2004 £63,148).

21 Financial commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2005 £	2004 £
Expiry date: Between two and five years	<u>62,406</u>	<u>70,801</u>

22 Capital commitments

	2005 £	2004 £
At 31 March 2005 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	<u>-</u>	<u>175,000</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

23 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	<u>75,746</u>	<u>74,782</u>

24 Transactions with directors

Included in the figure of directors' and shareholders' loans of £531,701 (note 13, Creditors: amounts falling due within one year), are directors' current account balances amounting to £26,109 (2004 £30,484). These loans are interest free with no fixed dates for repayment.

25 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
	<u>100</u>	<u>93</u>

Employment costs

	£	£
Wages and salaries	1,708,327	1,555,518
Social security costs	163,770	147,458
Redundancy costs	-	20,000
Recharged to Alvis Contracting	<u>(23,312)</u>	<u>(29,006)</u>
	<u>1,848,785</u>	<u>1,693,970</u>

26 Control

Mr J Alvis is the company's controlling related party by virtue of his and his wife's shareholdings, together with the shareholdings of trusts where he is the first named trustee.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

27 Related party transactions

The following related party transactions have taken place in the year:-

Amounts owed to related parties of Alvis Brothers Limited as at 31 March 2005 are set out below:
(Included in note 13, Creditors: amounts falling due within one year).

Alvis Brothers (Lye Cross) Limited	£276,262	(2004 £1,130,940).
Mrs P Alvis	£264,077	(2004 £257,951)
Company directors	£26,109	(2004 £30,484)
Family shareholders and others	£241,515	(2004 £234,999)

Alvis Brothers (Lye Cross) Limited is connected to the company as the directors and certain shareholders of Alvis Brothers (Lye Cross) Limited are also directors and shareholders of Alvis Brothers Limited.

Interest of £18,139 (2004 £22,750) was paid to Mrs P Alvis, the wife of Mr J Alvis, in respect of her loan to the company.

The company made rental payments during the year of £14,500 (2004 £14,500) to the directors in respect of land used by the company.

The company paid its pension scheme £6,200 (2004 £6,200) for rental of land, and £nil (2004 £8,395) rent on behalf of company employees who are tenants of pension scheme property.

The company has sold dairy products with a value of £1,236,771 (2004 £1,026,686); and purchased dairy products valued at £1,015,036 (2004 £1,806,017) all to Alvis Brothers (Lye Cross) Limited.

In addition the company has paid rent of £21,246 (2004 £21,246) to Alvis Brothers (Lye Cross) Limited.

The company has an ongoing arrangement with its bankers, whereby it is charged interest on the basis of the total borrowings of Alvis Brothers Limited, and Alvis Brothers (Lye Cross) Limited. No adjustment is made in the financial statements for those charges that would relate to the borrowing of Alvis Brothers (Lye Cross) Limited.

The audit and accounting charges in the financial statements include the related audit costs of Alvis Brothers (Lye Cross) Limited.

During the year the company paid £3,305 (2004 £2,773) to the pension fund trustees in respect of service charges.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

27 Related party transactions

(continued)

Transactions with joint venture.

Alvis Contracting is a LLP in the form of a joint venture between Mr D Harding and Alvis Brothers Limited. Each party holds a 50% interest and neither exercises overall control.

For the year-ended 31st March 2005, the turnover for Alvis Contracting amounted to £1,206,673 (2004 - £1,235,079).

During the period, Alvis Contracting paid rent of £12,000 (2004 - £12,000) to Alvis Brothers Limited for the rent of storage facilities.

In the same period, Alvis Brothers Limited paid £581,741 (2004 - £552,677) net of VAT to Alvis Contracting for contract work at normal commercial terms.

At the year-end, the following balances existed:-

Loan from Alvis Brothers Limited to Alvis Contracting was fully paid up at the year-end (2004 - £25,000)(Interest on the loan of £2,770 was paid to Alvis Brothers Limited).

Trade balance due from Alvis Contracting £3,097 (2004 - £14,142).

Trade balance due to Alvis Contracting £44,179 (2004 - £127,423).