St Austell Brewery Company Limited

Report and Financial Statements

31 December 2005

ERNST & YOUNG



St Austell Brewery Company Limited

Registered No: 107021

ANNUAL REPORT AND ACCOUNTS

TABLE OF CONTENTS

	Page
Directors and Other Information	2
Notice of Meeting	3
Chairman's Statement	4
Directors' Report	6
Statement of Directors' Responsibilities in Respect of the Accounts	8
Auditors' Report	9
Group Profit and Loss Account	11
Group Balance Sheet	12
Company Balance Sheet	13
Group Cash Flow Statement	14
Notes to the Accounts	16

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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	
G H Barnes	(appointed 5 May 2005)

Secretary

C J Stratton

Auditors

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

ERNST & YOUNG

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-Fifth Annual General Meeting of the company will be held at the registered office, The Brewery, St Austell, Cornwall on 5 May 2006 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 31 December 2005.

2. To declare a dividend on the ordinary shares.

3. To re-appoint Ernst & Young LLP as auditors for the ensuing year, and to authorise the directors of the company to fix their remuneration.

4. To transact any other ordinary business.

By order of the Board

The Brewery, St Austell, Cornwall, PL25 4BY

C J Stratton
Secretary
10 April 2006

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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 last September I reported a fall in net profit of £154,000. Accordingly I am pleased to report a final pre-tax profit for the twelve months to 31st December 2005 of £8,913,000 as compared to a restated profit of £8,481,000 for the previous twelve months. A change in the accounting treatment of pension costs has however played a part in this increase.

Shareholders will remember at the half-year we maintained the previous year's interim dividend of 23p per share. Your Directors are now proposing an increase of 4p for the final dividend to 45p per share making a total for the calendar year of 68p.

Turnover for the year at £80,410,000 was up 3.1%. This growth was achieved through the free trade and the tenanted estate which in part benefited from a switch of some houses from the managed estate to tenancy. For the fourth successive year sales of our own ales increased, this year by 17.5% with national sales leading this growth at nearly 50%.

During the year four freehold properties have been purchased. In January we bought The Kings Arms at Tregony which, following improvements, is now trading above our expectations. The second, The Who'd Have Thought it Inn at St. Dominic bought in May joins our tenanted estate. The third, The Church House Inn at Churchstow bought in November joins our tenanted estate. The fourth, The Port William at Trebarwith Strand situated overlooking one of northeast Cornwall's finest coves, joined our managed estate in December. Since the year end we have bought three further houses all in Devon. The Hope and Anchor at Hope Cove will be managed and the other two, The Sloop at Bantham and The Crown Inn, Lynton on the north Devon coast will be tenanted. Although no licensed properties have been sold, we did sell the block of flats next to our 5° West, Falmouth. We have also bought two cottages to provide accommodation for our managed properties.

In recent years the trade press have run two annual award ceremonies in London. This year at the Morning Advertiser Awards I am delighted to report that our managed estate won Best Managed House for The Norway Inn, Perranarworthal and Best Premium Bar for The 5° West, Falmouth. The Norway celebrated a double success by being named the Winners of Winners title across all categories in the Westcountry region. The tenanted estate, through The Western Inn, St. Austell won the regional title for Newcomers of the Year and The Victoria Inn, Salcombe won two regional titles for Best Family Pub and Best Gastro Pub. The Company have also been shortlisted in The Publican Awards for Regional Brewer of the Year and Managed Pub Company of the Year. Both these awards are in recognition of the high standards achieved across all parts of our business.

The subject of pensions continues to be a major issue facing the Company. During the year, in addition to the normal Company and members' contributions, a special contribution of £500,000 was made to the scheme. The pension scheme trustees also decided to change the scheme's investment managers and this has already seen an improvement in the investment returns being achieved. However despite the investment improvement and the increased contributions our net pension deficit increased by £86,000 to £3.8 million. We therefore continue to review the appropriateness of our pension arrangements on an ongoing basis.

Last year I reported that we had initiated a detailed review of our processes and procedures in advance of the installation of a new IT system. This review has now been concluded and a number of changes have been initiated which will improve the efficiencies of our operations. A new IT system has been selected and extensive work is being carried out to ensure that we maximise the benefit from its deployment. It is expected that this system will be fully operational by the end of the current financial year.

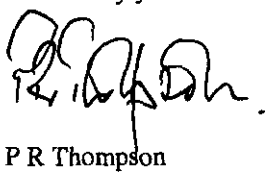
A large part of our senior management time has been taken up in the last year by complying with the legal requirements of the new Licensing Act. It may bring us some benefit during our tourist season but for the rest of the year there will be none and the cost to us of its implementation has exceeded £100,000. We now face more expense arising from the ban on smoking and the consequential effect on trade.

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Chairman's Statement

The first two months of our new year have been much in line with last year but once again there are mixed reports on forward bookings and as ever the vagaries of our English summer will play its part.

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



P R Thompson
Chairman
10 April 2006

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Directors' Report

The directors present their report and accounts for the period ended 31 December 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. The accounting policies are consistent with the previous year except for the adoption of Financial Reporting Standard No 17 "Retirement Benefits", Financial Reporting Standard No 21 "Events after the balance sheet date" and Financial Reporting Standard No 25 "Financial Instruments – Disclosure and Presentation". The prior year has been restated for this implementation. This has resulted in the pension scheme deficit being included on the face of the balance sheet, dividends being recognised on a cash basis and preference shares being shown within creditors due after more than one year (see note 23).

Dividends

An interim dividend of 23p was paid on the ordinary shares on 19 September 2005. The directors recommend that a final dividend of 45p be paid on the ordinary shares.

Charitable donations

The company made charitable donations during the period of £15,706.

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 or subsequent date of appointment 2005		*31 December 2005*		*31 December 2005*	*1 January 2005*
	Beneficial	*Non-beneficial*	*Beneficial*	*Non-beneficial*		
P R Thompson	73,830	92,071	73,830	92,071	50	50
P P Voelcker	75,435	155,787	75,435	158,677	2,694	1,677
T A Luck	3,940	-	3,940	-	-	-
S J Staughton	35,114	-	35,114	-	-	-
W F Michelmore	13,150	54,656	13,150	54,656	-	-
J B Neame	548	-	548	-	-	-
G H Barnes (appointed 5 May 2005)	39,397	-	39,397	-	-	-

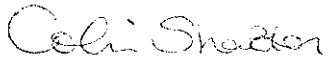
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Directors' Report

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
16 March 2006

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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.

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Independent auditors' report

to the members of St Austell Brewery Company Limited

We have audited the group and parent company's financial statements for the year ended 31 December 2005 which comprise Group profit and loss account, Statement of total recognised gains and losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared under 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and group as at 31 December 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
Exeter
16 March 2006

Group profit and loss account

for the 52 weeks ended 31 December 2005

	Notes	31.12.2005 (52 weeks) £'000	As restated 1.1.2005 (53 weeks) £'000
Turnover	2	80,410	78,029
Cost of sales		(46,936)	(45,066)
Gross profit		33,474	32,963
Distribution and administrative costs	3	(23,977)	(23,917)
Operating profit	4	9,497	9,046
Interest receivable		50	48
Interest payable and similar charges	6	(559)	(608)
Other finance costs – FRS 17		(75)	(5)
Profit on ordinary activities before taxation		8,913	8,481
Tax on profit on ordinary activities	7	(2,683)	(2,597)
Profit on ordinary activities after taxation		6,230	5,884
Dividends on equity shares	8	(1,119)	(1,122)
Profit retained for the financial period		5,111	4,762

Statement of total recognised gains and losses

for the 52 weeks ended 31 December 2005

	31.12.2005 (52 weeks) £'000	As restated 1.1.2005 (53 weeks) £'000
Profit for the financial period	6,230	5,884
Actuarial loss recognised on pension scheme	(637)	(2,281)
Deferred tax relating to actuarial loss on pension scheme	191	684
	5,784	4,287
Prior year adjustment – FRS 17 (note 23)	(3,715)	
Prior year adjustment – FRS 21 (note 23)	717	
Total recognised gains and losses since last annual report	2,786	

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Group Balance Sheet

at 31 December 2005

	Notes	31.12.2005 £'000	As restated 1.1.2005 £'000
Fixed assets			
Intangible assets	9	608	528
Tangible assets	10	49,633	45,472
		50,241	46,000
Current assets			
Stocks and work in progress	13	4,235	4,005
Debtors	14	10,308	9,921
Cash at bank and in hand		832	843
		15,375	14,769
Creditors: amounts falling due within one year	15	(20,406)	(20,395)
Net current liabilities		(5,031)	(5,626)
Total assets less current liabilities		45,210	40,374
Creditors: amounts falling due after more than one year	16	(535)	(451)
Provision for liabilities and charges	17	(781)	(780)
Net assets excluding pension liability		43,894	39,143
Net pension liability	22	(3,801)	(3,715)
Net assets including pension liability		40,093	35,428
Capital and reserves			
Called up share capital	18	1,748	1,748
Capital redemption reserve	19	1,052	1,052
Profit and loss account	19	37,293	32,628
		40,093	35,428

Approved by the Board on 16 March 2006

P R Thompson }
S J Staughton } Directors

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Company Balance Sheet

at 31 December 2005

	Notes	31.12.2005 £'000	As restated 1.1.2005 £'000
Fixed assets			
Intangible assets	9	608	528
Tangible assets	10	48,809	44,627
Investments	12	400	400
		49,817	45,555
Current assets			
Stocks and work in progress	13	4,220	3,988
Debtors	14	10,288	9,893
Cash at bank and in hand		763	798
		15,271	14,679
Creditors: amounts falling due within one year	15	(21,745)	(21,728)
Net current liabilities		(6,474)	(7,049)
Total assets less current liabilities		43,343	38,506
Creditors: amounts falling due after more than one year	16	(535)	(451)
Provision for liabilities and charges	17	(666)	(664)
Net assets excluding pension liability		42,142	37,391
Net pension liability	22	(3,801)	(3,715)
Net assets including pension liability		38,341	33,676
Capital and reserves			
Called up share capital	18	1,748	1,748
Capital redemption reserve	19	1,052	1,052
Profit and loss account	19	35,541	30,876
		38,341	33,676

Approved by the Board on 16 March 2006

P R Thompson }
S J Staughton } Directors

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Group Cash Flow Statement

for the 52 weeks ended 31 December 2005

	Notes	31.12.2005 (52 weeks) £'000	As restated 1.1.2005 (53 weeks) £'000
Net cash inflow from operating activities	21a	11,285	11,031
Returns on investments and servicing of finance			
Interest received		50	48
Interest paid		(629)	(608)
Preference dividends paid		(5)	(5)
Net cash outflow from returns on investments and servicing of finance		(584)	(565)
Taxation paid		(2,695)	(2,582)
Capital expenditure			
Purchase of tangible fixed assets		(6,688)	(4,666)
Purchase of intangible fixed assets		(336)	(50)
Sales of tangible fixed assets		1,110	247
Net cash outflow from capital expenditure		(5,914)	(4,469)
Equity dividends paid		(1,119)	(1,122)
Cash inflow before use of liquid resources and financing		973	2,293
Financing			
Repurchase of own shares		-	(1,386)
Capital element of finance lease rental payments		-	(23)
Net cash outflow from financing		-	(1,409)
Increase in cash in the period		973	884

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Group Cash Flow Statement

for the 52 weeks ended 31 December 2005

Reconciliation of net cash flow to movement in net debt

		31.12.2005	*1.1.2005*
		£'000	*£'000*
Increase in cash		973	884
Cash used to repay capital element of finance lease and hire purchase payments		-	23
Change in net debt resulting from cash flows	21b	973	907
Opening net debt		(11,553)	(12,460)
Closing net debt	21b	(10,580)	(11,553)

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Notes to the accounts

at 31 December 2005

1 Accounting policies

Accounting convention

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

The accounting policies are consistent with the previous year except for the adoption of Financial Reporting Standard No 17 'Retirement Benefits', Financial Reporting Standard No 21 'Events after the balance sheet date' and Financial Reporting Standard No. 25 'Financial Instruments Disclosure and Presentation'. The prior year has been restated for this implementation. (See note 23).

Basis of consolidation

The group accounts incorporate the assets and liabilities of the subsidiary undertakings as at 31 December 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.

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Notes to the accounts

at 31 December 2005

1 Accounting policies (continued)

Pensions

The group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The regular cost of providing retirement benefits to employees during the year is charged to operating profit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the year. The expected return on the assets of the scheme during the year based on the market value of scheme assets at the start of the financial year is included within other finance income - FRS 17. This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of recognised gains and losses in the year, together with differences from changes in assumptions.

The net deficit on the defined benefit pension scheme is reported on the balance sheet within the pension liability. This is net of related deferred tax.

The group also operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid in the year are shown either as accruals or prepayments in the balance sheet.

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. Any gains and losses are dealt with through the profit and loss account.

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.

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Notes to the accounts

at 31 December 2005

3 Distribution and administrative costs

	31.12.2005 £'000	As restated 1.1.2005 £'000
Distribution costs	3,213	3,017
Administrative costs	20,764	20,900
	23,977	23,917

4 Operating profit

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

	31.12.2005 £'000	1.1.2005 £'000
Depreciation of owned fixed assets	1,973	1,935
Depreciation of assets held under finance leases and hire purchase contracts	-	39
Amortisation of goodwill	256	129
Auditors' remuneration - Audit	25	24
- Other services	5	8
Rent receivable from properties	(2,401)	(2,073)
Operating lease rentals – land and buildings	248	243

5 Directors and other employees

Remuneration of directors

	31.12.2005 £'000	1.1.2005 £'000
Directors' emoluments	276	255
Employer's pension contributions	28	27

In addition £19,737 (1.1.2005 - £19,055) was paid to Michelmores, Solicitors, for the services of Mr W F Michelmore as a non-executive director.

The aggregate of emoluments of the highest paid director was £101,050 (1.1.2005 - £97,386) with employer's pension contributions of £15,097 (1.1.2005 - £14,532).

	31.12.2005 No.	1.1.2005 No.
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2

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Notes to the accounts

at 31 December 2005

5 Directors and other employees (continued)

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

	31.12.2005	*1.1.2005*
	No.	*No.*
At the brewery and depots	284	279
At hotels and public houses	800	869
	1,084	1,148

	31.12.2005	*1.1.2005*
	£'000	*£'000*
Staff costs include the following:		
Wages and salaries	12,761	12,562
Social security costs	976	950
Other pension costs	529	637
	14,266	14,149

6 Interest payable and similar charges

	31.12.2005	*As restated 1.1.2005*
	£'000	*£'000*
Bank overdraft	542	593
Finance charges payable under finance leases and hire purchase contracts	-	-
Other loans	12	10
Preference share dividends	5	5
	559	608

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Notes to the accounts

at 31 December 2005

7 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	31.12.2005 £'000	*As restated 1.1.2005* £'000
Current tax:		
UK corporation tax	2,600	2,623
Adjustments in respect of prior periods	(72)	(72)
Total current tax	2,528	2,551
Deferred tax:		
Origination and reversal of timing differences	1	(16)
Adjustment in respect of FRS17	154	62
Group deferred tax	155	46
Tax on profit on ordinary activities	2,683	2,597

(b) Factors affecting current tax charge

	31.12.2005 £'000	*1.1.2005* £'000
Profit on ordinary activities before tax	8,913	8,481
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (1.1.2005 - 30%)	2,674	2,544
Effect of:		
Disallowed expenses and non-taxable income	(40)	95
Capital allowances in excess of depreciation	5	19
Other timing differences	7	-
Adjustments in respect of previous periods	(72)	(72)
Utilisation of brought forward tax losses	(40)	-
Capital gains	141	-
Pension provision	(154)	(62)
Other	7	27
Current tax charge for the period	2,528	2,551

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Notes to the accounts

at 31 December 2005

8 Dividends

	31.12.2005 £'000	As restated 1.1.2005 £'000
Equity dividends on ordinary shares:		
Final paid - 41p (27.12.2003 - 38p)	717	699
Interim paid - 23p (1.1.2005 - 23p)	402	423
	1,119	1,122

9 Intangible fixed assets

Group and Company	*Goodwill £'000*
Cost:	
At 1 January 2005	679
Additions	336
At 31 December 2005	1,015
Amortisation:	
At 1 January 2005	151
Charge for the period	256
At 31 December 2005	407
Net book value:	
At 31 December 2005	608
At 1 January 2005	528

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Notes to the accounts

at 31 December 2005

10 Tangible fixed assets

Group

	Land and buildings			*Plant, machinery & furniture etc*	*Total*
	Freehold	*Long leasehold*	*Short leasehold*		
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost:					
At 1 January 2005	38,084	375	1,406	23,342	63,207
Additions	5,134	-	(6)	1,560	6,688
Disposals	(401)	-	-	(1,093)	(1,494)
At 31 December 2005	42,817	375	1,400	23,809	68,401
Depreciation:					
At 1 January 2005	453	13	330	16,939	17,735
Charge for the period	103	3	41	1,826	1,973
Disposals	-	-	-	(940)	(940)
At 31 December 2005	556	16	371	17,825	18,768
Net book value					
At 31 December 2005	42,261	359	1,029	5,984	49,633
At 1 January 2005	37,631	362	1,076	6,403	45,472

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Notes to the accounts

at 31 December 2005

10 Tangible fixed assets (continued)

Company

	Land and buildings			*Plant, machinery & furniture etc*	*Total*
	Freehold	*Long leasehold*	*Short Leasehold*		
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost:					
At 1 January 2005	37,459	378	1,406	22,477	61,720
Additions	5,134	-	(6)	1,546	6,674
Disposals	(401)	-	-	(1,093)	(1,494)
At 31 December 2005	42,192	378	1,400	22,930	66,900
Depreciation:					
At 1 January 2005	442	13	330	16,308	17,093
Charge for the period	101	3	41	1,793	1,938
Disposals	-	-	-	(940)	(940)
At 31 December 2005	543	16	371	17,161	18,091
Net book value:					
At 31 December 2005	41,649	362	1,029	5,769	48,809
At 1 January 2005	37,017	365	1,076	6,169	44,627

11 Future capital expenditure

	31.12.2005	*1.1.2005*
	£'000	*£'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	1,782	1,595

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

12 Investments

Company

	Subsidiary undertakings £'000
Cost and net book value:	
At 1 January 2005 and 31 December 2005	400

Details of the subsidiaries are as follows:

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
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

	Group		*Company*	
	31.12.2005 £'000	*1.1.2005 £'000*	*31.12.2005 £'000*	*1.1.2005 £'000*
Raw materials and consumables	215	248	215	248
Work in progress	11	13	11	13
Finished goods and goods for resale	4,009	3,744	3,994	3,727
	4,235	4,005	4,220	3,988

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

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

14 Debtors

	Group		Company	
	31.12.2005	*1.1.2005*	*31.12.2005*	*1.1.2005*
	£'000	*£'000*	*£'000*	*£'000*
Amounts falling due within 1 year:				
Trade debtors	8,127	7,872	8,113	7,851
Other debtors	808	673	808	672
Prepayments and accrued income	675	721	669	715
	9,610	9,266	9,590	9,238
Amounts falling due after 1 year:				
Trade loans	698	655	698	655
	10,308	9,921	10,288	9,893

15 Creditors : amounts falling due within one year

	Group		Company	
		As restated		*As restated*
	31.12.2005	*1.1.2005*	*31.12.2005*	*1.1.2005*
	£'000	*£'000*	*£'000*	*£'000*
Bank overdraft	11,412	12,396	11,412	12,396
Trade creditors	5,321	4,582	5,283	4,521
Amounts owed to subsidiary undertaking	-	-	1,411	1,439
Corporation tax	1,398	1,411	1,398	1,408
Other taxation and social security	1,194	1,311	1,160	1,269
Other creditors	253	-	253	-
Accruals and deferred income	828	695	828	695
	20,406	20,395	21,745	21,728

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

		As restated		*As restated*
	31.12.2005	*1.1.2005*	*31.12.2005*	*1.1.2005*
	£'000	*£'000*	*£'000*	*£'000*
Tenants deposits	435	351	435	351
5% preference shares of £1 each (see note 18)	100	100	100	100
	535	451	535	451

The deposits become repayable on demand once the tenancy changes.

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

17 Provisions for liabilities and charges

Deferred taxation:	*Group* *£'000*	*Company* *£'000*
At 1 January 2005	780	664
Arising during the period	(11)	144
Adjustments in respect of prior periods	12	12
At 31 December 2005	781	820

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

Group	*Provided*		*Not Provided*	
	31.12.2005 *£'000*	*1.1.2005* *£'000*	*31.12.2005* *£'000*	*1.1.2005* *£'000*
Capital allowances in advance of depreciation	683	683	-	-
Capital gains tax rolled over	98	97	-	-
	781	780	-	-

Company	*Provided*		*Not Provided*	
	31.12.2005 *£'000*	*1.1.2005* *£'000*	*31.12.2005* *£'000*	*1.1.2005* *£'000*
Capital allowances in advance of depreciation	568	567	-	-
Capital gains tax rolled over	98	97	-	-
	666	664	-	-

18 Called up share capital

	Authorised	
	31.12.2005 *£'000*	*1.1.2005* *£'000*
Ordinary shares of £1 each	2,850	2,850
Non-designated shares	-	-
	2,850	2,850
5% preference shares of £1 each (see note 16)	100	100
	2,950	2,950

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

18 Called up share capital (continued)

	Allotted, called up and fully paid			
	31.12.2005 thousands	*1.1.2005 thousands*	*31.12.2005 £'000*	*1.1.2005 £'000*
Ordinary shares of £1 each	1,748	1,748	1,748	1,748
A Share of £1 each (one issued)	-	-	-	-
	1,748	1,748	1,748	1,748
5% preference shares of £1 each (see note 16)	100	100	100	100
	1,848	1,848	1,848	1,848

The group has implemented FRS 25 'Financial Instruments Disclosure and Presentation'. Consequently the preference shares have been included in creditors due after more than one year (note 16) and the preference dividend is shown as interest (note 6).

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.

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

19 Reconciliation of shareholders' funds and movement on reserves

Group	*Share Capital £'000*	*Capital Redemption Reserve £'000*	*Profit & Loss Account £'000*	*Total £'000*
At 27 December 2003 – as previously reported	1,940	960	32,412	35,312
Prior year adjustment – FRS 17	-	-	(2,262)	(2,262)
Prior year adjustment – FRS 21	-	-	699	699
Prior year adjustment – FRS 25	(100)	-	-	(100)
At 27 December 2003 – as restated	1,840	960	30,849	33,649
Profit for the period	-	-	5,884	5,884
Dividends	-	-	(1,122)	(1,122)
Arising on purchase of own shares	(92)	92	(1,386)	(1,386)
FRS 17 – actuarial loss net of deferred tax	-	-	(1,597)	(1,597)
At 1 January 2005	1,748	1,052	32,628	35,428
Profit for the period	-	-	6,230	6,230
Dividends	-	-	(1,119)	(1,119)
Arising on purchase of own shares	-	-	-	-
FRS17 – actuarial loss net of deferred tax	-	-	(446)	(446)
At 31 December 2005	1,748	1,052	37,293	40,093

Company	*Share Capital £'000*	*Capital Redemption Reserve £'000*	*Profit & Loss Account £'000*	*Total £'000*
At 27 December 2003 – as previously reported	1,940	960	30,691	33,591
Prior year adjustment – FRS 17	-	-	(2,262)	(2,262)
Prior year adjustment – FRS 21		-	699	699
Prior year adjustment – FRS 25	(100)	-	-	(100)
At 27 December 2003 – as restated	1,840	960	29,128	31,928
Profit for the period	-	-	5,858	5,858
Dividends	-	-	(1,127)	(1,127)
Arising on purchase of own shares	(92)	92	(1,386)	(1,386)
FRS 17 – actuarial loss net of deferred tax	-	-	(1,597)	(1,597)
At 1 January 2005	1,748	1,052	30,876	33,676
Profit for the period	-	-	6,230	6,230
Dividends	-	-	(1,119)	(1,119)
Arising on purchase of own shares	-	-	-	-
FRS17 – actuarial loss net of deferred tax	-	-	(446)	(446)
At 31 December 2005	1,748	1,052	35,541	38,341

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

20 Financial commitments

Operating leases

Annual commitments under non-cancellable operating leases are as follows:-

Operating leases which expire:-

	Land and buildings	
	31.12.2005	*1.1.2005*
	£'000	*£'000*
In two to five years	45	45
In over five years	203	203
	248	248

21 Notes to the group cash flow statement

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

	31.12.2005	*1.1.2005*
	£'000	*£'000*
Operating profit	9,497	9,046
Depreciation	1,973	1,974
Amortisation of goodwill	256	129
(Profit)/loss on sale of fixed assets	(556)	39
(Increase)/decrease in stock	(230)	378
Increase in debtors	(387)	(537)
Increase in creditors	1,092	146
Movement in net pension liability	86	1,453
Actuarial loss on pension scheme	(446)	(1,597)
Net cash inflow from operating activities	11,285	11,031

(b) Analysis of changes in net debt

	At	*Cash*	*At*
	1.1.2005	*flows*	*31.12.2005*
	£'000	*£'000*	*£'000*
Cash at bank and in hand	843	(11)	832
Overdraft	(12,396)	984	(11,412)
	(11,553)	973	(10,580)

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

22 Pensions

The company has adopted FRS 17 "Retirement Benefits". Under FRS 17, the difference between the market value of assets of the Company's pension scheme and the present value of accrued pension liabilities is reported on the balance sheet as a pension liability, net of related deferred tax. Previously the Company accounted for pensions in accordance with Statement of Standard Accounting Practice No 24: Pension Costs (SSAP 24). Under SSAP 24, the balance sheet included provisions for the cumulative difference between pension charges included in the profit and loss account and actual payments to the scheme.

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 2004. The valuation at that date stated that the market value of the scheme assets was £18,338,000 and would be sufficient to cover 82% 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.

The major actuarial assumptions made when valuing the assets and liabilities under FRS 17 are as follows:

Valuation method			*% per annum Projected unit*
	31.12.2005	*1.1.2005*	*27.12.2003*
Rate of return on investments	6.50	6.40	6.50
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	2.75
Discount rate	4.75	5.35	5.50

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 balance sheet figures are as follows:

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

22 Pensions (continued)

	Value at 31.12.2005 £'000	*Value at 1.1.2005 £'000*	*Value at 27.12.2003 £'000*
Equities	17,425	14,337	13,490
Bonds	4,196	2,920	2,267
Other	1,250	1,385	1,043
Total market value of assets	22,871	18,642	16,800
Present value of scheme liabilities	28,301	23,949	20,032
Deficit in the scheme	(5,430)	(5,307)	(3,232)
Related deferred tax asset	1,629	1,592	970
Net pension deficit	(3,801)	(3,715)	(2,262)

Amount recognised in the statement of total recognised gains and losses

	Group 31.12.2005	*Group 1.1.2005*
Difference between the expected and actual return on pension scheme assets:		
Amount (£000)	2,502	497
Percentage of scheme assets	10.9%	2.7%
Experience losses arising on scheme liabilities:		
Amount (£000)	(120)	-
Percentage of the present value of the scheme liabilities	0.4%	0%
Loss arising from changes in assumptions underlying the present value of scheme liabilities:		
Amount (£000)	(3,019)	(2,778)
Total loss recognised in the statement of total recognised gains and losses:		
Amount (£000)	(637)	(2,281)
Percentage of the present value of the scheme liabilities	2.3%	9.5%

Analysis of movements in the deficit during the year:

	Group 31.12.2005 £'000	*Group 1.1.2005 £'000*
At 1 January 2005/27 December 2003	(5,307)	(3,232)
Total operating charge	(529)	(402)
Total other finance costs	(75)	(5)
Actuarial loss	(637)	(2,281)
Contributions	1,118	613
At 31 December 2005/1 January 2005	(5,430)	(5,307)

ERNST & YOUNG

Notes to the accounts

at 31 December 2005

23. Prior year adjustment

The group has implemented FRS 17 'Retirement Benefits', FRS 21 'Post Balance Sheet Events' and FRS 25 'Financial Instruments Disclosure and Presentation'. The prior year results have been restated accordingly. The impact of this implementation is summarised below.

a) Group profit and loss account

	Profit retained for the period
As previously reported	4,600
Implementation of FRS 17	144
Implementation of FRS 21	18
As restated	4,762

b) Group balance sheet

	As previously reported £'000	*FRS 17* £'000	*FRS 21* £'000	*FRS 25* £'000	*As restated* £'000
Proposed dividend	(717)	-	717	-	-
Creditors due after more than one year	(351)	-	-	(100)	(451)
Net pension liability	-	(3,715)	-	-	(3,715)
Share capital	1,848	-	-	(100)	1,748
Profit and loss reserve	35,626	(3,715)	717	-	32,628

The adjustments made to the comparative figures as a result of the prior year adjustment have also been made to the company balance sheet.

ERNST & YOUNG

Five Year Summary

Period/years ended:	*31.12.2005*	*1.1.2005 (restated)*	*27.12.2003*	*28.12.2002*	*31.12.2001 (9 months)*
	£'000	*£000*	*£000*	*£000*	*£000*
TURNOVER	**80,410**	**78,029**	**73,390**	**66,485**	**48,837**
OPERATING PROFIT	**9,497**	**9,046**	**8,427**	**7,817**	**6,763**
Net interest	(579)	(560)	(400)	(299)	(219)
Preference dividends (e)	(5)	(5)	(5)	(5)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**8,913**	(d) **8,481**	**8,022**	**7,513**	**6,539**
Tax on profit on ordinary activities	(2,683)	(2,597)	(2,460)	(2,319)	(2,034)
Ordinary dividends	(1,119)	(c) (1,122)	(1,122)	(1,048)	(1,047)
RETAINED PROFIT	**5,111**	**4,762**	**4,440**	**4,146**	**3,458**
STATISTICS					
Earnings per ordinary share	£3.56	(b) £3.21	£3.03	(a) £2.54	£2.15
Dividends per ordinary share	64p	(c) 61p	61p	57p	50p
Dividend cover (times)	5.57	5.24	4.96	4.96	4.30

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

(a) 253,615 ordinary shares on 25 October 2002

(b) 92,000 ordinary shares on 2 December 2004

(c) restated for FRS 21 to a paid basis

(d) restated for FRS 17

(e) restated for FRS 25

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