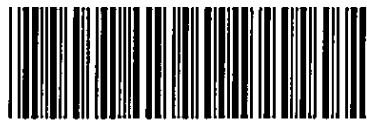


Company Registration No. 785125 (England and Wales)

**ALFANO BROTHERS LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

MONDAY



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COMPANIES HOUSE

# ALFANO BROTHERS LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	Salvatore Alfano (deceased 21/10/2005) Calogero Alfano Antonio Alfano Gaetano Alfano Gaetano S Alfano Giovanni Alfano Giuseppe Alfano Paul E Alfano Rose Alfano-Rogers Paul Anthony
<b>Secretary</b>	Paul E Alfano
<b>Company number</b>	785125
<b>Registered office</b>	74 Long Drive Greenford Middlesex UB6 8XH
<b>Registered auditors</b>	HLB Vantis Audit Plc 82 St John Street London EC1M 4JN

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# ALFANO BROTHERS LIMITED

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# **ALFANO BROTHERS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2006**

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The directors present their report and financial statements for the year ended 30 June 2006

### **Directors**

The following directors have held office since 1 July 2005

Salvatore Alfano (deceased 21/10/2005)

Calogero Alfano

Antonio Alfano

Gaetano Alfano

Gaetano S Alfano

Giovanni Alfano

Giuseppe Alfano

Paul E Alfano

Rose Alfano-Rogers

Paul Anthony

### **Principal activities and review of the business**

The principal activity of the company continued to be that of a holding company for a group of companies whose principal activity is the supply of alcoholic and non-alcoholic beverages and grocery foods

Over the previous three years, the group has seen its turnover increase by more than £2 million as it successfully expanded its customer base through various marketing strategies and financial incentives to customers. In comparison to the last year, the group faced a tough trading environment during the early part of the year following the July 2005 London terrorist bombings which affected the catering and leisure industry in London, but recovered satisfactorily during the later part of the year.

With the above in mind and expectations of rising cost centres in the foreseeable future, group management have strategically reorganised the group's business and activities in order to streamline costs by merging some group company activities and then winding down non-trading entities, thereby eliminating some of the costs of running several companies and sharing some of the costs.

Main uncertainties facing the group basically relate to foreign exchange risk, which is covered by holding a euro bank balance equivalent to the value of the trade creditor balance and recent increases in the bank lending rate have had negligible impact on the group as the bank interest rates are fixed for loans.

Overall, the turnover of the group has fallen by 4.64% compared to the last year resulting in a gross profit decrease of 2.38%. These results were not unexpected by the directors during the tough economic conditions, with the impact being evident in the declining activity of Struthers (Lochwinnoch) Limited and consequently, the directors have decided to wind down this company within the next twelve months in order to restore the group's progress.

The liquidity ratio has improved by 9% as a result of the group selling some of its properties and settling some of its liabilities in the same period. Stock turnover has improved by 5 days compared to last year as the group are continually aiming to improve customer service but also, to reduce stockholding costs. Debtor collection days and creditor settlement days have both increased by more than 5 days and is mainly due to the tougher trading conditions that the industry and the economy is experiencing.

With strategies in place, the directors are confident that the group will be successful and are satisfied with the net group profit before tax of £51,846.

# ALFANO BROTHERS LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### Results and dividends

The consolidated profit and loss account for the year is set out on page 6

### Market value of land and buildings

In the opinion of the directors the market value of land and buildings is not significantly different from the current net book value

### Group research and development activities

The directors continue to invest in research and development to identify new sources of supply and markets in line with their intention to provide a broad portfolio of high quality alcoholic and non-alcoholic beverages to all sectors of the trade

### Future developments

The Group intends to build on its long established business with the aim of increasing its market share

### Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below

#### ALFANO BROTHERS LIMITED

	Ordinary 'A' shares of £1 each	
	30 June 2006	1 July 2005
Salvatore Alfano (deceased 21/10/2005)	13	13
Calogero Alfano	13	13
Antonio Alfano	-	-
Gaetano Alfano	-	-
Gaetano S Alfano	-	-
Giovanni Alfano	13	13
Giuseppe Alfano	13	13
Paul E Alfano	-	-
Rose Alfano-Rogers	-	-
Paul Anthony	-	-

	Ordinary 'B' shares of £1 each	
	30 June 2006	1 July 2005
Salvatore Alfano (deceased 21/10/2005)	3	3
Calogero Alfano	3	3
Antonio Alfano	-	-
Gaetano Alfano	-	-
Gaetano S Alfano	-	-
Giovanni Alfano	3	3
Giuseppe Alfano	3	3
Paul E Alfano	-	-
Rose Alfano-Rogers	-	-
Paul Anthony	-	-

# ALFANO BROTHERS LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Charitable donations	2006 £	2005 £
During the year the group made the following payments		
Charitable donations	3,016	4,203

### Auditors

On 1 April 2006, HLB Vantis Audit changed its name to HLB Vantis Audit plc. A resolution to reappoint HLB Vantis Audit plc as the company's auditors will be proposed at the Annual General Meeting.

### Directors' responsibilities

The directors are responsible for preparing 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 group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board

  
Paul E Alfano  
Director  
19/2/06

# **ALFANO BROTHERS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF ALFANO BROTHERS LIMITED**

---

We have audited the financial statements of the group and parent company of Alfano Brothers Limited for the year ended 30 June 2006 set out on pages 6 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the group'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 group's members those matters we are required to state to them in an auditors' 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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

#### **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 and the group'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.

# ALFANO BROTHERS LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF ALFANO BROTHERS LIMITED

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#### 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 and the group's affairs as at 30 June 2006 and of the group's loss 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

*HLB Vantis Audit plc*

HLB Vantis Audit Plc

*21 March 2007*

Chartered Accountants

Registered Auditors



82 St John Street  
London  
EC1M 4JN



# ALFANO BROTHERS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 £	2005 £
Turnover	0	21,806,348	22,869,364
Cost of sales		(16,362,451)	(16,617,466)
<b>Gross profit</b>		<b>5,443,897</b>	<b>6,251,898</b>
Distribution costs		(2,754,868)	(2,409,953)
Administrative expenses		(4,159,367)	(3,095,855)
Other operating income		35,869	31,806
<b>Operating (loss)/profit</b>	<b>3</b>	<b>(1,434,469)</b>	<b>777,896</b>
Profit on disposal of properties		1,993,809	-
Profit on disposal of brand name	120,000	-	-
		<u>120,000</u>	<u>-</u>
<b>Profit on ordinary activities before interest</b>		<b>679,340</b>	<b>777,896</b>
Other interest receivable and similar income		49,755	37,221
Interest payable and similar charges	4	(677,249)	(705,632)
<b>Profit on ordinary activities before taxation</b>		<b>51,846</b>	<b>109,485</b>
Tax on profit on ordinary activities	5	(234,206)	-
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(182,360)</b>	<b>109,485</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations

# ALFANO BROTHERS LIMITED

## STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
(Loss)/profit for the financial year	(182,360)	109,485
Unrealised surplus on revaluation of properties	47,037	-
Total recognised gains and losses relating to the year	<u>(135,323)</u>	<u>109,485</u>

## Note of historical cost profits and losses

	2006 £	2005 as restated £
Reported profit on ordinary activities before taxation	51,846	109,485
Realisation of property revaluation gains of previous years	47,037	-
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	33,916	30,876
Historical cost profit on ordinary activities before taxation	<u>132,799</u>	<u>140,361</u>
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	<u>132,799</u>	<u>140,361</u>

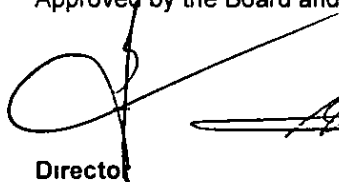
# ALFANO BROTHERS LIMITED

## BALANCE SHEETS

AS AT 30 JUNE 2006

	Notes	Group 2006 £	2005 £	Company 2006 £	2005 £
<b>Fixed assets</b>					
Intangible assets	7	10,175	13,823	-	-
Tangible assets	8 and 9	8,253,437	9,159,619	-	-
Investments	10	6,067	6,067	2,189	86,458
		<u>8,269,679</u>	<u>9,179,509</u>	<u>2,189</u>	<u>86,458</u>
<b>Current assets</b>					
Stocks	11	2,474,169	2,766,292	-	-
Debtors	12	6,848,815	5,662,135	4,409,696	3,947,210
Cash at bank and in hand		<u>1,232,767</u>	<u>1,695,521</u>	<u>-</u>	<u>-</u>
		10,555,751	10,123,948	4,409,696	3,947,210
<b>Creditors' amounts falling due within one year</b>	13	<u>(12,393,621)</u>	<u>(13,297,308)</u>	<u>(556,879)</u>	<u>(742,596)</u>
<b>Net current liabilities</b>		<u>(1,837,870)</u>	<u>(3,173,360)</u>	<u>3,852,817</u>	<u>3,204,614</u>
<b>Total assets less current liabilities</b>		6,431,809	6,006,149	3,855,006	3,291,072
<b>Creditors' amounts falling due after more than one year</b>	14	<u>(3,480,188)</u>	<u>(2,872,167)</u>	<u>(3,404,896)</u>	<u>(2,479,000)</u>
		<u>2,951,621</u>	<u>3,133,982</u>	<u>450,110</u>	<u>812,072</u>
<b>Capital and reserves</b>					
Called up share capital	16	112	112	112	112
Revaluation reserve	17	2,105,218	2,152,255	-	-
Other reserves	17	1,602,080	1,602,080	-	-
Profit and loss account	17	<u>(755,789)</u>	<u>(620,465)</u>	<u>449,998</u>	<u>811,960</u>
<b>Shareholders' funds</b>	18	<u>2,951,621</u>	<u>3,133,982</u>	<u>450,110</u>	<u>812,072</u>

Approved by the Board and authorised for issue on 19/4/07.

  
Director

# ALFANO BROTHERS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	935,662	1,540,707
<b>Returns on investments and servicing of finance</b>		
Interest received	49,755	37,221
Interest paid	(633,564)	(454,922)
<b>Net cash outflow for returns on investments and servicing of finance</b>	(583,629)	(417,701)
<b>Taxation</b>	(233,029)	-
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(674,015)	(72,443)
Receipts from sales of intangible assets	90,000	-
Receipts from sales of tangible assets	726,656	3,500
<b>Net cash inflow/(outflow) for capital expenditure</b>	142,641	(68,943)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>	261,465	854,063
<b>Financing</b>		
New long term bank loan	1,420,000	-
Other new short term loans	-	180,000
Repayment of long term bank loan	(769,988)	(426,612)
Repayment of other short term loans	(135,000)	-
Capital element of hire purchase contracts	(182,005)	(208,730)
<b>Net cash inflow/(outflow) from financing</b>	333,007	(455,342)
<b>Decrease in cash in the year</b>	594,472	398,721

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities	2006	2005
		£	£
	Operating (loss)/profit	(1,434,469)	777,896
	Depreciation of tangible assets	536,118	530,515
	Amortisation of intangible assets	3,648	3,912
	Loss on disposal of tangible assets	1,388	2,446
	Decrease/(increase) in stocks	292,123	(359,469)
	(Increase)/decrease in debtors	1,080,234	139,875
	Increase/(decrease) in creditors within one year	456,620	245,529
	<b>Net cash inflow from operating activities</b>	<b>935,662</b>	<b>1,340,704</b>

2	Analysis of net debt	1 July 2005	Cash flow	Other non-cash changes	30 June 2006
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,695,521	(462,754)	-	1,232,767
	Bank overdrafts	(7,143,163)	1,057,226	-	(6,085,937)
		(5,447,642)	594,472	-	(4,853,170)
	Finance leases	(606,161)	182,005	-	(424,156)
	Debts falling due within one year	(676,617)	175,478	-	(501,139)
	Debts falling due after one year	(2,604,406)	(690,490)	-	(3,294,896)
		(3,887,184)	(333,007)	-	(4,220,191)
	<b>Net debt</b>	<b>(9,334,826)</b>	<b>261,465</b>	<b>-</b>	<b>(9,073,361)</b>

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	Increase in cash in the year	594,472	398,721
	Cash (inflow)/outflow from (increase)/decrease in debt	(333,007)	458,493
	<b>Change in net debt resulting from cash flows</b>	<b>261,465</b>	<b>857,214</b>
	<b>Movement in net debt in the year</b>	<b>261,465</b>	<b>857,214</b>
	Opening net debt	(9,334,826)	(10,302,040)
	<b>Closing net debt</b>	<b>(9,073,361)</b>	<b>(9,334,826)</b>

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

The financial statements have been prepared on the going concern basis and the directors confirm their belief in the company's ability to continue as a going concern for the period of at least 12 months from the date of approval of these financial statements. The accounts have been prepared on the basis that the current banking facilities will continue for the foreseeable future.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### 1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2006. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### 1.4 Turnover

Turnover represents amounts receivable for the supply of grocery goods, alcoholic and non-alcoholic beverages together with the manufacturing and distribution of soft drinks and natural spring water. Sales are net of VAT and trade discounts.

#### 1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over 20 years. In the opinion of the directors, this rate of amortisation is reasonable.

#### 1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit. Amortisation commenced in the year the Xeres computer system was brought in to use at 15% per annum on reducing balance basis.

#### 1.7 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	2% on revalued amounts less the estimated residual value
Land and buildings Leasehold	2% straight line over the life of the lease
Plant and machinery	15-25% on written down value
Fixtures, fittings & equipment	12.5% on cost and 10-25% on written down value
Motor vehicles	25% on written down value and 20% on cost

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

---

### 1 Accounting policies

(continued)

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account

#### 1.8 Leasing and hire purchase commitments

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.

#### 1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.10 Stock

Stock is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

#### 1.11 Pensions

The group operates two pension schemes, one defined contribution for the directors and the other an employee Group Personal Pension Scheme for eligible employees.

The contributions in respect of the defined contribution scheme are charged to the profit and loss account in the year in which payment is made.

Further details of this pension scheme are given in note 15.

#### 1.12 Deferred taxation

Deferred taxation 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.

#### 1.13 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.

#### 1.14 Finance costs

Finance costs relating to building construction work have been capitalised in accordance with FRS 15, (see note 8 for further details), and are depreciated at a rate of 2% per annum.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

<b>3</b>	<b>Operating (loss)/profit</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Operating (loss)/profit is stated after charging		
	Depreciation of intangible assets	3,648	3,912
	Depreciation of tangible assets	536,118	530,515
	Loss on disposal of tangible assets	4,504	3,742
	Loss on foreign exchange transactions	-	48,431
	Operating lease rentals	234,583	192,025
	Auditors' remuneration (company £1,000, 2005 £1,000)	26,000	25,920
	Remuneration of auditors for non-audit work	23,283	1,634
	and after crediting		
	Rents receivable	35,869	31,806
	Profit on disposal of tangible assets	(3,116)	(1,296)
	Profit on foreign exchange transactions	(1,393)	-
		<u>677,249</u>	<u>705,632</u>
<b>4</b>	<b>Interest payable</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	On amounts payable to group companies	-	200,000
	On bank loans and overdrafts	583,219	404,798
	On other loans wholly repayable within five years	14,803	14,765
	On loans repayable after five years	14,500	17,400
	Hire purchase interest	56,663	68,669
	On overdue tax	8,064	-
		<u>677,249</u>	<u>705,632</u>



# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

5	Taxation	2006 £	2005 £
	<b>Domestic current year tax</b>		
	Adjustment for prior years	1,177	-
	<b>Foreign corporation tax</b>		
	Foreign corporation tax	233,029	-
	<b>Current tax charge</b>	<u>234,206</u>	<u>-</u>
		<u>234,206</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>51,846</u>	<u>109,485</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005 - 19.00%)	<u>9,851</u>	<u>20,802</u>
	<b>Effects of</b>		
	Non deductible expenses	32,380	7,138
	Depreciation add back	102,267	101,541
	Capital allowances	(88,903)	(84,119)
	Tax losses utilised	18,214	(60,304)
	Foreign tax adjustments	75,580	-
	Chargeable disposals	(79,578)	-
	Other tax adjustments	164,395	14,942
		<u>224,355</u>	<u>(20,802)</u>
	<b>Current tax charge</b>	<u>234,206</u>	<u>-</u>

The group has estimated losses of £2,083,278 (2005 £2,061,004) available for carry forward against future trading profits

No provision for corporation tax has been made on the basis of losses carried forward

Deferred tax arising from accelerated capital allowances amounting to £43,961 (2005 £102,002) has not been recognised in the accounts because the group have accumulated losses carried forward which may not reverse within twelve months from the balance sheet date

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 6 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows

	2006 £	2005 £
Holding company's loss for the financial year	(361,962)	(5,736)

### 7 Intangible fixed assets Group

	Goodwill £	Development Costs £	Total £
<b>Cost</b>			
At 1 July 2005 & at 30 June 2006	42,410	31,600	74,010
<b>Amortisation</b>			
At 1 July 2005	38,719	21,468	60,187
Charge for the year	2,124	1,524	3,648
At 30 June 2006	40,843	22,992	63,835
<b>Net book value</b>			
At 30 June 2006	1,567	8,608	10,175
At 30 June 2005	3,691	10,132	13,823

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 8 Tangible fixed assets Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>						
At 1 July 2005	8,185,070	132,824	2,305,216	1,294,156	1,801,946	13,719,212
Additions	473,637	-	21,082	28,575	225,825	749,119
Disposals	(1,082,067)	-	(92,482)	(4,200)	(182,280)	(1,361,029)
At 30 June 2006	7,576,640	132,824	2,233,816	1,318,531	1,845,491	13,107,302
<b>Depreciation</b>						
At 1 July 2005	779,669	51,880	1,578,784	1,013,760	1,135,500	4,559,593
On disposals	(66,660)	-	(56,611)	(2,937)	(115,640)	(241,848)
Charge for the year	92,877	40,940	141,536	73,151	187,616	536,120
At 30 June 2006	805,886	92,820	1,663,709	1,083,974	1,207,476	4,853,865
<b>Net book value</b>						
At 30 June 2006	6,770,754	40,004	570,107	234,557	638,015	8,253,437
At 30 June 2005	7,405,401	80,944	726,432	280,396	666,446	9,159,619

### Comparable historical cost for the land and buildings included at valuation

	£
<b>Cost</b>	
At 1 July 2005	6,414,418
Additions	3,000
At 30 June 2006	6,417,418
<b>Depreciation based on cost</b>	
At 1 July 2005	289,025
Charge for the year	58,961
At 30 June 2006	347,986
<b>Net book value</b>	
At 30 June 2006	6,069,432
At 30 June 2005	6,236,896

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

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

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
		£	£	£	£
<b>Net book values</b>					
At 30 June 2006	-	281,356	35,647	451,839	768,842
At 30 June 2005	38,971	302,466	103,424	512,194	1,055,548
<b>Depreciation charge for the year</b>					
30 June 2006	-	69,959	8,918	117,666	196,543
30 June 2005	2,137	44,608	22,847	154,977	227,669

A policy of revaluation has not been adopted under Financial Reporting Standard number 15, but the carrying amount of freehold land and buildings reflects previous revaluations and those amounts are retained in accordance with the transitional rules of FRS15

The last revaluation was accounted for on 30 June 1991 and since this date no further revaluations have been made

A substantial part of the Group's freehold land and buildings were valued by external valuers and the directors on the basis of an open market valuation for existing use on 30th June 2001. The market value of the Group's freehold land and buildings is not significantly different from the book value

Finance costs of £70,000 were capitalised in previous years as part of freehold land and buildings additions in accordance with FRS 15

The historical cost of freehold land and buildings including all additions to date included above at a valuation of £6,247,607 (2005 £6,584,229) and the aggregate depreciation thereon would have been £347,988 (2005 £347,333)

### Tangible fixed assets (continued) Company

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 July 2005 & at 30 June 2006	1,183
<b>Depreciation</b>	
At 1 July 2005 & at 30 June 2006	1,183
<b>Net book value</b>	
At 30 June 2006	-

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

<b>9 Tangible fixed assets</b>		
<b>Investment properties</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>		
At 1 July 2005	-	-
Additions	149,000	149,000
Disposals	(149,000)	(149,000)
	<hr/>	<hr/>
At 30 June 2006	-	-
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 July 2005 & at 30 June 2006	-	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 30 June 2006	-	-
	<hr/>	<hr/>
At 30 June 2005	-	-
	<hr/>	<hr/>

During the year ended 30 June 2003, an unconditional offer was made and accepted by a third party to purchase the leasehold investment in Avonaz, France and therefore, the property was treated as sold within that year. Due to unforeseen circumstances, the third party buyer terminated the contract. The company, after taking legal advice, decided not to take legal action against the original buyer as the costs would outweigh the benefits.

During the course of the current year to 30 June 2006, the property was sold to another third party, the contracts were exchanged on 30 June 2006, giving rise to a further £55,054 of profit which has been accounted for during the year to 30 June 2006.

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 10 Fixed asset investments Group

	Unlisted investments £	Total £
<b>Cost or valuation</b>		
At 1 July 2005 & at 30 June 2006	79,228	79,228
<b>Provisions for diminution in value</b>		
At 1 July 2005 & at 30 June 2006	73,161	73,161
<b>Net book value</b>		
At 30 June 2006	6,067	6,067
At 30 June 2005	6,067	6,067

### Fixed asset investments Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 July 2005 & at 30 June 2006	151,458
<b>Provisions for diminution in value</b>	
At 1 July 2005	65,000
Charge for the year	84,269
At 30 June 2006	149,269
<b>Net book value</b>	
At 30 June 2006	2,189
At 30 June 2005	86,458

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%
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# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 10 Fixed asset investments

(continued)

#### Subsidiary undertakings

Ciborio Limited	England and Wales	Ordinary	100
Hunter & Currie (Scotland) Limited	Scotland	Ordinary	100
Struthers (Lochwinnoch) Limited	Scotland	Ordinary	100
The Five Alfanos Limited	England and Wales	Ordinary	100
Krystal Klear Draught Drinks Limited	England and Wales	Ordinary	100
Alfano Brothers France SC	France	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
Ciborio Limited	Wholesale supply of grocery goods and wines
Hunter & Currie (Scotland) Limited	Wholesale supply of grocery goods and wines
Struthers (Lochwinnoch) Limited	Manufacture and distribution of soft drinks
The Five Alfanos Limited	Dormant intermediate holding company
Krystal Klear Draught Drinks Limited	Non-trading company
Alfano Brothers France SC	Investment company

The accounting reference date of Alfano Brothers France SC is 31 December, as stipulated under French accounting regulations and interim accounts have been prepared to the parent's financial year end

### 11 Stocks

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Finished goods and goods for resale	2,474,169	2,766,292	-	-

### 12 Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	3,918,059	3,786,399	-	-
Amounts owed by group undertakings	-	-	4,259,644	3,708,184
Corporation tax	4,695	5,620	4,695	4,695
Other debtors	2,724,566	1,627,681	141,917	229,924
Prepayments and accrued income	201,495	242,435	3,440	4,407
	<u>6,848,815</u>	<u>5,662,135</u>	<u>4,409,696</u>	<u>3,947,210</u>

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 13 Creditors : amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	6,477,076	7,574,780	429,809	482,105
Net obligations under finance lease and hire purchase contracts	238,864	338,400	-	-
Trade creditors	4,535,981	3,903,808	-	-
Amounts owed to group undertakings	-	-	44,021	44,021
Corporation tax	-	30,625	-	-
Taxes and social security costs	777,598	605,057	-	-
Directors current accounts	30,549	-	-	-
Other creditors	128,361	697,492	58,392	193,392
Accruals and deferred income	205,192	147,146	24,657	23,078
	<u>12,393,621</u>	<u>13,297,308</u>	<u>556,879</u>	<u>742,596</u>

The bank loan and overdrafts totalling £6,477,076 (2005 7,574,780) are secured by a first fixed charge on the Group's properties and a floating charge on its undertaking and all its properties

Included in other creditors is a loan due to the pension fund which is secured by floating charges over a subsidiary's assets and undertaking, subject to a deed of priority in favour of the subsidiary's bankers. The total loan amounted to £65,000 at the year end (2005 £65,000)

Also included in other creditors is a loan which is repayable on demand and interest is charged at a rate of 10% per annum

The directors consider any further disclosure regarding these loans to be prejudicial to the interest of the Group



# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 14 Creditors : amounts falling due after more than one year

	Group 2006 £	2005 £	Company 2006 £	2005 £
Bank loans	3,294,896	2,604,406	3,294,896	2,369,000
Net obligations under finance leases and hire purchase agreements	185,292	267,761	-	-
	<u>3,480,188</u>	<u>2,872,167</u>	<u>3,404,896</u>	<u>2,479,000</u>
<b>Analysis of loans</b>				
Not wholly repayable within five years other than by instalments	-	-	-	831,000
Wholly repayable within five years	3,796,035	3,281,023	3,731,035	2,130,000
Included in current liabilities	(501,139)	(676,617)	(436,139)	(592,000)
	<u>3,294,896</u>	<u>2,604,406</u>	<u>3,294,896</u>	<u>2,369,000</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	1,815,583	431,617	1,815,583	412,000
In more than two years but not more than five years	1,173,418	1,294,851	1,173,418	1,236,000
In more than five years	305,895	877,938	423,734	831,000
	<u></u>	<u></u>	<u></u>	<u></u>
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	289,058	294,015	-	-
Repayable between one and five years	197,503	431,364	-	-
	<u>486,561</u>	<u>725,379</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(62,405)	(119,218)	-	-
	<u>424,156</u>	<u>606,161</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(238,864)	(338,400)	-	-
	<u>185,292</u>	<u>267,761</u>	<u>-</u>	<u>-</u>

Included in amounts due after more than five years is part of a term loan of £4,120,000 which is repayable in quarterly instalments by March 2012. Interest is charged on a monthly basis at 2% above base rate.

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 15 Pension costs

#### Defined contribution

	2006 £	2005 £
Contributions payable by the group for the year	152,445	144,868

### 16 Share capital

	2006 £	2005 £
<b>Authorised</b>		
160 Ordinary 'A' shares of each	160	160
40 Ordinary 'B' shares of each	40	40
	<u>200</u>	<u>200</u>
 <b>Allotted, called up and fully paid</b>		
91 Ordinary 'A' shares of each	91	91
21 Ordinary 'B' shares of each	21	21
	<u>112</u>	<u>112</u>

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 17 Statement of movements on reserves Group

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 July 2005	2,152,255	1,602,080	(620,466)
Loss for the year	-	-	(182,360)
Transfer from revaluation reserve to profit and loss account	(47,037)	-	47,037
Balance at 30 June 2006	<u>2,105,218</u>	<u>1,602,080</u>	<u>(755,789)</u>

#### Other reserves

#### Reserves provided for by the Articles of Association

Balance at 1 July 2005 & at 30 June 2006	<u>1,602,080</u>
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#### Company

	Profit and loss account £
Balance at 1 July 2005	811,960
Loss for the year	(361,962)
Balance at 30 June 2006	<u>449,998</u>

### 18 Reconciliation of movements in shareholders' funds Group

	2006 £	2005 £
(Loss)/Profit for the financial year	(182,360)	109,485
Opening shareholders' funds	<u>3,133,982</u>	<u>3,024,497</u>
Closing shareholders' funds	<u>2,951,621</u>	<u>3,133,982</u>

#### Company

	2006 £	2005 £
Loss for the financial year	(361,962)	(5,736)
Opening shareholders' funds	<u>812,072</u>	<u>817,808</u>
Closing shareholders' funds	<u>450,110</u>	<u>812,072</u>

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 19 Contingent liabilities

#### Company

Alfano Brothers Limited has given an unlimited guarantee to its bankers in respect of the borrowings of the following group undertakings. Total borrowings at the balance sheet date were Ciborio Limited £5,157,019 (2005 £5,258,205), and Struthers (Lochwinnoch) Limited £560,272 (2005 £594,640)

### 20 Financial commitments

At 30 June 2006 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2006	2005
	£	£
Expiry date		
In over five years	91,400	144,860

### 21 Directors' emoluments

	2006	2005
	£	£
Emoluments for qualifying services	976,025	412,004

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (2005- 6)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	182,431	56,064
Company pension contributions to money purchase schemes	30,302	6,000

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

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### 22 Employees

#### Number of employees

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

	2006 Number	2005 Number
Office and management	35	38
Warehouse, distribution and sales	108	114
	<u>143</u>	<u>152</u>

#### Employment costs

	2006 £	2005 £
Wages and salaries	4,269,827	3,337,019
Social security costs	447,210	350,983
Other pension costs	152,445	144,868
	<u>4,869,482</u>	<u>3,832,870</u>

# ALFANO BROTHERS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

### 23 Related party transactions

#### Company

The company's transactions during the year under review included the following

<u>Name of Related Party</u>	<u>Nature of Related Party</u>	<u>Transaction Type</u>	<u>Transaction Value</u>	<u>Debtor/(Creditor) balance as at 30 June 2006</u>
Ciborio Limited	Subsidiary Undertaking	Management fee receivable	20,000	
		Management charge	250,000	
		Intercompany balance		4,005,779
Hunter & Currie (Scotland) Limited	Subsidiary Undertaking	Intercompany balance		217,470
Struthers (Lochwinnoch) Limited	Subsidiary Undertaking	Intercompany balance		(44,021)
Krystal Klear Draught Drinks Limited	Subsidiary Undertaking	Intercompany balance		34,000
The Five Alfanos Limited	Subsidiary Undertaking	Intercompany balance		(110,000)
Alfano Brothers France SC	Subsidiary Undertaking	Intercompany balance		2,395
Dimetrend Limited	Common Directorship	Short term loan		(45,000)
		Expenses recharged	10,255	
AF (03)	Common Directorship	Other debtor		21,917
Alfano Brothers Pension Scheme	Common Control	Balance owing		(8,287)