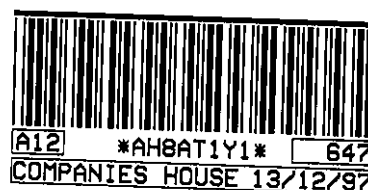


**ALVIS BROTHERS LIMITED****COMPANY NUMBER: 502230****FINANCIAL STATEMENTS**For the year ended 31 March 1997

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# ALVIS BROTHERS LIMITED

## REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 1997.

### Principal activities

The company is principally engaged in pig and dairy farming and cheese making.

### Business review

During the year the company concentrated on its core market of making farmhouse cheddar from home produced milk and also decided to increase the production of cheese by buying in milk. The pigs have performed well due to increased prices.

There was a profit for the year after taxation amounting to £511,804 (1996 £432,414). The directors do not recommend payment of a dividend and the profit has therefore been retained.

### Directors

The present membership of the Board is set out below. All directors served throughout the year.

In accordance with the Articles of Association the directors are not required to retire by rotation.

The interests of the directors and their families in the shares of the company at 1 April 1996 and 31 March 1997 were as follows:-

Director	Ordinary shares	
	1997	1996
J Alvis	15,200	15,200
M G Alvis	9,000	9,000

# ALVIS BROTHERS LIMITED

## REPORT OF THE DIRECTORS

*Continued*

### **Directors' responsibilities for the financial statements**

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 to apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Grant Thornton having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with Section 386 of the Companies Act 1985

ON BEHALF OF THE BOARD



J Alvis  
Chairman

9 December 1997

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
ALVIS BROTHERS LIMITED**

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 4 to 5.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

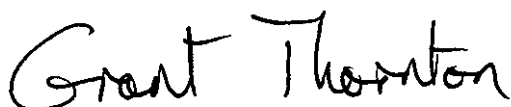
**Basis of opinion**

We conducted our audit in accordance with 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 at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

Bath

Date: 9 December 1997

# **ALVIS BROTHERS LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain freehold land and buildings are shown at their revalued amounts.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided excluding VAT and trade discounts.

### **INCOME FROM INVESTMENTS**

Investment income comprises rents receivable from land and interest receivable on short term deposits.

### **DEPRECIATION**

Depreciation is calculated to write down the cost or valuation of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold and leasehold buildings	4%
Plant and equipment	15%
Motor vehicles and tractors	20%

### **STOCKS**

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

### **DEFERRED TAX**

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

### **CONTRIBUTIONS TO PENSION FUNDS**

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

## **ALVIS BROTHERS LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

*Continued*

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#### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

#### **GOVERNMENT GRANTS**

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

**ALVIS BROTHERS LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 1997

	Note	1997 £	1996 £
Turnover	1	8,256,102	8,123,696
Cost of sales		<u>(5,374,363)</u>	<u>(5,353,887)</u>
Gross Profit		2,881,739	2,769,809
Other operating income and charges	2	<u>(2,175,945)</u>	<u>(2,211,973)</u>
<b>Operating profit</b>		705,794	557,836
Net interest	3	<u>(114,673)</u>	<u>(56,326)</u>
<b>Profit on ordinary activities before taxation</b>	1	591,121	501,510
Tax on profit on ordinary activities	5	<u>(79,317)</u>	<u>(69,096)</u>
<b>Profit for the financial year retained</b>	14	<u>511,804</u>	<u>432,414</u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

# ALVIS BROTHERS LIMITED

## BALANCE SHEET AT 31 MARCH 1997

	Note	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	6	<u>4,781,678</u>	<u>4,159,049</u>
<b>Current assets</b>			
Stocks	7	3,012,610	2,676,965
Debtors	8	602,647	910,131
Investments	9	<u>4,797</u>	<u>12,247</u>
		3,620,054	3,599,343
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,503,293)</u>	<u>(2,369,744)</u>
<b>Net current assets</b>		<u>1,116,761</u>	<u>1,229,599</u>
<b>Total assets less current liabilities</b>		5,898,439	5,388,648
<b>Creditors: amounts falling due after more than one year</b>	11	(17,473)	(5,486)
<b>Provisions for liabilities and charges</b>	12	<u>(42,000)</u>	<u>(56,000)</u>
		<u>£5,838,966</u>	<u>£5,327,162</u>
<b>Capital and reserves</b>			
Called up share capital	13	30,000	30,000
Profit and loss account	14	<u>5,808,966</u>	<u>5,297,162</u>
<b>Shareholders' funds</b>		<u>£5,838,966</u>	<u>£5,327,162</u>

The financial statements were approved by the Board of Directors on 9 December 1997

John Alvis  
J Alvis - Director

M G Alvis  
M G Alvis - Director

The accompanying accounting policies and notes form an integral part of these financial statements.



**ALVIS BROTHERS LIMITED****CASHFLOW STATEMENT**

For the year ended 31 March 1997

	Note	1997 £	1996 £
<b>Net cash inflow from operating activities</b>	15	<u>820,323</u>	<u>2,161,835</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		4,410	25,628
Interest paid		(118,910)	(81,670)
Finance lease interest paid		<u>(173)</u>	<u>(284)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(114,673)</u>	<u>(56,326)</u>
<b>Taxation paid</b>			
UK corporation tax (paid)/refunded		<u>(69,231)</u>	<u>6,072</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,283,107)	(1,915,593)
Sale of tangible fixed assets		<u>475,555</u>	<u>94,495</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(807,552)</u>	<u>(1,821,098)</u>
<b>Financing</b>			
Receipts from borrowing		34,118	4,156
Capital element of finance leases and similar hire purchase contracts		<u>(43,053)</u>	<u>(19,666)</u>
<b>Net cash outflow from financing</b>	16	<u>(8,935)</u>	<u>(15,510)</u>
<b>(Decrease)/increase in cash</b>	17	<u>(£180,069)</u>	<u>£274,973</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# ALVIS BROTHERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

### 1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to the principal activities of the business.

The profit on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration:		
Audit services	6,750	5,500
Depreciation of tangible fixed assets:		
Owned	502,818	327,993
Held under finance leases and similar hire purchase contracts	25,992	18,757
Milk quota levy	1,666	(37,082)
Adjustment to cost of dairy herd	-	(235,425)

Other operating income includes:

Rents receivable	37,387	41,227
Sundry income	29,893	37,129
Permanent quota cut compensation	24,356	11,960
	<u>91,636</u>	<u>90,316</u>

### 2. OTHER OPERATING INCOME AND CHARGES

	1997 £	1996 £
Administrative expenses	146,780	129,001
Other operating charges	2,249,654	2,238,366
Other operating income	(220,489)	(155,394)
	<u>2,175,945</u>	<u>2,211,973</u>

**ALVIS BROTHERS LIMITED****NOTES TO THE FINANCIAL STATEMENTS***Continued*

For the year ended 31 March 1997

**3. NET INTEREST**

	1997 £	1996 £
On bank loans and overdrafts	35,187	17,635
Finance charges payable in respect of finance leases and similar hire purchase contracts	173	284
Other interest payable and similar charges	83,723	64,035
Other interest receivable and similar income	(4,410)	(25,628)
	<u>114,673</u>	<u>56,326</u>

**4. DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows:

	1997 £	1996 £
Wages and salaries	1,104,846	1,035,887
Social security	111,457	104,048
	<u>1,216,303</u>	<u>1,139,935</u>

The average number of employees of the company during the year was 76 (1996: 74).

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Management remuneration	<u>29,670</u>	<u>29,195</u>

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge is based on the profit for the year and represents:

	1997 £	1996 £
Corporation tax @ 33% (1995: 33%)	149,595	71,168
Deferred tax	(14,000)	4,000
Adjustment in respect of prior years	(56,278)	(6,072)
	<u>79,317</u>	<u>69,096</u>

**ALVIS BROTHERS LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
*Continued*

For the year ended 31 March 1997

**6. TANGIBLE FIXED ASSETS**

	<b>Land and buildings:</b>				
	<b>Freehold property</b>	<b>Tenants Improvements to leasehold Property</b>	<b>Plant and machinery</b>	<b>Motor vehicles &amp; tractors</b>	<b>Total</b>
	£		£	£	£
Cost or valuation					
At 1 April 1996	2,765,642	1,325,845	2,334,346	941,029	7,366,862
Additions	897,832	60,504	299,721	59,600	1,317,657
	3,663,474	1,386,349	2,634,067	1,000,629	8,684,519
Disposals	(245,030)	-	(45,652)	(92,765)	(383,447)
At 31 March 1997	3,418,444	1,386,349	2,588,415	907,864	8,301,072
Depreciation					
At 1 April 1996	408,874	293,208	1,873,016	632,714	3,207,812
Provided in the year	186,002	51,696	179,357	111,755	528,810
	594,876	344,904	2,052,373	744,469	3,736,622
Eliminated on disposals	(92,764)	-	(40,736)	(83,728)	(217,228)
At 31 March 1996	502,112	344,904	2,011,637	660,741	3,519,394
Net book amount at 31 March 1997	<u>2,916,332</u>	<u>1,041,445</u>	<u>576,778</u>	<u>247,123</u>	<u>4,781,678</u>
Net book amount at 31 March 1996	<u>2,356,768</u>	<u>1,032,637</u>	<u>461,330</u>	<u>308,314</u>	<u>4,159,049</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	<b>Plant &amp; equipment</b>	<b>Motor vehicles &amp; tractors</b>
	£	£
Net book amount at 31 March 1997	<u>31,374</u>	<u>67,750</u>
Net book amount at 31 March 1996	<u>19,974</u>	<u>45,905</u>
Depreciation provided during year	<u>5,537</u>	<u>20,455</u>

The gross amount of freehold buildings on which depreciation is being provided is £3,171,377.

**ALVIS BROTHERS LIMITED****NOTES TO THE FINANCIAL STATEMENTS***Continued*

For the year ended 31 March 1997

**6. TANGIBLE FIXED ASSETS (CONTINUED)**

The figures stated above for cost or valuation include valuations as follows:

	<b>Land and buildings</b>	
	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
At cost	<b>4,694,793</b>	<b>3,981,488</b>
At 1964 valuation	<b>20,000</b>	<b>20,000</b>
At 1965 valuation	<b>90,000</b>	<b>90,000</b>
	<b><u>4,804,793</u></b>	<b><u>4,091,488</u></b>

Included in the cost of freehold property above is milk quota at a cost of £1,832,947. This has been added to the cost of the land and is being written off over 10 years.

**7. STOCKS**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Cheese and dairy stocks	<b>1,846,957</b>	<b>1,563,905</b>
Livestock and feedstuffs	<b>1,165,653</b>	<b>1,113,060</b>
	<b><u>3,012,610</u></b>	<b><u>2,676,965</u></b>

**8. DEBTORS**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>368,007</b>	<b>704,530</b>
Amounts owed by related company	<b>102,918</b>	<b>-</b>
Other debtors	<b>131,722</b>	<b>205,601</b>
	<b><u>602,647</u></b>	<b><u>910,131</u></b>

**9. CURRENT ASSET INVESTMENT**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Land held for resale	<b><u>4,797</u></b>	<b><u>12,247</u></b>

**ALVIS BROTHERS LIMITED****NOTES TO THE FINANCIAL STATEMENTS***Continued*

For the year ended 31 March 1997

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997 £	1996 £
Pension fund loan	451,542	417,424
Bank overdraft	690,383	510,315
Trade creditors	226,496	192,109
Amounts owed to related businesses	378,935	549,643
Corporation tax	149,595	125,509
Social security and other taxes	68,331	64,306
Other creditors	415,829	437,936
Accruals	101,169	30,999
Amounts due under finance leases and similar hire purchase agreements	21,013	41,503
	<u>2,503,293</u>	<u>2,369,744</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997	1996
Amounts due under finance leases and similar hire purchase agreements	<u>17,473</u>	<u>5,486</u>

All finance leases are payable in less than five years.

**12. PROVISIONS FOR LIABILITIES AND CHARGES****DEFERRED TAXATION**

Deferred taxation provided for and not provided for in the financial statements is set out below. The amount unprovided represents a contingent liability at 31 March 1997 and was calculated using a tax rate of 33%.

	Amount provided		Amount unprovided	
	1997	1996	1997	1996
	£	£	£	£
Accelerated capital allowances	<u>42,000</u>	<u>56,000</u>	-	-

**ALVIS BROTHERS LIMITED****NOTES TO THE FINANCIAL STATEMENTS***Continued*

For the year ended 31 March 1997

**13. SHARE CAPITAL**

	1997 £	1996 £
Authorised, allotted, called up and fully paid		
30,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>

**14. RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital £	Profit and loss account £	Total shareholders' funds £
Shareholders' funds at 1 April 1996	30,000	5,297,162	5,327,162
Retained profit for the year	<u>-</u>	<u>511,804</u>	<u>511,804</u>
Shareholders' funds at 31 March 1997	<u>30,000</u>	<u>5,808,966</u>	<u>5,838,966</u>

**15. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating profit	705,794	557,836
Depreciation	528,810	346,750
Profit on disposal of fixed assets	(309,337)	(74,035)
Increase in stocks	(335,645)	(488,083)
Decrease in debtors	307,484	1,798,064
Decrease/(Increase) in current investments	7,450	(12,247)
(Increase)/Decrease in creditors	<u>(84,233)</u>	<u>33,550</u>
Net cash inflow from operating activities	<u>820,323</u>	<u>2,161,835</u>

**ALVIS BROTHERS LIMITED****NOTES TO FINANCIAL STATEMENTS***Continued*

For the year ended 31 March 1997

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1997 £	1996 £
Decrease\increase in cash in the year	180,068	(274,973)
Cash inflow from financing	34,118	4,156
Cash outflow from finance leases	(43,053)	(19,666)
Change in net debt resulting from cash flows	171,133	(290,483)
Current asset investment	7,450	(12,247)
Inception of finance leases	34,550	33,947
Movement in net debt in the year	213,133	(268,783)
Net debt at 1 April 1996	962,481	1,231,264
Net debt at 31 March 1997	1,175,614	962,481

**17. ANALYSIS OF CHANGES IN NET DEBT**

	At 1 April 1996 £	Cashflow £	Non-cash items £	At 31 March 1997 £
Overdraft	510,315	180,068		690,383
Debt	417,424	34,118		451,542
Finance leases	46,989	(43,053)	34,550	38,486
Current asset investment	(12,247)	7,450		(4,797)
	962,481	178,583	34,550	1,175,614

**18. CAPITAL COMMITMENTS**

	1997 £	1996 £
Contracted for but not provided in these financial statements	508,000	60,000

**19. CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 March 1997 or 31 March 1996 except in respect of deferred taxation (see note 12).



## ALVIS BROTHERS LIMITED

### NOTES TO FINANCIAL STATEMENTS

*Continued*

For the year ended 31 March 1997

#### 20. PENSIONS

The company operates a defined contribution scheme for its employees where the benefits are targeted towards a percentage of final salary. The assets of the scheme are administered by trustees in a fund independent from those of the company.

An actuarial valuation of the scheme is undertaken every three years by a qualified actuary.

No contributions have been made by the company to the scheme since 31 March 1989 and the directors are currently reviewing the operation of the pension scheme.

#### 21. TRANSACTIONS WITH RELATED PARTIES

The directors are partners in the firm known as 'J Alvis and Sons', from which the company purchased goods valued at £132,090 and to which it made rental payments of £14,500 during the year.

The company sold cheese with a value of £816,977, purchased cheese valued at £502,177, made rental payments of £21,246 and received a management charge of £18,330 from Alvis Brothers (Lye Cross) Limited. Alvis Brothers (Lye Cross) Limited is related to the company as the directors of Alvis Brothers Limited are also the directors of Alvis Brothers (Lye Cross) Limited.

During the year Alvis Brothers Limited sold land with a value of £433,000 to the Alvis Brothers Limited Pension Fund.

The directors of the company are also directors of Alvis Brothers (Redhill) Limited which is a dormant company.

£26,077 of interest was paid to Mrs P Alvis who is the wife of Mr J Alvis, a director.

Amounts owed to/from related parties of Alvis Brothers Limited as at 31 March 1997 are:

	Included in Debtors £	Included in Creditors £
Alvis Brothers (Lye Cross) Limited	102,918	
Alvis Brothers Limited Pension Fund		451,542
Alvis Brothers (Redhill) Limited		19,431
J Alvis and Sons		359,504
Mrs P Alvis		327,658

The directors are satisfied that no provisions are required.

**ALVIS BROTHERS LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

*Continued*

For the year ended 31 March 1997

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**22. CONTROLLING RELATED PARTY**

Mr J Alvis is the company's controlling related party by virtue of his shareholding of 15,200 shares.