

107021

St Austell Brewery Company Limited

Report and Financial Statements

27 December 2003

ERNST & YOUNG



St Austell Brewery Company Limited

Registered No: 107021

Directors

P R Thompson - Chairman
S J Staughton - Managing Director
P P Voelcker
T A Luck
W F Michelmore
J B Neame

Secretary

C J Stratton

Auditors

Ernst & Young LLP
Broadwalk House
Southernhay West
Exeter
EX1 1LF

Bankers

Barclays Bank Plc
Exeter Corporate Banking Centre
PO Box 328
20 High Street
Exeter
Devon
EX4 3YR

Registered Office

The Brewery
St Austell
Cornwall
PL25 4BY

Notice of Meeting

Notice is hereby given that the Ninety-Third Annual General Meeting of the company will be held at the registered office, The Brewery, St Austell, Cornwall on 14 May 2004 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 period ended 27 December 2003.
2. To declare a dividend on the ordinary shares.
3. To re-elect W F Michelmores and T A Luck as the directors retiring by rotation.
4. To re-appoint Ernst & Young LLP 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
Secretary
15 April 2004

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.

Chairman's Statement

Reporting to shareholders in October last year on our half-year figures to 30 June 2003 I announced unaudited profits up £234,000 to £2,478,000 and an increase in the interim dividend of 2p to 23p. I am now pleased to report that our second half-year has brought a further gain of £275,000 so that pre-tax profits for the twelve months to 27 December 2003 are £8,027,000 against £7,518,000 for the previous twelve months. Your Directors are once again proposing an increase of 2p on the final dividend making a total of 61p for the year compared to last year's payment of 57p, an increase of 7%.

Shareholders may remember that in August 1993 we announced that we had signed an agreement with Carlsberg-Tetley whereby we had purchased their wholesale business in Cornwall and became their distributors. I am delighted to report that during the year we have renewed our agreement for a further term. The agreement reached in 1993 has been of immense benefit to both parties and I am confident that it will continue to be so in the years ahead.

Turnover for this financial year at £73,390,000 was 10.4% up on last year. All trading departments participated in this increase and it is particularly pleasing to be able to report that for the second year running sales of our own ales have increased by over 10%. This led to barrelage of our own ale being the highest since 1986. Tribute, our leading brand, continues to grow in popularity and national sales have met challenging targets set for them.

During the year two freehold properties have been purchased. The first property is The Atlantic Hotel on St. Mary's in the Isles of Scilly. This twenty-four bedroom hotel is adjacent to The Atlantic Inn which was originally purchased by the Company in 1988 on a long lease. The latest transaction leaves us with the freehold of the whole site. The second property purchased is The Jubilee Inn at Pelynt near the fishing port and holiday resort of Looe.

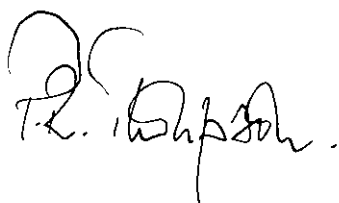
Following two exceptional years of growth our managed estate experienced a fall in net profit despite higher turnover. Our current estate now stands at thirty-nine houses following the transfer of four to tenancy and it is likely that further houses will revert in the course of the next year or so as ever increasing costs of legislation makes managing smaller premises less profitable. Inevitably some major alterations completed last year with heavy start up costs such as work to The White Hart, St. Austell and 5° West, Falmouth (formerly The Pirate Inn) have yet to earn profits. Major alterations are currently in progress at our County Arms, Truro with the house closed for trade since early January. It is on target to open at the end of March. Our forecast for the entire managed estate is for this lost ground to be regained and further growth to be achieved. Our tenanted estate of 116 houses has experienced a very satisfactory year with sales growth of over 10%.

Free Trade has also had another record year with sales up over 15%. Distribution costs have risen particularly in respect of expenses associated with our Cullompton Depot. We believe that this year will be a period of steady consolidation but with opportunity for further growth in a highly competitive market.

For the past two years I have reported on pension commitments in my statements. This year shareholders will be relieved to note that our net pension deficit has fallen from £4,009,000 to £2,262,000. The primary cause of the fall in the deficit is of course the rise in the Stock Market over the last year though the Company has put in a special contribution of £150,000 and our regular monthly contributions continue at the increased rate of 16.1% of pensionable earnings.

The first two months of our new financial year are again marginally ahead of last year. We are well prepared to seize on any opportunities that may arise and as usual I conclude with my sincere thanks to all in the Company who have worked so hard to achieve another satisfactory year.

P R Thompson
22 March 2004



Directors' Report

The directors present their report and accounts for the period ended 27 December 2003.

Principal activity

The group operates a portfolio of tenanted and managed public houses and hotels and sells its own manufactured and bought in alcoholic and non alcoholic products through this portfolio and free trade outlets.

Review of activities

The activities of the company through the period are reviewed in detail in the Chairman's statement on page 3.

Dividends

An interim dividend of 23p was paid on the ordinary shares on 24 October 2003. The directors recommend that a final dividend of 38p be paid on the ordinary shares.

Charitable donations

The company made charitable donations during the period of £9,794.

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 from disabled persons for employment, 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 and their interests

The directors during the period and their interests in the share capital of the company were as follows:

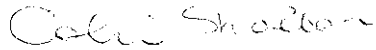
	<i>Ordinary Shares</i>		<i>Preference shares</i>			
	<i>27 December</i>		<i>29 December</i>		<i>27 December</i>	<i>29 December</i>
	<i>2003</i>		<i>2002</i>		<i>2003</i>	<i>2002</i>
	<i>Non-</i>		<i>Non-</i>			
	<i>Beneficial</i>	<i>beneficial</i>	<i>Beneficial</i>	<i>beneficial</i>		
P R Thompson	65,861	114,238	64,736	114,238	50	50
P P Voelcker	73,926	193,945	73,926	193,945	1,677	377
T A Luck	3,940	-	3,940	-	-	-
S J Staughton	18,443	-	18,439	-	-	-
W F Michelmore	13,150	69,656	13,150	68,531	-	-
J B Neame	525	-	400	-	-	-

Directors' Report

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



C J Stratton
Secretary
22 March 2004

Statement of Directors' Responsibilities in respect of the Accounts

Company law requires the directors to prepare accounts for each financial period 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of St Austell Brewery Company Limited

We have audited the group's financial statements for the period ended 27 December 2003 which comprise Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Directors' Report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 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.

Independent auditors' report

to the members of St Austell Brewery Company Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 27 December 2003 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Exeter
22 March 2004

Group profit and loss account

for the period from 29 December 2002 to 27 December 2003

	Notes	27.12.2003 £'000	28.12.2002 £'000
Turnover	2	73,390	66,485
Cost of sales		(42,520)	(37,436)
Gross profit		30,870	29,049
Distribution and administration costs	3	(22,443)	(21,232)
Operating profit	4	8,427	7,817
Interest receivable		110	53
Interest payable and similar charges	6	(510)	(352)
Profit on ordinary activities before taxation		8,027	7,518
Tax on profit on ordinary activities	7	(2,460)	(2,319)
Profit on ordinary activities after taxation		5,567	5,199
Dividends on equity and non-equity shares	8	(1,127)	(1,053)
Profit retained for the financial period		4,440	4,146

There are no recognised gains or losses for the year other than the profit for the year.

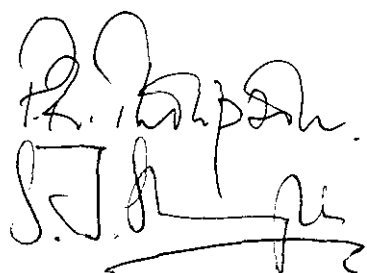
Group Balance Sheet

at 27 December 2003

	Notes	27.12.2003 £'000	28.12.2002 £'000
Fixed Assets			
Intangible assets	9	607	218
Tangible assets	10	43,066	38,185
		<u>43,673</u>	<u>38,403</u>
Current Assets			
Stocks and work in progress	13	4,383	4,100
Debtors	14	9,384	8,481
Cash at bank and in hand		686	777
		<u>14,453</u>	<u>13,358</u>
Creditors: amounts falling due within one year	15	(21,700)	(19,801)
Net current liabilities		<u>(7,247)</u>	<u>(6,443)</u>
Total assets less current liabilities		<u>36,426</u>	<u>31,960</u>
Creditors: amounts falling due after more than one year	16	(318)	(307)
Provision for liabilities and charges	18	(796)	(781)
		<u>35,312</u>	<u>30,872</u>
Capital and reserves			
Called up share capital	19	1,940	1,940
Capital redemption reserve	20	960	960
Profit and loss account	20	32,412	27,972
		<u>35,312</u>	<u>30,872</u>
Shareholders' funds:			
Equity		35,212	30,772
Non-equity		100	100
		<u>35,312</u>	<u>30,872</u>

Approved by the Board on 22 March 2004

P R Thompson }
S J Staughton } Directors



Company Balance Sheet

at 27 December 2003

	Notes	27.12.2003 £'000	28.12.2002 £'000
Fixed assets			
Intangible assets	9	607	218
Tangible assets	10	42,235	37,362
Investments	12	400	400
		<u>43,242</u>	<u>37,980</u>
Current assets			
Stocks and work in progress	13	4,366	4,082
Debtors	14	9,350	8,445
Cash at bank and in hand		650	717
		<u>14,366</u>	<u>13,244</u>
Creditors: amounts falling due within one year	15	(23,013)	(20,997)
Net current liabilities		<u>(8,647)</u>	<u>(7,753)</u>
Total assets less current liabilities		<u>34,595</u>	<u>30,227</u>
Creditors: amounts falling due after more than one year	16	(318)	(307)
Provision for liabilities and charges	18	(686)	(672)
		<u>33,591</u>	<u>29,248</u>
Capital and reserves			
Called up share capital	19	1,940	1,940
Capital redemption reserve	20	960	960
Profit and loss account	20	30,691	26,348
		<u>33,591</u>	<u>29,248</u>
Shareholders' funds:			
Equity		33,491	29,148
Non-equity		100	100
		<u>33,591</u>	<u>29,248</u>

Approved by the Board on 22 March 2004

P R Thompson }
S J Staughton } Directors

P.R. Thompson
S.J. Staughton

Group Cash Flow Statement

for the period ended 27 December 2003

	Notes	27.12.2003 £'000	28.12.2002 £'000
Net cash inflow from operating activities	21a	9,896	7,679
Returns on investments and servicing of finance			
Interest received		110	53
Interest paid		(503)	(327)
Preference dividends paid		(5)	(5)
Interest element of finance lease rental payments		(7)	(16)
Net cash outflow from returns on investments and servicing of finance		(405)	(295)
Taxation paid		(2,288)	(2,628)
Capital expenditure			
Purchase of tangible fixed assets		(6,825)	(5,270)
Purchase of intangible fixed assets		(404)	(225)
Sales of tangible fixed assets		49	487
Net cash outflow from capital expenditure		(7,180)	(5,008)
Equity dividends paid		(1,085)	(1,433)
Cash outflow before use of liquid resources and financing		(1,062)	(1,685)
Financing			
Repurchase of own shares		-	(3,059)
Capital element of finance lease rental payments		(135)	(126)
Net cash outflow from financing		(135)	(3,185)
Decrease in cash in the period		(1,197)	(4,870)

Group Cash Flow Statement

for the period ended 27 December 2003

Reconciliation of net cash flow to movement in net debt

		27.12.2003 £'000	28.12.2002 £'000
Decrease in cash		(1,197)	(4,870)
Cash used to repay capital element of finance lease and hire purchase payments		135	126
Change in net debt resulting from cash flows	21b	(1,062)	(4,744)
New finance leases and hire purchase contracts		-	-
Movement in net debt		(1,062)	(4,744)
Opening net debt		(11,398)	(6,654)
Closing net debt	21b	(12,460)	(11,398)

Notes to the accounts

at 27 December 2003

1 Accounting policies

Accounting convention

The accounts are prepared under the historical cost basis and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts incorporate the assets and liabilities of the subsidiary undertakings as at 27 December and the results for the period ended on that date.

The company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present a separate profit and loss account dealing with the results of the company.

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Freehold buildings	-	over 50 years
Long and short leasehold land and buildings	-	over the lease term
Plant, machinery and furniture	-	over 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Stocks and work in progress

This is valued at the lower of cost and net realisable value.

Pensions

The group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The group also operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the accounts

at 27 December 2003

1 Accounting policies (continued)

Goodwill

Goodwill is the difference between the cost of an acquired entity (including public houses) and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Goodwill arising on acquisitions is capitalised in the balance sheet at cost and amortised over its estimated useful economic life of up to 20 years.

Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Related party transactions

The company has relied upon the exemption provided by FRS 8 and has not therefore disclosed transactions with its subsidiary company.

2 Turnover

This represents sales in the United Kingdom net of value added tax.

3 Distribution and administrative costs

	27.12.2003 £'000	28.12.2002 £'000
Distribution costs	2,833	2,371
Administrative costs	19,610	18,861
	<u>22,443</u>	<u>21,232</u>

4 Operating profit

This has been arrived at after charging/(crediting):

	27.12.2003 £'000	28.12.2002 £'000
Depreciation of owned fixed assets	1,712	1,551
Depreciation of assets held under finance leases and hire purchase contracts	131	133
Amortisation of goodwill	15	7
Auditors' remuneration - Audit	22	20
- Other services	8	8
Rent receivable from properties	<u>(1,837)</u>	<u>(1,606)</u>

Notes to the accounts

at 27 December 2003

5 Directors and other employees

Remuneration of directors

	27.12.2003 £'000	28.12.2002 £'000
Directors' emoluments	252	238
Employer's pension contributions	25	16

In addition £17,396 (2002 - £16,563) 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 £94,036 (2002 - £86,403) with employer's pension contributions of £13,570 (2002 - £8,526).

	27.12.2003 No.	28.12.2002 No.
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2

The average number of persons employed by the group during the period was as follows:

	27.12.2003 No.	28.12.2002 No.
At the brewery and depots	274	249
At hotels and public houses	908	885
	1,182	1,134

Staff costs include the following:

	27.12.2003 £'000	28.12.2002 £'000
Wages and salaries	11,838	10,937
Social security costs	863	715
Other pension costs	786	1,180
	13,487	12,832

Notes to the accounts

at 27 December 2003

6 Interest payable and similar charges

	27.12.2003 £'000	28.12.2002 £'000
Bank overdraft	496	330
Finance charges payable under finance leases and hire purchase contracts	7	16
Other loans	7	6
	<u>510</u>	<u>352</u>

7 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	27.12.2003 £'000	28.12.2002 £'000
<i>Current tax:</i>		
UK corporation tax	2,498	2,319
Tax overprovided in previous years	(53)	(38)
Total current tax	<u>2,445</u>	<u>2,281</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	15	38
Group deferred tax	<u>15</u>	<u>38</u>
Tax on profit on ordinary activities	<u>2,460</u>	<u>2,319</u>

Notes to the accounts

at 27 December 2003

7 Taxation (continued)

(b) Factors affecting current tax charge

	27.12.2003 £'000	28.12.2002 £'000
Profit on ordinary activities before tax	8,027	7,518
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2002 - 30.00%)	2,408	2,255
Effect of:		
Disallowed expenses and non-taxable income	73	105
Capital allowances in excess of depreciation	(19)	(14)
Other timing differences	1	-
Adjustments in respect of previous periods	(53)	(38)
Other	35	3
Utilisation of capital losses	-	(30)
Current tax charge for the period	2,445	2,281

8 Dividends

	27.12.2003 £'000	28.12.2002 £'000
Equity dividends on ordinary shares:		
Interim paid - 23p (2002 - 21p)	423	386
Final proposed - 38p (2002 - 36p)	699	662
	1,122	1,048
Non-equity dividends on 5% preference shares:		
Interim paid	2	2
Final paid	3	3
	5	5
	1,127	1,053

Notes to the accounts

at 27 December 2003

9 Intangible fixed assets

Group and Company

Goodwill
£'000

Cost:

At 29 December 2002

225

Additions

404

At 27 December 2003

629

Amortisation:

At 29 December 2002

7

Charge for the period

15

At 27 December 2003

22

Net book value:

At 27 December 2003

607

At 28 December 2002

218

10 Tangible fixed assets

Group

Land and buildings

Plant,
machinery
& furniture
etc

Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000	Total £'000
-------------------	----------------------------	-----------------------------	-------	----------------

Cost:

At 29 December 2002

30,394

977

1,087

20,112

52,570

Additions

4,182

-

300

2,343

6,825

Transfers

602

(602)

-

-

-

Disposals

-

-

-

(240)

(240)

At 27 December 2003

35,178

375

1,387

22,215

59,155

Depreciation:

At 29 December 2002

249

42

257

13,837

14,385

Charge for the period

80

3

34

1,726

1,843

Transfers

34

(34)

-

-

-

Disposals

-

-

-

(139)

(139)

At 27 December 2003

363

11

291

15,424

16,089

Net book value

At 27 December 2003

34,815

364

1,096

6,791

43,066

At 28 December 2002

30,145

935

830

6,275

38,185

Notes to the accounts

at 27 December 2003

10 Tangible fixed assets (continued)

The net book value of plant, machinery and furniture etc includes an amount of £39,000 (2002 : £170,000) in respect of assets held under finance leases and hire purchase contracts.

Company

	Land and buildings			Plant, machinery & furniture etc	Total
	Freehold £'000	Long leasehold £'000	Short Leasehold £'000	£'000	£'000
Cost:					
At 29 December 2002	29,769	980	1,087	19,343	51,179
Additions	4,182	-	300	2,299	6,781
Transfers	602	(602)	-	-	-
Disposals	-	-	-	(240)	(240)
At 27 December 2003	34,553	378	1,387	21,402	57,720
Depreciation:					
At 29 December 2002	242	42	257	13,276	13,817
Charge for the period	78	3	34	1,692	1,807
Transfers	34	(34)	-	-	-
Disposals	-	-	-	(139)	(139)
At 27 December 2003	354	11	291	14,829	15,485
Net book value:					
At 27 December 2003	34,199	367	1,096	6,573	42,235
At 28 December 2002	29,527	938	830	6,067	37,362

The net book value of plant, machinery and furniture etc includes an amount of £39,000 (2002 : £170,000) in respect of assets held under finance leases and hire purchase contracts.

11 Future capital expenditure

	27.12.2003 £'000	28.12.2002 £'000
Capital expenditure on fixed assets authorised by the directors at the period end but not provided for in the accounts was as follows:		
Contracts placed	1,328	2,275

Notes to the accounts

at 27 December 2003

12 Investments

Company

*Subsidiary
undertakings
£'000*

Cost and net book value:

At 29 December 2002 and 27 December 2003

400

Details of the subsidiaries are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Great Western Hotel (Newquay) Ltd	Ordinary shares	100%	Hotel Operator
Walter Hicks Limited	Ordinary shares	100%	Dormant
Drinklink Limited	Ordinary shares	100%	Dormant

The subsidiaries are all directly owned by the company.

13 Stocks and work in progress

	<i>Group</i>		<i>Company</i>	
	<i>27.12.2003</i>	<i>28.12.2002</i>	<i>27.12.2003</i>	<i>28.12.2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	248	265	248	263
Work in progress	9	12	9	12
Finished goods and goods for resale	4,126	3,823	4,109	3,807
	<u>4,383</u>	<u>4,100</u>	<u>4,366</u>	<u>4,082</u>

In the opinion of the directors, the difference between purchase price or production cost of stock and their replacement cost is not material.

Notes to the accounts

at 27 December 2003

14 Debtors

	<i>Group</i>		<i>Company</i>	
	27.12.2003	28.12.2002	27.12.2003	28.12.2002
	£'000	£'000	£'000	£'000
Amounts falling due within 1 year:				
Trade debtors	6,922	5,765	6,894	5,733
Other debtors	1,007	1,048	1,007	1,048
Prepayments and accrued income	604	584	598	580
	<u>8,533</u>	<u>7,397</u>	<u>8,499</u>	<u>7,361</u>
Amounts falling due after 1 year:				
Trade loans	851	1,084	851	1,084
	<u>9,384</u>	<u>8,481</u>	<u>9,350</u>	<u>8,445</u>

15 Creditors : amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	27.12.2003	28.12.2002	27.12.2003	28.12.2002
	£'000	£'000	£'000	£'000
Bank overdraft	13,123	12,017	13,123	12,017
Obligations under finance leases and hire purchase contracts (note 17)	23	135	23	135
Trade creditors	4,712	3,999	4,675	3,957
Amounts owed to subsidiary undertaking	-	-	1,409	1,325
Corporation tax	1,380	1,223	1,357	1,178
Other taxation and social security	1,209	1,111	1,173	1,069
Accruals and deferred income	554	654	554	654
Dividends - final proposed	699	662	699	662
	<u>21,700</u>	<u>19,801</u>	<u>23,013</u>	<u>20,997</u>

The company has entered into a cross guarantee with the operating subsidiary in respect of the overdraft.

16 Creditors: amounts falling due after more than one year

	27.12.2003	28.12.2002	27.12.2003	28.12.2002
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts (note 17)	-	23	-	23
Tenants deposits	318	284	318	284
	<u>318</u>	<u>307</u>	<u>318</u>	<u>307</u>

The deposits become repayable on demand once the tenancy changes.

Notes to the accounts

at 27 December 2003

17 Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	27.12.2003	28.12.2002
<i>Group & Company</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable:		
Within one year	24	143
In two to five years	-	23
	<u>24</u>	<u>166</u>
Less: Finance charges allocated to future periods	(1)	(8)
	<u>23</u>	<u>158</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	23	135
Non-current obligations	-	23
	<u>23</u>	<u>158</u>

18 Provisions for liabilities and charges

	<i>Group</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>
Deferred taxation:		
At 29 December 2002	781	672
Arising during the period	15	14
	<u>796</u>	<u>686</u>
At 27 December 2003		

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided</i>		<i>Not Provided</i>	
	<i>27.12.2003</i>	<i>28.12.2002</i>	<i>27.12.2003</i>	<i>28.12.2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	699	683	-	-
Capital gains tax rolled over	97	98	-	-
	<u>796</u>	<u>781</u>	<u>-</u>	<u>-</u>

Notes to the accounts

at 27 December 2003

18 Provisions for liabilities and charges (continued)

Company	Provided		Not Provided	
	27.12.2003	28.12.2002	27.12.2003	28.12.2002
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	589	574	-	-
Capital gains tax rolled over	97	98	-	-
	<u>686</u>	<u>672</u>	<u>-</u>	<u>-</u>

19 Called up share capital

	Authorised	
	27.12.2003	28.12.2002
	£'000	£'000
Ordinary shares of £1 each	2,800	2,800
5% preference shares of £1 each	100	100
Non-designated shares	50	50
	<u>2,950</u>	<u>2,950</u>

	Allotted, called up and fully paid			
	27.12.2003	28.12.2002	27.12.2003	28.12.2002
	thousands	thousands	£'000	£'000
Ordinary shares of £1 each	1,840	1,840	1,840	1,840
5% preference shares of £1 each	100	100	100	100
A Share of £1 each (one issued)	-	-	-	-
	<u>1,940</u>	<u>1,940</u>	<u>1,940</u>	<u>1,940</u>

The preference shares carry the right to a fixed cumulative preferential dividend of 5%. On a winding up of the company, the preference shareholders have a right to receive, in priority to payments to ordinary shareholders, £1 per share plus any accrued dividend.

The preference shares carry no votes at meetings unless the dividend thereon is six months or more in arrears or the business of the meeting includes a resolution for the winding up of the company, reducing its share capital or altering the Articles to affect their rights in which event, each holder will be entitled to one vote on a show of hands or one vote per share on a poll.

The A share carries no rights to dividends. On winding up of the company the A Shareholder is entitled to compensation in priority to the ordinary shareholders under article 15A of the company's articles of association.

Notes to the accounts

at 27 December 2003

20 Reconciliation of shareholders' funds and movement on reserves

<i>Group</i>	<i>Share Capital £'000</i>	<i>Capital Redemption Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 January 2002	2,194	706	26,885	29,785
Profit for the period	-	-	5,199	5,199
Dividends	-	-	(1,053)	(1,053)
Arising on purchase of own shares	(254)	254	(3,059)	(3,059)
At 28 December 2002	1,940	960	27,972	30,872
Profit for the period	-	-	5,567	5,567
Dividends	-	-	(1,127)	(1,127)
At 27 December 2003	1,940	960	32,412	35,312

<i>Company</i>	<i>Share Capital £'000</i>	<i>Capital Redemption Reserve £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 January 2002	2,194	706	25,413	28,313
Profit for the period	-	-	5,047	5,047
Dividends	-	-	(1,053)	(1,053)
Arising on purchase of own shares	(254)	254	(3,059)	(3,059)
At 28 December 2002	1,940	960	26,348	29,248
Profit for the period	-	-	5,470	5,470
Dividends	-	-	(1,127)	(1,127)
At 27 December 2003	1,940	960	30,691	33,591

Notes to the accounts

at 27 December 2003

21 Notes to the group cash flow statement

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

	27.12.2003 £'000	28.12.2002 £'000
Operating profit	8,427	7,817
Depreciation	1,843	1,684
Amortisation of goodwill	15	7
Loss/(profit) on sale of fixed assets	52	(102)
Increase in stock	(283)	(788)
Increase in debtors	(903)	(1,443)
Increase in creditors	745	504
Net cash inflow from operating activities	<u>9,896</u>	<u>7,679</u>

(b) Analysis of changes in net debt

	At 29.12.2002 £'000	Cash flows £'000	At 27.12.2003 £'000
Cash at bank and in hand	777	(91)	686
Overdraft	(12,017)	(1,106)	(13,123)
Finance leases and hire purchase contracts	(158)	135	(23)
	<u>(11,398)</u>	<u>(1,062)</u>	<u>(12,460)</u>

22 Pensions

The company operates a pension scheme for the benefit of employees at the brewery and depots and for managed house managers. The defined benefit section of the scheme was closed to new members from 30 June 2001. On 1 March 2002, the company set up a separate defined contribution section of the scheme to cater for new employees.

The defined benefit section of the scheme is funded by the payment of contributions to a separately administered trust fund. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The last full actuarial valuation was carried out as at 31 December 2001. The valuation at that date stated that the market value of the scheme assets was £15,028,000 and would be sufficient to cover 87% of the liabilities arising.

In accordance with the advice of the actuary following the results of the above valuation, the contributions of the company have been made at 16.1% of pensionable earnings. The employee contribution rate also was increased from 5% to 7% of pensionable salary from this date. In addition, the company made a special contribution of £150,000 during the period in order to reduce the scheme deficit.

Notes to the accounts

at 27 December 2003

22 Pensions (continued)

The transitional arrangements of the new accounting standard FRS 17 'Retirement Benefits' requires disclosure of assets and liabilities as at 27 December 2003 calculated in accordance with the requirements of FRS 17. For the purpose of these financial statements, these figures are illustrative only and do not impact on the actual 27 December 2003 balance sheet. The assets of the scheme have been stated at their market value at 27 December 2003 and the liabilities have been calculated using the following actuarial assumptions:

Valuation method	% per annum Projected unit		
	2003	2002	2001
Rate of return on investments	6.50	6.30	5.75
Rate of salary increases	3.50	3.50	3.50
Rate of pension increases	3.00	3.00	3.00
Inflation rate	2.75	2.50	2.50
Discount rate	5.50	5.40	5.75

As a result of the closure to new members of the defined benefit section of the pension scheme, under the projected unit valuation method the current service cost will increase as the members of the scheme approach retirement.

Based on the assumptions above, the illustrative balance sheet figures are as follows:

	Value at 27 December 2003 £'000	Value at 28 December 2002 £'000	Value at 31 December 2001 £'000
Equities	13,490	10,335	11,903
Bonds	2,267	1,897	2,148
Other	1,043	1,399	902
Total market value of assets	16,800	13,631	14,953
Present value of scheme liabilities	20,032	19,358	18,100
Deficit in the scheme	(3,232)	(5,727)	(3,147)
Related deferred tax asset	970	1,718	944
Net pension deficit	(2,262)	(4,009)	(2,203)

Notes to the accounts

at 27 December 2003

22 Pensions (continued)

	<i>Group</i> <i>27 December 2003</i> <i>£'000</i>	<i>Group</i> <i>28 December 2002</i> <i>£'000</i>
<i>Net assets</i>		
Net assets excluding pension deficit	35,312	30,872
Net pension deficit	(2,262)	(4,009)
Net assets including pension deficit	<u>33,050</u>	<u>26,863</u>
<i>Reserves</i>		
Profit and loss reserve excluding pension asset	32,412	27,972
Net pension deficit	(2,262)	(4,009)
Profit and loss reserve	<u>30,150</u>	<u>23,963</u>

The impact of the net pension deficit on the results of the Group had FRS17 been fully implemented would be as follows:

	<i>Group</i> <i>2003</i> <i>£'000</i>	<i>Group</i> <i>2002</i> <i>£'000</i>
Components of the defined benefit cost:		
Current service cost	(415)	(395)
Total operating charge	<u>(415)</u>	<u>(395)</u>
Expected return on pension scheme assets	869	975
Interest on pension scheme liabilities	(1,038)	(1,040)
Total other finance costs	<u>(169)</u>	<u>(65)</u>
Total illustrative charge to the profit and loss account	<u>(584)</u>	<u>(460)</u>

Notes to the accounts

at 27 December 2003

22 Pension scheme (continued)

Illustration of amount recognised in the statement of total recognised gains and losses

	<i>Group</i> 2003	<i>Group</i> 2002
Difference between the expected and actual return on pension scheme assets:		
Amount (£000)	1,885	(3,040)
Percentage of scheme assets	11%	22%
Experience losses arising on scheme liabilities:		
Amount (£000)	-	(45)
Percentage of the present value of the scheme liabilities	0%	0%
Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities:		
Amount (£000)	423	(187)
Total illustrative gain/(loss) recognised in the statement of total recognised gains and losses:		
Amount (£000)	2,308	(3,272)
Percentage of the present value of the scheme liabilities	12%	17%
Analysis of movements in the deficit during the year:		
	<i>Group</i> 2003 £'000	<i>Group</i> 2002 £'000
At 28 December 2002/31 December 2001	(5,727)	(3,147)
Total operating charge	(415)	(395)
Total other finance costs	(169)	(65)
Actuarial gain/(loss)	2,308	(3,272)
Contributions	771	1,152
At 27 December 2003/28 December 2002	<u>(3,232)</u>	<u>(5,727)</u>