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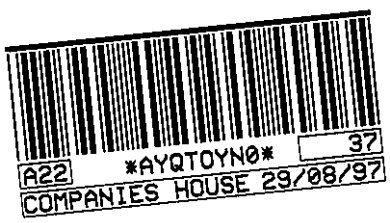
ST. AUSTELL BREWERY COMPANY LIMITED

Annual Report and Accounts 1997



ST. AUSTELL BREWERY COMPANY LIMITED

Directors

S. D. H. L. STAUGHTON—*Chairman*

P. R. THOMPSON—*Managing Director*

P. P. VOELCKER

M. St. C. RUTHVEN

T. A. LUCK

S. J. STAUGHTON

W. F. MICHELMORE (appointed 14/10/96)

Secretary and Registered Office

M. T. HARPER, F.C.A.

The Brewery

St. Austell

Cornwall PL25 4BY

Registered Number 107021

Auditors

KPMG

Chartered Accountants

Plym House

Marsh Mills

Plymouth

Devon PL6 8LT

ST. AUSTELL BREWERY COMPANY LIMITED

Notice of Meeting

Notice is hereby given that the Eighty-sixth Annual General Meeting of the Company will be held at the registered office, The Brewery, St. Austell, Cornwall on 25th July 1997 at 12 noon, for the transaction of the following ordinary business of the Company:—

1. To receive and consider the Directors' Report and Accounts for the year ended 31st March 1997,
2. To declare a dividend on the Ordinary Shares,
3. To re-elect Directors retiring by rotation,
4. To reappoint the Auditors for the ensuing year and to authorise the Directors to fix their remuneration,
5. To transact any other ordinary business;

AND for the transaction of the following special business of the Company being the consideration and, if thought fit, the passing of the following resolutions as Special Resolutions:-

SPECIAL RESOLUTIONS

1. THAT Article 27 of the Articles of Association of the Company be deleted and substituted by the following new Article 27:-

   "27. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof."

2. THAT paragraph (I) of Article 32 of the Articles of Association of the Company be deleted and substituted by the following new paragraph (I):-

   "(I) In the event of any Ordinary Shares specified in a sale notice not being sold within one month after the date of the offer referred to in paragraph (H) of this Article, the Directors shall within thirty days thereafter determine

   (a) whether in their sole opinion it would be in the Company's commercial interest to purchase such unsold shares and, if so,

   (b) whether the Company would be in a position to purchase such unsold shares in accordance with the Statutes.

   If the determination of sub-paragraph (b) of this paragraph is in the affirmative, the Directors shall convene an Extraordinary General Meeting of the Company held not later than thirty days following the date of such determination, for the purpose of proposing a resolution that the Company acquire such unsold shares at the price stated in the sale notice and to approve the contract of sale of such unsold shares. If such resolution is passed, the person by whom the sale notice is given shall forthwith enter into the contract of sale approved by the Company at the aforesaid general meeting. If the aforesaid determination is in the negative or the aforesaid resolution proposed at such general meeting is not passed, the person by whom the sale notice was given shall be entitled, at any time within three months of either the date of negative determination or the date on which the aforesaid resolution was proposed but not carried, to transfer such unsold shares to any person at a price not less than the price stated in the sale notice subject, however, to the right of the Directors to refuse to register any such transfer to a transferee of whom they do not approve.

3. THAT the words "or persons so selected" be inserted after the words "purchasing member" wherever such words appear in paragraph (F) and in paragraph (G) of Article 32 of the Articles of Association of the Company and that the word "make" in such paragraph (G) be deleted and substituted by the word "makes".
4. THAT Article 85 of the Articles of Association of the Company be amended by deleting the words "nor more than seven" in such Article so that from the date on which this resolution is passed there shall be no restriction on the maximum number of Directors of the Company.

By Order of the Board

The Brewery, St. Austell, Cornwall PL25 4BY

1st July 1997.

M. T. HARPER
Secretary

Notes:-

1. A Member entitled to attend and vote at the above Annual General Meeting may appoint a proxy. Such proxy need not be a member of the Company.
2. This Notice is sent to Preference Shareholders for information. Only Ordinary Shareholders are entitled to receive notice of and to attend and vote at the meeting.

Chairman's Statement

I am pleased to report that our winter half year has shown a satisfactory increase on the earnings we made last summer so that the 7.8% increase in profit I announced then had by our year end grown to 12.1% giving pre-tax profits of £4,635,000 up £501,000 on turnover £2 million more at £38 million. Shareholders will remember that we increased the interim dividend from 10p to 11p at the half year and in view of these satisfactory figures we now propose a further 2p increase on the final dividend making a total of 31p for the year.

I reported last year that our Ilfracombe wholesaling business in North Devon, acquired in January 1995, had been responsible for a considerable rise in costs and had taken longer to absorb than we had anticipated. I am pleased to say that these problems have been dealt with and the business is now performing satisfactorily. Our new Depot at Heathfield in South Devon, which we were planning this time last year, opened in March and so far is trading on target and we believe will have an important part to play in the further growth of our wholesale business. We now have eight depots supporting our free trade.

Since our purchase of the Carlsberg-Tetley business in Cornwall nearly four years ago our growth in terms of profit and turnover has been exceptional. We therefore await with more than passing interest the long overdue announcement from the Department of Trade and Industry on the proposed Bass buy out of Allied Domecq's 50 per cent share in Carlsberg-Tetley. Until this announcement is made, probably later this month, it is impossible to say how this will affect us. We are optimistic that opportunity for further growth may be open to us if approval is given.

Sales of our own beer fell by just over 1% although overall production rose through our brewing of Dartmoor Best Bitter for Carlsberg-Tetley. We have continued to invest in the Brewery with a new effluent treatment plant and liquor storage and next winter we plan to renew some of our brewing plant. As I write this report a new nitro keg bitter to be called Celtic Smooth is being launched. Wine and Spirits have had a record year with an overall increase of 13% in volume. However, competition in the free trade remains intense and margins have fallen as a consequence. The current high value of the pound is helping in this respect and we hope for improved margins in the year ahead.

Both tenanted and managed estates have increased sales and profit from the latter has grown by nearly 12% over last year's previous record. We have acquired two new managed houses. One of these, The Fort, commanding wonderful views overlooking Newquay harbour, is closed for improvements and is expected to open in October as a family pub. The other is the Westward Inn at Lee Mill in an expanding catchment area of Plymouth adjacent to a thriving industrial estate.

Shareholders will notice from the accounts that we have appointed Mr. William Michelmore to be a non-Executive Director. He is a great great grandson of our founder Walter Hicks and a partner in his family firm of solicitors Michelmores of Exeter. Having grown up and worked in Devon his knowledge of the county into which we are expanding will be of great benefit to us in the future. Amongst other changes in senior personnel during the year have been the appointment of John Haworth as Director of Managed Houses who replaced Bryon Davis on his retirement after 23 years exemplary service and the appointment of Colin Stratton, ACA, as Director of Finance in a new position that we have separated from Malcolm Harper's duties as Company Secretary.

Looking to the year ahead my predictions have to be cautious as we face a financial year which does not include a trading Easter, the unknown views of the new Government as they affect our industry and a budget early in July. Nevertheless I believe we will continue to prosper and in conclusion I offer my usual sincere thanks to everyone throughout the Company for their outstanding efforts to produce this successful year.

Finally, I would like to draw your attention to and briefly explain the Special Resolutions that appear in the Notice of the Annual General Meeting that is to be held on the 25th July 1997. The Directors invite shareholders to approve the following amendments to the Company's Articles of Association:-

At present a member of the Company who wishes to sell ordinary shares must first offer to sell them to existing members holding ordinary shares. The new Article 32(I) would require a member selling ordinary shares to offer the shares for purchase by the Company if the shares were not bought by existing members. This is the effect of Special Resolution 2.

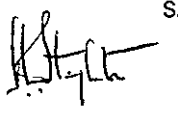
Special Resolution 4 would delete from Article 85 the maximum number of Directors that the Company may have. At present the maximum number is seven and there are now seven Directors. The Article is unnecessarily restrictive in setting a limit.

Special Resolution 1 would bring Article 27 up to date, mainly by providing that a transfer of fully paid ordinary shares need be signed only by the transferor.

Special Resolution 3 has the effect of improving the wording of Articles 32(F) and (G).

12th June 1997

S. D. Staughton
Chairman



Report of the Directors
YEAR ENDED 31st MARCH 1997

Principal Activities
The principal activities of the Company are the brewing of beer, the maturing, blending and bottling of wines and spirits and the sale and distribution of these commodities together with cider and other brewers' beers through the Company's own public houses and to free trade outlets. The Directors regard these activities as being a single class of business.

Review of Activities
The activities of the Company through the year are reviewed in detail in the Chairman's Statement on page 3.

Dividends
An interim dividend of 11p has been paid on the Ordinary Shares. The Directors recommend that a final dividend of 20p be paid on the Ordinary Shares.

Charitable Donations
The Company made charitable donations during the year of £2,358.

Employee Involvement
The Company provides employees with information concerning the Company's results and regular meetings are held to discuss other matters of interest to them as employees. Full and fair consideration is given to suitable applications for employment from disabled persons, and opportunities also exist for employees who become disabled to continue in their employment or to be retrained for other positions so far as it is practical.

Directors

The Directors of the Company are shown on page 1.
Mr. P. P. Voelker and Mr. M. St. C. Ruthven retire by rotation and, being eligible, offer themselves for re-election. Mr. W. F. Michelmore having been appointed since the last Annual General Meeting also retires and offers himself for re-election.

The interests of each Director and his family in the Shares of the Company, as defined by the Companies Act 1985, were as follows:-

	Ordinary Shares				Preference Shares	
	31.3.97		1.4.96		31.3.97	1.4.96
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
S. D. Staughton	142,326	227,307	141,076	225,907	—	—
P. R. Thompson	63,650	227,307	63,650	225,907	50	50
P. P. Voelcker	63,704	227,307	63,704	225,907	377	377
M. St. C. Ruthven	6,070	—	6,070	—	—	—
T. A. Luck	3,015	—	3,015	—	—	—
S. J. Staughton	18,289	—	18,189	—	—	—
W. F. Michelmore	9,062	—	9,062*	—	—	—

The non-beneficial holdings of S. D. Staughton, P. R. Thompson and P. P. Voelcker all represent the same holdings.
*at date of appointment (14/10/96)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
M. T. Harper
Secretary

The Brewery
St. Austell
Cornwall
PL25 4BY
12th June 1997

Statement of Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

Auditors' report to the members of St. Austell Brewery Company Limited

We have audited the accounts on pages 8 to 17.

Respective responsibilities of Directors and Auditors.

As described on page 6 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group 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 accounts are free from material mis-statement, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG.

KPMG
Chartered Accountants
Registered Auditors

Plymouth
12th June 1997

Group Profit and Loss Account—year ended 31st March 1997

	Notes	1997 £'000	1996 £'000
TURNOVER	1(vii)	38,056	36,085
Cost of Sales		(22,928)	(22,430)
GROSS PROFIT		15,128	13,655
Distribution and Administrative Costs	2	(10,450)	(9,577)
OPERATING PROFIT		4,678	4,078
Net Interest (Payable)/Receivable	3	(43)	56
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	4,635	4,134
Tax on Profit on Ordinary Activities	6	(1,527)	(1,295)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,108	2,839
Dividends on equity and non-equity shares	7	(810)	(788)
RETAINED PROFIT FOR THE YEAR	16	2,298	2,051

The notes referred to above form part of these accounts.

There are no recognised gains or losses in 1997 or 1996 other than the profit for these financial years.

The reported profit for the financial year is not materially different from the profit on an unmodified historic cost basis.

Balance Sheets—31st March 1997

	Notes	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
FIXED ASSETS					
Tangible Assets	8	21,499	18,776	20,445	17,697
Investments	10	—	—	400	400
		21,499	18,776	20,845	18,097
CURRENT ASSETS					
Stock and Work in Progress	11	2,734	2,588	2,717	2,574
Debtors: due within one year	12	4,129	3,895	4,122	3,890
due after one year	12	912	964	912	964
Cash at Bank and in Hand		494	202	434	179
		8,269	7,649	8,185	7,607
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	13	(9,692)	(7,248)	(10,200)	(7,655)
NET CURRENT (LIABILITIES)/ASSETS		(1,423)	401	(2,015)	(48)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,076	19,177	18,830	18,049
CREDITORS: Amounts falling due after one year	13	(242)	(227)	(242)	(227)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred Taxation	14	(297)	(312)	(181)	(197)
NET ASSETS		19,537	18,638	18,407	17,625
CAPITAL AND RESERVES					
Called up Share Capital	15	2,700	2,900	2,700	2,900
Capital Redemption Reserve	16	200	—	200	—
Profit and Loss Account	16	16,637	15,738	15,507	14,725
SHAREHOLDERS' FUNDS	19	19,537	18,638	18,407	17,625
Analysed between:-					
Equity Shareholders		19,437	18,538	18,307	17,525
Non-Equity Shareholders		100	100	100	100
		19,537	18,638	18,407	17,625

The notes referred to above form part of these accounts.

These accounts were approved by the Board of Directors on 12th June 1997, and were signed on its behalf by:

S. D. H. L. STAUGHTON
P. R. THOMPSON
} Directors

Group Cash Flow Statement—year ended 31st March 1997

	1997		1996	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		**6,068**		4,128
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	**48**		117	
Interest paid	**(114)**		(36)	
Interest element of finance lease rental payments	**—**		(25)	
Preference dividends paid	**(4)**		(4)	
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(70)**		52
TAXATION PAID		**(1,675)**		(1,344)
CAPITAL EXPENDITURE				
Purchase of tangible fixed assets	**(3,741)**		(2,970)	
Sales of tangible fixed assets	**60**		84	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		**(3,681)**		(2,886)
EQUITY DIVIDENDS PAID		**(790)**		(784)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		**(148)**		(834)
FINANCING				
Re-purchase of own shares		**(1,399)**		—
Capital element of finance lease rental payments		**—**		(71)
DECREASE IN CASH IN THE PERIOD		**(1,547)**		(905)

Supporting notes to the Group cash flow statement are given in note 18 on page 17.

Notes on the Accounts

1. ACCOUNTING POLICIES

(i) General:
The Group's accounts have been prepared in accordance with applicable accounting standards and are consistent with previous years.

(ii) Basis of Accounts:
The Accounts are prepared on the historical cost basis modified by the revaluation of certain fixed assets. All operations are deemed to be continuing operations.

(iii) Basis of Consolidation:
(a) The Group accounts incorporate the assets and liabilities of the subsidiary undertakings as at 31st March and the results for the year ended on that date.
(b) The Company has taken advantage of the exemption in S.230 of the Companies Act 1985 not to present a separate profit and loss account dealing with the results of the Company.

(iv) Depreciation of Tangible Fixed Assets:
The depreciation rates employed for plant, machinery, furniture etc. are such that the assets are written off over their anticipated effective lives at rates varying between 7½% and 20% per year on cost. Leaseholds are amortised over the life of the lease. No depreciation is charged on freehold buildings since their residual values are maintained by regular refurbishment programmes which make the provision of depreciation insignificant in the context of the accounts.

(v) Deferred Taxation:
Provision is made at 33% using the liability method in respect of timing differences other than those which are expected with reasonable probability to continue beyond the foreseeable future.

(vi) Stock and Work in Progress:
This is valued at the lower of cost and net realisable value.

(vii) Turnover:
This represents sales in the United Kingdom net of value added tax and includes rents receivable and other income.

(viii) Pensions:
Contributions to the Company's pension and life assurance scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

(ix) Leased Assets:
Where assets are acquired by leasing arrangements which give rights approximating to ownership ('finance leases') the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off this net cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) or the period of the leases.
The capital element of future rentals is treated as a liability and the interest element is charged to profit and loss account over the period of the leases in proportion to the balances outstanding.
Expenditure on leases other than finance leases ('operating leases') is charged to profit and loss account on a basis representative of the benefit derived from the asset, normally corresponding to the basis on which rentals accrue.

(x) Goodwill:
Where businesses have been acquired at a premium over the fair values attributable to the underlying net assets the excess is charged in the year of acquisition against consolidated reserves.

Notes on the Accounts—continued

2. DISTRIBUTION AND ADMINISTRATIVE COSTS

	1997 £'000	1996 £'000
Distribution costs	1,128	1,227
Administrative costs	9,322	8,350
	10,450	9,577

3. NET INTEREST (PAYABLE)/RECEIVABLE

	1997 £'000	1996 £'000
Interest payable on:		
Bank overdraft	(107)	(28)
Other loans	(7)	(8)
Finance lease	—	(25)
	(114)	(61)
Interest receivable on short term bank deposits and trade loans	71	117
	(43)	56

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This has been arrived at after charging/(crediting)

	1997 £'000	1996 £'000
Depreciation	968	880
Directors' emoluments (note 5)	285	281
Auditors' remuneration — Audit	15	15
— Other services	11	17
Rent receivable from properties	(1167)	(1036)

5. DIRECTORS AND OTHER EMPLOYEES

The emoluments of the Directors were as follows

	1997 £'000	1996 £'000
For services as Directors	23	21
For services as Executives	262	260
	285	281

In addition £2,500 was paid to Michelmores for the services of Mr. W. F. Michelmore as a non-executive Director.

Retirement benefits are accruing to 4 Directors under a defined benefit scheme.

The emoluments of the highest paid Director were £88,439 (1996 £80,727). At 31st March 1997 his accrued pension was £49,134. He has the option to take a cash lump sum and a reduced pension.

5. DIRECTORS AND OTHER EMPLOYEES—continued

The average number of persons employed by the Group during the year was as follows:

	1997	1996
At the Brewery and Depots	206	219
At Hotels and Public Houses	602	578
	808	797

Staff costs including the following:	£'000	£'000
Wages and Salaries	5,701	5,232
Social security costs	360	313
Other pension costs	255	280
	6,316	5,825

The Company operates a defined benefit pension scheme for the benefit of all employees at the Brewery and Depots and for Managed House Managers. The fund of the scheme is administered by Trustees and is separate from the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit cost method. The most recent actuarial valuation was at 31st March 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rate of increase in salaries and the rate of increase in pensions. It was assumed that the investment returns would be 9% per annum, that salaries would increase at 7% per annum and that present and future pensions would increase at 4.5% per annum. The valuation showed that the market value of the scheme's assets was £10,061,000 and that the actuarial value of these assets represented 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the year was **£255,000** (1996 £280,000).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
Corporation Tax based on profits for the year at 33% (1996 33%)	1,538	1,374
Over provision in previous years	—	(32)
Deferred Taxation	(11)	(47)
	1,527	1,295

7. DIVIDENDS

Equity:	1997 £'000	1996 £'000
Ordinary—interim 11p (paid) (1996 10p)	286	280
Ordinary—final 20p (proposed) (1996 18p)	520	504
Non-equity:		
Preference 3.5% (1996 3.5%)	4	4
	810	788

Notes on the Accounts—continued

8. TANGIBLE FIXED ASSETS

Group

	Land and Buildings			Plant,	Total
	Freehold	Leasehold Over 50 years	Leasehold Under 50 years	Machinery Furniture, etc	
Cost or Valuation	£'000	£'000	£'000	£'000	£'000
At 31st March 1996	13,710	955	549	10,465	25,679
Additions	2,291	—	3	1,447	3,741
Disposals	(50)	—	—	(65)	(115)
At 31st March 1997	**15,951**	**955**	**552**	**11,847**	**29,305**
Comprising: Cost	15,476	955	552	11,847	28,830
Valuation	475	—	—	—	475
Depreciation					
At 31st March 1996	—	23	106	6,774	6,903
Charge for the year	—	3	15	950	968
Disposals	—	—	—	(65)	(65)
At 31st March 1997	**—**	**26**	**121**	**7,659**	**7,806**
Net book value					
At 31st March 1997	**15,951**	**929**	**431**	**4,188**	**21,499**
At 31st March 1996	13,710	932	443	3,691	18,776

Freehold property acquired on acquisition of a subsidiary undertaking was valued at 12th December 1985 by the Directors on the basis of its open market value. The original cost of freehold property included above at valuation was **£211,000** (1996 £211,000).

Company

	Land and Buildings			Plant,	Total
	Freehold	Leasehold Over 50 years	Leasehold Under 50 years	Machinery Furniture, etc	
Cost	£'000	£'000	£'000	£'000	£'000
At 31st March 1996	12,889	955	549	9,839	24,232
Additions	2,291	—	3	1,444	3,738
Disposals	(50)	—	—	(65)	(115)
At 31st March 1997	**15,130**	**955**	**552**	**11,218**	**27,855**
Depreciation					
At 31st March 1996	—	23	106	6,406	6,535
Charge for the year	—	3	15	922	940
Disposals	—	—	—	(65)	(65)
At 31st March 1997	**—**	**26**	**121**	**7,263**	**7,410**
Net book value					
At 31st March 1997	**15,130**	**929**	**431**	**3,955**	**20,445**
At 31st March 1996	12,889	932	443	3,433	17,697

9. FUTURE CAPITAL EXPENDITURE

Capital expenditure on fixed assets authorised by the Directors at the year end but not provided for in the accounts was as follows:	**1997 £'000**	1996 £'000
Contracts placed	**880**	931

Notes on the Accounts—continued

10. INVESTMENTS

Company

	Ordinary Shares £'000
Cost and net book value	
At 31st March 1996 and at 31st March 1997	400

The subsidiary undertakings, all wholly owned, are Great Western Hotel (Newquay) Limited, a company engaged in the hotel trade and Walter Hicks Limited and Drinklink Limited, both dormant companies. These companies are incorporated in Great Britain and registered in England and Wales.

11. STOCK AND WORK IN PROGRESS

	Group		Company	
	1997 £'000	1996 £'000	**1997** £'000	1996 £'000
Raw Materials and Consumables	**416**	368	**416**	368
Work in Progress	**11**	19	**11**	19
Finished Goods and Goods for Resale	**2,307**	2,201	**2,290**	2,187
	2,734	2,588	**2,717**	2,574

12. DEBTORS

	Group		Company	
	1997 £'000	1996 £'000	**1997** £'000	1996 £'000
Amounts falling due within 1 year:				
Trade Debtors	**3,283**	2,742	**3,277**	2,738
Other Debtors	**710**	613	**710**	613
Prepayments and Accrued Income	**136**	540	**135**	539
	4,129	3,895	**4,122**	3,890
Amounts falling due after 1 year:				
Trade Loans	**912**	964	**912**	964

13. CREDITORS

	Group		Company	
	1997 £'000	1996 £'000	**1997** £'000	1996 £'000
Amounts falling due within 1 year:				
Bank Overdraft	**4,184**	2,345	**4,184**	2,345
Trade Creditors	**2,807**	2,377	**2,762**	2,341
Group Company	**—**	—	**613**	498
Taxation and Social Security	**1,616**	1,651	**1,556**	1,596
Accruals and Deferred Income	**565**	371	**565**	371
Proposed Dividend	**520**	504	**520**	504
	9,692	7,248	**10,200**	7,655

Group Taxation and Social Security includes Corporation Tax **£1,216,000** (1996 £1,349,000)

Amounts falling due after more than 1 year:	**£'000**	£'000	**£'000**	£'000
Tenants Deposits	**242**	227	**242**	227

Notes on the Accounts—continued

14. DEFERRED TAXATION

	Group		Company	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Deferred Taxation at 31st March	**427**	438	**311**	323
Advance Corporation Tax recoverable	**(130)**	(126)	**(130)**	(126)
	297	312	**181**	197

The potential liability, not provided for in the accounts, is as follows:

	Group and Company	
	1997	1996
	£'000	£'000
The excess of taxation allowances on tangible fixed assets over depreciation charged	**140**	160
Capital Gains Tax rolled over	**100**	100
	240	260

15. CALLED UP SHARE CAPITAL

	1997	1996
	£'000	£'000
Authorised—		
Ordinary Shares of £1 each	**2,800**	2,800
Preference Shares of £1 each	**100**	100
Non-designated Shares	**50**	50
	2,950	2,950
Issued, Allotted and Fully Paid—		
Ordinary Shares of £1 each	**2,600**	2,800
Preference Shares of £1 each	**100**	100
	2,700	2,900

The Preference Shares, designated as non-equity share capital, carry the right to a fixed cumulative preferential dividend of 3.5 per cent. They rank in a winding up as regards return of capital and payment of arrears of dividend down to the commencement of the winding up (whether declared or not) in priority to the Ordinary Shares, but do not confer the right to any further participation in profits or assets. On 1st August 1996 the Company made a purchase of 200,000 of its own Ordinary Shares for a total consideration, inclusive of costs, of £1,399,000.

16. RESERVES

	Group		Company	
	Capital Redemption Reserve	Profit and Loss Account	Capital Redemption Reserve	Profit and Loss Account
	£'000	**£'000**	**£'000**	**£'000**
At 1st April 1996	**—**	**15,738**	**—**	**14,725**
Shares re-purchased (note 15)	**200**	**(1,399)**	**200**	**(1,399)**
Retained Proft for year	**—**	**2,298**	**—**	**2,181**
	200	**16,637**	**200**	**15,507**

Notes on the Accounts—continued

17. RELATED PARTY TRANSACTION

In addition to the transaction referred to in Note 5, during the year ended 31st March 1997, Mrs J. Ruthven, the wife of a non-executive director, was paid an amount of £20,000 for design and consultancy fees in connection with the refurbishment of the Rising Sun, St. Mawes.

18. NOTES TO THE GROUP CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1997	1996
	£'000	£'000
Operating profit	**4,678**	4,078
Depreciation charges	**968**	880
Profit on sale of plant and machinery	**(10)**	(27)
(Increase)/Decrease in stock	**(146)**	27
Increase in debtors	**(159)**	(767)
Increase/(Decrease) in creditors	**737**	(63)
Net cash inflow from operating activities	**6,068**	4,128

(b) Analysis of changes in net debt

	At 1st April 1996 £'000	Cash Flows £'000	**At 31st March 1997 £'000**
Cash at Bank and in Hand	202	292	**494**
Overdraft	(2,345)	(1,839)	**(4,184)**
Total	(2,143)	(1,547)	**(3,690)**

19. RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Profit for the financial year	**3,108**	2,839	**2,991**	2,721
Dividends	**(810)**	(788)	**(810)**	(788)
	2,298	2,051	**2,181**	1,933
Re-purchase of issued Share Capital	**(1,399)**	—	**(1,399)**	—
Net movement in shareholders' funds	**899**	2,051	**782**	1,933
Opening shareholders' funds	**18,638**	16,587	**17,625**	15,692
Closing shareholders' funds	**19,537**	18,638	**18,407**	17,625