

ALVIS BROTHERS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 1998

Company registration number: 502230

Registered office: Lye Cross Farm
Redhill
Wroughton
Bristol
BS18 7RH

Directors: Mr J Alvis
Mr M Alvis

Secretary: Mrs P J Alvis

Bankers: Midland Bank Plc
30 High Street
Weston-Super-Mare
Avon
BS23 1JE

Solicitors: Bennetts
High Street
Wroughton
Bristol
BS18 7QB

Auditors: Grant Thornton
Registered auditors
Chartered accountants



ALVIS BROTHERS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 1998

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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 1998.

Principal activity

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

Business review

The company increased the production of cheese during the year but market conditions were difficult and profit margins disappointing. The directors continue to look for ways for the company to adapt to the challenging economic conditions.

Results

There was a profit for the year after tax amounting to £218,037 (1997: £511,804). 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 as at 1 April 1997 and at 31 March 1998, were as follows:

	31 March 1998	1 April 1997
	Number of	Number of
	ordinary shares	ordinary shares
Mr J Alvis	12,750	15,200
Mr M Alvis	9,000	9,000

ALVIS BROTHERS LIMITED

REPORT OF THE DIRECTORS

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 then 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 maintaining 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.

Year 2000 compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company is in the process of assessing the risks resulting from this issue. When the analysis is complete, the company will consider the likely impact on the business, develop action plans to deal with the key risks, and estimate the costs to be incurred.

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



Mr J Alvis
Director

Date: 12 October 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF

ALVIS BROTHERS LIMITED

Grant Thornton 

We have audited the financial statements on pages 4 to 16 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.

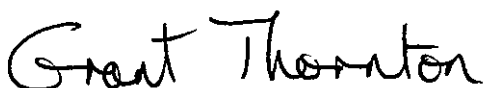
Basis of opinion

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 1998 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: 12 October 1998

ALVIS BROTHERS LIMITED

PRINCIPAL ACCOUNTING POLICIES

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 dividends declared during the accounting period, interest receivable on short term deposits and rents receivable from land.

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 properties	4%
Plant and machinery	15 - 20%

Milk quota is included in freehold property and is being written off up to the year 2006.

GOVERNMENT GRANTS

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

STOCKS

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

DEFERRED TAXATION

Deferred tax is provided for 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.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

ALVIS BROTHERS LIMITED

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION FUNDS

Defined Contribution Scheme

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

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.

ALVIS BROTHERS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 1998

	Note	1998 £	1997 £
Turnover	1	10,648,692	8,256,102
Cost of sales	2	<u>7,609,655</u>	<u>5,374,363</u>
Gross profit		3,039,037	2,881,739
Other operating income and charges	2	<u>(2,526,793)</u>	<u>(2,175,945)</u>
Operating profit		512,244	705,794
Net interest	3	<u>(309,125)</u>	<u>(114,673)</u>
Profit on ordinary activities before taxation	1	203,119	591,121
Tax on profit on ordinary activities	5	<u>14,918</u>	<u>(79,317)</u>
Retained profit for the financial year	14	<u>218,037</u>	<u>511,804</u>

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

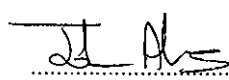
The accompanying accounting policies and notes form an integral part of these financial statements.

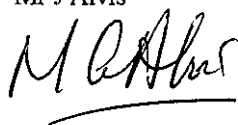
ALVIS BROTHERS LIMITED

BALANCE SHEET AT 31 MARCH 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	6	5,347,355	4,781,678
Current assets			
Stocks	7	4,043,949	3,012,610
Debtors	8	1,109,619	602,647
Investments	9	5,397	4,797
		<u>5,158,965</u>	<u>3,620,054</u>
Creditors: amounts falling due within one year	10	<u>4,403,082</u>	<u>2,503,293</u>
Net current assets		<u>755,883</u>	<u>1,116,761</u>
Total assets less current liabilities		<u>6,103,238</u>	<u>5,898,439</u>
Creditors: amounts falling due after more than one year	11	19,235	17,473
Provisions for liabilities and charges	12	27,000	42,000
		<u>6,057,003</u>	<u>5,838,966</u>
Capital and reserves			
Called up share capital	15	30,000	30,000
Profit and loss account	14	6,027,003	5,808,966
Shareholders' funds	14	<u>6,057,003</u>	<u>5,838,966</u>

The financial statements were approved by the Board of Directors on 12 October 1998.

 Director
Mr J Alvis



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 1998

	Note	1998 £	1997 £
Net cash (outflow)/inflow from operating activities	16	(1,165,412)	820,323
Returns on investments and servicing of finance			
Interest received		4,504	4,410
Interest paid		(313,559)	(118,910)
Finance lease interest paid		(70)	(173)
Net cash outflow from returns on investments and servicing of finance	3	(309,125)	(114,673)
Taxation		(149,595)	(69,231)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,141,202)	(1,283,107)
Sale of tangible fixed assets		616,892	475,555
Net cash outflow from capital expenditure and financial investment		(524,310)	(807,552)
Financing			
Net receipts from/(repayment of) borrowing		458,763	(34,118)
Capital element of hire purchase contracts		39,363	43,053
Net cash outflow from financing	18	(498,126)	(8,935)
Decrease in cash		(2,646,568)	(180,068)

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 1998

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:

	1998 £	1997 £
Auditors' remuneration:		
Audit services	6,900	6,750
Non-audit services	9,895	18,089
Depreciation and amortisation:		
Tangible fixed assets, owned	484,349	502,818
Tangible fixed assets, held under hire purchase contracts	28,886	25,992
Milk quota levy	-	1,666

2 COST OF SALES AND OTHER OPERATING INCOME AND CHARGES

	1998 £	1997 £
Cost of sales	7,609,655	5,374,363
Other operating income and charges:		
Administrative expenses	3,072,270	2,705,771
Other operating income	(545,477)	(529,826)
	2,526,793	2,175,945

3 NET INTEREST

	1998 £	1997 £
On bank loans and overdrafts	238,105	35,187
Finance charges in respect of hire purchase contracts	70	173
Other interest payable and similar charges	75,454	83,723
	313,629	119,083
Other interest receivable and similar income	4,504	4,410
	309,125	114,673

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1998

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	1,418,841	1,104,846
Social security costs	127,928	111,457
	<u>1,546,769</u>	<u>1,216,303</u>

The average number of employees of the company during the year was 86 (1997: 76).

Remuneration in respect of directors was as follows:

	1998 £	1997 £
Emoluments	<u>210,266</u>	<u>29,760</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	1998 £	1997 £
Emoluments	<u>170,816</u>	<u>19,602</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation credit represents:

	1998 £	1997 £
Corporation tax @ 21% (1997: 33%)	82	149,595
Deferred tax (note 12)	<u>(15,000)</u>	<u>(14,000)</u>
	(14,918)	135,595
Adjustments in respect of prior years:		
Corporation tax	-	(56,278)
	<u>(14,918)</u>	<u>79,317</u>

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

For the year ended 31 March 1998

6 TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Total £
Cost or valuation			
At 1 April 1997	4,804,793	3,496,279	8,301,072
Additions	1,055,431	156,617	1,212,048
Disposals	(286,164)	(42,897)	(329,061)
At 31 March 1998	5,574,060	3,609,999	9,184,059
Depreciation			
At 1 April 1997	847,016	2,672,378	3,519,394
Provided in the year	245,949	267,286	513,235
Eliminated on disposals	(161,703)	(34,222)	(195,925)
At 31 March 1998	931,262	2,905,442	3,836,704
Net book amount at 31 March 1998	4,642,798	704,557	5,347,355
Net book amount at 31 March 1997	3,957,777	823,901	4,781,678

The figures stated above include assets held under hire purchase contracts as follows:-

	Plant and machinery £
Net book amount at 31 March 1998	121,139
Net book amount at 31 March 1997	99,124
Depreciation provided during year	28,886

The gross amount of land and buildings on which depreciation is being provided is as follows:-

Freehold buildings	£ 3,008,639
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ALVIS BROTHERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 1998

6 TANGIBLE FIXED ASSETS (CONTINUED)

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

	Land and buildings	
	1998	1997
At cost	5,464,060	4,694,793
At 1964 valuation	20,000	20,000
At 1965 valuation	90,000	90,000
	<u>5,574,060</u>	<u>4,804,793</u>

Included in the cost of freehold property above is milk quota at a cost of £1,864,997. This has been added to the cost of the land and is being written off up to the year 2006.

7 STOCKS

	1998	1997
	£	£
Livestock	1,028,885	1,165,653
Cheese and dairy stocks	3,015,064	1,846,957
	<u>4,043,949</u>	<u>3,012,610</u>

There were no significant differences between the replacement cost and the values disclosed for stock.

8 DEBTORS

	1998	1997
	£	£
Trade debtors	530,975	368,007
Amounts owed by related company	456,248	102,918
Other debtors	122,396	131,722
	<u>1,109,619</u>	<u>602,647</u>

9 CURRENT ASSET INVESTMENTS

	1998	1997
	£	£
Land held for resale	<u>5,397</u>	<u>4,797</u>

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

For the year ended 31 March 1998

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	3,336,951	690,383
Trade creditors	392,857	226,496
Amounts owed to related businesses	19,432	378,935
Corporation tax	82	149,595
Social security and other taxes	68,668	68,331
Other creditors	464,515	415,829
Pension fund loan	-	451,542
Accruals	69,843	101,169
Amounts due under hire purchase contracts	50,734	21,013
	<u>4,403,082</u>	<u>2,503,293</u>

The bank overdraft is secured by a fixed charge over book debts and a floating charge over all other assets.

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Amounts due under hire purchase contracts	<u>19,235</u>	<u>17,473</u>

All hire purchase contracts are repayable in less than five years.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (note 13) £
At 1 April 1997	42,000
Provided during the year	(15,000)
At 31 March 1998	<u>27,000</u>

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

For the year ended 31 March 1998

13 DEFERRED TAXATION

Deferred taxation is provided for in full the financial statements and is set out below.

	Amount provided	
	1998	1997
	£	£
Accelerated capital allowances	27,000	42,000

14 RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Profit and loss	Shareholders' funds
	£	£	£
At 1 April 1997	30,000	5,808,966	5,838,966
Retained profit for the year		218,037	218,037
At 31 March 1998	30,000	6,027,003	6,057,003

15 SHARE CAPITAL

	1998	1997
	£	£
Authorised 30,000 ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid 30,000 ordinary shares of £1 each	30,000	30,000

16 NET CASH FLOW FROM OPERATING ACTIVITIES

	1998	1997
	£	£
Operating profit	512,244	705,794
Depreciation	513,235	528,810
Profit on sale of tangible fixed assets	(483,756)	(309,337)
(Increase) in stock	(1,031,339)	(335,645)
(Increase)/Decrease in debtors	(500,351)	314,934
Decrease in creditors	(175,445)	(84,233)
Net cash (outflow)/inflow from operating activities	(1,165,412)	820,323

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

For the year ended 31 March 1998

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
Decrease in cash in the year	(2,646,568)	(180,068)
Cash inflow from hire purchase contracts	39,363	43,053
Cash inflow from increase/(outflow from decrease) in liquid resources	458,763	(34,118)
Change in net debt resulting from cash flows	(2,148,442)	(171,133)
Inception of finance leases	(70,846)	(34,550)
Current asset investment	-	(7,450)
Movement in net debt in the year	(2,219,288)	(213,133)
Net debt at 1 April 1997	(1,175,614)	(962,481)
Net debt at 31 March 1998	(3,394,302)	(1,175,614)

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1997 £	Cash flow £	Non-cash items £	At 31 March 1998 £
Overdrafts	(690,383)	(2,646,568)		(3,336,951)
Debt	(451,542)	458,763		7,221
Hire purchase contracts	(38,486)	39,363	(70,846)	(69,969)
Current asset investments	4,797	600		5,397
Total	(1,175,614)	(2,147,842)	(70,846)	(3,394,302)

19 CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 1998. At 31 March 1997 £508,000 was contracted for but not provided in the financial statements.

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 Limited and Alvis Brothers (Lye Cross) Limited amounting to £3,076,484 (1997: 710,378).

There were no other contingent liabilities at 31 March 1998 or 31 March 1997 except in respect of deferred taxation (see note 13).

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1998

21 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

22 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

The directors are partners in 'J Alvis and Sons' to which the company made rental payments of £14,500 during the year. In addition the company repaid a balance due to the partnership of £359,504.

The company had transactions with Alvis Brothers (Lye Cross) Limited as follows:
Sales of cheese and milk of £1,376,680, purchases of cheese and milk of £1,631,861,
rental payments of £21,246, management charge of £37,894. 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 and the two companies have certain shareholders in common.

During the year Alvis Brothers Limited sold properties at market value of £516,000 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.

Interest of £26,867 was paid to Mrs P Alvis, the wife of Mr J Alvis, in respect of her loan to the company.

Amounts owed to/from related parties of Alvis Brothers Limited as at 31 March 1998 are:

	Included in Debtors £	Included in Creditors £
Alvis Brothers (Lye Cross) Limited	456,247	
Alvis Brothers Limited Pension Fund	7,221	
Alvis Brothers (Redhill) Limited		19,431
Mrs P Alvis		348,345

The directors are satisfied that no provisions are required.

23 CONTROLLING RELATED PARTY

Mr J Alvis is the company's controlling related party by virtue of his shareholding of 12,750 shares.