

COMPANY REGISTRATION NUMBER 2711055

BROTHERS DRINKS CO. LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011



TRIPP & CO
Chartered Accountants & Statutory Auditor
The Old Brewery
Newtown
Bradford on Avon
Wiltshire
BA15 1NF

BROTHERS DRINKS CO. LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

| | |
|-------------------------------|---|
| The board of directors | M H Showering J Showering A J Standard (Retired 9 December 2011) I D Glen F K Showering (Appointed 11 May 2011) |
| Company secretary | I D Glen |
| Registered office | The Old Brewery Newtown Bradford on Avon Wiltshire BA15 1NF |
| Auditor | Tripp & Co Chartered Accountants & Statutory Auditor The Old Brewery Newtown Bradford on Avon Wiltshire BA15 1NF |
| Bankers | HSBC Bank Plc 13 High Street Shepton Mallet Somerset BA4 5AD |
| Solicitors | Chubb Bullied 7 Market Place Wells Somerset |

BROTHERS DRINKS CO. LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of manufacturing and bottling alcoholic and non-alcoholic drinks

The company's manufacturing and bottling activities continue to be split into two main strands manufacturing and bottling drinks for other companies and manufacturing and bottling own brand product At the present time demand for the company's products remains good

The company's turnover is concentrated in a few customers For this reason, the company has continued to diversify its customer base in the year and to grow its own brand sales This strategy is considered to be in the best interests of shareholders in the long term The development of own brand products has again lead to significant advertising and marketing costs being incurred in the year

The key financial highlights are as follows

| | Year ended December 2011 £ | Year ended December 2010 £ |
|---------------------|--|--|
| Turnover | 30,088,193 | 28,249,566 |
| Gross Profit margin | 7,515,519 | 6,518,779 |
| Profit before tax | 628,733 | 1,405,400 |
| Dividends proposed | - | - |
| Net current assets | 3,566,112 | 3,501,525 |
| Net assets | 7,652,238 | 7,213,384 |

The company's gross profit percentage again increased during the year due to the increasing value of own brand sales as a percentage of total sales Unfortunately, net profit decreased as increased advertising and marketing costs outweighed the increase in gross profit from additional own brand sales, and increased operational costs were incurred, including significant factory roof repair costs

The directors have decided not to declare a dividend this year and to retain all profit earned within the business This is because the company has an increased working capital requirement due to the increasing value of own brand sales

The company's financial position remained strong at the year end, both in terms of cash and net assets

FUTURE DEVELOPMENTS

The directors are of the opinion that under favourable economic conditions the company will continue to trade profitably in future periods

BROTHERS DRINKS CO. LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £437,513. The directors have not recommended a dividend.

FINANCIAL INSTRUMENTS

Details of the company's financial risk management objectives and policies are included in note 20 to the accounts.

RESEARCH AND DEVELOPMENT

The company continued to develop own brand products in the year.

DIRECTORS

The directors who served the company during the year were as follows:

M H Showering
J Showering
A J Standard
I D Glen
F K Showering

F K Showering was appointed as a director on 11 May 2011.

A J Standard retired as a director on 9 December 2011.

FIXED ASSETS

In the opinion of the directors, there is no significant difference between the present market value of land and buildings held by the company, and the amount at which it is stated in the accounts.

DIRECTORS' INSURANCE COVER

During the year the company purchased insurance to cover the directors against the cost of defending themselves in civil legal proceedings taken against them in their capacity as directors and in respect of any damages resulting from such proceedings.

DIRECTORS' RESPONSIBILITIES

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

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

BROTHERS DRINKS CO. LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

During the year the company made the following contributions

| | 2011 | 2010 |
|--|----------------------|---------------------|
| | £ | £ |
| Charitable | <u>17,873</u> | <u>-</u> |
| Political | <u>-</u> | <u>1,000</u> |
| The aggregate figure for political donations is made up as follows | | |
| Conservative Party | <u>-</u> | <u>1,000</u> |

BROTHERS DRINKS CO. LIMITED

THE DIRECTORS' REPORT *(continued)*

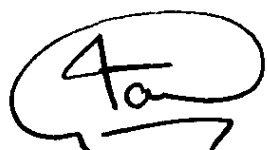
YEAR ENDED 31 DECEMBER 2011

AUDITOR

Tripp & Co are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Registered office
The Old Brewery
Newtown
Bradford on Avon
Wiltshire
BA15 1NF

Signed by order of the directors



I D GLEN
Company Secretary

Approved by the directors on

20/11/2012

BROTHERS DRINKS CO. LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BROTHERS DRINKS CO. LIMITED

YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Brothers Drinks Co Limited for the year ended 31 December 2011 on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BROTHERS DRINKS CO. LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BROTHERS DRINKS CO. LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Mark Tripp

MARK TRIPP FCA (Senior Statutory Auditor)
For and on behalf of
TRIPP & CO
Chartered Accountants & Statutory Auditor

The Old Brewery
Newtown
Bradford on Avon
Wiltshire
BA15 1NF

26/11/12

BROTHERS DRINKS CO. LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2011

| | | 2011 £ | 2010 £ |
|--|------------------|-----------------------|-----------------------|
| TURNOVER | Note 2 | 30,088,193 | 28,249,566 |
| Cost of sales | | <u>(22,572,674)</u> | <u>(21,730,787)</u> |
| GROSS PROFIT | | 7,515,519 | 6,518,779 |
| Distribution costs | | <u>(4,505,675)</u> | <u>(3,260,057)</u> |
| Administrative expenses | | <u>(2,376,489)</u> | <u>(1,845,519)</u> |
| Other operating income | 3 | 4,964 | 6,067 |
| OPERATING PROFIT | 4 | 638,319 | 1,419,270 |
| Interest receivable and similar income | | 1,684 | 1,057 |
| Interest payable and similar charges | 7 | <u>(11,270)</u> | <u>(14,927)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 628,733 | 1,405,400 |
| Tax on profit on ordinary activities | 8 | <u>(191,220)</u> | <u>(430,129)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>437,513</u> | <u>975,271</u> |

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the
year as set out above

The notes on pages 12 to 25 form part of these financial statements

BROTHERS DRINKS CO. LIMITED

BALANCE SHEET

31 DECEMBER 2011

| | Note | 2011 £ | 2010 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 4,409,370 | 4,205,320 |
| Investments | 10 | 1 | - |
| | | <u>4,409,371</u> | <u>4,205,320</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 2,062,264 | 1,732,464 |
| Debtors | 12 | 5,199,217 | 4,187,773 |
| Investments | 13 | 838 | 838 |
| Cash at bank and in hand | | 2,600,728 | 2,503,503 |
| | | <u>9,863,047</u> | <u>8,424,578</u> |
| CREDITORS: Amounts falling due within one year | 14 | <u>(6,296,935)</u> | <u>(4,923,053)</u> |
| NET CURRENT ASSETS | | 3,566,112 | 3,501,525 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,975,483 | 7,706,845 |
| CREDITORS: Amounts falling due after more than one year | 15 | (209,307) | (345,461) |
| PROVISIONS FOR LIABILITIES | | | |
| Deferred taxation | 17 | (2,638) | - |
| Other provisions | 18 | (111,300) | (148,000) |
| | | <u>7,652,238</u> | <u>7,213,384</u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 24 | 1,406,287 | 1,405,279 |
| Share premium account | 25 | 998 | 665 |
| Other reserves | 26 | 87,545 | 87,545 |
| Profit and loss account | 27 | 6,157,408 | 5,719,895 |
| SHAREHOLDERS' FUNDS | 28 | 7,652,238 | 7,213,384 |

The Balance sheet continues on the following page
The notes on pages 12 to 25 form part of these financial statements

BROTHERS DRINKS CO. LIMITED

BALANCE SHEET *(continued)*

31 DECEMBER 2011

These financial statements were approved by the directors and authorised for issue on *20/11/2012*
and are signed on their behalf by

M. Sharp.

M H SHOWERING
Director

Company Registration Number 2711055

The notes on pages 12 to 25 form part of these financial statements

BROTHERS DRINKS CO. LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2011

| | Note | 2011 £ | 2010 £ |
|--|------|---------------|----------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 29 | 1,181,534 | 1,954,548 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | 29 | (9,586) | (13,871) |
| TAXATION | 29 | (416,547) | (251,548) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | 29 | (561,660) | (636,292) |
| ACQUISITIONS AND DISPOSALS | 29 | (1) | — |
| CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING | | 193,740 | 1,052,837 |
| MANAGEMENT OF LIQUID RESOURCES FINANCING | 29 | (132,563) | (128,914) |
| INCREASE IN CASH | 29 | <u>61,177</u> | <u>923,923</u> |

The notes on pages 12 to 25 form part of these financial statements

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

The financial statements present information about the company as an individual undertaking. Group accounts are not prepared as the company's subsidiary is dormant and its net assets immaterial.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts, value added tax and duty.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|--------------------|--|
| Freehold Property | - 4% straight line (office buildings - 2% straight line) |
| Plant & Machinery | - 10% straight line or 20% reducing balance (tanks - 5% straight line) |
| Fixtures & Eq'ment | - 20% straight line (office equipment - 25% straight line) |
| Motor Vehicles | - 25% straight line |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

In the case of finished goods, cost includes not only the purchase cost of raw materials, but also the cost of production overheads incurred, and duty paid.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date

Share-based payments

The company issues equity-settled share-based payments to one of the directors. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

All loans and borrowings are recognised at cost, which is the fair value of the consideration received.

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

| | 2011 £ | 2010 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 29,830,595 | 27,978,479 |
| Overseas | 257,598 | 271,087 |
| | <u>30,088,193</u> | <u>28,249,566</u> |

3. OTHER OPERATING INCOME

| | 2011 £ | 2010 £ |
|-----------------|--------------|--------------|
| Rent receivable | <u>4,964</u> | <u>6,067</u> |

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

| | 2011 £ | 2010 £ |
|------------------------------------|----------------|----------------|
| Depreciation of owned fixed assets | 383,232 | 544,782 |
| Profit on disposal of fixed assets | (25,622) | (5,250) |
| Auditor's remuneration | | |
| - as auditor | 14,285 | 10,950 |
| - for other services | 5,605 | 6,430 |
| Operating lease costs | | |
| - Other | <u>305,911</u> | <u>302,251</u> |

Auditor's fees

The fees charged by the auditor can be further analysed under the following headings for services rendered

| | 2011 £ | 2010 £ |
|-------------|---------------|---------------|
| Audit | 14,285 | 10,950 |
| Accountancy | 4,680 | 4,510 |
| Taxation | 925 | 1,920 |
| | <u>19,890</u> | <u>17,380</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

| | 2011 | 2010 |
|--------------------------------|------------|-----------|
| | No | No |
| Number of production staff | 71 | 64 |
| Number of administrative staff | 24 | 22 |
| Number of directors | 5 | 4 |
| | <u>100</u> | <u>90</u> |

The aggregate payroll costs of the above were

| | 2011 | 2010 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,014,322 | 2,692,780 |
| Social security costs | 312,480 | 288,199 |
| Other pension costs | 68,793 | 72,335 |
| Equity-settled share-based payments | 1,341 | 1,341 |
| | <u>3,396,936</u> | <u>3,054,655</u> |

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

| | 2011 | 2010 |
|--|----------------|----------------|
| | £ | £ |
| Remuneration receivable | 835,564 | 638,784 |
| Value of company pension contributions to money purchase schemes | 18,000 | 18,000 |
| | <u>853,564</u> | <u>656,784</u> |

Remuneration of highest paid director:

| | 2011 | 2010 |
|--|----------------|----------------|
| | £ | £ |
| Total remuneration (excluding pension contributions) | 335,476 | 277,839 |
| Value of company pension contributions to money purchase schemes | 6,000 | 6,000 |
| | <u>341,476</u> | <u>283,839</u> |

The number of directors who accrued benefits under company pension schemes was as follows

| | 2011 | 2010 |
|------------------------|----------|----------|
| | No | No |
| Money purchase schemes | <u>3</u> | <u>3</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2011 £ | 2010 £ |
|------------------------------------|---------------|---------------|
| Interest payable on bank borrowing | <u>11,270</u> | <u>14,927</u> |

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

| | 2011 £ | 2010 £ |
|--|----------------|----------------|
| Current tax | | |
| In respect of the year | | |
| UK Corporation tax based on the results for the year at 26 50% (2010 - 28%) | <u>139,208</u> | <u>416,547</u> |
| Total current tax | <u>139,208</u> | <u>416,547</u> |
| Deferred tax | | |
| Origination and reversal of timing differences (note 17) | | |
| Capital allowances | <u>52,012</u> | <u>13,582</u> |
| Tax on profit on ordinary activities | <u>191,220</u> | <u>430,129</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26 50% (2010 - 28%)

| | 2011 £ | 2010 £ |
|---|----------------|------------------|
| Profit on ordinary activities before taxation | <u>628,733</u> | <u>1,405,400</u> |
| Profit on ordinary activities by rate of tax | 166,614 | 393,512 |
| Expenses not deductible for tax purposes | 38,220 | 38,272 |
| Depreciation for period in excess of capital allowances | (52,012) | (13,582) |
| Tax chargeable at lower rates | (13,614) | (1,655) |
| Total current tax (note 8(a)) | <u>139,208</u> | <u>416,547</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

9. TANGIBLE FIXED ASSETS

| | Freehold Property £ | Plant & Machinery £ | Fixtures & Equipment £ | Motor Vehicles £ | Total £ |
|----------------------------|---------------------------|---------------------------|------------------------------|------------------------|--------------------------|
| COST | | | | | |
| At 1 January 2011 | 3,762,118 | 5,287,887 | 811,493 | 64,310 | 9,925,808 |
| Additions | — | 506,319 | 57,398 | 24,043 | 587,760 |
| Disposals | — | (160,499) | (18,183) | — | (178,682) |
| At 31 December 2011 | <u>3,762,118</u> | <u>5,633,707</u> | <u>850,708</u> | <u>88,353</u> | <u>10,334,886</u> |
| DEPRECIATION | | | | | |
| At 1 January 2011 | 820,300 | 4,263,005 | 592,969 | 44,214 | 5,720,488 |
| Charge for the year | 101,985 | 188,673 | 80,822 | 11,752 | 383,232 |
| On disposals | — | (160,500) | (17,704) | — | (178,204) |
| At 31 December 2011 | <u>922,285</u> | <u>4,291,178</u> | <u>656,087</u> | <u>55,966</u> | <u>5,925,516</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2011 | <u>2,839,833</u> | <u>1,342,529</u> | <u>194,621</u> | <u>32,387</u> | <u>4,409,370</u> |
| At 31 December 2010 | <u>2,941,818</u> | <u>1,024,882</u> | <u>218,524</u> | <u>20,096</u> | <u>4,205,320</u> |

The net book value of freehold property includes £750,000 (2010 £750,000) relating to freehold land which is not depreciated

Capital commitments

| | 2011 £ | 2010 £ |
|---|---------------|----------------|
| Contracted but not provided for in the financial statements | <u>42,500</u> | <u>174,981</u> |

10. INVESTMENTS

| | Investment in subsidiary undertaking £ |
|----------------------------|---|
| COST | |
| Additions | <u>1</u> |
| At 31 December 2011 | <u>1</u> |
| NET BOOK VALUE | |
| At 31 December 2011 | <u>1</u> |
| At 31 December 2010 | <u>-</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

10. INVESTMENTS *(continued)*

The company owns 100% of the issued share capital of Dulcote Limited. The company is registered in England. The company has not traded since incorporation. Its aggregate capital and reserves at the year end amounted to £1.

11. STOCKS

| | 2011 £ | 2010 £ |
|----------------|------------------|------------------|
| Raw materials | 1,503,264 | 1,333,464 |
| Finished goods | 559,000 | 399,000 |
| | <u>2,062,264</u> | <u>1,732,464</u> |

12. DEBTORS

| | 2011 £ | 2010 £ |
|--------------------------------|------------------|------------------|
| Trade debtors | 5,153,197 | 4,071,711 |
| Prepayments and accrued income | 46,020 | 66,688 |
| Deferred taxation (note 17) | — | 49,374 |
| | <u>5,199,217</u> | <u>4,187,773</u> |

13. INVESTMENTS

| | 2011 £ | 2010 £ |
|--------------------|------------|------------|
| Quoted investments | <u>838</u> | <u>838</u> |

14. CREDITORS: Amounts falling due within one year

| | 2011 £ | 2010 £ |
|------------------------------|------------------|------------------|
| Bank loans and overdrafts | 170,413 | 130,774 |
| Trade creditors | 3,403,265 | 2,226,773 |
| Corporation tax | 139,208 | 416,547 |
| PAYE and social security | 342,747 | 106,435 |
| VAT | 779,538 | 526,477 |
| Other creditors | — | 86,937 |
| Directors current accounts | 221,846 | 229,875 |
| Accruals and deferred income | 1,239,918 | 1,199,235 |
| | <u>6,296,935</u> | <u>4,923,053</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

14. CREDITORS: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company

| | 2011 £ | 2010 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | <u>170,413</u> | <u>130,774</u> |

The bank loan and overdraft are secured by a fixed charge over land and buildings, chattels, goodwill and book debt and a floating charge over all other assets

15. CREDITORS: Amounts falling due after more than one year

| | 2011 £ | 2010 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | <u>209,307</u> | <u>345,461</u> |

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

| | 2011 £ | 2010 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | <u>209,307</u> | <u>345,461</u> |

The bank loan is secured by a fixed charge over land and buildings, chattels, goodwill and book debt and a floating charge over all other assets

16. CREDITORS - BANK LOAN

Creditors include finance capital which is due for repayment as follows

| | 2011 £ | 2010 £ |
|---|----------------|----------------|
| Amounts repayable | | |
| In one year or less or on demand | 134,365 | 130,774 |
| In more than one year but not more than two years | 138,007 | 134,316 |
| In more than two years but not more than five years | <u>71,300</u> | <u>211,145</u> |
| | <u>343,672</u> | <u>476,235</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

| | 2011 £ | 2010 £ |
|-------------------------------|--------------|-----------------|
| Included in debtors (note 12) | - | (49,374) |
| Included in provisions | <u>2,638</u> | <u>-</u> |
| | <u>2,638</u> | <u>(49,374)</u> |

The movement in the deferred taxation account during the year was

| | 2011 £ | 2010 £ |
|--|---------------|-----------------|
| Balance brought forward | (49,374) | (62,956) |
| Profit and loss account movement arising during the year | <u>52,012</u> | <u>13,582</u> |
| Balance carried forward | <u>2,638</u> | <u>(49,374)</u> |

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

| | 2011 £ | 2010 £ |
|---|--------------|-----------------|
| Excess of taxation allowances over depreciation on fixed assets | <u>2,638</u> | <u>(49,374)</u> |
| | <u>2,638</u> | <u>(49,374)</u> |

18. OTHER PROVISIONS

| | 2011 £ |
|--------------------------|-----------------|
| Other provisions: | |
| Balance brought forward | 148,000 |
| Movement for year | <u>(36,700)</u> |
| | <u>111,300</u> |

The company has made provision for certain operational costs which it has a probable legal obligation to pay, but which are uncertain of timing and amount. New provisions of £63,600 were made in the year, whilst £100,300 of the brought forward provision was released. It is possible that future events will reveal that no liability exists in respect of the carry forward provision, but at the year end the directors consider it more likely than not that the costs will be incurred.

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. SHARE-BASED PAYMENTS

During the year the company issued 1,008 ordinary £1 shares (2010 1,008) to the director I D Glen as part of his remuneration package

The company has estimated that the fair value of these shares was £1,341 (2010 £1,341) As the company's shares are not traded on a recognised Stock Exchange the market value of the shares issued was not readily available The directors have thus estimated the fair value of the shares issued based on a number of factors including the total number of shares owned by I D Glen, the general marketability of the shares, the profitability of the company and the level of expected future dividends

The company recognised total expenses of £1,341 (2010 -£1,341) related to equity-settled share-based payment transactions during the year

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise bank balances and bank loans, plus various items such as trade debtors, trade creditors and accruals that arise directly from the company's operations The main purpose of these financial instruments is to finance the company's operations

Interest rate risk

The company finances its operations mainly through retained profits with the aim of minimising its exposure to fluctuating interest rates Bank loans have been taken out to fund capital expenditure and to provide additional working capital, but due to their size and the nature of other financial instruments the company has minimal interest rate risk exposure

Credit risk

Trade debtors are managed in respect of credit risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding The company's major trade debtor is also a major trade creditor which further reduces the company's credit risk exposure

Liquidity risk

Bank balances are managed by ensuring that sufficient liquid funds are retained to meet day to day obligations as they fall due including monthly bank loan repayments which are fixed, whilst surplus funds are placed in an instant access savings account to maximise returns The company also maintains an overdraft facility for added flexibility and to minimise liquidity risk

Currency risk

Due to the nature of the company's operations there is no currency risk

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

| | 2011 | | 2010 | |
|-------------------------------|----------------------------|---------------------|----------------------------|---------------------|
| | Land and buildings £ | Other Items £ | Land and buildings £ | Other Items £ |
| Operating leases which expire | | | | |
| Within 1 year | 150,777 | - | 29,140 | - |
| Within 2 to 5 years | 140,000 | 4,916 | 261,637 | 4,860 |
| | <u>290,777</u> | <u>4,916</u> | <u>290,777</u> | <u>4,860</u> |

22. CONTINGENCIES

An operational matter occurred in 2011 that may give rise to a claim against the company. In accordance with FRS 12 no disclosure has been provided of the likelihood or financial effect of the potential claim on the grounds that it could prejudice the company's position. The directors are of the opinion that any claim can be successfully resisted by the company.

23. RELATED PARTY TRANSACTIONS

During the year 1008 ordinary £1 shares were issued at a price of £1.33 each to the director I D Glen.

During the year the director J Showering maintained a current account with the company. This was in credit throughout. At the year end £74,400 (2010: £100,773) was owed to him by the company. The balance is interest free and repayable on demand.

During the year the director M Showering also maintained a director's current account with the company. This was also in credit throughout. At the year end £74,400 (2010: £129,102) was owed to him by the company. The balance is interest free and repayable on demand.

During the year the director F Showering also maintained a director's current account with the company. This was in credit throughout. At the year end £73,046 (2010: £53,479) was owed to him by the company. The balance is interest free and repayable on demand.

24. SHARE CAPITAL

Allotted, called up and fully paid:

| | 2011 | | 2010 | |
|---|------------------|------------------|------------------|------------------|
| | No | £ | No | £ |
| 1,406,287 Ordinary shares (2010 - 1,405,279) of £1 each | <u>1,406,287</u> | <u>1,406,287</u> | <u>1,405,279</u> | <u>1,405,279</u> |

During the year the company allotted 1,008 ordinary £1 shares fully paid for a consideration of £1,341.

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. SHARE PREMIUM ACCOUNT

| | 2011 | 2010 |
|--------------------------------------|------------|------------|
| | £ | £ |
| Balance brought forward | 665 | 333 |
| Premium on shares issued in the year | 333 | 332 |
| Balance carried forward | <u>998</u> | <u>665</u> |

26. OTHER RESERVES

| | 2011 | 2010 |
|----------------------------|---------------|---------------|
| | £ | £ |
| Capital redemption reserve | <u>87,545</u> | <u>87,545</u> |

27. PROFIT AND LOSS ACCOUNT

| | 2011 | 2010 |
|-------------------------------|------------------|------------------|
| | £ | £ |
| Balance brought forward | 5,719,895 | 4,744,624 |
| Profit for the financial year | 437,513 | 975,271 |
| Balance carried forward | <u>6,157,408</u> | <u>5,719,895</u> |

28 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2011 | | 2010 |
|---|------------|------------------|------------------|
| | £ | £ | £ |
| Profit for the financial year | | 437,513 | 975,271 |
| New equity share capital subscribed | 1,008 | | 1,008 |
| Premium on new share capital subscribed | <u>333</u> | | <u>332</u> |
| | | <u>1,341</u> | <u>1,340</u> |
| Net addition to shareholders' funds | | 438,854 | 976,611 |
| Opening shareholders' funds | | <u>7,213,384</u> | <u>6,236,773</u> |
| Closing shareholders' funds | | <u>7,652,238</u> | <u>7,213,384</u> |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

29. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Operating profit | 638,319 | 1,419,270 |
| Depreciation | 383,232 | 544,782 |
| Profit on disposal of fixed assets | (25,622) | (5,250) |
| Increase in stocks | (329,800) | (271,470) |
| Increase in debtors | (1,060,818) | (121,478) |
| Increase in creditors | 1,611,582 | 239,353 |
| Equity-settled share-based payments | 1,341 | 1,341 |
| (Decrease)/increase in provisions | (36,700) | 148,000 |
| Net cash inflow from operating activities | <u>1,181,534</u> | <u>1,954,548</u> |

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

| | 2011 £ | 2010 £ |
|---|-----------------|-----------------|
| Interest received | 1,684 | 1,057 |
| Interest paid | <u>(11,270)</u> | <u>(14,928)</u> |
| Net cash outflow from returns on investments and servicing of finance | <u>(9,586)</u> | <u>(13,871)</u> |

TAXATION

| | 2011 £ | 2010 £ |
|----------|------------------|------------------|
| Taxation | <u>(416,547)</u> | <u>(251,548)</u> |

CAPITAL EXPENDITURE

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Payments to acquire tangible fixed assets | (587,760) | (641,542) |
| Receipts from sale of fixed assets | <u>26,100</u> | <u>5,250</u> |
| Net cash outflow from capital expenditure | <u>(561,660)</u> | <u>(636,292)</u> |

ACQUISITIONS AND DISPOSALS

| | 2011 £ | 2010 £ |
|--|------------|-----------|
| Acquisition of shares in group undertakings | <u>(1)</u> | — |
| Net cash outflow from acquisitions and disposals | <u>(1)</u> | — |

BROTHERS DRINKS CO. LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

29. NOTES TO THE CASH FLOW STATEMENT *(continued)*

FINANCING

| | 2011 £ | 2010 £ |
|---------------------------------|------------------|------------------|
| Repayment of bank loans | <u>(132,563)</u> | <u>(128,914)</u> |
| Net cash outflow from financing | <u>(132,563)</u> | <u>(128,914)</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2011 £ | 2010 £ |
|----------------------------------|------------------|------------------|
| Increase in cash in the period | 61,177 | 923,923 |
| Net cash outflow from bank loans | <u>132,563</u> | <u>128,914</u> |
| | <u>193,740</u> | <u>1,052,837</u> |
| Change in net funds | 193,740 | 1,052,837 |
| Net funds at 1 January 2011 | <u>2,028,106</u> | <u>975,269</u> |
| Net funds at 31 December 2011 | <u>2,221,846</u> | <u>2,028,106</u> |

ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 Jan 2011 £ | Cash flows £ | At 31 Dec 2011 £ |
|---------------------------|-----------------------|-----------------|------------------------|
| Net cash | | | |
| Cash in hand and at bank | 2,503,503 | 97,225 | 2,600,728 |
| Overdrafts | — | <u>(36,048)</u> | <u>(36,048)</u> |
| | <u>2,503,503</u> | <u>61,177</u> | <u>2,564,680</u> |
| Liquid resources | | | |
| Current asset investments | 838 | — | <u>838</u> |
| Debt | | | |
| Debt due within 1 year | (130,774) | (3,591) | (134,365) |
| Debt due after 1 year | <u>(345,461)</u> | <u>136,154</u> | <u>(209,307)</u> |
| | <u>(476,235)</u> | <u>132,563</u> | <u>(343,672)</u> |
| Net funds | <u>2,028,106</u> | <u>193,740</u> | <u>2,221,846</u> |