

Company Registration No. 502230 (England and Wales)

ALVIS BROTHERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004



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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

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ALVIS BROTHERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

The directors present their report together with financial statements for the year ended 31 March 2004.

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 with increased volume of sales, accounting for improvement in profitability.

The pig enterprise has continued to suffer from a depressed market, and depopulation will take place in 2004/2005.

The outlook for the coming year suggests a continued recovery in profitability.

Results and dividends

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

Directors

The following directors have held office since 1 April 2003:

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 2004	1 April 2003
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 2004

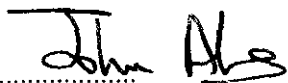
Directors' responsibilities

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

16 Nov 04

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 2004, 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lentells Limited
Chartered Accountants
Registered Auditor

Lentells LU

3 November 2004

11 The Crescent
Taunton
Somerset TA1 4EA

ALVIS BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

		2004	2003
	Notes	£	as restated £
Turnover	2	15,249,117	12,646,506
Cost of sales		(11,806,749)	(9,450,311)
Gross profit		3,442,368	3,196,195
Administrative expenses		(3,245,023)	(2,844,216)
Other operating income		79,868	46,951
Operating profit	3	277,213	398,930
Profit share from joint venture	4	142,682	16,419
Other interest receivable and similar income		4,991	1,775
Interest payable and similar charges	5	(214,288)	(191,457)
Profit on ordinary activities before taxation		210,598	225,667
Tax on profit on ordinary activities	6	(92,605)	(79,220)
Profit on ordinary activities after taxation	19	117,993	146,447

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 2004

	2004 £	2003 £
Profit for the financial year	117,993	146,447
Prior year adjustment	16,419	-
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>134,412</u>	<u>146,447</u>

ALVIS BROTHERS LIMITED

BALANCE SHEET AS AT 31 MARCH 2004

		2004		2003 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7		493,218		554,870
Tangible assets	7 & 8		5,417,308		5,172,954
Investments	9		366,273		223,591
			<u>6,276,799</u>		<u>5,951,415</u>
Current assets					
Stocks	11	4,659,495		5,080,332	
Debtors	12	1,597,697		1,526,925	
Investments	13	-		15,293	
Cash at bank and in hand		-		539,067	
			<u>6,257,192</u>	<u>7,161,617</u>	
Creditors: amounts falling due within one year	14	(3,662,084)		(4,276,986)	
Net current assets			<u>2,595,108</u>		<u>2,884,631</u>
Total assets less current liabilities			<u>8,871,907</u>		<u>8,836,046</u>
Creditors: amounts falling due after more than one year	15		(2,659,799)		(2,823,711)
Provisions for liabilities and charges	16				
Deferred tax liability			(98,148)		(76,000)
Accruals and deferred income	17		(59,633)		-
			<u>6,054,327</u>		<u>5,936,335</u>
Capital and reserves					
Called up share capital	18		30,000		30,000
Profit and loss account	19		6,024,327		5,906,335
Shareholders' funds - equity interests	20		<u>6,054,327</u>		<u>5,936,335</u>

The financial statements were approved by the Board on 1st Nov 04



J Alvis
Director

ALVIS BROTHERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	£	2004 £	£	2003 £
Net cash (outflow)/inflow from operating activities		(244,221)		1,625,165
Returns on investments and servicing of finance				
Interest received	147,673		18,194	
Interest paid	(205,182)		(187,799)	
Interest element of finance lease rentals	(9,106)		(3,658)	
Net cash outflow for returns on investments and servicing of finance		(66,615)		(173,263)
Taxation		(26,050)		574
Capital expenditure and financial investment				
Payments to acquire tangible assets	(714,950)		(86,563)	
Payments to acquire investments	(142,682)		(16,419)	
Receipts from sales of tangible assets	22,288		364,645	
Net cash (outflow)/inflow for capital expenditure		(835,344)		261,663
Acquisitions and disposals				
Purchase of subsidiary undertakings (net of cash acquired)	-		(207,172)	
Net cash outflow for acquisitions and disposals		-		(207,172)
Net cash (outflow)/inflow before management of liquid resources and financing		(1,172,230)		1,506,967
Management of liquid resources				
Current asset investments	15,293		-	
		15,293		-
Financing				
Government grant received	70,157		-	
Repayment of long term bank loan	(145,419)		(128,249)	
Repayment of other short term loans	9,922		2,792	
Capital element of hire purchase contracts	(67,809)		(59,839)	
Net cash outflow from financing		(133,149)		(185,296)
(Decrease)/increase in cash in the year		(1,290,086)		1,321,671

ALVIS BROTHERS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2004	2003
		£	£
	Operating profit	277,213	398,930
	Depreciation of tangible assets	476,617	439,800
	Amortisation of intangible assets	61,652	184,957
	Profit on disposal of tangible assets	(16,075)	(150,982)
	Decrease/(increase) in stocks	420,837	(45,676)
	Increase in debtors	(74,152)	(124,404)
	(Decrease)/Increase in creditors within one year	(1,379,789)	922,540
	Movement on grant provision	(10,524)	-
	Net cash (outflow)/inflow from operating activities	(244,221)	1,625,165

2	Analysis of net debt	1 April 2003	Cash flow	Other non- 31 March 2004 cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	539,067	(539,067)	-
	Bank overdrafts	-	(751,019)	-
		<u>539,067</u>	<u>(1,290,086)</u>	<u>(751,019)</u>
	Liquid resources:			
	Current asset investments	<u>15,293</u>	<u>(15,293)</u>	<u>-</u>
	Debt:			
	Finance leases	(84,694)	67,808	(12,234)
	Debts falling due within one year	(129,368)	(9,922)	-
	Debts falling due after one year	(2,799,040)	145,419	-
		<u>(3,013,102)</u>	<u>203,305</u>	<u>(12,234)</u>
	Net debt	(2,458,742)	(1,102,074)	(3,573,050)

ALVIS BROTHERS LIMITED

NOTES TO THE CASH FLOW STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

3	Reconciliation of net cash flow to movement in net debt	2004 £	2003 £
	(Decrease)/increase in cash in the year	(1,290,086)	1,321,671
	Cash inflow from decrease in liquid resources	(15,293)	-
	Cash outflow from decrease in debt and lease financing	203,305	185,296
		<hr/>	<hr/>
	Change in net debt resulting from cash flows	(1,102,074)	1,506,967
	New finance lease	(12,234)	(13,750)
		<hr/>	<hr/>
	Movement in net debt in the year	(1,114,308)	1,493,217
	Opening net debt	(2,458,742)	(3,951,959)
		<hr/>	<hr/>
	Closing net debt	<u>(3,573,050)</u>	<u>(2,458,742)</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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 and has been extended to the year 2012 to reflect its new 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.
Current asset investments are stated at the lower of cost and net realisable 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 2004

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	
	2004	2003
	£	£
United Kingdom	14,587,795	12,023,979
Other	661,322	622,527
	<u>15,249,117</u>	<u>12,646,506</u>

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	61,652	184,957
Depreciation of tangible assets	476,617	439,800
Operating lease rentals		
- Other assets	70,801	74,176
Auditors' remuneration	7,000	7,000
and after crediting:		
Profit on disposal of tangible assets	(16,075)	(150,982)
Amortisation of deferred grant income	(10,524)	-
Profit on foreign exchange transactions	(10,118)	-
	<u></u>	<u></u>

4 Profit share from joint venture

	2004	2003
	£	£
Income from fixed asset investments	<u>142,682</u>	<u>16,419</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

5	Interest payable	2004	2003
		£	£
	On bank loans and overdrafts	167,614	154,448
	Lease finance charges	9,106	3,658
	Other interest	37,568	33,351
		<u>214,288</u>	<u>191,457</u>
6	Taxation	2004	2003
		£	£
	Domestic current year tax		
	U.K. corporation tax	70,457	3,220
	Current tax charge	<u>70,457</u>	<u>3,220</u>
	Deferred tax		
	Deferred tax	22,148	76,000
		<u>92,605</u>	<u>79,220</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	210,598	225,667
		<u>210,598</u>	<u>225,667</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25.33% (2003: 19.00%)	53,344	42,877
		<u>53,344</u>	<u>42,877</u>
	Effects of:		
	Non deductible expenses	841	1,199
	Depreciation add back	132,272	90,017
	Capital allowances	(96,940)	(55,016)
	Tax losses utilised	(8,113)	(72,431)
	Other tax adjustments	(10,947)	(3,426)
		<u>17,113</u>	<u>(39,657)</u>
	Current tax charge	<u>70,457</u>	<u>3,220</u>

The company has estimated losses of £ nil (2003: £ 32,028) available for carry forward against future trading profits.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

7 Intangible fixed assets

	Milk Quota £
Cost	
At 1 April 2003 & at 31 March 2004	1,864,998
Amortisation	
At 1 April 2003	1,310,128
Charge for the year	61,652
At 31 March 2004	1,371,780
Net book value	
At 31 March 2004	493,218
At 31 March 2003	554,870

The milk quota is amortised using a straight line basis over its useful economic life. During the year, the milk quota regime was extended to 2012. It was decided to amortise the remaining valuation to this date, being its useful economic life.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

8 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2003	4,378,600	4,450,341	521,720	9,350,661
Additions	238,484	376,777	88,623	703,884
Disposals	-	(53,162)	(19,995)	(73,157)
At 31 March 2004	4,617,084	4,773,956	590,348	9,981,388
Depreciation				
At 1 April 2003	894,424	3,232,453	493,280	4,620,157
On disposals	-	(50,948)	(15,996)	(66,944)
Charge for the year	92,082	356,256	28,279	476,617
At 31 March 2004	986,506	3,537,761	505,563	5,029,830
Net book value				
At 31 March 2004	3,630,578	1,236,195	84,785	4,951,558
At 1 April 2003	3,484,176	1,217,888	28,440	4,730,504

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

	Plant and machinery £
Net book values	
At 31 March 2004	38,090
At 31 March 2003	47,018
Depreciation charge for the year	
31 March 2004	9,040
31 March 2003	9,457

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

9 Other tangible fixed assets

	Herd £
Cost	
At 1 April 2003	442,450
Additions	23,300
	<u>465,750</u>
At 31 March 2004	<u>465,750</u>

10 Fixed asset investments

	Unlisted investments £
Cost	
At 1 April 2003	223,591
Additions	142,682
	<u>366,273</u>
At 31 March 2004	<u>366,273</u>

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.

	2004 £	2003 £
11 Stocks		
Stocks	<u>4,659,495</u>	<u>5,080,332</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

12 Debtors	2004 £	2003 £
Trade debtors	1,361,961	1,298,629
Amounts owed by participating interests	1,728	37,573
Corporation tax	-	3,380
Other debtors	234,008	187,343
	<u>1,597,697</u>	<u>1,526,925</u>

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

	2004 £	2003 £
Other debtors	<u>40,945</u>	<u>37,745</u>

13 Current asset investments	2004 £	2003 £
Other unlisted investments	<u>-</u>	<u>15,293</u>

The unlisted investment has been reclassified to tangible fixed assets.

14 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	890,309	129,368
Net obligations under finance leases	22,942	60,023
Trade creditors	916,920	695,804
Corporation tax	70,457	29,430
Other taxes and social security costs	46,279	42,861
Directors' current accounts	523,434	752,996
Other creditors	1,130,940	2,525,363
Accruals and deferred income	60,803	41,141
	<u>3,662,084</u>	<u>4,276,986</u>

The bank loans and overdraft are secured by a fixed charge over all freehold property, together with a floating charge over all other assets. The loans are scheduled to be repaid over equal monthly instalments, at an interest rate to be agreed with the company's bankers. Currently this is 1% over bank base rate.

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

15 Creditors: amounts falling due after more than one year	2004 £	2003 £
Bank loans	673,621	819,040
Other loans	1,980,000	1,980,000
Net obligations under finance leases	6,178	24,671
	<u>2,659,799</u>	<u>2,823,711</u>
Analysis of loans		
Not wholly repayable within five years by instalments:	812,911	948,408
Not wholly repayable within five years other than by instalments:	1,980,000	1,980,000
	<u>2,792,911</u>	<u>2,928,408</u>
Included in current liabilities	(139,290)	(129,368)
	<u>2,653,621</u>	<u>2,799,040</u>
Instalments not due within five years	<u>41,456</u>	<u>211,515</u>
Loan maturity analysis		
In more than one year but not more than two years	146,417	258,736
In more than two years but not more than five years	485,748	388,104
In more than five years	<u>2,021,456</u>	<u>2,152,200</u>
Net obligations under finance leases		
Repayable within one year	22,942	60,023
Repayable between one and five years	6,178	24,671
	<u>29,120</u>	<u>84,694</u>
Included in liabilities falling due within one year	(22,942)	(60,023)
	<u>6,178</u>	<u>24,671</u>

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

16 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 April 2003	76,000
Profit and loss account	22,148
	<u>98,148</u>
Balance at 31 March 2004	<u>98,148</u>

The deferred tax liability is made up as follows:

	2004 £	2003 £
Accelerated capital allowances	98,148	82,000
Tax losses available	-	(6,000)
	<u>98,148</u>	<u>76,000</u>

17 Accruals and deferred income

	Government grants £
Grants received during the year	70,157
Amortisation in the year	(10,524)
	<u>59,633</u>
Balance at 31 March 2004	<u>59,633</u>

18 Share capital

	2004 £	2003 £
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 2004

19 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2003 as previously reported	5,889,915
Prior year adjustment	16,419
Balance at 1 April 2003 as restated	5,906,334
Retained profit for the year	117,993
Balance at 31 March 2004	6,024,327

20 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	117,993	146,447
Opening shareholders' funds	5,936,335	5,789,888
Closing shareholders' funds	6,054,327	5,936,335

The prior year adjustment was made to reflect the share of profit due to the company from the Limited Liability Partnership, Alvis Brothers Contracting.

21 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 £63,148 (2003 £1,631,028).

22 Financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	2003 £
Expiry date:		
Between two and five years	70,801	74,176

ALVIS BROTHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

23 Capital commitments	2004	2003
	£	£

At 31 March 2004 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	175,000	-
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24 Directors' emoluments	2004	2003
	£	£

Emoluments for qualifying services	74,782	72,504
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25 Transactions with directors

Included in the figure of directors' and shareholders' loans of £523,434 (note 13, Creditors: amounts falling due within one year), are directors' current account balances amounting to £30,484 (2003 £14,372). These loans are interest free with no fixed dates for repayment.

26 Employees

Number of employees

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

2004	2003
Number	Number
93	78

Employment costs

	£	£
Wages and salaries	1,555,518	1,460,198
Social security costs	147,458	122,201
Redundancy costs	20,000	-
Recharged to Alvis Contracting	(29,006)	(86,744)
	<u>1,693,970</u>	<u>1,495,655</u>

27 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 2004

28 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 2004 are set out below:
(Included in note 13, Creditors: amounts falling due within one year).

Alvis Brothers (Lye Cross) Limited	£1,130,940	(2003 £2,541,363).
Mrs P Alvis	£257,951	(2003 £358,129)
Company directors	£30,484	(2003 £14,372)
Family shareholders and others	£234,999	(2003 £380,495)

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 £22,750 (2003 £26,287) 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 (2003 £14,500) to the directors in respect of land used by the company.

The company paid its pension scheme £6,200 (2003 £6,200) for rental of land, and £8,395 (2003 £12,000) rent on behalf of company employees who are tenants of pension scheme property.

The company has sold dairy products with a value of £1,026,686 (2003 £1,088,749); and purchased dairy products valued at £1,806,017 (2003 £1,942,475) all to Alvis Brothers (Lye Cross) Limited.

In addition the company has paid rent of £21,246 (2003 £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 £2,773 (2003 £3,127) 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 2004

28 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 2004, the turnover for Alvis Contracting amounted to £1,235,079 (2003 - £711,076).

During the period, Alvis Contracting paid rent of £12,000 (2003 - £11,000) to Alvis Brothers Limited for the rent of storage facilities.

In the same period, Alvis Brothers Limited paid £552,677 (2003 - £291,215) 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 £25,000 (2003 - £15,000)(on which interest of £3,595 was paid to Alvis Brothers Limited).

Trade balance due from Alvis Contracting £14,142 (2003 - £48,727).

Trade balance due to Alvis Contracting £127,423 (2003 - £32,877).

29 Post balance sheet events

In August 2004, Alvis Brothers Limited restructured its borrowings with a £2million mortgage secured on various freehold properties owned by the company. The mortgage is repayable over 5 years and was used to pay off the bank loan in the accounts of £1.98million. (Included in note 14, Creditors: amounts falling due after more than one year).