

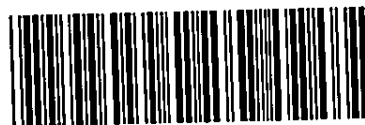
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St Austell Brewery Company Limited

Report and Financial Statements

29 December 2007

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ANNUAL REPORT AND ACCOUNTS

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St Austell Brewery Company Limited

Registered No 107021

Directors

W F Michelmore - Chairman
S J Staughton - Managing Director
P P Voelcker
T A Luck
J B Neame
G H Barnes

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

Royal Bank of Scotland Plc
246 High Street
Exeter
EX4 3PD

Registered Office

The Brewery
St Austell
Cornwall
PL25 4BY

Notice of Meeting

Notice is hereby given that the Ninety-Seventh Annual General Meeting of the company will be held at the registered office, The Brewery, St Austell, Cornwall on 9 May 2008 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 29 December 2007
- 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

14 April 2008

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 last October, unaudited profits up £125,000 to £2,422,000 were announced. I am pleased to report a final pre-tax profit of £8,448,000 for the twelve months to 29th December 2007 against £8,396,000 last year.

Shareholders will remember at the half-year we increased our interim dividend by 1p to 26p per share. Your Directors are now proposing a further increase of 2p per share to the final dividend of 48p making a total of 74p for the financial year.

Despite turnover for the year increasing by £661,000 to £85,911,000 our profit before tax and asset sales was down 8% for the year. Trading conditions were affected by the smoking ban and the appalling weather in our key trading months. In addition we increased expenditure on our pubs by way of refurbishments and improvements.

Five properties have been purchased during the year. The Sharksfin at Mevagissey opened in May following major alterations and has enjoyed a very satisfactory first season. The Seven Stars at Stithians and The Tavern, Newquay are community-based pubs which are already trading well. The Eliot Arms at St. Germans is a leasehold site situated near to the spectacular Port Eliot estate which is opening its doors to the public for the first time this spring. Finally in October we purchased The Ten Tors at Kingsteignton.

Since the year-end we have acquired our first pub in Somerset – The Racehorse at Taunton – and have completed a major refurbishment at The Great Western Hotel, Newquay. Further refurbishments in 2007 were carried out at The Harbour Inn, Porthleven (addition of four letting rooms), The Fort, Newquay (extended bar area and outside trading area), The Jubilee Inn, Pelynt (outside trading area and rooms), The Lifeboat, St Ives (bar and seating area) as well as The Port William, Trebarwith Strand (bar and seating area). In addition we have invested a total of £450,000 in smoking facilities for the majority of our houses. We have disposed of three sites - The Commercial Inn, St Dennis, The Old Inn at Ludgvan and a staff house at St Ives - which we no longer consider appropriate for our portfolio.

Free trade sales fell marginally in a highly competitive trading environment but we maintained our gross margin due to an encouraging growth in sales of Tribute Ale and Rattler Cornish Cider. For the first year in as long as I can remember we experienced a decline in sales of lager. This was in part due to the very poor summer weather and no major football competition which traditionally drives additional sales.

Sales of our own draught beers rose 23% on 2006 with Tribute accounting for a substantial proportion of our total volume. National Sales contributed significantly to this increase after a very successful year in which total sales doubled in the on-trade and sales of our packaged ales in the off-trade more than doubled. During the summer we introduced shift working for the first time ever in the Brewhouse to keep up with demand and, in addition, we are installing three new fermenting vessels.

I am pleased to report that our beers and pubs continue to win awards. Tribute was 'Supreme Champion' at the SIBA South West Beer Festival as well as being voted the South West's favourite ale in the Cask Marque/Daily Telegraph Best of British Beer Awards. Our Managed Houses earned the accolade 'Best Pub Food Estate' in The Publican Food Awards in London while The Golden Lion, Menherion won 'Best Pub in Cornwall' at the annual Cornwall Tourism Awards. This has maintained an on-going record of one of our pubs winning this award for the past four years.

With the ever-increasing importance of Health & Safety matters it is reassuring to note that in a recent British Safety Council audit we received the highest '5 Star' mark.

Since the founding of our Brewery Charitable Trust in 2003 we have raised over £130,000 for local causes and we will shortly be recruiting a full-time fundraiser to maximise the opportunities for the Trust and our local communities.

Chairman's Statement

Our commitment to reducing the Company's impact on the environment and the formation of a Green Team is leading to an increased number of initiatives that will help to reduce our carbon footprint

During the year we renegotiated our banking facilities. The new financing arrangements provide us with greater certainty and flexibility for our future funding arrangements

I am delighted to report that there has been a further reduction in the net deficit of our pension fund from £881,000 to £515,000.

As planned our new IT system was installed in May. Although we experienced some inevitable teething problems during the first few months of operation these were put right and we are confident that the system will give us much improved management information for the future

In my first statement I am pleased to announce that on his retirement from the Board Piers Thompson was given the honorary title of President of the Company in recognition of his 46 years of loyal service. I am sure you will join with me in wishing him a long and happy retirement

The first two months of this year has been trading at slightly below last year's figures due in part to the well publicised 'credit squeeze' and the continued effect of the smoking ban. The recent Budget was also extremely unfavourable to our trade. Despite this, given some better weather than last summer, we remain well placed to grasp any opportunities that may present themselves in the coming season

I conclude with my sincere thanks to all in the Company who have worked so hard to achieve another encouraging performance



W F Michelmore
20 March 2008

Directors' Report

The directors present their report and accounts for the period ended 29 December 2007

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 company's key financial and other performance indicators during the year can be summarised as follows

	2007 £'000	2006 £'000	% Change
Turnover	85,911	85,250	0.8%
Profit before tax and asset sales	7,752	8,428	(8.0%)
Profit before tax	8,448	8,396	0.6%
Shareholders' funds	52,056	47,119	10.5%
Net pension scheme deficit	515	881	(41.5%)
Total debt	18,147	17,123	6.0%
Total debt as % of shareholders' funds	35%	36%	

Total turnover rose by 0.8% in the year. Sales to our tenanted estate grew most strongly as a result of acquisitions as well as the transfer of a number of properties from management to tenancies.

Total sales of our own draught ales grew by 23% with the volume of Tribute, the company's leading ale brand, increasing by 39% in 2007.

Profit before tax and asset sales fell by £676,000 or 8.0%. This fall in profit is largely explained by a £573,000 increase in the repairs to the company's licensed premises in order to ensure ongoing quality of the estate. During the year two licensed premises were sold as well as a staff house and as a result a £696,000 profit on asset sales was achieved. The realisation of this profit meant that pre-tax profits actually rose by 0.6%.

The company acquired three new freehold licensed properties, a company, Chadforth Limited, containing a freehold property, one leasehold licensed property and a new house for staff accommodation during the year. Total capital expenditure in the year was £8.56 million.

During the year the company renegotiated its banking facilities. A new £10 million fifteen year loan and a five year revolving credit facility of £10 million were entered into with Royal Bank of Scotland. This combined with a £10 million overdraft facility has provided the company with greater certainty and flexibility for its future funding requirements.

The company uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence reduce the company's exposure to adverse interest rate movements.

Dividends

An interim dividend of 26p was paid on the ordinary shares on 26 October 2007. The directors recommend that a final dividend of 48p be paid on the ordinary shares.

Directors' Report

Environment

The aim of the company is to develop an appropriate long term environmental and energy strategy. As well as compiling and implementing management programmes throughout our estate, we will continue to look at developing future environmental and energy management systems

Charitable donations

The company made charitable donations during the period of £16,728

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

The directors during the period were as follows

P R Thompson	(retired 29 December 2007)
P P Voelcker	
T A Luck	
S J Staughton	
W F Michelmores	
J B Neame	
G H Barnes	

Purchase of own shares

On 17 January 2007 the company purchased 9,600 of its £1 ordinary shares for a consideration of £346,000. The purchase accounted for 0.5% of the issued ordinary shares. The directors consider that the purchase of these shares will be beneficial to shareholders generally.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:-

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

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
20 March 2008

Statement of Directors' Responsibilities in respect of the Accounts

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 and parent company financial statements of St Austell Brewery Company Limited for the period ended 29 December 2007 which comprise the 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' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Directors' and other information, Notice of Meeting, Chairman's Statement and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

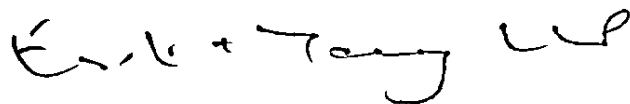
Independent Auditors' Report

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 the group and parent company's affairs as at 29 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
Exeter
20 March 2008

Group Profit and Loss Account

for the 52 weeks ended 29 December 2007

	Notes	29 12 2007 (52 weeks) £'000	30 12 2006 (52 weeks) £'000
Turnover	2	85,911	85,250
Cost of sales		(49,812)	(49,468)
Gross profit		36,099	35,782
Distribution and administrative costs	3	(27,638)	(26,739)
Operating profit	4	8,461	9,043
Profit/(loss) on sale of fixed assets		696	(32)
Profit on ordinary activities before interest and taxation		9,157	9,011
Interest receivable		98	46
Interest payable and similar charges	6	(1,072)	(814)
Other finance income – FRS 17		265	153
Profit on ordinary activities before taxation		8,448	8,396
Tax on profit on ordinary activities	7	(2,054)	(2,602)
Profit on ordinary activities after taxation		6,394	5,794
Dividends on equity shares	8	(1,252)	(1,224)
Profit retained for the financial period		5,142	4,570

All revenues and costs relate to continuing operations

Statement of Total Recognised Gains and Losses

for the 52 weeks ended 29 December 2007

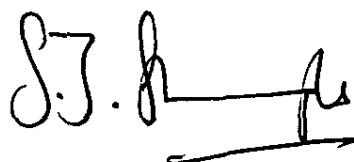
	29 12 2007 (52 weeks) £'000	30 12 2006 (52 weeks) £'000
Profit for the financial period	6,394	5,794
Actuarial gain recognised on pension scheme	202	3,509
Deferred tax relating to actuarial gain on pension scheme	(61)	(1,053)
	6,535	8,250

Group Balance Sheet

at 29 December 2007

	Notes	29 12 2007 £'000	30 12 2006 £'000
Fixed assets			
Intangible assets	9	57	335
Tangible assets	10	64,750	58,840
		<u>64,807</u>	<u>59,175</u>
Current assets			
Stocks and work in progress	13	4,497	4,736
Debtors	14	11,864	11,397
Cash at bank and in hand		583	738
		<u>16,944</u>	<u>16,871</u>
Creditors: amounts falling due within one year	15	(16,053)	(26,391)
Net current assets/(liabilities)		<u>891</u>	<u>(9,520)</u>
Total assets less current liabilities		<u>65,698</u>	<u>49,655</u>
Creditors: amounts falling due after more than one year	16	(12,808)	(905)
Provision for liabilities and charges	18	(319)	(750)
Net assets excluding pension liability		<u>52,571</u>	<u>48,000</u>
Net pension liability	23	(515)	(881)
Net assets including pension liability		<u>52,056</u>	<u>47,119</u>
Capital and reserves			
Called up share capital	19	1,738	1,748
Capital redemption reserve	20	1,062	1,052
Profit and loss account	20	49,256	44,319
		<u>52,056</u>	<u>47,119</u>

These financial statements were approved by the Board and authorised for issue on 20 March 2008 and signed on its behalf by



W F Michelmores }
S J Staughton } Directors

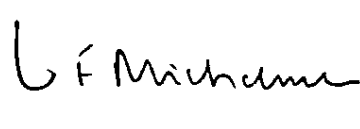


Company Balance Sheet

at 29 December 2007

	Notes	29 12 2007 £'000	30 12 2006 £'000
Fixed assets			
Intangible assets	9	57	335
Tangible assets	10	64,750	58,840
Investments	12	-	400
		<u>64,807</u>	<u>59,575</u>
Current assets			
Stocks and work in progress	13	4,497	4,736
Debtors	14	11,864	11,397
Cash at bank and in hand		583	738
		<u>16,944</u>	<u>16,871</u>
Creditors: amounts falling due within one year	15	(16,053)	(28,475)
Net current assets/(liabilities)		<u>891</u>	<u>(11,604)</u>
Total assets less current liabilities		<u>65,698</u>	<u>47,971</u>
Creditors: amounts falling due after more than one year	16	(12,808)	(905)
Provision for liabilities and charges	18	(319)	(750)
Net assets excluding pension liability		<u>52,571</u>	<u>46,316</u>
Net pension liability	23	(515)	(881)
Net assets including pension liability		<u>52,056</u>	<u>45,435</u>
Capital and reserves			
Called up share capital	19	1,738	1,748
Capital redemption reserve	20	1,062	1,052
Profit and loss account	20	49,256	42,635
		<u>52,056</u>	<u>45,435</u>

These financial statements were approved by the Board and authorised for issue on 20 March 2008 and signed on its behalf by

W F Michelmores }
S J Staughton } Directors

Group Cash Flow Statement

for the 52 weeks ended 29 December 2007

	Notes	29 12 2007 (52 weeks) £'000	30 12 2006 (52 weeks) £'000
Net cash inflow from operating activities	22a	11,267	9,591
Returns on investments and servicing of finance			
Interest received		98	46
Interest paid		(930)	(791)
Preference dividends paid		(5)	(5)
Interest element of finance lease rental payments		(24)	(18)
Net cash outflow from returns on investments and servicing of finance		(861)	(768)
Taxation paid		(2,437)	(2,663)
Capital expenditure			
Purchase of tangible fixed assets		(8,052)	(11,027)
Sales of tangible fixed assets		1,170	83
Net cash outflow from capital expenditure		(6,882)	(10,944)
Acquisitions and disposals			
Purchase of subsidiary undertaking		(485)	-
Net cash outflow from acquisition and disposals		(485)	-
Equity dividends paid		(1,252)	(1,224)
Cash outflow before financing		(650)	(6,008)
Financing			
Capital element of finance lease rental payments		(176)	(115)
Repurchase of ordinary share capital		(346)	-
Net movement in long term borrowings		12,000	-
Net cash inflow/(outflow) from financing		11,478	(115)
Increase/(decrease) in cash in the period		10,828	(6,123)

Group Cash Flow Statement

for the 52 weeks ended 29 December 2007

Reconciliation of net cash flow to movement in net debt

		29 12 2007 £'000	30 12 2006 £'000
Increase/(decrease) in cash		10,828	(6,123)
Cash used to repay capital element of finance lease and hire purchase payments		176	115
New loans		(12,000)	-
Change in net debt resulting from cash flows	22b	(996)	(6,008)
New finance leases		(28)	(535)
Movement in net debt in the period		(1,024)	(6,543)
Opening net debt		(17,123)	(10,580)
Closing net debt	22b	(18,147)	(17,123)

Notes to the accounts

at 29 December 2007

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 29 December 2007 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

Interest rate swaps

The group's criteria for interest rate swaps are

- The instrument must be related to an asset or a liability; and
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument

Notes to the accounts

at 29 December 2007

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.

Operating lease rental income

Income is credited to the profit and loss account on a straight line basis over the term of the lease.

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.

Notes to the accounts

at 29 December 2007

3 Distribution and administrative costs

	29 12 2007	30 12 2006
	£'000	£'000
Distribution costs	3,883	3,725
Administrative costs	23,755	23,014
	<u>27,638</u>	<u>26,739</u>

4 Operating profit

This has been arrived at after charging/(crediting)

	29 12 2007	30 12 2006
	£'000	£'000
Depreciation of owned fixed assets	2,075	2,178
Depreciation of assets held under finance leases and hire purchase contracts	106	62
Amortisation of goodwill	278	273
Auditors' remuneration - Audit	26	26
- Taxation services	5	5
- Other services	4	-
Rent receivable from properties	(3,217)	(2,803)
Operating lease rentals – land and buildings	<u>277</u>	<u>252</u>

5 Directors and other employees

Remuneration of directors

	29 12 2007	30 12 2006
	£'000	£'000
Directors' emoluments	322	313
Employer's pension contributions	<u>32</u>	<u>30</u>

In addition £21,333 (2006 - £20,542) 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 £124,473 (2006 - £111,309) with employer's pension contributions of £18,369 (2006 - £16,244)

	29 12 2007	30 12 2006
	No	No
Retirement benefits are accruing to the following number of directors under Defined benefit schemes	<u>2</u>	<u>2</u>

Notes to the accounts

at 29 December 2007

5 Directors and other employees (continued)

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

	29 12 2007 No	30 12 2006 No
At the brewery and depots	296	291
At hotels and public houses	681	776
	<u>977</u>	<u>1,067</u>

	29 12 2007 £'000	30 12 2006 £'000
Staff costs include the following		
Wages and salaries	13,630	13,567
Social security costs	1,096	1,072
Other pension costs	531	596
	<u>15,257</u>	<u>15,235</u>

6 Interest payable and similar charges

	29 12 2007 £'000	30 12 2006 £'000
Bank loans and overdraft	1,025	777
Finance charges payable under finance leases and hire purchase contracts	24	18
Other loans	18	14
Preference share dividends	5	5
	<u>1,072</u>	<u>814</u>

Notes to the accounts

at 29 December 2007

7 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	29 12 2007	30 12 2006
	£'000	£'000
<i>Current tax:</i>		
UK corporation tax	2,380	2,500
Adjustments in respect of prior periods	(11)	(65)
Total current tax	2,369	2,435
<i>Deferred tax</i>		
Origination and reversal of timing differences	(16)	(32)
Adjustment in respect of FRS17	102	199
Reversal of provision on industrial buildings allowance	(401)	-
Group deferred tax	(315)	167
Tax on profit on ordinary activities	2,054	2,602

(b) Factors affecting current tax charge

	29 12 2007	30 12 2006
	£'000	£'000
Profit on ordinary activities before tax	8,448	8,396
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	2,534	2,519
Effect of		
Disallowed expenses and non-taxable income	(142)	116
Capital allowances in excess of depreciation	31	32
Adjustments in respect of previous periods	(11)	(65)
Capital gains	33	-
Pension provision	(102)	(199)
Other	26	32
Current tax charge for the period	2,369	2,435

(c) Factors affecting future tax charge

From the tax year 2008/09 onwards, the UK corporation tax rate will reduce from 30% to 28%

Notes to the accounts

at 29 December 2007

8 Dividends

	29 12 2007	30 12 2006
	£'000	£'000
Equity dividends on ordinary shares		
Final paid - 46p (2006 - 45p)	800	787
Interim paid - 26p (2006 - 25p)	452	437
	<u>1,252</u>	<u>1,224</u>

9 Intangible fixed assets

<i>Group and Company</i>	<i>Goodwill</i>
	£'000
Cost	
At 31 December 2006	1,015
Additions	-
At 29 December 2007	<u>1,015</u>
Amortisation	
At 31 December 2006	680
Charge for the period	278
At 29 December 2007	<u>958</u>
Net book value	
At 29 December 2007	<u>57</u>
At 30 December 2006	<u>335</u>

Notes to the accounts

at 29 December 2007

10 Tangible fixed assets

Group

	<i>Land and buildings</i>			<i>Plant, machinery & furniture etc</i>	<i>Total</i>
	<i>Freehold £'000</i>	<i>Long leasehold £'000</i>	<i>Short leasehold £'000</i>	<i>£'000</i>	<i>£'000</i>
Cost					
At 31 December 2006	51,671	398	1,404	26,056	79,529
Additions	6,098	-	186	2,281	8,565
Disposals	(197)	-	-	(1,544)	(1,741)
At 29 December 2007	<u>57,572</u>	<u>398</u>	<u>1,590</u>	<u>26,793</u>	<u>86,353</u>
Depreciation					
At 31 December 2006	682	18	411	19,578	20,689
Charge for the period	143	2	45	1,991	2,181
Disposals	-	-	-	(1,267)	(1,267)
At 29 December 2007	<u>825</u>	<u>20</u>	<u>456</u>	<u>20,302</u>	<u>21,603</u>
Net book value					
At 29 December 2007	<u>56,747</u>	<u>378</u>	<u>1,134</u>	<u>6,491</u>	<u>64,750</u>
At 30 December 2006	<u>50,989</u>	<u>380</u>	<u>993</u>	<u>6,478</u>	<u>58,840</u>

Included in the amounts for plant, machinery and furniture above, are the following amounts relating to assets acquired under hire purchase contracts

	<i>2007 £'000</i>	<i>2006 £'000</i>
Cost	554	526
Depreciation	(168)	(62)
Net book value	<u>386</u>	<u>464</u>

Notes to the accounts

at 29 December 2007

10 Tangible fixed assets (continued)

Company

	Land and buildings			Plant, machinery & furniture etc	Total
	Freehold £'000	Long leasehold £'000	Short Leasehold £'000	£'000	£'000
Cost					
At 30 December 2006	51,658	398	1,404	25,384	78,844
Additions	5,624	-	186	2,281	8,091
Transfer on hive up	474	-	-	-	474
Disposals	(197)	-	-	(1,544)	(1,741)
At 29 December 2007	57,559	398	1,590	26,121	85,668
Depreciation					
At 30 December 2006	669	18	411	18,906	20,004
Charge for the period	143	2	45	1,991	2,181
Disposals	-	-	-	(1,267)	(1,267)
At 29 December 2007	812	20	456	19,630	20,918
Net book value					
At 29 December 2007	56,747	378	1,134	6,491	64,750
At 30 December 2006	50,989	380	993	6,478	58,840

Included in the amounts for plant, machinery and furniture etc above, are the following amounts relating to assets acquired under hire purchase contracts

	2007 £'000	2006 £'000
Cost	554	526
Depreciation	(168)	(62)
Net book value	386	464

11 Future capital expenditure

	29 12 2007 £'000	30 12 2006 £'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	846	851

Notes to the accounts

at 29 December 2007

12 Investments

Company

*Subsidiary
undertakings
£'000*

Cost and net book value
At 29 December 2007

-

At 30 December 2006

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%	Dormant
Walter Hicks Limited	Ordinary shares	100%	Dormant
Drinklink Limited	Ordinary shares	100%	Dormant
Chadforth Limited	Ordinary shares	100%	Dormant

The subsidiaries are all directly owned by the company. The Great Western Hotel (Newquay) Ltd became non trading in April 2006 after the hive up of its operations to its parent company.

On 2 March 2007 the group acquired the entire share capital of Chadforth Limited.

Chadforth Limited became non trading in March 2007 after the hive up of its operations to its parent company.

Net assets at date of acquisition (book value and fair value to Group)

	<i>£</i>
Tangible fixed assets	485,000
Liabilities settled by vendor	(63,918)
Net assets	421,082
Goodwill arising on acquisition	-
	421,082
Discharged by	
Cash	485,000
Liabilities settled by vendor	(63,918)
	421,082

Notes to the accounts

at 29 December 2007

13 Stocks and work in progress

	<i>Group</i>		<i>Company</i>	
	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	329	247	329	247
Work in progress	30	14	30	14
Finished goods and goods for resale	4,138	4,475	4,138	4,475
	<u>4,497</u>	<u>4,736</u>	<u>4,497</u>	<u>4,736</u>

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

14 Debtors

	<i>Group</i>		<i>Company</i>	
	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts falling due within 1 year.				
Trade debtors	8,292	8,667	8,292	8,667
Other debtors	1,617	1,039	1,617	1,039
Prepayments and accrued income	470	501	470	501
	<u>10,379</u>	<u>10,207</u>	<u>10,379</u>	<u>10,207</u>
Amounts falling due after 1 year				
Trade loans	1,485	1,190	1,485	1,190
	<u>11,864</u>	<u>11,397</u>	<u>11,864</u>	<u>11,397</u>

15 Creditors : amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdraft	6,458	17,441	6,458	17,441
Trade creditors	5,290	4,857	5,290	4,857
Amounts owed to subsidiary undertaking	-	-	-	2,084
Corporation tax	1,103	1,171	1,103	1,171
Other taxation and social security	1,558	1,389	1,558	1,389
Other creditors	33	127	33	127
Accruals and deferred income	1,420	1,232	1,420	1,232
Obligations under finance leases and hire purchase contracts	191	174	191	174
	<u>16,053</u>	<u>26,391</u>	<u>16,053</u>	<u>28,475</u>

Notes to the accounts

at 29 December 2007

16 Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	29 12 2007	30 12 2006	29 12 2007	30 12 2006
	£'000	£'000	£'000	£'000
Bank loans (see note 17)	12,000	-	12,000	-
Tenants deposits	627	559	627	559
5% preference shares of £1 each (see note 19)	100	100	100	100
Obligations under finance leases and hire purchase contracts (see note 21)	81	246	81	246
	<u>12,808</u>	<u>905</u>	<u>12,808</u>	<u>905</u>

The deposits become repayable on demand once the tenancy changes

17 Loans

Loans repayable, included within creditors, are analysed as follows

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Wholly repayable within five years	2,000	-	2,000	-
Not wholly repayable within five years	10,000	-	10,000	-
	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>

Details of loans not wholly repayable within five years are as follows

	<i>Group</i>		<i>Company</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Term loan repayable on 18 October 2022	10,000	-	10,000	-

The rate of interest payable on the loan is 0.7% above LIBOR

18 Provisions for liabilities and charges

	<i>Group</i>	<i>Company</i>
	£'000	£'000
Deferred taxation		
At 30 December 2006	750	750
Arising during the period	(431)	(431)
At 29 December 2007	<u>319</u>	<u>319</u>

Notes to the accounts

at 29 December 2007

18 Provisions for liabilities and charges (continued)

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>29 12 2007</i>	<i>30 12 2006</i>	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	207	652	-	-
Capital gains tax rolled over	112	98	-	-
	<u>319</u>	<u>750</u>	<u>-</u>	<u>-</u>

<i>Company</i>	<i>Provided</i>		<i>Not Provided</i>	
	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	207	652	-	-
Capital gains tax rolled over	112	98	-	-
	<u>319</u>	<u>750</u>	<u>-</u>	<u>-</u>

19 Called up share capital

	<i>Authorised</i>	
	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>£'000</i>	<i>£'000</i>
Ordinary shares of £1 each	2,850	2,850
Non-designated shares	-	-
	<u>2,850</u>	<u>2,850</u>
5% preference shares of £1 each (see note 16)	100	100
	<u>2,950</u>	<u>2,950</u>

	<i>Allotted, called up and fully paid</i>			
	<i>29.12 2007</i>	<i>30 12 2006</i>	<i>29 12 2007</i>	<i>30 12 2006</i>
	<i>thousands</i>	<i>thousands</i>	<i>£'000</i>	<i>£'000</i>
Ordinary shares of £1 each	1,738	1,748	1,738	1,748
A Share of £1 each (one issued)	-	-	-	-
	<u>1,738</u>	<u>1,748</u>	<u>1,738</u>	<u>1,748</u>
5% preference shares of £1 each (see note 16)	100	100	100	100
	<u>1,838</u>	<u>1,848</u>	<u>1,838</u>	<u>1,848</u>

Notes to the accounts

at 29 December 2007

19 Called up share capital (continued)

During the year the Company purchased 9,600 £1 ordinary shares at a cost of £346,000

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

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 2006	1,748	1,052	37,293	40,093
Profit for the period	-	-	5,794	5,794
Dividends	-	-	(1,224)	(1,224)
FRS17 – actuarial gain net of deferred tax	-	-	2,456	2,456
At 30 December 2006	1,748	1,052	44,319	47,119
Transfer in respect of buy back of own shares	(10)	10	(346)	(346)
Profit for the period	-	-	6,394	6,394
Dividends	-	-	(1,252)	(1,252)
FRS17 – actuarial gain net of deferred tax	-	-	141	141
At 29 December 2007	1,738	1,062	49,256	52,056

<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 2006	1,748	1,052	35,541	38,341
Profit for the period	-	-	5,862	5,862
Dividends	-	-	(1,224)	(1,224)
FRS17 – actuarial gain net of deferred tax	-	-	2,456	2,456
At 30 December 2006	1,748	1,052	42,635	45,435
Transfer in respect of buy back of own shares	(10)	10	(346)	(346)
Profit for the period	-	-	8,078	8,078
Dividends	-	-	(1,252)	(1,252)
FRS17 – actuarial gain net of deferred tax	-	-	141	141
At 29 December 2007	1,738	1,062	49,256	52,056

Notes to the accounts

at 29 December 2007

21 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

Group and Company

	29 12 2007	30 12 2006
	£'000	£'000
Amounts payable		
Within one year	205	195
In two to five years	85	261
	<u>290</u>	<u>456</u>
Less Finance charges allocated to future periods	(18)	(36)
	<u>272</u>	<u>420</u>

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

Operating leases which expire -

	<i>Land and buildings</i>	
	29 12 2007	30 12 2006
	£'000	£'000
In two to five years	45	45
In over five years	232	207
	<u>277</u>	<u>252</u>

22 Notes to the group cash flow statement

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

	29 12 2007	30 12 2006
	£'000	£'000
Operating profit	8,461	9,043
Depreciation	2,181	2,240
Amortisation of goodwill	278	273
Decrease/(increase) in stock	239	(501)
Increase in debtors	(467)	(1,089)
Increase in creditors	651	133
Movement in pension scheme	(76)	(508)
Net cash inflow from operating activities	<u>11,267</u>	<u>9,591</u>

Notes to the accounts

at 29 December 2007

22 Notes to the group cash flow statement (continued)

(b) Analysis of changes in net debt

	<i>At</i> 30 12 2006 £'000	<i>Cash</i> <i>flows</i> £'000	<i>Other</i> £'000	<i>At</i> 29 12 2007 £'000
Cash at bank and in hand	738	(155)	-	583
Overdraft	(17,441)	10,983	-	(6,458)
Finance lease obligations	(420)	176	(28)	(272)
Long term loans	-	(12,000)	-	(12,000)
	<u>(17,123)</u>	<u>(996)</u>	<u>(28)</u>	<u>(18,147)</u>

23 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 2004. A full actuarial valuation for the year ended 31 December 2007 is in progress.

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 29 December 2007

23 Pensions (continued)

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

<i>Valuation method</i>	<i>% per annum</i>		
	<i>Projected unit</i>		
	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>31 12 2005</i>
Rate of return on investments	6.40	6.35	6.50
Rate of salary increases	3.75	3.50	3.50
Rate of pension increases	3.25	3.00	3.00
Inflation rate	3.00	2.75	2.75
Discount rate	5.80	5.10	4.75

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 balance sheet figures are as follows

	<i>Value at</i>	<i>Value at</i>	<i>Value at</i>
	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>31 12 2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Equities	21,510	20,569	17,425
Bonds	3,997	-	4,196
Other	3,488	5,987	1,250
Total market value of assets	28,995	26,556	22,871
Present value of scheme liabilities	29,710	27,814	28,301
Deficit in the scheme	(715)	(1,258)	(5,430)
Related deferred tax asset	200	377	1,629
Net pension deficit	(515)	(881)	(3,801)

Notes to the accounts

at 29 December 2007

23 Pensions (continued)

Amount recognised in the statement of total recognised gains and losses

	<i>Group</i> 29 12 2007	<i>Group</i> 30 12 2006	<i>Group</i> 31 12 2005	<i>Group</i> 01 01 2005	<i>Group</i> 27 12 2003
Difference between the expected and actual return on pension scheme assets					
Amount (£000)	618	1,621	2,502	497	1,885
Percentage of scheme assets	2 1%	6 1%	10 9%	3 0%	11 0%
Experience losses arising on scheme liabilities:					
Amount (£000)	-	-	(120)	-	-
Percentage of the present value of the scheme liabilities	0%	0%	0%	0%	0%
Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities:					
Amount (£000)	(416)	1,888	(3,019)	(2,778)	423
Total gain/(loss) recognised in the statement of total recognised gains and losses					
Amount (£000)	202	3,509	(637)	(2,281)	2,308
Percentage of the present value of the scheme liabilities	0 7%	12 6%	2 3%	10%	12%

Analysis of movements in the deficit during the year.

	<i>Group</i> 29 12 2007 £'000	<i>Group</i> 30 12 2006 £'000
At start of period	(1,258)	(5,430)
Total operating charge	(531)	(596)
Total other finance income	265	153
Actuarial gain	202	3,509
Contributions	607	1,106
At end of period	<u>(715)</u>	<u>(1,258)</u>

**THE FOLLOWING FIVE YEAR SUMMARY DOES NOT FORM PART
OF THE AUDITED STATUTORY ACCOUNTS OF THE COMPANY**

Five Year Summary

<i>Periods ended</i>	<i>29 12 2007</i>	<i>30 12 2006</i>	<i>31 12 2005</i>	<i>01 01 2005</i>	<i>27 12 2003</i>
	<i>£'000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
TURNOVER	85,911	85,250	80,410	78,029	73,390
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	9,157	9,011	9,497	9,046	8,427
Net interest	(704)	(610)	(579)	(560)	(400)
Preference dividends (e)	(5)	(5)	(5)	(5)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8,448	8,396	8,913	(d) 8,481	8,022
Tax on profit on ordinary activities	(2,054)	(2,602)	(2,683)	(2,597)	(2,460)
Ordinary dividends	(1,252)	(1,224)	(1,119)	(c) (1,122)	(1,122)
RETAINED PROFIT	5,142	4,570	5,111	4,762	4,440
STATISTICS					
Earnings per ordinary share	(f) £3 68	£3 31	£3 56	(b) £3 21	£3 03
Dividends per ordinary share	72p	70p	64p	(c) 61p	61p
Dividend cover (times)	5 11	4 73	5 57	5 24	4 96

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
- (f) 9,600 ordinary shares on 17 January 2007