

COMPANY REGISTRATION NUMBER 2711055

**BROTHERS DRINKS CO. LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 APRIL 2007**

SATURDAY



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COMPANIES HOUSE

**TRIPP & CO**

Chartered Accountants & Registered Auditors  
The Old Brewery  
Newtown  
Bradford on Avon  
Wiltshire  
BA15 1NF

**BROTHERS DRINKS CO. LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

<b>The board of directors</b>	M H Showering J Showering A J Standard I D Glen
<b>Company secretary</b>	I D Glen
<b>Registered office</b>	The Old Brewery Newtown Bradford on Avon Wiltshire BA15 1NF
<b>Auditor</b>	Tripp & Co Chartered Accountants & Registered Auditors The Old Brewery Newtown Bradford on Avon Wiltshire BA15 1NF
<b>Bankers</b>	HSBC Bank Plc 13 High Street Shepton Mallet Somerset BA4 5AD
<b>Solicitors</b>	Chubb Bullied 7 Market Place Wells Somerset

# **BROTHERS DRINKS CO. LIMITED**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 30 APRIL 2007**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 April 2007

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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

The company's manufacturing and bottling activities are 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 vodka, cider and perry based products which the company produces remains bouyant

The majority of the company's turnover relates to the manufacture and bottling of drinks for one customer For this reason , the company has continued its efforts to diversfy its customer base in the year and to grow its own brand sales The development of own brand products has lead to significant additional advertising and marketing costs being incurred in the year, £640,652 (2006 £105,545) Although this has reduced profitability in the current year, these costs are considered to be necessary and in the best long term interests of the company

The key financial highlights are as follows

	2007 £	2006 £
Turnover	25,586,098	25,918,775
Gross Profit margin	4,040,698	4,281,319
Profit before tax	579,839	1,533,900
Dividends proposed	140,158	420,173
Net current assets	1,366,831	1,211,936
Net assets	5,008,975	4,730,111

The company's gross profit percentage has reduced during the year predominantly due to development work on own brand product and because of a reduction in bottling volume

The company's financial position remained strong at the year end, with healthy levels of cash and net assets However, the directors have declared a reduced dividend to reflect the level of profitability in the year, and the need to retain cash resources for capital developments after the year end

#### **FUTURE DEVELOPMENTS**

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

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £418,014 Particulars of dividends proposed are detailed in note 9 to the financial statements

# **BROTHERS DRINKS CO. LIMITED**

## **THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 30 APRIL 2007**

### **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

### **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' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 these 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 that 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and

# BROTHERS DRINKS CO. LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2007

- 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

	2007	2006
	£	£
Charitable	<u>500</u>	<u>-</u>

### POST BALANCE SHEET EVENT

During the year the board authorised the building of an office block at company's premises at The Anglo Trading Estate in Shepton Mallet. The estimated cost is £820,000 including internal fit out. Since the year end, the company has contracted with builders for the work to commence.

### AUDITOR

Tripp & Co were appointed as the company's auditors in the year and a resolution to reappoint them for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

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

27/9/2007

**BROTHERS DRINKS CO. LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**BROTHERS DRINKS CO. LIMITED**  
**YEAR ENDED 30 APRIL 2007**

We have audited the financial statements of Brothers Drinks Co Limited for the year ended 30 April 2007 on pages 7 to 23, which have been prepared on the basis of the accounting policies set out on pages 11 to 12

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 DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**BROTHERS DRINKS CO. LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**BROTHERS DRINKS CO. LIMITED** *(continued)*  
**YEAR ENDED 30 APRIL 2007**

**OPINION**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

The Old Brewery  
Newtown  
Bradford on Avon  
Wiltshire  
BA15 1NF

1/10/07

*Tripp & Co*  
—  
TRIPP & CO  
Chartered Accountants  
& Registered Auditors

# BROTHERS DRINKS CO. LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2007

	Note	2007 £	2006 £
<b>TURNOVER</b>	<b>2</b>	<b>25,586,098</b>	<b>25,918,775</b>
Cost of sales		<u>(21,545,400)</u>	<u>(21,637,456)</u>
<b>GROSS PROFIT</b>		<b>4,040,698</b>	<b>4,281,319</b>
Distribution costs		(80,660)	(13,025)
Administrative expenses		(3,388,266)	(2,728,086)
Other operating income	<b>3</b>	<u>–</u>	<u>307</u>
<b>OPERATING PROFIT</b>	<b>4</b>	<b>571,772</b>	<b>1,540,515</b>
Interest receivable and similar income		41,076	33,335
Interest payable and similar charges	<b>7</b>	<u>(33,009)</u>	<u>(39,950)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>579,839</b>	<b>1,533,900</b>
Tax on profit on ordinary activities	<b>8</b>	<u>(161,825)</u>	<u>(472,194)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>418,014</u></b>	<b><u>1,061,706</u></b>

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 11 to 23 form part of these financial statements



# BROTHERS DRINKS CO. LIMITED

## BALANCE SHEET

30 APRIL 2007

	Note	2007 £	£	2006 £	£
<b>FIXED ASSETS</b>					
Tangible assets	10		4,015,167		4,027,844
Investments	11		<u>1</u>		<u>1</u>
			4,015,168		4,027,845
<b>CURRENT ASSETS</b>					
Stocks	12	1,406,761		1,309,533	
Debtors	13	2,367,435		2,746,170	
Investments	14	1,558		1,558	
Cash at bank and in hand		<u>786,841</u>		<u>1,545,170</u>	
		4,562,595		5,602,431	
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(3,195,764)</u>		<u>(4,390,495)</u>	
<b>NET CURRENT ASSETS</b>			1,366,831		1,211,936
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>5,381,999</u>		<u>5,239,781</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16		<u>(339,636)</u>		<u>(458,527)</u>
			5,042,363		4,781,254
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred taxation	18		(33,388)		(51,143)
			<u>5,008,975</u>		<u>4,730,111</u>
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	23		1,401,583		1,400,575
Other reserves	24		87,545		87,545
Profit and loss account	24		3,519,847		3,241,991
<b>SHAREHOLDERS' FUNDS</b>	25		<u>5,008,975</u>		<u>4,730,111</u>

The Balance sheet continues on the following page  
The notes on pages 11 to 23 form part of these financial statements

# BROTHERS DRINKS CO. LIMITED

## BALANCE SHEET *(continued)*

30 APRIL 2007

These financial statements were approved by the directors on the 27/9/2007 and are signed on their behalf by

M H SHOWERING  
Director



The notes on pages 11 to 23 form part of these financial statements

# BROTHERS DRINKS CO. LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 30 APRIL 2007

	Note	2007 £	2006 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	1,062,012	2,948,575
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26	8,067	(6,615)
TAXATION	26	(555,466)	(390,832)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(718,670)	(148,238)
EQUITY DIVIDENDS PAID		(420,173)	(419,870)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(624,230)	1,983,020
MANAGEMENT OF LIQUID RESOURCES			
Cash placed in other liquid investments		—	293
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES		—	293
FINANCING	26	(121,576)	(115,583)
(DECREASE)/INCREASE IN CASH	26	(745,806)	1,867,730

**BROTHERS DRINKS CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2007**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

**Turnover**

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

**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	- over 25 years
Plant & Machinery	- 5 - 50% straight line
Fixtures & Fittings	- 20% straight line (computer equipment - over 13 months)
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

**Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

**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 30 APRIL 2007**

**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 30 APRIL 2007**

**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

	2007 £	2006 £
United Kingdom	<u>25,586,098</u>	<u>25,918,775</u>

**3. OTHER OPERATING INCOME**

	2007 £	2006 £
Profit on disposal of investments	<u>—</u>	<u>307</u>

**4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Depreciation of owned fixed assets	754,895	802,720
Profit on disposal of fixed assets	(23,548)	—
Auditor's remuneration		
- as auditor	9,600	4,950
Operating lease costs		
Other	<u>190,737</u>	<u>201,914</u>

**5. PARTICULARS OF EMPLOYEES**

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

	2007 No	2006 No
Number of production staff	67	62
Number of administrative staff	12	11
Number of directors	<u>3</u>	<u>3</u>
	<u>82</u>	<u>76</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	2,658,152	2,511,544
Social security costs	250,717	280,761
Other pension costs	43,713	42,874
Equity-settled share-based payments	1,008	1,008
	<u>2,953,590</u>	<u>2,836,187</u>

**BROTHERS DRINKS CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2007**

**6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£	£
Emoluments receivable	588,562	458,577
Value of company pension contributions to money purchase schemes	18,000	18,000
	<u>606,562</u>	<u>476,577</u>

**Emoluments of highest paid director:**

	2007	2006
	£	£
Total emoluments (excluding pension contributions)	277,607	267,820
Value of company pension contributions to money purchase schemes	6,000	6,000
	<u>283,607</u>	<u>273,820</u>

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

	2007	2006
	No	No
Money purchase schemes	<u>3</u>	<u>3</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2007	2006
	£	£
Interest payable on bank borrowing	<u>33,009</u>	<u>39,950</u>

**BROTHERS DRINKS CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2007**

**8. TAXATION ON ORDINARY ACTIVITIES**

**(a) Analysis of charge in the year**

	2007 £	2006 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	179,580	555,466
Over/under provision in prior year	-	(13,787)
Total current tax	<u>179,580</u>	<u>541,679</u>
Deferred tax		
Origination and reversal of timing differences (note 18)		
Capital allowances	(17,755)	(69,485)
Tax on profit on ordinary activities	<u>161,825</u>	<u>472,194</u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>579,839</u>	<u>1,533,900</u>
Profit/(loss) on ordinary activities by rate of tax	173,952	460,170
Expenses not deductible for tax purposes	11,500	11,581
Capital allowances for period in excess of depreciation	16,652	83,715
Tax chargeable at lower rates	(22,524)	-
Adjustments to tax charge in respect of previous periods	-	(13,787)
Total current tax (note 8(a))	<u>179,580</u>	<u>541,679</u>

**9. DIVIDENDS**

**Equity dividends**

	2007 £	2006 £
Paid during the year		
Equity dividends on ordinary shares	-	<u>419,870</u>
Proposed at the year-end		
Equity dividends on ordinary shares	<u>140,158</u>	<u>420,173</u>



**BROTHERS DRINKS CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2007**

**10. TANGIBLE FIXED ASSETS**

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>COST</b>					
At 1 May 2006	2,911,969	4,723,378	575,877	32,945	8,244,169
Additions	33,660	637,880	48,318	22,360	742,218
Disposals	—	(45,000)	—	—	(45,000)
<b>At 30 April 2007</b>	<b><u>2,945,629</u></b>	<b><u>5,316,258</u></b>	<b><u>624,195</u></b>	<b><u>55,305</u></b>	<b><u>8,941,387</u></b>
<b>DEPRECIATION</b>					
At 1 May 2006	357,424	3,300,307	544,885	13,709	4,216,325
Charge for the year	88,424	618,462	36,722	11,287	754,895
On disposals	—	(45,000)	—	—	(45,000)
<b>At 30 April 2007</b>	<b><u>445,848</u></b>	<b><u>3,873,769</u></b>	<b><u>581,607</u></b>	<b><u>24,996</u></b>	<b><u>4,926,220</u></b>
<b>NET BOOK VALUE</b>					
<b>At 30 April 2007</b>	<b><u>2,499,781</u></b>	<b><u>1,442,489</u></b>	<b><u>42,588</u></b>	<b><u>30,309</u></b>	<b><u>4,015,167</u></b>
At 30 April 2006	<u>2,554,545</u>	<u>1,423,071</u>	<u>30,992</u>	<u>19,236</u>	<u>4,027,844</u>

Of the total amount included in Freehold Property, £700,000 (2006 £700,000) relates to freehold land which is not depreciated

Of the total amount included in plant and machinery, £201,928 (2006 £182,756) relates to tanks and vessels which are depreciated at 5% per annum straight line

**11. INVESTMENTS**

	Investment in associated undertaking £
<b>COST</b>	
At 1 May 2006 and 30 April 2007	<u>1</u>
<b>NET BOOK VALUE</b>	
<b>At 30 April 2007</b>	<u>1</u>
At 30 April 2006	<u>1</u>

The company owns 50% of the issued share capital of Adam and Eve Cider Co Ltd. The company is registered in England. The company has not traded since incorporation. Its aggregate capital and reserves at the year end amounted to £2 (2006 £2).

**BROTHERS DRINKS CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2007**

**12. STOCKS**

	2007 £	2006 £
Raw materials	1,346,914	1,234,259
Work in progress	—	31,328
Finished goods	59,847	43,946
	<u>1,406,761</u>	<u>1,309,533</u>

**13. DEBTORS**

	2007 £	2006 £
Trade debtors	2,203,511	2,621,642
Prepayments and accrued income	163,924	124,528
	<u>2,367,435</u>	<u>2,746,170</u>

**14. INVESTMENTS**

	2007 £	2006 £
Quoted investments	<u>1,558</u>	<u>1,558</u>

**15. CREDITORS: Amounts falling due within one year**

	2007 £	2006 £
Bank loans and overdrafts	121,490	136,698
Trade creditors	1,779,644	2,225,990
Amounts owed to undertakings in which the company has a participating interest	1	1
Corporation tax	179,580	555,466
PAYE and social security	58,216	53,857
VAT	166,625	241,898
Dividends payable	140,158	420,173
Other creditors	—	34,054
Accruals and deferred income	750,050	722,358
	<u>3,195,764</u>	<u>4,390,495</u>

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

	2007 £	2006 £
Bank loans and overdrafts	<u>121,490</u>	<u>136,698</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

**BROTHERS DRINKS CO. LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2007**

**16. CREDITORS: Amounts falling due after more than one year**

	2007 £	2006 £
Bank loans and overdrafts	<u>339,636</u>	<u>458,527</u>

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

	2007 £	2006 £
Bank loans and overdrafts	<u>339,636</u>	<u>458,527</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

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	2007 £	2006 £
Bank loans and overdrafts	<u>—</u>	<u>39,194</u>

The bank loan is repayable by monthly instalments. The interest rate on the loan is 1.375% above the base rate

**17. CREDITORS - BANK LOAN**

Creditors include finance capital which is due for repayment as follows

	2007 £	2006 £
Amounts repayable		
In one year or less or on demand	121,490	124,175
In more than one year but not more than two years	130,146	131,670
In more than two years but not more than five years	209,490	287,663
In more than five years	—	39,194
	<u>461,126</u>	<u>582,702</u>

**18. DEFERRED TAXATION**

The movement in the deferred taxation provision during the year was

	2007 £	2006 £
Provision brought forward	51,143	120,628
Profit and loss account movement arising during the year	<u>(17,755)</u>	<u>(69,485)</u>
Provision carried forward	<u>33,388</u>	<u>51,143</u>

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**18. DEFERRED TAXATION** *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2007 £	2006 £
Excess of taxation allowances over depreciation on fixed assets	33,388	51,143
	<u>33,388</u>	<u>51,143</u>

**19. SHARE-BASED PAYMENTS**

During the year the company issued 1008 ordinary £1 shares (2006 1008) to the director I D Glen as part of his remuneration package

The company has estimated that the fair value of these shares was £1008 (2006 £1008). 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 £1,008 (2006 - £1,008) 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 a bank loan, 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. A bank loan has been taken out to fund capital expenditure, but due to its 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.

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**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*

*Currency risk*

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

**21. COMMITMENTS UNDER OPERATING LEASES**

At 30 April 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land &amp; Buildings</i>	
	2007	2006
	£	£
Operating leases which expire		
Within 1 year	-	<u>155,416</u>

**22. RELATED PARTY TRANSACTIONS**

During the year 1,008 ordinary £1 shares were issued at par to the director I D Glen

Of the total proposed dividend, £122,432 is payable to related parties (2006 £339,983) Of this £3,697 is payable to directors on their personal holdings (2006 £15,589), £46,881 is payable to trusts of which the directors are beneficiaries (2006 £163,144) and £71,854 is payable to the close family of the directors either directly, or to trusts in which close family are beneficiaries, or to companies which close family control (2006 £161,250)

**23. SHARE CAPITAL**

**Authorised share capital:**

	2007	2006
	£	£
2,000,000 Ordinary shares of £1 each	2,000,000	2,000,000
2,000,000 Preference shares of £1 each	2,000,000	2,000,000
	<u>4,000,000</u>	<u>4,000,000</u>

**Allotted, called up and fully paid:**

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>1,401,583</u>	<u>1,401,583</u>	<u>1,400,575</u>	<u>1,400,575</u>

During the year the company allotted 1008 ordinary £1 shares fully paid at par in cash

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**24. RESERVES**

	Capital redemption reserve £	Profit and loss account £
Balance brought forward	87,545	3,241,991
Profit for the year	—	418,014
Equity dividends	—	(140,158)
Balance carried forward	<u>87,545</u>	<u>3,519,847</u>

**25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2007 £	2006 £
Profit for the financial year	418,014	1,061,706
New ordinary share capital subscribed	1,008	1,008
Equity dividends proposed	(140,158)	(420,173)
Equity dividends paid	—	(419,870)
Net addition to shareholders' funds	278,864	222,671
Opening shareholders' funds	4,730,111	4,507,440
Closing shareholders' funds	<u>5,008,975</u>	<u>4,730,111</u>

**26. NOTES TO THE STATEMENT OF CASH FLOWS**

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM  
OPERATING ACTIVITIES**

	2007 £	2006 £
Operating profit	571,772	1,540,515
Depreciation	754,895	802,720
Profit on disposal of fixed assets	(23,548)	—
(Increase)/decrease in stocks	(97,228)	90,701
Decrease in debtors	378,735	3,041,421
Decrease in creditors	(523,622)	(2,527,790)
Equity-settled share-based payments	1,008	1,008
Net cash inflow from operating activities	<u>1,062,012</u>	<u>2,948,575</u>

**RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2007 £	2006 £
Interest received	41,076	33,335
Interest paid	(33,009)	(39,950)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<u>8,067</u>	<u>(6,615)</u>

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**26 NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)*

**TAXATION**

	2007 £	2006 £
Taxation	<u>(555,466)</u>	<u>(390,832)</u>

**CAPITAL EXPENDITURE**

	2007 £	2006 £
Payments to acquire tangible fixed assets	(742,218)	(148,238)
Receipts from sale of fixed assets	<u>23,548</u>	<u>—</u>
Net cash outflow from capital expenditure	<u>(718,670)</u>	<u>(148,238)</u>

**FINANCING**

	2007 £	2006 £
Repayment of bank loans	(121,576)	(115,583)
Net cash outflow from financing	<u>(121,576)</u>	<u>(115,583)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2007 £	2006 £
(Decrease)/increase in cash in the period	(745,806)	1,867,730
Net cash outflow from bank loans	121,576	115,583
Cash used to decrease liquid resources	<u>—</u>	<u>(293)</u>
	<u>(624,230)</u>	<u>1,983,020</u>
Change in net funds	(624,230)	1,983,020
Net funds at 1 May 2006	<u>951,503</u>	<u>(1,031,517)</u>
Net funds at 30 April 2007	<u>327,273</u>	<u>951,503</u>

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**26. NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)*

**ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 May 2006 £	Cash flows £	At 30 Apr 2007 £
Net cash			
Cash in hand and at bank	1,545,170	(758,329)	786,841
Overdrafts	(12,523)	12,523	—
	<u>1,532,647</u>	<u>(745,806)</u>	<u>786,841</u>
Liquid resources			
Current asset investments	1,558	—	1,558
Debt			
Debt due within 1 year	(124,175)	2,685	(121,490)
Debt due after 1 year	(458,527)	118,891	(339,636)
	<u>(582,702)</u>	<u>121,576</u>	<u>(461,126)</u>
Net funds	<u>951,503</u>	<u>(624,230)</u>	<u>327,273</u>