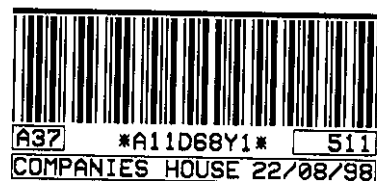


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ST. AUSTELL BREWERY COMPANY LIMITED

Annual Report and Accounts 1998



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

Secretary and Registered Office

C. J. STRATTON, A.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-seventh Annual General Meeting of the Company will be held at the registered office, The Brewery, St. Austell, Cornwall on 31st July 1998 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 1998,
2. To declare a dividend on the Ordinary Shares,
3. To re-elect Directors retiring by rotation,
4. To appoint Ernst & Young as Auditors for the ensuing year, and to authorise the Directors of the Company to fix their remuneration,
5. To transact any other ordinary business;

By Order of the Board

The Brewery, St. Austell, Cornwall PL25 4BY

C. J. STRATTON

1st July 1998.

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.

ST. AUSTELL BREWERY COMPANY LIMITED

Chairman's Statement

Our winter half year has proved better than we had expected and despite Easter falling in April this year so that no benefit accrued from it we have been able to increase on the gain of £631,373 I announced in December. Turnover up 6.6% from £38,170,000 to £40,691,000 has enabled us to earn pre-tax profits of £5,331,000 against £4,635,000, a gain of 15%. Shareholders will remember that we increased the interim dividend from 11p to 13p at the half year and these excellent figures enabled your Directors to recommend a further 2p increase on the final dividend making a total of 35p for the year, up 12.9% on the previous payment of 31p.

Nearly all trading departments contributed in the increase of these profits the one exception being managed houses where following two years of growth operational costs during the winter exceeded forecasts. Start up costs at the Fort, only opened after the season was over in Newquay, combined to reduce profits by £150,000. The Fort is now trading satisfactorily and we believe will be a major contributor to earnings in future years. The Central Inn, Newquay, our largest managed house has undergone a major refurbishment during the winter. Due to a planning refusal, which entailed a successful but time-wasting appeal and an increase in costs, we failed to open as planned for Easter but opened just before the Whitsun holiday. Since then trade has been excellent. Our tenanted estate has increased sales by 6%. A number of small improvements have been completed giving a satisfactory return. We plan to sell up to ten of our smaller volume houses and invest the money in larger outlets.

During the year we have been able to buy the freehold of the Lifeboat Inn situated on the harbour front in St. Ives. We have leased these lock up premises since we gained a seasonal licence for them in 1963 and we intend to convert an adjoining property, which we are currently buying, into living accommodation for our managers and turn the combined premises into an all the year round public house. We have also bought a block of recently modernised flats adjacent to our Pirate Inn, Falmouth. We are currently negotiating to buy a 46 year lease from the Plymouth City Council of a public house situated on the Hoe, Plymouth. Lastly we have submitted plans to build a 28 bedroom motel adjacent to our Victoria Inn at Roche on the A30 next to a growing Industrial Estate. This is only five miles from the Eden Project on which work to build the exciting £74 million Millennium Commission sponsored 'Biodomes' is due to start next month.

At the Brewery we have installed a new copper replacing one installed by our founder Walter Hicks when we moved to our present site in 1893 and we are about to install a small 20 Barrel Brewhouse in order to be able to produce a new range of seasonal ales. Sales of our own draught beers fell marginally last year but we believe these seasonal ales will reverse this trend. Wines and spirits have experienced record sales with excellent margins helped by the strength of sterling. Free trade has had yet another highly successful year with our new depot at Heathfield in South Devon experiencing steady growth with sales above forecast.

In the best commercial interests of the Company the Board has appointed Colin Stratton as Company Secretary as successor to Malcolm Harper. John Haworth who joined us just over one year ago as Managed House Director has also left us to take up other employment. We wish them both well in the future.

Shareholders will see that in the Notice of Meeting it is proposed that there should be a change in the Auditors of the Company. KPMG will not be putting themselves forward for re-appointment at the Annual General Meeting and the Board proposes that Ernst & Young should be appointed. A resolution to this effect will be proposed at the Meeting. I would like to thank KPMG for the good service they have given the Company for the last 14 years.

Looking to the year ahead I have to report that bookings are not currently up to the level of previous years. However, more of our customers come down to the West Country without booking and given good weather the scene can quickly change. We are ready for whatever the season brings us and my thanks go to all who have worked so hard to achieve another very satisfactory year.

12th June 1998

S. D. Staughton
Chairman

Report of the Directors
YEAR ENDED 31st MARCH 1998

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 13p has been paid on the Ordinary Shares. The Directors recommend that a final dividend of 22p be paid on the Ordinary Shares.

Charitable Donations

The Company made charitable donations during the year of £4,269.

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.

Report of the Directors—continued

Directors

The Directors of the Company are shown on page 1.

Mr. T. A. Luck and Mr. S. D. Staughton retire by rotation and, being eligible, offer themselves 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	
	31.3.98		1.4.97		31.3.98	1.4.97
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
S. D. Staughton	106,326	235,418	142,326	227,307	—	—
P. R. Thompson	63,650	199,418	63,650	227,307	50	50
P. P. Voelcker	63,704	199,418	63,704	227,307	377	377
M. St. C. Ruthven	6,070	—	6,070	—	—	—
T. A. Luck	3,015	—	3,015	—	—	—
S. J. Staughton	18,389	—	18,289	—	—	—
W. F. Michelmores	9,662	2,500	9,062	2,000	—	—

C. J. Stratton

By Order of the Board
C. J. Stratton
Secretary

The Brewery
St. Austell
Cornwall
PL25 4BY
12th June 1998

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;
- 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.

ST. AUSTELL BREWERY COMPANY LIMITED

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.

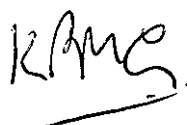
Basis of opinion

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 1998 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

Chartered Accountants

Registered Auditors

Plymouth
12th June 1998

ST. AUSTELL BREWERY COMPANY LIMITED

Group Profit and Loss Account—year ended 31st March 1998

	<i>Notes</i>	1998 £'000	1997 £'000
TURNOVER	1(vii)	40,691	38,170
Cost of Sales.....		(24,253)	(23,042)
GROSS PROFIT.....		16,438	15,128
Distribution and Administrative Costs	2	(11,034)	(10,450)
OPERATING PROFIT		5,404	4,678
Net Interest Payable.....	3	(73)	(43)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION.....	4	5,331	4,635
Tax on Profit on Ordinary Activities	6	(1,632)	(1,527)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,699	3,108
Dividends on equity and non-equity shares.....	7	(913)	(810)
RETAINED PROFIT FOR THE YEAR.....	16	2,786	2,298

The notes referred to above form part of these accounts.

There are no recognised gains or losses in 1998 or 1997 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.

Certain of the comparative figures have been restated to be consistent with the current year, but with no net impact on the profit for the previous year.

ST. AUSTELL BREWERY COMPANY LIMITED

Balance Sheets—31st March 1998

	Notes	Group		Company	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
FIXED ASSETS					
Tangible Assets	8	23,105	21,499	22,072	20,445
Investments	10	—	—	400	400
		<u>23,105</u>	<u>21,499</u>	<u>22,472</u>	<u>20,845</u>
CURRENT ASSETS					
Stock and Work in Progress	11	2,942	2,734	2,927	2,717
Debtors: due within one year	12	3,914	4,129	3,904	4,122
due after one year	12	1,025	912	1,025	912
Cash at Bank and in Hand		314	494	235	434
		<u>8,195</u>	<u>8,269</u>	<u>8,091</u>	<u>8,185</u>
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	13	(8,469)	(9,692)	(9,097)	(10,200)
NET CURRENT LIABILITIES		<u>(274)</u>	<u>(1,423)</u>	<u>(1,006)</u>	<u>(2,015)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,831	20,076	21,466	18,830
CREDITORS: Amounts falling due after one year	13	(253)	(242)	(253)	(242)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred Taxation	14	(255)	(297)	(147)	(181)
NET ASSETS		<u>22,323</u>	<u>19,537</u>	<u>21,066</u>	<u>18,407</u>
CAPITAL AND RESERVES					
Called up Share Capital	15	2,700	2,700	2,700	2,700
Capital Redemption Reserve	16	200	200	200	200
Profit and Loss Account	16	19,423	16,637	18,166	15,507
SHAREHOLDERS' FUNDS	18	<u>22,323</u>	<u>19,537</u>	<u>21,066</u>	<u>18,407</u>
Analysed between:-					
Equity Shareholders		22,223	19,437	20,966	18,307
Non-Equity Shareholders		100	100	100	100
		<u>22,323</u>	<u>19,537</u>	<u>21,066</u>	<u>18,407</u>

The notes referred to above form part of these accounts.

These accounts were approved by the Board of Directors on 12th June 1998, and were signed on its behalf by:

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

ST. AUSTELL BREWERY COMPANY LIMITED

Group Cash Flow Statement—year ended 31st March 1998

	1998	1997
	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	6,184	6,068
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	79	48
Interest paid	(149)	(114)
Preference dividends paid	(4)	(4)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(69)	(70)
TAXATION PAID	(1,221)	(1,675)
CAPITAL EXPENDITURE		
Purchase of tangible fixed assets	(2,658)	(3,741)
Sales of tangible fixed assets	73	60
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE	(2,585)	(3,681)
EQUITY DIVIDENDS PAID	(858)	(790)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING	1,451	(148)
FINANCING		
Re-purchase of own shares	—	(1,399)
DECREASE/(INCREASE) IN NET DEBT IN THE YEAR	1,451	(1,547)

Supporting notes to the Group cash flow statement are given in note 17 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 31% 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.

Notes on the Accounts—continued

2. DISTRIBUTION AND ADMINISTRATIVE COSTS

	1998 £'000	1997 £'000
Distribution costs	1,267	1,128
Administrative costs	9,767	9,322
	<u>11,034</u>	<u>10,450</u>

3. NET INTEREST PAYABLE

	1998 £'000	1997 £'000
Interest payable on:		
Bank overdraft	(141)	(107)
Other loans	(9)	(7)
	<u>(150)</u>	<u>(114)</u>
Interest receivable on short term bank deposits and trade loans	77	71
	<u>(73)</u>	<u>(43)</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This has been arrived at after charging/(crediting)	1998 £'000	1997 £'000
Depreciation	990	968
Auditors' remuneration — Audit	19	18
— Other services	6	11
Rent receivable from properties	<u>(1,208)</u>	<u>(1,167)</u>

5. DIRECTORS AND OTHER EMPLOYEES

Remuneration of directors	1998 £'000	1997 £'000
Directors' emoluments	<u>310</u>	<u>285</u>

In addition £8,333 (1997: £2,500) was paid to Michelmores, Solicitors, for the services of Mr. W. F. Michelmores as a non-executive director.

The aggregate of emoluments of the highest paid director was £96,144 (1997: £88,439). He is a member of a defined benefit scheme, under which his accrued pension for the year increased by £2,180. He may opt to exchange part of his pension for a lump sum.

	Number of Directors	
	1998	1997
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>4</u>	<u>4</u>

Notes on the Accounts—continued

5. DIRECTORS AND OTHER EMPLOYEES—continued

The average number of persons employed by the Group during the year was as follows:	1998	1997
At the Brewery and Depots	213	206
At Hotels and Public Houses.....	644	602
	<u>857</u>	<u>808</u>
	£'000	£'000
Staff costs include the following:		
Wages and Salaries	6,159	5,701
Social security costs.....	394	360
Other pension costs	270	255
	<u>6,823</u>	<u>6,316</u>

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 **£270,000** (1997 £255,000).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£'000	£'000
Corporation Tax based on profits for the year at 31% (1997 33%)	1,662	1,538
Deferred Taxation	(30)	(11)
	<u>1,632</u>	<u>1,527</u>

7. DIVIDENDS

	1998	1997
	£'000	£'000
Equity:		
Ordinary—interim 13p (paid) (1997 11p)	337	286
Ordinary—final 22p (proposed) (1997 20p).....	572	520
Non-equity:		
Preference 3.5% (1997 3.5%).....	4	4
	<u>913</u>	<u>810</u>

Notes on the Accounts—continued

8. TANGIBLE FIXED ASSETS

Group	Land and Buildings			Plant, Machinery	Total
	Freehold	Leasehold Over 50 years	Leasehold Under 50 years	Furniture, etc	
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1st April 1997	15,951	955	552	11,847	29,305
Additions	1,721	3	—	934	2,658
Disposals	(37)	(3)	—	(51)	(91)
At 31st March 1998	17,635	955	552	12,730	31,882
Comprising: Cost	17,160	955	552	12,730	31,407
Valuation	475	—	—	—	475
Depreciation					
At 1st April 1997	—	26	121	7,659	7,806
Charge for the year	—	3	15	972	990
Disposals	—	—	—	(29)	(29)
At 31st March 1998	—	29	136	8,602	8,767
Net book value					
At 31st March 1998	<u>17,635</u>	<u>926</u>	<u>416</u>	<u>4,128</u>	<u>23,105</u>
At 31st March 1997	<u>15,981</u>	<u>929</u>	<u>431</u>	<u>4,188</u>	<u>21,499</u>

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 (1997 £211,000).

Company	Land and Buildings			Plant, Machinery	Total
	Freehold	Leasehold Over 50 years	Leasehold Under 50 years	Furniture, etc	
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1st April 1997	15,130	955	552	11,218	27,855
Additions	1,718	3	—	930	2,651
Disposals	(37)	—	—	(51)	(88)
At 31st March 1998	16,811	958	552	12,097	30,418
Depreciation					
At 1st April 1998	—	26	121	7,263	7,410
Charge for the year	—	3	15	947	965
Disposals	—	—	—	(29)	(29)
At 31st March 1998	—	29	136	8,181	8,346
Net book value					
At 31st March 1998	<u>16,811</u>	<u>929</u>	<u>416</u>	<u>3,916</u>	<u>22,072</u>
At 31st March 1997	<u>15,310</u>	<u>929</u>	<u>431</u>	<u>3,955</u>	<u>20,445</u>

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:

	1998 £'000	1997 £'000
Contracts placed	657	880
Contracts not placed	1,350	386

Notes on the Accounts—continued

10. INVESTMENTS

Company

Ordinary
Shares
£'000

Cost and net book value

At 31st March 1998 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.

11. STOCK AND WORK IN PROGRESS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Raw Materials and Consumables	435	416	435	416
Work in Progress	11	11	11	11
Finished Goods and Goods for Resale	2,496	2,307	2,481	2,290
	<u>2,942</u>	<u>2,734</u>	<u>2,927</u>	<u>2,717</u>

12. DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year:				
Trade Debtors	2,934	3,283	2,926	3,277
Other Debtors	783	710	783	710
Prepayments and Accrued Income	197	136	195	135
	<u>3,914</u>	<u>4,129</u>	<u>3,904</u>	<u>4,122</u>
Amounts falling due after 1 year:				
Trade Loans	1,025	912	1,025	912

13. CREDITORS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year:				
Bank Overdraft	2,553	4,184	2,553	4,184
Trade Creditors	2,552	2,807	2,518	2,762
Group Company	—	—	720	613
Taxation and Social Security	2,085	1,616	2,059	1,556
Accruals and Deferred Income	707	565	675	565
Proposed Dividend	572	520	572	520
	<u>8,469</u>	<u>9,692</u>	<u>9,097</u>	<u>10,200</u>

Group Taxation and Social Security includes Corporation Tax £1,410,000 (1997 £1,216,000)

	£'000	£'000	£'000	£'000
Amounts falling due after more than 1 year:				
Tenants Deposits	253	242	253	242

Notes on the Accounts—continued

14. DEFERRED TAXATION

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Deferred Taxation at 31st March.....	398	427	290	311
Advance Corporation Tax recoverable.....	(143)	(130)	(143)	(130)
	<u>255</u>	<u>297</u>	<u>147</u>	<u>181</u>

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

	Group and Company	
	1998	1997
	£'000	£'000
The excess of taxation allowances on tangible fixed assets over depreciation charged.....	144	140
Capital Gains Tax rolled over.....	100	100
	<u>244</u>	<u>240</u>

15. CALLED UP SHARE CAPITAL

	1998	1997
	£'000	£'000
Authorised—		
Ordinary Shares of £1 each.....	2,800	2,800
Preference Shares of £1 each.....	100	100
Non-designated Shares.....	50	50
	<u>2,950</u>	<u>2,950</u>
Issued, Allotted and Fully Paid—		
Ordinary Shares of £1 each.....	2,600	2,600
Preference Shares of £1 each.....	100	100
	<u>2,700</u>	<u>2,700</u>

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.

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 1997.....	200	16,637	200	15,507
Retained Profit for year.....	—	2,786	—	2,659
At 31st March 1998.....	<u>200</u>	<u>19,423</u>	<u>200</u>	<u>18,166</u>

Notes on the Accounts—continued

17. NOTES TO THE GROUP CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities		1998	1997
		£'000	£'000
Operating profit.....		5,406	4,678
Depreciation		990	968
Profit on sale of fixed assets		(11)	(10)
Increase in stock		(208)	(146)
Decrease/(Increase) in debtors		7	(159)
Increase in creditors		—	737
Net cash inflow from operating activities		<u>6,184</u>	<u>6,068</u>

(b) Analysis of changes in net debt		At 1st April 1997 £'000	Cash Flows £'000	At 31st March 1998 £'000
Cash at Bank and in Hand		494	(180)	314
Overdraft		(4,184)	1,631	(2,553)
Total		<u>(3,690)</u>	<u>1,451</u>	<u>(2,239)</u>

18. RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Profit for the financial year	3,699	3,108	3,572	2,991
Dividends	(913)	(810)	(913)	(810)
	<u>2,786</u>	<u>2,298</u>	<u>2,659</u>	<u>2,181</u>
Re-purchase of issued Share Capital	—	(1,399)	—	(1,399)
Net movement in shareholders' funds	<u>2,786</u>	<u>899</u>	<u>2,659</u>	<u>782</u>
Opening shareholders' funds.....	19,537	18,638	18,407	17,625
Closing shareholders' funds.....	<u>22,323</u>	<u>19,537</u>	<u>21,066</u>	<u>18,407</u>