

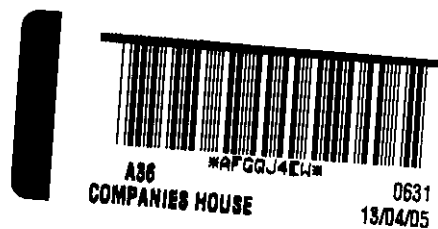
107021

St Austell Brewery Company Limited

Report and Financial Statements

1 January 2005

 **ERNST & YOUNG**



ANNUAL REPORT AND ACCOUNTS

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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
EX4 3YR

Registered Office

The Brewery
St Austell
Cornwall
PL25 4BY

Notice of Meeting

Notice is hereby given that the Ninety-Fourth Annual General Meeting of the company will be held at the registered office, The Brewery, St Austell, Cornwall on 6th May 2005 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 1 January 2005.
2. To declare a dividend on the ordinary shares.
3. To elect G H Barnes as a director of the company.
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
11 April 2005

 ERNST & YOUNG

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

In my interim statement to shareholders in September I reported a decrease in net profit of £167,000, the first reduction for over ten years. I am particularly pleased therefore that our year-end figure is up from last year's record £8,027,000 to £8,280,000 an increase of just over 3%. Your Directors are proposing an increase of 3p for the final dividend to 41p making a total for the year of 64p against last year's payment of 61p.

Turnover for the year to 1 January 2005 at £78,029,000 was 6% up on the previous year and all trading departments participated in this increase. For the third successive year sales of our own ales increased by over 10% and Tribute, our best selling ale, continues to grow in popularity both in our own home territory as well as nationally.

Our managed estate increased turnover by over 5% and exceeded the net profit of last year. Three houses previously under management were converted to tenancy during the year and our managed estate is now thirty-six houses. The major alterations to The County Arms, Truro have proved highly successful and we have been able to buy an adjacent site giving us room for further expansion in the future as well as extra car parking. Since the year-end we have completed a major refurbishment at our largest managed house The Central in Newquay. It reopened on time at the beginning of March and trade since has been most encouraging. Our tenanted estate, helped in part by the additional houses passed from management, has increased its contribution by 14%. During the year we purchased the freehold of The White Horse, Launceston and since the year-end The Kings Arms, Tregony. Both have joined the tenanted estate.

Free trade had another record year and, as forecast in my last year's statement, distribution costs at our Cullompton depot were further reduced whilst volumes were maintained. We have been considering amalgamating our depots at Falmouth and Hayle for a number of years and a suitable site adjacent to the main A30 on the outskirts of Redruth became available. This was purchased in the autumn and following minor alterations was opened in January and the two former depots have been closed while we consider alternative uses for these sites.

During the year we received notification from the suppliers of our main IT system that they will no longer be supporting our existing system beyond 2007. As a result we have initiated a detailed review of our processes and procedures to ensure that our replacement IT system will be appropriate to cope with the future opportunities and challenges that we are likely to face. This will be a major investment but we are confident that it will ensure that we are better able to manage our business in the foreseeable future.

On the personnel side I am delighted to report that Gerard Barnes has agreed to join us as a Non-Executive Director. Gerard, as many of you will know, is the grandson of Egbert Barnes, our former Chairman for over forty years. He is a chartered accountant having qualified with KPMG and has recently been working in corporate finance for Barclays Bank as Leveraged Finance Director. I am also pleased to report that Jeremy Mitchell has joined us as Head of Marketing. Since leaving university his entire career has been in marketing working for various national companies. His most recent position was as senior brand consultant with Zurich Financial Services.

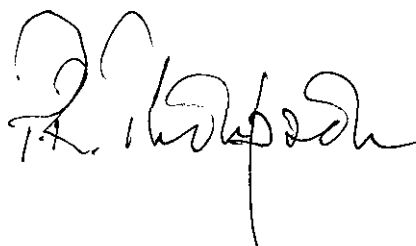
Pension commitments continue to be an issue of concern. Last year we reported a fall in the deficit on the scheme from £4,009,000 to £2,262,000. This year the deficit has increased back to £3,715,000 principally due to changes in actuarial assumptions on matters such as life expectancy. We await the results of the triennial valuation carried out by an independent qualified actuary as at 31 December 2004. It is almost certain that increased contributions will have to be made in the future.

Chairman's Statement

Looking to the year ahead the first two months have been in line with last year and our forecast. There are mixed reports on forward bookings. We face continued expenditure from the ever-increasing Government legislation and particularly this year arising from the new Licensing Act. Our public houses however will not be opening twenty-four hours a day. We are well prepared to take advantage of any opportunities that occur from the new legislation.

As usual I conclude with my sincere thanks to all in the Company who have worked so hard to achieve another encouraging year.

P R Thompson
Chairman
17 March 2005



Directors' Report

The directors present their report and accounts for the period ended 1 January 2005.

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 22 October 2004. The directors recommend that a final dividend of 41p be paid on the ordinary shares.

Charitable donations

The company made charitable donations during the period of £13,270.

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:

	Ordinary Shares				Preference shares	
	1 January		28 December		1 January	28 December
	2005		2003		2005	2003
	Non-		Non-			
	Beneficial	beneficial	Beneficial	beneficial		
P R Thompson	73,830	92,071	65,861	114,238	50	50
P P Voelcker	75,435	158,677	73,926	193,945	1,677	1,677
T A Luck	3,940	-	3,940	-	-	-
S J Staughton	35,114	-	18,443	-	-	-
W F Michelmores	13,150	54,656	13,150	69,656	-	-
J B Neame	548	-	525	-	-	-

Repurchase of own shares

On 2 December 2004, the company purchased 92,000 of its allotted £1 Ordinary shares for a consideration of £1,380,000 plus associated legal costs of £6,000.

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
17 March 2005

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 1 January 2005 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.

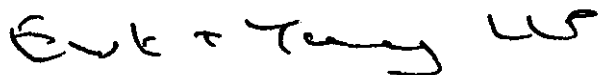
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1 January 2005 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
Registered Auditor
Exeter
17 March 2005

Group profit and loss account

for the 53 weeks ended 1 January 2005

	Notes	1.1.2005 (53 weeks) £'000	27.12.2003 (52 weeks) £'000
Turnover	2	78,029	73,390
Cost of sales		(45,066)	(42,520)
Gross profit		32,963	30,870
Distribution and administration costs	3	(24,128)	(22,443)
Operating profit	4	8,835	8,427
Interest receivable		48	110
Interest payable and similar charges	6	(603)	(510)
Profit on ordinary activities before taxation		8,280	8,027
Tax on profit on ordinary activities	7	(2,535)	(2,460)
Profit on ordinary activities after taxation		5,745	5,567
Dividends on equity and non-equity shares	8	(1,145)	(1,127)
Profit retained for the financial period		4,600	4,440

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

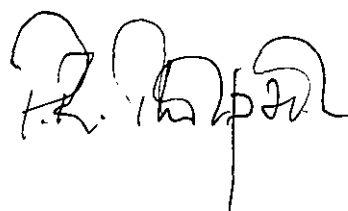
Group Balance Sheet

at 1 January 2005

	Notes	1.1.2005 £'000	27.12.2003 £'000
Fixed assets			
Intangible assets	9	528	607
Tangible assets	10	45,472	43,066
		<u>46,000</u>	<u>43,673</u>
Current assets			
Stocks and work in progress	13	4,005	4,383
Debtors	14	9,921	9,384
Cash at bank and in hand		843	686
		<u>14,769</u>	<u>14,453</u>
Creditors: amounts falling due within one year	15	(21,112)	(21,700)
Net current liabilities		<u>(6,343)</u>	<u>(7,247)</u>
Total assets less current liabilities		<u>39,657</u>	<u>36,426</u>
Creditors: amounts falling due after more than one year	16	(351)	(318)
Provision for liabilities and charges	18	(780)	(796)
		<u>38,526</u>	<u>35,312</u>
Capital and reserves			
Called up share capital	19	1,848	1,940
Capital redemption reserve	20	1,052	960
Profit and loss account	20	35,626	32,412
		<u>38,526</u>	<u>35,312</u>
Shareholders' funds:			
Equity		38,426	35,212
Non-equity		100	100
		<u>38,526</u>	<u>35,312</u>

Approved by the Board on 17 March 2005.

P R Thompson)
S J Staughton) Directors



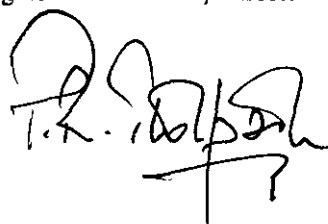
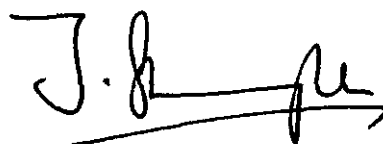

Company Balance Sheet

at 1 January 2005

	Notes	1.1.2005 £'000	27.12.2003 £'000
Fixed assets			
Intangible assets	9	528	607
Tangible assets	10	44,627	42,235
Investments	12	400	400
		<u>45,555</u>	<u>43,242</u>
Current assets			
Stocks and work in progress	13	3,988	4,366
Debtors	14	9,893	9,350
Cash at bank and in hand		798	650
		<u>14,679</u>	<u>14,366</u>
Creditors: amounts falling due within one year	15	(22,445)	(23,013)
Net current liabilities		<u>(7,766)</u>	<u>(8,647)</u>
Total assets less current liabilities		<u>37,789</u>	<u>34,595</u>
Creditors: amounts falling due after more than one year	16	(351)	(318)
Provision for liabilities and charges	18	(664)	(686)
		<u>36,774</u>	<u>33,591</u>
Capital and reserves			
Called up share capital	19	1,848	1,940
Capital redemption reserve	20	1,052	960
Profit and loss account	20	33,874	30,691
		<u>36,774</u>	<u>33,591</u>
Shareholders' funds:			
Equity		36,674	33,491
Non-equity		100	100
		<u>36,774</u>	<u>33,591</u>

Approved by the Board on 17 March 2005.

P R Thompson }
S J Staughton } Directors

Group Cash Flow Statement

for the 53 weeks ended 1 January 2005

	Notes	1.1.2005 (53 weeks) £'000	27.12.2003 (52 weeks) £'000
Net cash inflow from operating activities	21a	10,964	9,896
Returns on investments and servicing of finance			
Interest received		48	110
Interest paid		(603)	(503)
Preference dividends paid		(5)	(5)
Interest element of finance lease rental payments		-	(7)
Net cash outflow from returns on investments and servicing of finance		(560)	(405)
Taxation paid		(2,520)	(2,288)
Capital expenditure			
Purchase of tangible fixed assets		(4,666)	(6,825)
Purchase of intangible fixed assets		(50)	(404)
Sales of tangible fixed assets		247	49
Net cash outflow from capital expenditure		(4,469)	(7,180)
Equity dividends paid		(1,122)	(1,085)
Cash outflow before use of liquid resources and financing		2,293	(1,062)
Financing			
Repurchase of own shares		(1,386)	-
Capital element of finance lease rental payments		(23)	(135)
Net cash outflow from financing		(1,409)	(135)
Increase/(decrease) in cash in the period		884	(1,197)

Group Cash Flow Statement

for the 53 weeks ended 1 January 2005

Reconciliation of net cash flow to movement in net debt

		1.1.2005 £'000	27.12.2003 £'000
Increase/(decrease) in cash		884	(1,197)
Cash used to repay capital element of finance lease and hire purchase payments		23	135
Change in net debt resulting from cash flows	21b	907	(1,062)
New finance leases and hire purchase contracts		-	-
Movement in net debt		907	(1,062)
Opening net debt		(12,460)	(11,398)
Closing net debt	21b	(11,553)	(12,460)

Notes to the accounts

at 1 January 2005

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 1 January 2005 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 1 January 2005

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 is amortised over its estimated useful life of between 3 and 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

	1.1.2005 £'000	27.12.2003 £'000
Distribution costs	3,017	2,833
Administrative costs	21,111	19,610
	<u>24,128</u>	<u>22,443</u>

4 Operating profit

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

	1.1.2005 £'000	27.12.2003 £'000
Depreciation of owned fixed assets	1,935	1,712
Depreciation of assets held under finance leases and hire purchase contracts	39	131
Amortisation of goodwill	129	15
Auditors' remuneration - Audit	24	22
- Other services	8	8
Rent receivable from properties	(2,073)	(1,837)

Notes to the accounts

at 1 January 2005

5 Directors and other employees

Remuneration of directors

	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>
Directors' emoluments	255	252
Employer's pension contributions	27	25
	<u>282</u>	<u>277</u>

In addition £19,055 (2003 - £17,396) 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 £97,386 (2003 - £94,036) with employer's pension contributions of £14,532 (2003 - £13,570).

	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>No.</i>	<i>No.</i>
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2
	<u>2</u>	<u>2</u>

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

	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>No.</i>	<i>No.</i>
At the brewery and depots	279	274
At hotels and public houses	869	908
	<u>1,148</u>	<u>1,182</u>

Staff costs include the following:

	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	12,562	11,838
Social security costs	950	863
Other pension costs	637	786
	<u>14,149</u>	<u>13,487</u>

Notes to the accounts

at 1 January 2005

6 Interest payable and similar charges

	1.1.2005 £'000	27.12.2003 £'000
Bank overdraft	593	496
Finance charges payable under finance leases and hire purchase contracts	-	7
Other loans	10	7
	<u>603</u>	<u>510</u>

7 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	1.1.2005 £'000	27.12.2003 £'000
<i>Current tax:</i>		
UK corporation tax	2,623	2,498
Adjustments in respect of prior periods	(72)	(53)
Total current tax	<u>2,551</u>	<u>2,445</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(16)	15
Group deferred tax	<u>(16)</u>	<u>15</u>
Tax on profit on ordinary activities	<u>2,535</u>	<u>2,460</u>

Notes to the accounts

at 1 January 2005

7 Taxation (continued)

(b) Factors affecting current tax charge

	1.1.2005 £'000	27.12.2003 £'000
Profit on ordinary activities before tax	8,280	8,027
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	2,484	2,408
Effect of:		
Disallowed expenses and non-taxable income	95	73
Capital allowances in excess of depreciation	19	(19)
Other timing differences	-	1
Adjustments in respect of previous periods	(72)	(53)
Other	25	35
Current tax charge for the period	2,551	2,445

8 Dividends

	1.1.2005 £'000	27.12.2003 £'000
Equity dividends on ordinary shares:		
Interim paid - 23p (2003 - 23p)	423	423
Final proposed - 41p (2003 - 38p)	717	699
	1,140	1,122
Non-equity dividends on 5% preference shares:		
Interim paid	2	2
Final paid	3	3
	5	5
	1,145	1,127

Notes to the accounts

at 1 January 2005

9 Intangible fixed assets

Group and Company

Goodwill
£'000

Cost:

At 28 December 2003

629

Additions

50

At 1 January 2005

679

Amortisation:

At 28 December 2003

22

Charge for the period

129

At 1 January 2005

151

Net book value:

At 1 January 2005

528

At 27 December 2003

607

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 28 December 2003	35,178	375	1,387	22,215	59,155
Additions	3,049	-	19	1,598	4,666
Disposals	(143)	-	-	(471)	(614)
At 1 January 2005	38,084	375	1,406	23,342	63,207
Depreciation:					
At 28 December 2003	363	11	291	15,424	16,089
Charge for the period	90	2	39	1,843	1,974
Disposals	-	-	-	(328)	(328)
At 1 January 2005	453	13	330	16,939	17,735
Net book value					
At 1 January 2005	37,631	362	1,076	6,403	45,472
At 27 December 2003	34,815	364	1,096	6,791	43,066

Notes to the accounts

at 1 January 2005

10 Tangible fixed assets (continued)

The net book value of plant, machinery and furniture etc includes an amount of £Nil (2003 : £39,000) in respect of assets held under finance leases and hire purchase contracts.

Company

	<i>Land and buildings</i>			<i>Plant, machinery & furniture etc</i>	
	<i>Freehold</i>	<i>Long leasehold</i>	<i>Short Leasehold</i>		<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 28 December 2003	34,553	378	1,387	21,402	57,720
Additions	3,049	-	19	1,546	4,614
Disposals	(143)	-	-	(471)	(614)
At 1 January 2005	37,459	378	1,406	22,477	61,720
Depreciation:					
At 28 December 2003	354	11	291	14,829	15,485
Charge for the period	88	2	39	1,807	1,936
Disposals	-	-	-	(328)	(328)
At 1 January 2005	442	13	330	16,308	17,093
Net book value:					
At 1 January 2005	37,017	365	1,076	6,169	44,627
At 27 December 2003	34,199	367	1,096	6,573	42,235

The net book value of plant, machinery and furniture etc includes an amount of £Nil (2003 : £39,000) in respect of assets held under finance leases and hire purchase contracts.

11 Future capital expenditure

	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>
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	1,595	1,328

Notes to the accounts

at 1 January 2005

12 Investments

Company

*Subsidiary
undertakings
£'000*

Cost and net book value:

At 28 December 2003 and 1 January 2005

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>1.1.2005</i>	<i>27.12.2003</i>	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	248	248	248	248
Work in progress	13	9	13	9
Finished goods and goods for resale	3,744	4,126	3,727	4,109
	<u>4,005</u>	<u>4,383</u>	<u>3,988</u>	<u>4,366</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 1 January 2005

14 Debtors

	<i>Group</i>		<i>Company</i>	
	<i>1.1.2005</i>	<i>27.12.2003</i>	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts falling due within 1 year:				
Trade debtors	7,872	6,922	7,851	6,894
Other debtors	673	1,007	672	1,007
Prepayments and accrued income	721	604	715	598
	<u>9,266</u>	<u>8,533</u>	<u>9,238</u>	<u>8,499</u>
Amounts falling due after 1 year:				
Trade loans	655	851	655	851
	<u>9,921</u>	<u>9,384</u>	<u>9,893</u>	<u>9,350</u>

15 Creditors : amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1.1.2005</i>	<i>27.12.2003</i>	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdraft	12,396	13,123	12,396	13,123
Obligations under finance leases and hire purchase contracts (note 17)	-	23	-	23
Trade creditors	4,582	4,712	4,521	4,675
Amounts owed to subsidiary undertaking	-	-	1,439	1,409
Corporation tax	1,411	1,380	1,408	1,357
Other taxation and social security	1,311	1,209	1,269	1,173
Accruals and deferred income	695	554	695	554
Dividends - final proposed	717	699	717	699
	<u>21,112</u>	<u>21,700</u>	<u>22,445</u>	<u>23,013</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

	<i>1.1.2005</i>	<i>27.12.2003</i>	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Tenants deposits	<u>351</u>	<u>318</u>	<u>351</u>	<u>318</u>

The deposits become repayable on demand once the tenancy changes.

Notes to the accounts

at 1 January 2005

17 Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	1.1.2005	27.12.2003
<i>Group & Company</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable:		
Within one year	-	24
In two to five years	-	-
	-	24
Less: Finance charges allocated to future periods	-	(1)
	-	23
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	-	23
Non-current obligations	-	-
	-	23

18 Provisions for liabilities and charges

	<i>Group</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>
Deferred taxation:		
At 28 December 2003	796	686
Arising during the period	11	5
Adjustments in respect of prior periods	(27)	(27)
At 1 January 2005	780	664

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

	<i>Provided</i>		<i>Not Provided</i>	
<i>Group</i>	<i>1.1.2005</i>	<i>27.12.2003</i>	<i>1.1.2005</i>	<i>27.12.2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	683	699	-	-
Capital gains tax rolled over	97	97	-	-
	780	796	-	-

Notes to the accounts

at 1 January 2005

18 Provisions for liabilities and charges (continued)

Company	Provided		Not Provided	
	1.1.2005	27.12.2003	1.1.2005	27.12.2003
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	567	589	-	-
Capital gains tax rolled over	97	97	-	-
	<u>664</u>	<u>686</u>	<u>-</u>	<u>-</u>

19 Called up share capital

	Authorised	
	1.1.2005	27.12.2003
	£'000	£'000
Ordinary shares of £1 each	2,850	2,800
5% preference shares of £1 each	100	100
Non-designated shares	-	50
	<u>2,950</u>	<u>2,950</u>

	Allotted, called up and fully paid	
	1.1.2005	27.12.2003
	thousands	thousands
Ordinary shares of £1 each	1,748	1,840
5% preference shares of £1 each	100	100
A Share of £1 each (one issued)	-	-
	<u>1,848</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 5 of the company's articles of association.

On 2 December 2004, the company purchased 92,000 of its allotted £1 Ordinary shares for a consideration of £1,380,000, plus associated legal costs of £6,000.

Notes to the accounts

at 1 January 2005

20 Reconciliation of shareholders' funds and movement on reserves

<i>Group</i>	<i>Share Capital</i> <i>£'000</i>	<i>Capital Redemption Reserve</i> <i>£'000</i>	<i>Profit & Loss Account</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
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
Profit for the period	-	-	5,745	5,745
Dividends	-	-	(1,145)	(1,145)
Arising on purchase of own shares	(92)	92	(1,386)	(1,386)
At 1 January 2005	1,848	1,052	35,626	38,526

<i>Company</i>	<i>Share Capital</i> <i>£'000</i>	<i>Capital Redemption Reserve</i> <i>£'000</i>	<i>Profit & Loss Account</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
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
Profit for the period	-	-	5,714	5,714
Dividends	-	-	(1,145)	(1,145)
Arising on purchase of own shares	(92)	92	(1,386)	(1,386)
At 1 January 2005	1,848	1,052	33,874	36,774

Notes to the accounts

at 1 January 2005

21 Notes to the group cash flow statement

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

	1.1.2005 £'000	27.12.2003 £'000
Operating profit	8,835	8,427
Depreciation	1,974	1,843
Amortisation of goodwill	129	15
Loss on sale of fixed assets	39	52
Decrease/(increase) in stock	378	(283)
Increase in debtors	(537)	(903)
Increase in creditors	146	745
Net cash inflow from operating activities	<u>10,964</u>	<u>9,896</u>

(b) Analysis of changes in net debt

	At 27.12.2003 £'000	Cash flows £'000	At 1.1.2005 £'000
Cash at bank and in hand	686	157	843
Overdraft	(13,123)	727	(12,396)
Finance leases and hire purchase contracts	(23)	23	-
	<u>(12,460)</u>	<u>907</u>	<u>(11,553)</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 remained at 7% of pensionable salary during the year.

Notes to the accounts

at 1 January 2005

22 Pensions (continued)

The transitional arrangements of the new accounting standard FRS 17 'Retirement Benefits' requires disclosure of assets and liabilities as at 1 January 2005 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 1 January 2005 balance sheet. The assets of the scheme have been stated at their market value at 1 January 2005 and the liabilities have been calculated using the following actuarial assumptions:

Valuation method	% per annum		
	Projected unit		
	1.1.2005	27.12.2003	28.12.2002
Rate of return on investments	6.40	6.50	6.30
Rate of salary increases	3.50	3.50	3.50
Rate of pension increases	3.00	3.00	3.00
Inflation rate	2.75	2.75	2.50
Discount rate	5.35	5.50	5.40

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 1.1.2005 £'000	Value at 27.12.2003 £'000	Value at 28.12.2002 £'000
Equities	14,337	13,490	10,335
Bonds	2,920	2,267	1,897
Other	1,385	1,043	1,399
Total market value of assets	18,642	16,800	13,631
Present value of scheme liabilities	23,949	20,032	19,358
Deficit in the scheme	(5,307)	(3,232)	(5,727)
Related deferred tax asset	1,592	970	1,718
Net pension deficit	(3,715)	(2,262)	(4,009)

Notes to the accounts

at 1 January 2005

22 Pensions (continued)

	<i>Group</i> <i>1.1.2005</i> <i>£'000</i>	<i>Group</i> <i>27.12.2003</i> <i>£'000</i>
<i>Net assets</i>		
Net assets excluding pension deficit	38,526	35,312
Net pension deficit	(3,715)	(2,262)
Net assets including pension deficit	<u>34,811</u>	<u>33,050</u>
<i>Reserves</i>		
Profit and loss reserve excluding pension asset	35,626	32,412
Net pension deficit	(3,715)	(2,262)
Profit and loss reserve	<u>31,911</u>	<u>30,150</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>1.1.2005</i> <i>£'000</i>	<i>Group</i> <i>27.12.2003</i> <i>£'000</i>
Components of the defined benefit cost:		
Current service cost	(402)	(415)
Total operating charge	<u>(402)</u>	<u>(415)</u>
Expected return on pension scheme assets	1,097	869
Interest on pension scheme liabilities	(1,102)	(1,038)
Total other finance costs	<u>(5)</u>	<u>(169)</u>
Total illustrative charge to the profit and loss account	<u>(407)</u>	<u>(584)</u>

Notes to the accounts

at 1 January 2005

22 Pension scheme (continued)

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

	<i>Group</i> <i>1.1.2005</i>	<i>Group</i> <i>27.12.2003</i>
Difference between the expected and actual return on pension scheme assets:		
Amount (£000)	497	1,885
Percentage of scheme assets	3%	11%
Experience losses arising on scheme liabilities:		
Amount (£000)		
Percentage of the present value of the scheme liabilities	0%	0%
(Loss)/gain arising from changes in assumptions underlying the present value of scheme liabilities:		
Amount (£000)	(2,778)	423
Total illustrative (loss)/gain recognised in the statement of total recognised gains and losses:		
Amount (£000)	(2,281)	2,308
Percentage of the present value of the scheme liabilities	10%	12%
Analysis of movements in the deficit during the year:		
	<i>Group</i> <i>1.1.2005</i> <i>£'000</i>	<i>Group</i> <i>27.12.2003</i> <i>£'000</i>
At 27 December 2003/28 December 2002	(3,232)	(5,727)
Total operating charge	(402)	(415)
Total other finance costs	(5)	(169)
Actuarial (loss)/gain	(2,281)	2,308
Contributions	613	771
At 1 January 2005/27 December 2003	(5,307)	(3,232)

Five Year Summary

<i>Period/years ended:</i>	<i>1.1.2005</i>	<i>27.12.2003</i>	<i>28.12.2002</i>	<i>31.12.2001</i> <i>(9 months)</i>	<i>31.3.2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
TURNOVER	78,029	73,390	66,485	48,837	50,134
OPERATING PROFIT	8,835	8,427	7,817	6,763	5,757
Net interest	(555)	(400)	(299)	(219)	(266)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8,280	8,027	7,518	6,544	5,491
Tax on profit on ordinary activities	(2,535)	(2,460)	(2,319)	(2,034)	(1,702)
Preference dividends	(5)	(5)	(5)	(5)	(5)
Ordinary dividends	(1,140)	(1,122)	(1,048)	(1,047)	(900)
RETAINED PROFIT	4,600	4,440	4,146	3,458	2,884
STATISTICS					
Earnings per ordinary share	(c) £3.13	£3.03	(b) £2.54	£2.15	(a) £1.71
Dividends per ordinary share	64p	61p	57p	50p	43p
Dividend cover (times)	5.04	4.96	4.96	4.30	4.20

A weighted average number of ordinary shares has to be calculated to represent the buy back of:

- (a) 228,400 ordinary shares on 6 October 2000
- (b) 253,615 ordinary shares on 25 October 2002
- (c) 92,000 ordinary shares on 2 December 2004