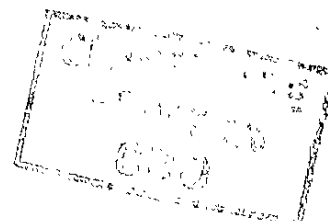


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Annual Report and Accounts 1986



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Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the Registered Office of the Company, Shobnall Road, Burton-on-Trent on **Friday, 5th September, 1986** at 11.30 a.m. for the following purposes:

1. To receive and adopt the financial statements for the year ended 31st March, 1986 together with the reports of the Directors and Auditors thereon.
2. To declare a final dividend.
3. To re-elect the following Directors:
 - (i) A. T. Alpin
 - (ii) A. G. Andrews
4. To re-appoint the Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. As special business, to consider the following resolution, which will be proposed as an Ordinary Resolution as shown:
 - A. **Ordinary Resolution**
That the ordinary remuneration of the Directors payable pursuant to Article 74 of the Articles of Association shall be of such an amount (subject to a maximum aggregate limit of £50,000 per annum) as may from time to time be determined by resolution of the Directors and shall be payable only to Directors not holding Executive or other office in respect of which remuneration is payable pursuant to Article 75.

Registered Office:

The Brewery
Shobnall Road
Burton-on-Trent

By Order of the Board,

I. J. Bailey
Secretary
8th August, 1986

Notes

1. This Notice of Meeting is addressed to the holders of Ordinary Shares only.
2. Every Member entitled to attend and vote at the Meeting is entitled to appoint one or more Proxies to attend and, on a poll, to vote in his stead. A proxy need not be a Member of the Company.
3. Forms of Proxy for the above Meeting must reach the Company's Registered Office not later than 48 hours before the time appointed for holding the Meeting.
4. A statement of all transactions by Directors and their families in the equity share capital of the Company during the previous twelve months, made up to 7th August, 1986, together with a memorandum giving particulars of Directors' service contracts, will be available for inspection at the registered office, during normal business hours, from the date of this report until the Annual General Meeting. These statements will also be available at the place of the meeting for fifteen minutes prior to and during it.



Directors and General Information

Directors	M. W. F. Hurdle, BA	<i>Chairman and Managing Director</i>
------------------	---------------------	---

A. T. Alpin, BSc
A. G. Andrews
F. O. A. G. Bennett, TD
J. A. Huntley
M. F. Hurdle, MIMechE
S. C. Whitbread
N. R. Wilson

Specialist Directors	W. I. Brown, FCA D. P. Dines
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Secretary	I. J. Bailey, FBIM
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Bankers	Lloyds Bank Plc Borough Road, Burton-on-Trent Staffordshire DE14 2DB
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Auditors	KMG Thomson McLintock Verum House, 70 Finsbury Pavement London EC2A 1SX
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Registered Office	The Brewery Shobnall Road, Burton-on-Trent Staffordshire DE14 2BW
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Registrars	Lloyds Bank Plc Registrar's Department The Causeway, Goring-by-Sea Worthing, West Sussex BN12 6DA
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Trustees for the Debenture Holders 4¼ % debenture stock 1992
--

Law Debenture Corporation plc
Estates House, 66 Gresham Street
London EC2V 7HX

7% unsecured loan stock 1993/98

Guardian Royal Assurance plc
68 King William Street, London EC4N 7BU

Financial Highlights

	1986 £,000	1985 £,000
Turnover	69,623	66,535
Profit before Taxation	9,866	8,384
Capital Employed	76,923	72,321
Earnings Per Share	7.00p	5.79p
Dividends Per Share	2.24p	1.95p
Dividend Cover	3.12	2.93
Net Assets Per Share	88p	83p

Chairman's Statement, 1986

Introduction

I feel 1985 can be regarded as a year of further consolidation, and given the dismal Summer and generally difficult economic climate, believe the results can be regarded as satisfactory. These results were achieved through the solid growth of our mainstream business, allied to control of costs through good housekeeping. The final part of the re-organisation of our North Wales distribution system following the acquisition of Border Breweries was completed during the course of the year. This involved the closure of our Depots at Colwyn Bay and Rhuddlan, and the purchase of a larger, more strategically situated unit, at Llandudno.

Accounts and Dividend

I am glad to be able to report another successful year, during which Turnover has increased by £3,088,000, or 4.6 per cent to £69,623,000 and the Profit before Tax for the year to 31st March, 1986 was £9,866,000 which, compared with £8,384,000 for the year shows an increase of £1,482,000. The Board have made provision in the Accounts for an allocation to the Employees Share Scheme of £201,000, which is approximately two per cent of pre-tax profit: the basis of calculation being similar to last year. The Board is recommending a Final Dividend of 1.54p per Share, which, together with the Interim Dividend already paid will bring the total Dividend for the year to 31st March, 1986 to 2.24p per Share compared with 1.95p per Share for the year to March, 1985. This Dividend will be covered 3.12 times by Profit after Taxation and before Extraordinary Items.

Capital Expenditure

Capital Expenditure amounted in total to £6.90m, of which £3.20m was spent on improvements to existing Houses and new purchases.

The large proportion of brewery-conditioned beer and lager in the Border Trade, which I mentioned last year as necessitating further expenditure on plant, has continued to have a similar influence during 1985/86. Lager fermenting, maturation and yeast storage facilities have all been extended at a cost of £600,000. A further £1,000,000 has been spent on the installation of a second eight-lane keg washing and filling line to cater for the increasing packaging requirement: this latter facility will also enable us to package our requirements of Heineken lager, and in so doing give us an enhanced margin.

I am pleased to say that this should be the conclusion of major expenditure on the production/distribution side, and from now on a much higher proportion will be available for the 'sharp end' of our business.

Trading

Overall, beer volume sales were down, and this disappointing performance was, in the main, attributed to the poor Summer. Against this it is pleasing to report that sales of our own beers were up, although this was, in part, due to the substitution of Wrexham Lager with Marcher in our Welsh Estate. Marcher has now been successfully introduced to the rest of our Estate, where it has become an integral part of our Lager portfolio. Lager now represents 25 per cent of our beer sales, and of this proportion by far the majority is our own brands. I find this last factor particularly heartening, and cannot but agree with another commentator who expressed regret that approximately 75 per cent of the U.K. market is dominated by foreign brands, something which cannot augur well for export opportunity.

Pedigree, our premium bitter, continues to make fresh inroads in the Free Trade and we are in the process of setting up a network of wholesalers outside our own distribution areas, with the aim of making it available nationally.

Low C, our low carbohydrate Pale Ale, was heavily supported, being advertised on television in both the Midlands and North West, in return for which we gained additional distribution. Sales were up by some 12 per cent, this being very much in contrast to the general bottled beer market, which is still decreasing at an abysmal rate.

Both brewery-conditioned Border Bitter and Border Mild are now generally available throughout our Estate, with the latter performing particularly well.

Chairman's Statement, 1986 *(continued)*

The launch of W. H. Milner Fine Wines as our specialist Wines and Spirits Department has proved successful. With the changing pattern of trade, and in particular the forthcoming release of the tie, the advantages of having a separate image and identity in the wines and spirits market are obvious.

Milner's have their own range of wines and spirits with newly designed labels: these, together with corporate point of sale material, portray an up-market image in what is a highly competitive field. We are at the same time offering a facility of customised labels, which is proving to be very popular: all this is in line with our policy in aiming at the quality and service-appreciative end of the market.

The service we introduced last year of offering a comprehensive range of soft drinks has gone from strength to strength, and all distribution Depots have shown significant increases.

"Word of mouth" is undoubtedly the best form of advertising, and whilst we seem to have a gratifying amount of this going for us, even we have had to recognise that potential customers' awareness of some of our brands and the merits thereof needed a little assistance, and accordingly our Marketing Department has been strengthened, and expenditure in this area has been greatly increased.

Telesales was introduced during the year and is currently available to all customers serviced from Burton. The success of this operation has merely posed the question of "why didn't we do it before?", and this service will be extended to other areas as soon as possible.

Very few Chairmen seem to mention computers, possibly because it is tempting providence to do so! It is, therefore, with a certain amount of trepidation that I report that our decision a year or so ago to effectively quadruple our capacity in this field has proved to be a wise one. Response times have been reduced dramatically, and the Computer Department's desire to be "user friendly" is actually starting to be reciprocated. Better and quicker information is undoubtedly one of the keys to future success, and we are sure that we now have a strong base for future development.

Tied Trade

Volumes were down for the year, for the reasons stated earlier in this report: however, during the course of the year some 60 alterations to Houses were carried out, but as many of them were only completed towards the end of the period, or just after, the full benefits will not be seen in this year's Accounts. We also continued with our programme of improvements to the external appearance of our Houses, and some 200 re-signages were completed: there will be a similar number this year. Much future planning has been undertaken, and a further 66 alterations are scheduled for this current year.

During the course of the year we acquired three new Houses and disposed of seven, plus two small Off-Licences.

Much has been done to improve the basic fabric of our Houses, and expenditure on repairs was up by some 30 per cent. This will continue during the current year, and thereafter.

We are very conscious of the importance of catering in our industry, and are, therefore, forming a new Catering Department to fully develop this aspect of our trade: we are also creating a Training Centre adjacent to the Brewery, not only for our own employees, but also to assist our licensees to maximise the full potential of their businesses.

Additional Houses were taken under management, and this section has once again increased its contribution to our profits. Much of this has been due to the efforts of our management team, who, together with the actual Managers and their wives and/or husbands, have worked extremely hard to produce this result.

Our Tenants, during what has not been an easy year, have continued to work very closely with the Company, and we thank them for their loyalty and support.

Machine Income increased, in part due to the introduction of the £1 coin, but more specifically through a better understanding and closer management of this side of the business.

Free Trade

Free Trade loan finance increased by a net amount of some £1.75m, which, whilst somewhat lower than last year it should be remembered that those figures included the incorporation of all Border Breweries investments. Free Trade loan investment now totals just over £6.75m. This may seem a large figure, but it

Chairman's Statement, 1986 *(continued)*

should be borne in mind that well over one-third of our sales now come from other than our own Houses. There is still over-capacity in the industry, and this is giving rise to very keen competition, which at times seems to border on the unviable. Happily, with the strength of our brands, the overall breadth of our portfolio, and the service we are able to offer, we currently find we do not have to go to levels which seem to us, anyway, excessive.

Share Schemes

The Employee Share Ownership (profit sharing) Scheme is now in its sixth year, and under the terms of the Finance Act, 1985 those employees who have held Shares for five years have now become Shareholders in their own right. I am pleased to note that the vast majority are continuing to hold these Shares rather than sell them, and I am delighted to welcome them into the fold.

Following your approval of further Share Schemes at the Extraordinary General Meeting held on the 6th September, 1985, 800,000 Shares were placed on offer under the terms of the Savings-Related Share Option Scheme (S.A.Y.E. Scheme) and the response was most encouraging, some 176 employees applying for just over half of these. In addition, certain options have been granted under the terms of the Executive Share Option Scheme.

The Board

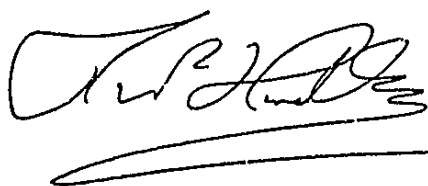
Mr. D. P. (Peter) Dines, our Specialist Free Trade Director, has indicated his desire to take somewhat early retirement, and he will leave us in October of this year. Whilst this is not altogether relevant to this Report, I nevertheless feel it is an opportune time to pay tribute to his contribution to the Company. He joined the Company in 1964, became Assistant to Mr. A. G. Andrews in 1976, and took over full responsibility for the Free Trade in 1983. Thanks to his dedication and application growth in this area has continued unchecked, and we wish both he and his wife a long and happy retirement up at Whitby.

I am asking for Shareholders approval, at the Annual General Meeting, to raise the amount that can be paid as Directors Fees to £50,000 in aggregate. We only pay Directors fees to Non-Executive Directors, and the present limit of £3,000 to any one Director was set in 1984. There is no intention of utilising all of this new amount immediately, but we would like to have the opportunity of perhaps increasing the Non-Executive representation on the Board, and also of reviewing their remuneration, from time to time, as may seem appropriate.

The Future

In my preliminary statement I reported that trade for the first two months was up, and happily this has continued into June. This is, I feel, encouraging, firstly because May of the previous year was about the only good month of that Summer, and thus difficult to compete with, and secondly, the World Cup, encroaching as it did on a number of prime trading sessions, cannot exactly have helped us in June.

There are a number of potential problems facing the industry, but I look forward to the future with confidence. Our management team, some of whom are relative newcomers to the Company, are blending in well with one another, and once again I would thank them, together with all other employees, for all the hard work they have put in in achieving these results. So long as this continues I am sure we have a firm foundation from which we can make further progress.



M. W. F. Hurdle *Chairman*

Report of the Directors

The Directors have pleasure in submitting their annual report and financial statements for the year ended 31st March, 1986.

Activities

The Company carries on the business of brewing beer, lager and stout at Burton-on-Trent, and the shipping and blending of wines and spirits, all of which are distributed direct and through depots to the Midlands, North and Mid-Wales, the Lake District, Hereford & Worcester, Hampshire and the Home Counties areas.

A review of the operations of the Company during the year, events since the end of the year and future developments are referred to in the Chairman's Statement on pages 4, 5 and 6.

Financial

The profit for the year and the appropriations are shown in the Consolidated Profit and Loss Account on page 10.

The Directors declared an interim dividend of 0.70 pence per share, which was paid on 28th January, 1986 and now recommend payment of a final dividend of 1.54 pence per share.

Property Values

The Company's brewery, depots and licensed properties were revalued as at 1st April, 1983 or in the case of assets acquired from subsidiary companies as at 1st March, 1984. These properties are included in the accounts at their revalued amounts with subsequent additions at cost.

The Directors are of the opinion that any liability to taxation which might arise on disposal of these properties would be rolled over under the provisions of the Capital Gains Tax Act 1979. Where such relief is known not to be available provision for the liability to taxation has been made.

Directors

The Directors of the Company, who are shown on page 2, have served throughout the year with the exception of Mr. J. Hatton and Mr. D. G. Setford, who resigned on 30th April, 1985, Mr. C. H. Tidbury who resigned on 6th September, 1985 and Mr. S. C. Whitbread who was appointed on 2nd August, 1985.

The Directors retiring by rotation are Mr. A. T. Alpin and Mr. A. G. Andrews, who, being eligible, offer themselves for re-election in accordance with the Articles of Association. Mr. A. T. Alpin has a service contract renewable on the 1st January, annually, for the ensuing five years.

Directors' Interests

The interests of each Director who held office at the end of the financial year (including their family and family trusts) in the Share and Loan Capital of the Company are set out below:

	Holding at 31st March, 1986			Holding at 31st March, 1985 (or date of appointment)	
	Beneficial except where stated	Entitlement under the Marstons Share Ownership Scheme	Entitlement under the Marstons Executive Share Option Scheme	Beneficial except where stated	Entitlement under the Marstons Share Ownership Scheme
7% Unsecured Loan Stock 1993/98					
M. F. Hurdle	£7,000	—	—	£7,000	—
M. W. F. Hurdle	£3,250	—	—	£3,250	—
4 ¼% Redeemable Debenture Stock 1992					
M. F. Hurdle	£28,769	—	—	£28,769	—
M. W. F. Hurdle	£14,708	—	—	£14,708	—
6% Unsecured Loan Stock 1993					
M. F. Hurdle	£15,559	—	—	£15,559	—
M. W. F. Hurdle	£2,410	—	—	£2,410	—

Report of the Directors *(continued)*

Directors' Interests *(continued)*

Ordinary (25p) Shares

M. F. Hurdle	1,175,000	—	—	1,175,000	—
M. W. F. Hurdle	225,000	3,238	170,000	225,000	2,750
A. T. Alpin	10,000	4,319	145,000	10,000	3,668
A. G. Andrews	8,550	1,755	—	8,550	1,755
F. O. A. G. Bennett	4,050	—	—	4,050	—
J. A. Huntley	178,460	—	—	178,460	—
J. A. Huntley—as Trustee	238,000	—	—	238,000	—
N. R. Wilson	3,000	—	115,000	3,000	—
S. C. Whitbread	1,200	—	—	—	—

The Executive Share Option Scheme was adopted at an Extraordinary General Meeting held on 6th September, 1985.

Shares appropriated under the Marston's Share Ownership Scheme entitle participants in that scheme to receive dividends and to require the Trustees of the Scheme to vote in accordance with their instructions.

Mr. M. F. Hurdle, Mr. M. W. F. Hurdle and Mr. A. T. Alpin are Trustees of the Marston's Share Ownership Scheme and in that capacity had jointly a non-beneficial interest in 1,110,963 Ordinary (25p) shares at 31st March, 1986.

None of the Directors had any material interest in any contract (other than his service agreement, if any) of significance to the business of the Company at any time during the year.

Major Shareholdings

The following companies had interests in the Share Capital of the Company at 14th July, 1986:

Whitbread Investment Company PLC	35.8%
Prudential Assurance Company Limited	6.2%
Britannic Assurance Public Limited Company	5.4%

Share Capital

In accordance with the provisions of the Marston's Share Ownership Scheme, 210,466 additional fully paid ordinary shares of 25p were issued to the Trustees of the Scheme on 21st August, 1985, in respect of the allocation for the year ended 31st March, 1985. An amount of £201,000 has been charged against the Profit and Loss Account this year to be paid over to the Trustees to acquire shares to be appropriated to eligible employees participating in the Scheme.

Employees

It is Company policy to employ disabled persons wherever possible; to offer continuity of employment to employees who become disabled, and provide career and training opportunities commensurate with their abilities.

The Company maintains a policy of close co-operation with and involvement of all employees in all matters of concern to them as employees. Employees benefit directly from the continuing prosperity of the Company by means of the Marston's Share Ownership Scheme.

Political and Charitable Contributions

Contributions to charitable organisations totalled £6,729 (1985 - £6,748). No contributions were made to political organisations (1985 - £275 to the Conservative and Unionist Association).

Auditors

The auditors, KMG Thomson McLintock have expressed their willingness to continue in office and resolutions re-appointing them and authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

Close Company

The Company is not a Close Company as defined in the Income and Corporation Taxes Act 1970.

By Order of the Board,

I. J. Bailey

Secretary.

8th August, 1986

Accounting Policies

The following policies have been adopted by the Directors in the financial statements which they approved on 26th June, 1986. The effects of events relating to the year ended 31st March, 1986 which occurred before 26th June, 1986, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31st March, 1986 and of the results for the year ended on that date.

1. Basis of Accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets, in accordance with fundamental accounting concepts and the recommendations of the major accounting bodies, and in accordance with the Companies Act 1985.

2. Consolidation

The consolidated financial statements incorporate the accounts of the Company and of both its subsidiaries made up to 31st March, 1986.

In accordance with the Companies Act 1985, s.228(7) a separate Profit and Loss account of the Company is not presented as the profits dealt with in the accounts of the Company are disclosed in note 19 to these accounts.

3. Debenture Redemption Reserve

In accordance with the requirement of the Debenture Trust Deed £9,000 is transferred annually from Profit and Loss account to the Debenture Redemption Reserve.

4. Deferred Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made only if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

5. Fixed Tangible Assets

Freehold and Leasehold Properties

Brewery, depots and licensed premises are stated in the financial statements at amounts based on professional valuations at 1st April, 1983 and 1st March, 1984, with subsequent additions at cost.

Additions to and major refurbishments of premises are capitalised; replacements and renewals are charged to revenue. Brewery and depot premises are written off by equal annual instalments at the rate of two per cent per annum.

It is the Company's policy to maintain public houses to a high standard of repair. In the view of the Directors such properties do not normally fall out of use because the high level of maintenance expenditure obviates major deterioration. Current experience indicates that in those exceptional circumstances where public houses are disposed of they normally realise at least book value. Depreciation, which in the opinion of the Directors is not material, is therefore not provided on public houses except for leasehold premises, where the unexpired terms of the leases are 100 years or less, which are amortised over the terms of the leases.

Other Fixed Assets

Other fixed tangible assets are stated either at cost to the Company or in the case of assets transferred from subsidiary companies, at Directors valuation. Cost includes installation charges for plant. Exceptional reconditioning and alterations to existing plant which will extend its useful life are capitalised; other expenditure is written off to revenue as incurred.

Other fixed tangible assets are written off by equal annual instalments over their anticipated lives, as follows:

Plant, fixtures and fittings	5 to 10 years
Motor vehicles	5 to 8 years
Casks	8 years

6. Stocks

Stocks are stated at the lower of cost and net realisable value. Where appropriate, cost includes a proportion of production overheads and duty.

7. Turnover

Turnover represents sales to external customers and is stated exclusive of value added tax but inclusive of duty.

8. Pensions

It is the policy of the Company to fund pension liabilities by payments to insurance companies. These funds are invested and managed independently of the finances of the Company.

Consolidated Profit and Loss Account

For the year ended 31st March, 1986

	Notes	1986		1985	
		£,000	£,000	£,000	£,000
Turnover	1		69,623		66,531
Less: Operating costs	2		59,566		57,988
Trading Profit			10,057		8,547
Net interest receivable/(payable)	5		10		8
Allocation to Share Ownership Scheme	6		201		171
Profit on ordinary activities before taxation			9,866		8,384
Tax on profit on ordinary activities	7		3,782		3,420
Profit on ordinary activities after taxation			6,084		4,964
Extraordinary items	8		297		(339)
Profit for the financial year			6,381		4,625
Appropriations:					
Ordinary dividends					
Interim of 0.70p per share paid 28th January, 1986 (1985—0.622p)			609		540
Final proposed 1.54p per share (1985—1.328p)	9		1,340		1,153
Transfer to Debenture Redemption Reserve			9		9
			1,958		1,702
Profit for the year	19		4,423		2,923
Earnings per Ordinary share of 25p	10		7.00p		5.79p
Dividends per Ordinary Share of 25p			2.24p		1.95p

The amount of profit dealt with in the Accounts of the Company is disclosed in note 19 to the accounts.

Consolidated Balance Sheet

as at 31st March, 1986

	Notes	1986		1985	
		£,000	£,000	£,000	£,000
Fixed Assets					
Tangible Assets	11		75,206		71,934
Investments	12		6,756		5,019
			<u>81,962</u>		<u>76,953</u>
Current Assets					
Stocks	13	6,146		6,438	
Debtors	14	7,835		7,098	
Investments	15	851		1,404	
		<u>14,832</u>		<u>14,940</u>	
Creditors: Amounts falling due within one year	16	(18,415)		(17,809)	
Net Current Assets/(Liabilities)			<u>(3,583)</u>		<u>(2,869)</u>
Total Assets Less Current Liabilities			78,379		74,084
Creditors: Amounts falling due after more than one year	16		(689)		(693)
Provisions for Liabilities and Charges	17		(767)		(1,070)
			<u>76,923</u>		<u>72,321</u>
Capital and Reserves					
Called up share capital	18		21,752		21,699
Share premium account	19		3,797		3,680
Revaluation reserve	19		19,727		20,034
Debenture redemption reserve	19		216		207
Profit and loss account	19		32,431		26,701
			<u>76,923</u>		<u>72,321</u>

M. W. F. HURDLE

A. T. ALPIN

Directors

Balance Sheet

as at 31st March, 1986

	Notes	1986		1985	
		£,000	£,000	£,000	£,000
Fixed Assets					
Tangible assets	11		75,206		71,934
Investments	12		6,460		5,258
			<u>81,666</u>		<u>77,192</u>
Current Assets					
Stocks	13	6,146		6,438	
Debtors	14	7,835		7,098	
Investments	15	851		1,404	
		<u>14,832</u>		<u>14,940</u>	
Creditors: Amounts falling due within one year	16	<u>(18,119)</u>		<u>(17,606)</u>	
Net Current Assets/(Liabilities)			<u>(3,287)</u>		<u>(2,666)</u>
Total Assets Less Current Liabilities			<u>78,379</u>		<u>74,526</u>
Creditors: Amounts falling due after more than one year	16		(689)		(693)
Provisions for Liabilities and Charges	17		<u>(767)</u>		<u>(1,070)</u>
			<u>76,923</u>		<u>72,763</u>
Capital and Reserves					
Called up share capital	18		21,752		21,699
Share premium account	19		3,797		3,680
Revaluation reserve	19		19,727		20,039
Debenture redemption reserve	19		216		207
Profit and loss account	19		31,431		27,138
			<u>76,923</u>		<u>72,763</u>

M. W. F. HURDLE

A. T. ALPIN

} Directors

Consolidated Statement of Source and Application of Funds

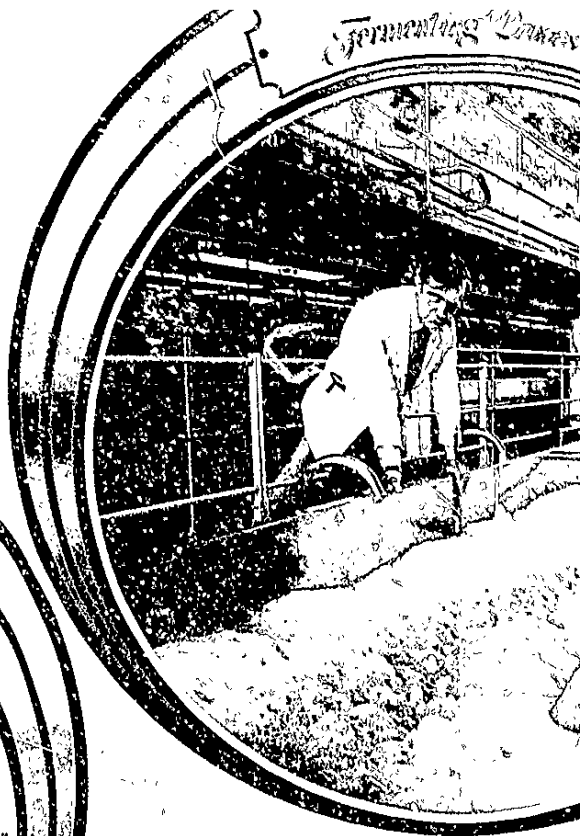
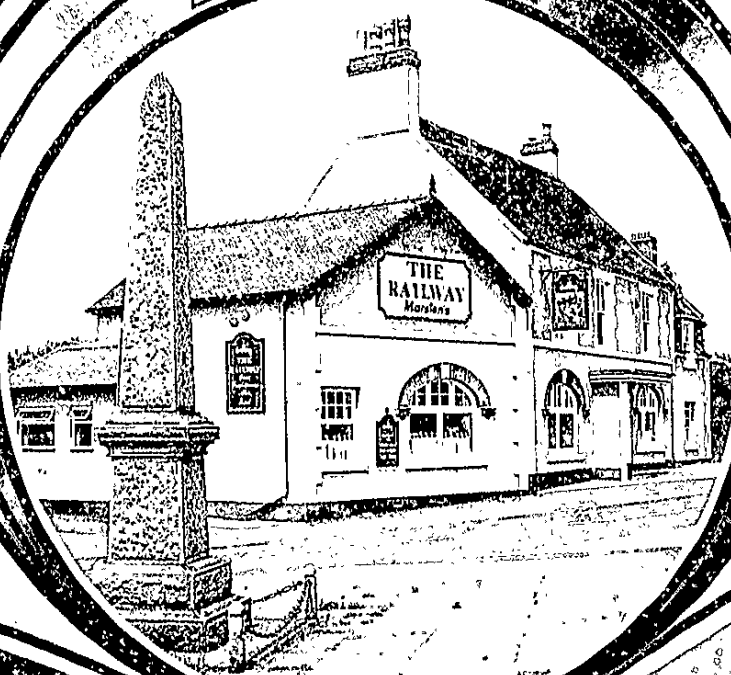
For the year ended 31st March, 1986

	1986		1985	
Source of Funds	£,000	£,000	£,000	£,000
Profit on ordinary activities before taxation		9,866		8,384
Extraordinary items before taxation		297		(755)
		<u>10,163</u>		<u>7,629</u>
Adjustment for items not involving the movement of funds:				
Depreciation	2,691		2,386	
Allocation to Share Ownership Scheme	<u>201</u>		<u>171</u>	
		2,892		2,557
Total generated from operations		<u>13,055</u>		<u>10,186</u>
Funds from other sources:				
Disposal of fixed assets		914		1,290
Share capital (including premium) and loan notes issued in acquisition of Border Breweries		—		7,036
Reduction in fixed asset investment		—		1,035
		<u>13,969</u>		<u>19,547</u>
Application of Funds				
Purchase of fixed tangible assets	(6,877)		(5,381)	
Net assets of Border Breweries acquired	—		(14,128)	
Increase in fixed asset investments	(1,737)		—	
Redemption of debentures	(4)		(8)	
Dividends paid	(1,762)		(1,543)	
Tax paid	<u>(3,196)</u>		<u>(2,982)</u>	
		(13,576)		(24,042)
		<u>393</u>		<u>(4,495)</u>
Increase/(Decrease) in Working Capital				
Stocks	(292)		(356)	
Debtors	737		(631)	
Creditors	<u>53</u>		<u>2,564</u>	
		498		1,577
Movement in Net Liquid Funds				
Cash at bank and in hand		448		(5,267)
Current asset investments		<u>(553)</u>		<u>(805)</u>
		<u>393</u>		<u>(4,495)</u>



Fermenting Tanks

*The Railway
Shenstone*



BREWING EX
198

*The Fencers Arms
Lount*



STRONG

MILD

TRADE

Marston

Barton Union
Fermenting Process



William IV
Ales



ING EXCELLENCE
1986

STRONG

ILD

PALE

TRADE

MARK

Marston's

New Inn
Oatbury



Notes to the Accounts

1. Analysis of Turnover and Profit before Taxation

Turnover comprises sales and other trading income by group companies but excluding value added tax and inter-group transactions. The analysis of turnover by activity and by geographical market has not been disclosed since the group has only one activity which is carried out solely within the United Kingdom.

2. Operating Costs

	1986 £,000	1985 £,000
(Increase)/Decrease in stocks of finished goods and work in progress	292	133
Raw materials and consumables	19,325	20,956
Duty	19,229	17,710
Other operating charges	8,485	7,661
Staff costs	9,544	9,142
Depreciation of fixed tangible assets	2,691	2,386
	<u>59,566</u>	<u>57,988</u>

Other operating charges include auditors' remuneration including expenses of £21,000 (1985—£34,000), and payments under operating leases of £71,000 (1985—£67,000).

3. Staff Costs

	1986 £,000	1985 £,000
Employee costs (including Directors emoluments shown in note 4)		
Wages and salaries	8,309	7,914
Social security costs	506	579
Other pension costs	729	649
	<u>9,544</u>	<u>9,142</u>
	<u>Number</u>	<u>Number</u>
Average number of employees	1,310	1,263

The above figures include 332 (1985—274) part-time employees.

Notes to the Accounts *(continued)*

4. Directors' Emoluments

	1986 £,000	1985 £,000
Fees	15	11
Emoluments (including pension contributions)	150	183
	<u>165</u>	<u>194</u>

The emoluments, excluding pension contributions, of the Chairman and highest paid director amounted to £46,000 (1985—£38,000).

The number of other Directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows:

	1986	1985
£ 0—£ 5,000	7	4
£10,001—£15,000	1	1
£20,001—£25,000	—	1
£25,001—£30,000	—	1
£30,001—£35,000	1	—
£35,001—£40,000	—	2
£40,001—£45,000	1	—

Included in redundancy costs charged as an extraordinary item in 1985 (note 8) was an amount of £108,000 payable to a Director for compensation for loss of office.

5. Interest Receivable/(Payable)

	1986 £,000	1985 £,000
Income from listed UK government securities	44	36
Income from short term deposits	213	335
Interest from trade loans	255	165
Interest on loans payable within five years	(461)	(486)
Interest on loans payable after five years	(41)	(42)
	<u>10</u>	<u>8</u>

6. Share Ownership Scheme

	1986 £,000	1985 £,000
Allocation to the Trustees of the Scheme with which to acquire ordinary shares in the Company either by purchase through the Stock Exchange or by subscription	201	171

7. Tax on Profit on Ordinary Activities

	1986 £,000	1985 £,000
UK corporation tax at 40% (1985—45%) on the profits of the year	4,032	3,420
Transfer from deferred tax	(250)	—
	<u>3,782</u>	<u>3,420</u>

Notes to the Accounts *(continued)*

8. Extraordinary Items

	1986 £,000	1985 £,000
Extraordinary income:		
Surplus on sale of properties	206	354
Discounts less premiums on debenture stock redeemed	1	6
Surplus on disposal of listed investments	115	—
Other non-trading income	29	—
Extraordinary charges:		
Reorganisation costs	—	(260)
Redundancy payments	(54)	(855)
Extraordinary profit/(loss)	297	(755)
Net corporation tax relief attributable thereto	—	416
	<u>297</u>	<u>(339)</u>

9. Proposed Final Dividend

	1986 £,000	1985 £,000
Proposed dividend at 1.54p per share (1985—1.328p per share)	<u>1,340</u>	<u>1,153</u>

10. Earnings per Share

Earnings per share have been calculated by reference to earnings of £6,084,000 (1985—£4,964,000) and 86,924,587 shares (1985—85,681,759) being the average number of shares in issue during the year.

11. Fixed Tangible Assets

	Properties £,000	Plant, fixtures and fittings and casks £,000	Motor Vehicles £,000	Total £,000
<i>Group and Company</i>				
Cost or valuation				
At 31st March, 1985	61,504	21,035	2,028	84,567
Additions	1,767	4,518	591	6,876
Disposals	(444)	(825)	(308)	(1,577)
At 31st March, 1986	<u>62,827</u>	<u>24,728</u>	<u>2,311</u>	<u>89,866</u>
Depreciation				
At 31st March, 1985	382	11,176	1,075	12,633
Charge for the year	213	2,148	330	2,691
Eliminated on disposals	(6)	(402)	(256)	(664)
At 31st March, 1986	<u>589</u>	<u>12,922</u>	<u>1,149</u>	<u>14,660</u>
Net book value at 31st March, 1986	<u>62,238</u>	<u>11,806</u>	<u>1,162</u>	<u>75,206</u>
Net book value at 31st March, 1985	<u>61,122</u>	<u>9,859</u>	<u>953</u>	<u>71,934</u>

Notes to the Accounts *(continued)*

11. Fixed Tangible Assets—*continued*

The net book value of properties comprises:

	1986 £,000	1985 £,000
Freehold	59,155	58,120
Long leasehold	2,868	2,810
Short leasehold	215	192
	<u>62,238</u>	<u>61,122</u>

The total of properties at cost or valuation comprises:

	Properties £,000
At valuation 1st April, 1983	47,169
At valuation 1st March, 1984	7,116
At cost	8,542
At cost or valuation	<u>62,827</u>

Historical cost details of properties which have been included at valuation at 1st April, 1983 and 1st March, 1984 are:

	£,000
At valuation	54,285
Aggregate depreciation thereon	522
Net book value	<u>53,763</u>
Historical cost of revalued assets	36,688
Aggregate depreciation based on historical cost	986
Historical cost net book value	<u>35,565</u>

The depreciation charge for the year on the historical cost of revalued assets would have been £137,000 (1985—£138,000).

Operating lease rentals in respect of land and buildings committed to be paid within one year are as follows:—

	1986 £'000	1985 £'000
Relating to leases expiring in more than five years	<u>73</u>	<u>71</u>

12. Fixed Asset Investments

	Trade loans £,000
<i>Group</i>	
At 31st March, 1985	5,019
Additions	3,278
Disposals/repayments	(1,541)
At 31st March, 1986	<u>6,756</u>

Notes to the Accounts *(continued)*

12. Fixed Asset Investments—*continued*

Company	Investment in subsidiaries		Trade loans	Total
	Shares at cost	Due to subsidiaries		
	£,000	£,000	£,000	£,000
At 31st March 1985	14,161	(13,922)	5,019	5,258
Additions	—	—	3,278	3,278
Disposals/repayments	—	(232)	(1,541)	(1,773)
Adjustment to book value of investment in subsidiaries	(303)	—	—	(303)
At 31st March, 1986	13,858	(14,154)	6,756	6,460

The value of the investment in subsidiaries has been restated to represent the net asset value of the subsidiaries.

The Company owns the entire share capital of its subsidiaries which are incorporated in Great Britain.

Name	Type of capital	Number
Border Breweries (Wrexham) Limited	New Ordinary shares of 1p	5,371,920
	Deferred shares of 25p	5,371,920
	6% Cumulative Preference shares of £1	150,000
SK Williams Limited	Ordinary shares of £1	4,752

13. Stocks

	Group & Company	
	1986	1985
	£,000	£,000
Raw materials and consumables	3,386	2,457
Work in process	379	417
Finished products and goods for resale	3,381	3,564
	6,146	6,438

14. Debtors

	Group & Company	
	1986	1985
	£,000	£,000
Due within one year:		
Trade debtors	7,178	6,919
Other debtors	456	64
Prepayments	201	115
	7,835	7,098

Notes to the Accounts *(continued)*

15. Current Asset Investments

	Group & Company	
	1986	1985
	£,000	£,000
Cost		
Dated government securities	203	529
Certificates of tax deposit	375	875
Listed investments	273	—
	<u>851</u>	<u>1,404</u>

The market value of the dated government securities exceeded the book value by £44,000 (1985—£74,000). The market value of the listed investments exceeded the book value by £79,000.

16. Creditors

	Group 1986 £,000	Company 1986 £,000	Group 1985 £,000	Company 1985 £,000
Due within one year:				
Trade creditors	2,751	2,751	2,301	2,301
Tax and social security	2,827	2,827	3,097	3,097
9 1/4% unsecured loan notes 1989	862	862	1,034	1,034
Other creditors	2,377	2,377	2,407	2,407
Proposed final dividend	1,340	1,340	1,153	1,153
Corporation tax	3,662	3,366	2,826	2,623
Advanced corporation tax payable	547	547	494	494
Bank overdraft	4,049	4,049	4,497	4,497
	<u>18,415</u>	<u>18,119</u>	<u>17,809</u>	<u>17,606</u>
Due after more than one year:				
4 1/4% redeemable debenture stock 1992, secured	188	188	192	192
6% unsecured loan stock 1993	201	201	201	201
7% unsecured loan stock 1993/98	300	300	300	300
	<u>689</u>	<u>689</u>	<u>693</u>	<u>693</u>

The 9 1/4% unsecured loan notes are repayable at par on demand on either 30th June or 31st December in any year and any balance remaining outstanding will be repaid in full on 30th June, 1989.

The debentures, repayable at par in 1992, are secured by a first floating charge on the undertaking of all the property and assets of the Company, present and future including any uncalled capital.

Notes to the Accounts *(continued)*

17. Provisions for Liabilities and Charges

Deferred taxation	Group & Company		
	Accelerated capital allowances £000	Advance corporation tax £000	Total £000
At 31st March, 1985	1,564	(494)	1,070
Transfer to profit and loss	(250)		(250)
A.C.T. recovered	—	(53)	(53)
At 31st March, 1986	<u>1,314</u>	<u>(547)</u>	<u>767</u>
Potential amounts not provided			6,200
At 31st March, 1986			<u>4,900</u>
At 31st March, 1985			<u>4,900</u>

The provision for deferred taxation has been calculated at 35%, being the anticipated rate of taxation when the timing differences will reverse.

The potential tax liability if the properties were sold at their revalued amounts is £8m (1985—£8m).

18. Called Up Share Capital

	Company 1986 £,000	Company 1985 £,000
Authorised 96,000,000 (1985—96,000,000) Ordinary shares of 25p	<u>24,000</u>	<u>24,000</u>
Allotted, called up and fully paid 87,006,467 (1985—86,796,001) Ordinary shares of 25p	<u>21,752</u>	<u>21,699</u>

During the year 210,466 Ordinary shares were issued at a premium of 56.2p per share in accordance with the provisions of the Marston's Share Ownership Scheme.

Options have been granted for 680,000 Ordinary shares under the terms of the Executive Share Option Scheme.

Notes to the Accounts *(continued)*

19. Reserves

	Share premium account £,000	Revaluation reserve £,000	Debenture redemption reserve £,000	Profit and Loss account £,000
<i>Group</i>				
At 31st March, 1985	3,680	20,034	207	26,701
Transfer to Profit and Loss account on disposal of assets	—	(307)	—	307
Transfer from Profit and Loss account	—	—	9	—
Premium on issue of shares	117	—	—	—
Retained profit for the year	—	—	—	4,423
	<u>3,797</u>	<u>19,727</u>	<u>216</u>	<u>31,431</u>
<i>Company</i>				
At 31st March, 1985	3,680	20,039	207	27,138
Transfer to Profit and Loss account on disposal of assets	—	(312)	—	312
Transfer from Profit and Loss account	—	—	9	—
Premium on issue of shares	117	—	—	—
Retained profit for the year	—	—	—	3,981
	<u>3,797</u>	<u>19,727</u>	<u>216</u>	<u>31,431</u>

Retained profit of the company for the year is stated after charging an adjustment to the book value of investment in subsidiaries amounting to £303,000.

20. Capital Commitments

	Group & Company	
	1986 £,000	1985 £,000
Contracted for but not provided (including committed trade loans)	215	706
Authorised but not contracted for	<u>5,656</u>	<u>4,909</u>

Report of the Auditors



Thomson McLintock Chartered Accountants

70 Finsbury Pavement
London EC2A 1SX

AUDITORS' REPORT TO THE MEMBERS OF MARSTON, THOMPSON & EVERSHED plc

We have audited the financial statements on pages 9 to 13 and 16 to 23 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention (as modified by the revaluation of certain assets), give a true and fair view of the state of affairs of the company and the group at 31 March, 1986 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

KMG Thomson McLintock
KMG Thomson McLintock

Chartered Accountants

8 August 1986

Financial Statements for the past Five Years

	1982 £,000	1983 £,000	1984 £,000	1985 £,000	1986 £,000
Employment of Capital					
Fixed Tangible Assets	38,980	40,483	58,107	71,934	75,206
Fixed Investments	1,677	2,200	4,840	5,019	6,756
Current Assets	13,624	16,331	13,644	14,940	14,832
	<u>54,281</u>	<u>59,014</u>	<u>76,591</u>	<u>91,893</u>	<u>96,794</u>
Creditors: Amounts due within one year	(8,532)	(10,403)	(10,956)	(17,809)	(18,415)
	<u>45,749</u>	<u>48,611</u>	<u>65,635</u>	<u>74,084</u>	<u>78,379</u>
Creditors: Amounts due after more than one year	(744)	(708)	(701)	(693)	(689)
Provisions for liabilities and charges	—	—	(1,059)	(1,070)	(767)
	<u>45,005</u>	<u>47,903</u>	<u>63,875</u>	<u>72,321</u>	<u>76,923</u>
Capital Employed					
Share Capital	12,825	12,861	19,340	21,699	21,752
Reserves	32,180	35,042	44,535	50,622	55,171
	<u>45,005</u>	<u>47,903</u>	<u>63,875</u>	<u>72,321</u>	<u>76,923</u>
Profits					
Profit on ordinary activities before taxation	5,088	6,961	7,386	8,384	9,866
Taxation	(2,560)	(3,130)	(3,835)	(3,420)	(3,782)
	<u>3,528</u>	<u>3,731</u>	<u>3,551</u>	<u>4,964</u>	<u>6,084</u>
Profit on ordinary activities after taxation	3,528	3,731	3,551	4,964	6,084
Extraordinary items	343	242	(660)	(339)	297
	<u>3,871</u>	<u>3,973</u>	<u>2,891</u>	<u>4,625</u>	<u>6,381</u>
Profit for the financial year	<u>3,871</u>	<u>3,973</u>	<u>2,891</u>	<u>4,625</u>	<u>6,381</u>
Dividends and Retentions					
Payments to shareholders	1,062	1,198	1,440	1,693	1,949
Retained profit for the year	2,809	2,775	1,451	2,932	4,432
	<u>3,871</u>	<u>3,973</u>	<u>2,891</u>	<u>4,625</u>	<u>6,381</u>
Earnings per share (see note)	<u>4.59p</u>	<u>4.84p</u>	<u>4.60p</u>	<u>5.79p</u>	<u>7.00p</u>
Ordinary dividend per share (see note)	<u>1.38p</u>	<u>1.55p</u>	<u>1.725p</u>	<u>1.95p</u>	<u>2.24p</u>

Note Earnings and dividends per share are expressed in terms of the average number of shares in issue in each year after adjustment of the figures for 1982 and 1983 for the scrip issue on 19th September, 1983.

Market Values

For the purposes of capital gains tax, the market quotations of the Company's issued share and loan capital on 6th April, 1965, adjusted to give effect to capital reconstructions since that date, were:

	£
25p Ordinary Shares	0.0722
4¼ % Debenture Stock 1992	70.50
6% Unsecured Loan Stock 1993	84.50
7% Unsecured Loan Stock 1993/98	80.00

Financial Diary

Final Ordinary Dividend payable 6th September, 1986.

Preliminary announcement of results and Dividend — half year to 30th September, 1986 on 18th December, 1986. *

Interim Dividend payable 30th January, 1987. *

Interest on 4¼ % Redeemable Debenture Stock payable 1st January and 1st July, 1987.

Interest on 6% Unsecured Loan Stock payable 1st January and 1st July, 1987.

Interest on 7% Unsecured Loan Stock payable 30th September, 1986 and 31st March, 1987.

Interest on 9¼ % Unsecured loan notes payable 31st December, 1986 and 30th June, 1987:

**These dates could be subject to revision.*

Distribution Depots

Barmouth

Railway Goods Yard
Park Road
Barmouth
Gwynedd LL42 1PH

Telephone: Barmouth (0341) 280427

Llandudno

Builders Street West
Llandudno
Gwynedd LL30 1HH

Telephone: Llandudno (0492) 74386

Leighton Buzzard

Unit 6D
Cherrycourt Way
Leighton Buzzard
Bedfordshire LU7 8UH

Telephone: Leighton Buzzard (0525) 374499

Macclesfield

Crown Brewery
Bond Street
Macclesfield
Cheshire SK11 6QT

Telephone: Macclesfield (0625) 27831

Malvern Link

Spring Lane North
Malvern Link
Worcestershire WR14 1AL

Telephone: Malvern (06845) 60516

Penrith

33 Old London Road
Penrith
Cumbria CA11 8JJ

Telephone: Penrith (0768) 63701

Winchester

83 Hyde Street
Winchester
Hampshire SO23 7DW

Telephone: Winchester (0962) 65388

Wrexham

Holt Road
Wrexham
Clwyd LL13 8RG

Telephone: Wrexham (0978) 362002
