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# S.A. BRAIN & COMPANY LIMITED



ANNUAL REPORT

1991

S. A. BRAIN & COMPANY LIMITED  
THE OLD BREWERY, CARDIFF

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ANNUAL  
REPORT  
1991

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# **S. A. BRAIN & COMPANY LIMITED**

## **DIRECTORS AND OFFICERS**

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### **DIRECTORS:**

**C. M. BRAIN, CHAIRMAN AND JOINT MANAGING DIRECTOR**  
**R. C. MAY-HILL, F.C.A., JOINT MANAGING DIRECTOR AND SECRETARY**  
**M. E. JAMES, FREE TRADE DIRECTOR**  
**O. N. BREAY, TIED TRADE DIRECTOR**  
**J. W. GLAZZARD, PRODUCTION DIRECTOR**  
**W. E. RHYS, NON-EXECUTIVE DIRECTOR**

### **SECRETARY:**

**R. C. MAY-HILL, F.C.A.**

### **REGISTERED OFFICE:**

**THE OLD BREWERY,  
CARDIFF**

### **REGISTERED NUMBER:**

**52099**

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### **AUDITORS:**

**PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS**

### **BANKERS:**

**LLOYDS BANK Plc**

### **SOLICITORS:**

**CARTWRIGHTS ADAMS & BLACK**

## GROUP FINANCIAL HIGHLIGHTS

Year ended 30 September	1991 £000	1990 £000
Turnover	36,101	32,586
Operating profit	4,979	3,813
Profit on ordinary activities before taxation	4,032	3,281
Preference dividends	160	160
Profit attributable to equity	2,853	2,427
Transfer to properties reserve	2,175	1,750
Ordinary dividend	615	580
Earnings per ordinary share	250.8p	213.3p
Dividend per ordinary share	54.0p	51.0p
Capital employed	£000 22,827	£000 20,589
Expenditure on tangible fixed assets	5,870	5,529

# S. A. BRAIN & COMPANY LIMITED

## CHAIRMAN'S STATEMENT



### GENERAL

The difficult economic climate referred to last year has developed into a deep recession. Although there are suggestions that it has bottomed out, there is no indication yet in South Wales of an upturn in the economy.

The brewing industry has entered a period of probably the greatest rate of change in its history. The disruptive effects of the Monopolies and Mergers Commission Report became apparent during the year. A number of breweries have closed with consequent redundancies and the national brewers are having to reduce their tied estates. Undoubtedly this will cause more public houses to come onto the market during 1992. The national brewers are also having to allow their tenants the opportunity to introduce guest beers into their houses although the future trend in this market is difficult to predict.

### MARKETS

The year has seen significant changes in the national market place with guest beers being firmly established and the steady increase in the lager market being checked. Nationally, beer sales have fallen by 4.8% in volume during the past year. In contrast the company's own beer sales showed an increase of 5.1% over the year. In particular, as a result of the guest beer provisions, sales of the company's own cask conditioned ales showed a significant increase of 10.8%. The company's lager sales have suffered substantially during the year, particularly those of its own brewed Faust which continued to decline. As a result it was decided to cease brewing Faust at the year end.

I am delighted to report that Brains Dark won its class at the Great British Beer Festival organised by the Campaign for Real Ale in London during the summer.

### MANOR HOUSE

Throughout the whole of the year Manor House (Wine Merchants) Limited enjoyed the benefit of the increased trade from the parent company's former wines and spirits department. Although this has resulted in a significant increase in turnover it has led to reduced margins due to the nature of the additional trade. Nevertheless, I am happy to report that Manor House has had a successful year despite the very difficult trading conditions that have been experienced in the hotel and restaurant industry, particularly in the tourist area of West Wales.

### TIED TRADE

In the managed estate the Swan was re-opened in February 1991. The Duke of Wellington in Cowbridge was brought under management at the end of the financial year and plans are being considered to carry out a major refurbishment so that the full potential of the premises may be exploited. The difficult trading conditions of the year have resulted in a fall in sales volume in managed houses although, as a result of more effective management control, profitability has increased.

The tenanted estate has shown increased profitability as a result of economies but found volume trading difficult. Since re-opening in May, the Royal Exchange has achieved successful trading volumes following its major refurbishment.

The three major developments, The Boathouse, Churchills and The Wharf, were completed and opened during the course of the year. The trade at each one has suffered as a result of the recession and the poor summer and none has achieved its budget. Strict management controls over costs are being maintained and I hope that when the economic situation improves the level of trade will significantly increase.

### FREE TRADE

An increasing number of other brewery tenancies have started to take a guest beer and sales of the company's cask-conditioned ales have grown as a result of this new trade. The traditional trade has been subject to even more competition but the company has succeeded in maintaining its volumes although an increased number of customers have succumbed to the recession.

Sales for the take home trade have shown an increase during the year, chiefly due to the continuing success of Brains S.A. in cans and P.E.T. bottles. However, this market remains a small proportion of the company's sales.

The department has had a successful year despite the very difficult and competitive environment and will continue to pursue additional market opportunities.

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## FINANCE AND INVESTMENT

The year has been dominated by the economic recession into which the country has plunged. The high level of interest rates at the beginning of the year was a major factor in this scenario, and the progressive fall throughout the period has not been sufficient to mitigate the reduction in disposable incomes which has affected all retailers.

Nevertheless, the group's financial results for the year are both very satisfying and a major achievement considering all the circumstances. The reductions in interest rates have been most welcome and have resulted in a lower charge than had been budgeted. However, the actual charge for the year reflects the increased level of borrowing that has been necessary in order to finance the capital programme. The major programme has now been completed and for the next few years capital investment is likely to follow the group's traditional pattern of continual upgrading and modest expansion of the estate to meet the changing needs of customers and the environment. However, this pattern may be varied should suitable public houses become available as a result of the legislative effects of the Monopolies and Mergers Commission Report.

Company policy is to consider expanding the estate where benefits are felt to be available but each acquisition will be judged on its merits.

Since the year end, arrangements have been made with the group's bankers which will allow the group increased borrowing facilities by way of a term loan. These arrangements do not preclude the group from seeking further facilities from the market as required.

## DIRECTORS

During the course of the year Mr Ian Sturrock retired after 40 years service with the company. He rendered invaluable service in both the brewing and industrial relations fields apart from being a dependable colleague over many years. I wish him a long, happy and healthy retirement.

Mr John Glazzard was appointed Production Director on 1st June 1991 whilst retaining his previous appointment of Head Brewer.

Mr Richard May-Hill was appointed Joint Managing Director on 1st August 1991 and will retain his financial and secretarial responsibilities for the time being.

## THE FUTURE

The future is as uncertain as it ever has been with the general recession and the doubt over the timetable and extent of the Cardiff Bay redevelopment. The Cardiff Bay Barrage Bill has had a number of setbacks in the House of Commons and, although now sponsored by the Government, has the additional hurdle of the forthcoming General Election. Leaving aside the uncertainty of the barrage, the pace of inward investment within South Wales in general, and Cardiff in particular, has been slowed by the economic climate.

Notwithstanding the difficulties of the present and the uncertainty of the future, it is necessary for the group to be in a position to take advantage of any upturn in the economy whenever that may come. Consequently the board will continue to pursue a policy based on its long term strategy that includes improving its position in the market place, supplying first class products and providing an excellent service to its customers.

I would like to take this opportunity to thank all the group's employees for their considerable efforts during this difficult year and I look forward to their continuing support to meet the challenges ahead in preparation for the uplift in the economy.

C. M. BRAIN  
Chairman



# S. A. BRAIN & COMPANY LIMITED

## REPORT OF THE DIRECTORS

The directors submit their report and the accounts of the group for the year ended 30th September, 1991.

### 1. REVIEW OF THE BUSINESS

The group carries on business as brewers, bottlers, wine and spirit merchants, soft drink manufacturers and licensed property owners and managers. A report of the group's performance during the year, events since the year end and future developments is given in the chairman's statement on pages 4 and 5.

### 2. PROFIT AND DIVIDENDS

	1991 £000	1990 £000
Profit of the group for the financial year as shown on page 10	3,013	2,587
Transfer to properties reserve	(2,175)	(1,750)
	<u>838</u>	<u>837</u>

The directors recommend that this balance be dealt with as follows:

Dividends:

4% (tax free) cumulative preference  
11% second cumulative preference  
Ordinary, interim at 27.0% (1990 - 25.5%)  
Ordinary, final proposed at 27.0% (1990 - 25.5%)

Leaving retained profit for the year

9	9
151	151
307	290
308	290
<u>775</u>	<u>740</u>
<u>63</u>	<u>97</u>

The above figures are prepared under the historical cost convention.

### 3. FIXED ASSETS

The changes in the group's tangible fixed assets are set out in note 7 to the accounts and comprise expenditure on the tied estate and other transactions made in the normal course of business. It is considered that the market value of properties owned by the group is in excess of the book value but until such time as a full valuation is carried out the directors are unable to quantify this excess.

The changes in fixed asset investments are set out in note 8 to the accounts and comprise mainly loans to free trade customers, less repayments.

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**4. DIRECTORS AND THEIR INTERESTS**

The directors at the year end are shown on page 2. Mr. J. W. Glazzard was appointed to the board on 1st June, 1991 and Mr. I. H. Sturrock retired from the board on 31st July, 1991. Full details of directors' interests in shares of the company are disclosed in note 23 to the accounts.

Other than his service contract, no director had a material interest in any contract with the company or its subsidiary undertaking during the year.

**5. CHARITABLE AND POLITICAL CONTRIBUTIONS**

No political contributions were made by the group.

Contributions for charitable and similar purposes in the United Kingdom amounted to £1,500 (1990 - £1,945).

**6. EMPLOYEE INVOLVEMENT**

The directors are fully conscious of the need to make employees aware of the many factors which influence the group's success.

The main channels of communication are regular departmental, Works Committee and Joint Negotiating Committee meetings. Financial results are made available to these meetings and future plans and expectations are discussed.

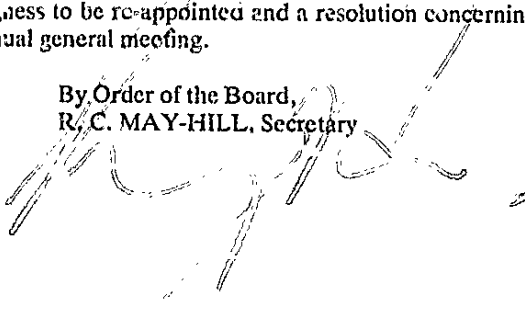
Employees benefit from the group's performance through various profit sharing schemes.

Full and fair consideration has been and will be given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available then, where practicable, arrangements will be made to continue the employment of an employee who has become disabled. Disabled employees are given fair consideration for training, career development and promotion.

**7. AUDITORS**

Price Waterhouse have indicated their willingness to be re-appointed and a resolution concerning their appointment will be submitted to the annual general meeting.

By Order of the Board,  
R. C. MAY-HILL, Secretary



THE OLD BREWERY,  
CARDIFF

3rd February, 1992

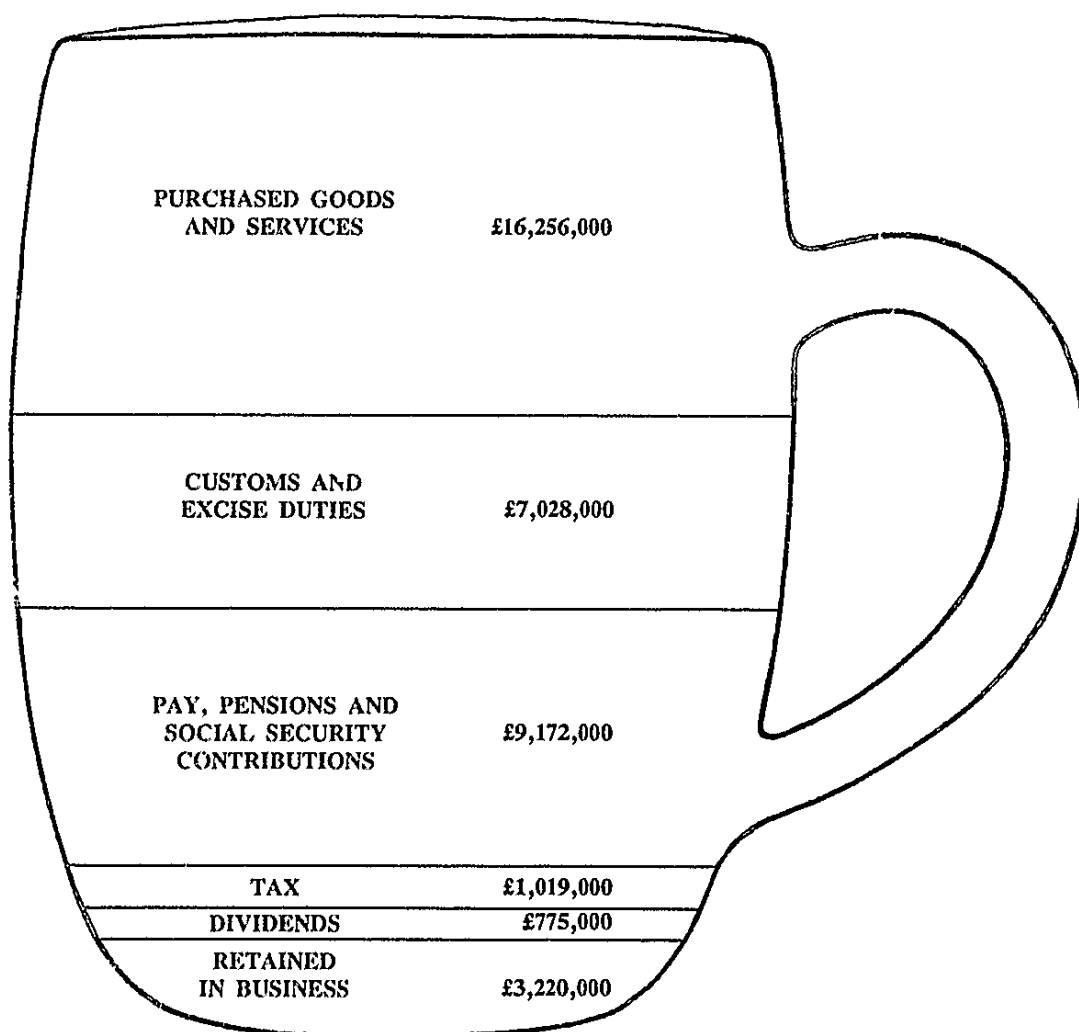
**S. A. BRAIN & COMPANY LIMITED**  
**GROUP VALUE ADDED STATEMENT**  
**YEAR ENDED 30 SEPTEMBER, 1991**

	1991 £000	1990 £000
<b>VALUE ADDED</b>		
Sales of goods and services to customers	36,101	32,588
Deduct: purchased goods and services customs and excise duties	(16,256) (7,028)	(18,222) (6,071)
Value added	12,817	11,293
Rental, investment and other income	1,369	1,457
	<u>14,186</u>	<u>12,750</u>
<b>DISTRIBUTION</b>		
<b>To employees</b>		
Pay, pensions, social security contributions and other employee costs	9,172	8,628
<b>To government</b>		
Amount set aside for corporation tax	1,019	694
<b>To shareholders</b>		
Dividends proposed for the year	775	740
<b>Retained in the business</b>		
Depreciation to provide for replacement of buildings, plant and equipment	982	841
Future development of properties	2,175	1,750
Profit for the year	63	97
	<u>3,220</u>	<u>2,688</u>
	<u>14,186</u>	<u>12,750</u>

Value added is the difference between the total sales for the year and the cost of goods and services used in making those sales. It represents the value of work done by employees, using the assets and facilities financed by the shareholders.

**HOW OUR REVENUE HAS BEEN SPENT**  
**YEAR ENDED 30 SEPTEMBER, 1991**

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**S. A. BRAIN & COMPANY LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 SEPTEMBER, 1991**

	Note	1991 £000	1990 £000
<b>TURNOVER</b>			
Cost of sales	2	36,101 (29,500)	32,586 (27,387)
<b>GROSS PROFIT</b>		6,601	5,199
Distribution costs		(856)	(806)
Administrative expenses		(2,055)	(1,971)
Other operating income		1,289	1,391
<b>OPERATING PROFIT</b>		4,979	3,813
Income from fixed asset investments		80	66
Interest payable	3	(1,027)	(598)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,3	4,032	3,281
Taxation on profit on ordinary activities	4	(1,019)	(694)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	2	3,013	2,587
Dividends	5	(775)	(740)
<b>AMOUNT SET ASIDE TO RESERVES</b>	16	2,238	1,847
<b>EARNINGS PER ORDINARY SHARE</b>	6	250.8p	213.3p

The group profit and loss account should be read in conjunction with the notes on pages 14 to 23.

# BALANCE SHEETS

30 SEPTEMBER, 1991

		Group		Company	
	Note	1991 £000	1990 £000	1991 £000	1990 £000
<b>FIXED ASSETS</b>					
Tangible assets	7	31,928	27,118	31,817	27,050
Investments	8	1,881	1,756	2,037	1,912
		<u>33,809</u>	<u>28,874</u>	<u>33,854</u>	<u>28,962</u>
<b>CURRENT ASSETS</b>					
Stocks	9	1,902	2,136	1,521	1,844
Debtors	10	2,835	2,619	2,506	2,488
Cash at bank and in hand		183	332	117	262
		<u>4,920</u>	<u>5,087</u>	<u>4,144</u>	<u>4,594</u>
<b>CREDITORS</b> (amounts falling due within one year)	11	(15,379)	(12,836)	(14,880)	(12,604)
<b>NET CURRENT LIABILITIES</b>		<u>(10,459)</u>	<u>(7,749)</u>	<u>(10,736)</u>	<u>(8,010)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		23,350	21,125	23,118	20,952
<b>CREDITORS</b> (amounts falling due after more than one year)	12	(17)	(1)	—	—
<b>DEFERRED INCOME</b>	14	(506)	(535)	(506)	(535)
		<u>22,827</u>	<u>20,589</u>	<u>22,612</u>	<u>20,417</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	2,739	2,739	2,739	2,739
Other reserves	16	19,685	17,510	19,685	17,510
Profit and loss account	16	403	340	188	168
		<u>22,827</u>	<u>20,589</u>	<u>22,612</u>	<u>20,417</u>

These accounts were approved by the directors on 3rd February, 1992

C. M. BRAIN, DIRECTOR

R. C. MAY-HILL, DIRECTOR AND SECRETARY

The balance sheets should be read in conjunction with the notes on pages 14 to 23.

**S. A. BRAIN & COMPANY LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**YEAR ENDED 30 SEPTEMBER, 1991**

	Note	1991 £000	1990 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	17	6,070	4,348
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		80	66
Interest paid		(1,043)	(626)
Dividends paid		(740)	(695)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,703)	(1,255)
<b>TAXATION</b>			
Corporation tax paid including advance corporation tax		(819)	(1,976)
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		(6,143)	(5,444)
Receipts from sales of tangible fixed assets		581	653
<b>Net cash outflow from investing activities</b>		(5,562)	(4,791)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		(2,014)	(3,674)
<b>FINANCING</b>	18		
Trade loan advances		(503)	(493)
Trade loan repayments		362	358
Hire purchase borrowings		45	—
Hire purchase repayments		(22)	(12)
<b>Net cash outflow from financing</b>		(118)	(147)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	19	(2,132)	(3,821)

The group cash flow statement should be read in conjunction with the notes on pages 14 to 23.

# REPORT OF THE AUDITORS


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TO THE MEMBERS OF  
S. A. BRAIN & COMPANY LIMITED

We have audited the financial statements on pages 10 to 12 and 14 to 23 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th September, 1991 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CARDIFF  
3rd February, 1992



PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditor



# **S. A. BRAIN & COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER, 1991**

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### **1. ACCOUNTING POLICIES**

**(i) Basis of accounting**

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

**(ii) Basis of consolidation**

The group profit and loss account combines the profits of the company and its subsidiary undertaking for the year.

The group balance sheet combines the assets and liabilities of the company and its subsidiary undertaking as at 30th September, 1991. The net assets are included in the consolidated accounts at their fair value to the group. Any goodwill arising from the cost of acquiring a subsidiary undertaking exceeding the fair value of its net assets is written off directly against reserves.

**(iii) Tangible fixed assets**

Tangible fixed assets are shown at cost less depreciation. Assets under construction and not in use at the balance sheet date are shown as capital work in progress.

**(iv) Depreciation**

It is group policy to maintain public houses to a high standard so as to preserve their earning capacity. Consequently, the directors consider that no provision for depreciation is necessary on freehold public houses. No depreciation is provided on freehold land. The unexpired working lives of other freehold properties in use at 1st October, 1977 have been estimated at 50 years from that date and accordingly have been depreciated at a rate of 2% per annum. Other tangible fixed assets are depreciated at rates designed to write off the cost evenly over their estimated working lives.

The rates in use are as follows:

Plant and equipment	10-25% on cost
Motor vehicles	20% on cost
Leasehold properties	Over life of lease.

**(v) Regional development grants**

Grants on eligible capital expenditure have been credited to a regional development grant reserve which is amortised over the working lives of the assets to which it refers.

**(vi) Repairs and renewals**

These are charged to expense in the year when incurred.

**(vii) Hire purchase contracts**

Assets held under hire purchase contracts are capitalised at inception at their original cost and an obligation is recognised for the future rental payments. The rental payments are apportioned between capital repayment and finance cost over the lease term. Finance costs are charged to profit and loss so as to apportion the cost fairly over the lease term.

**(viii) Stock**

Stock is stated at the lower of cost and net realisable value in the normal course of business. Cost includes the cost of materials, duty and manufacturing overheads. Packing stocks are valued at deposit rates.

**(ix) Deferred taxation**

Provision is made under the liability method for taxation deferred by timing differences only to the extent that it is anticipated that the tax reduction arising therefrom will be reversed in the foreseeable future.

## NOTES TO THE ACCOUNTS (continued)

### (x) Pensions

The expected cost of pensions in respect of the group's defined benefit pension schemes is assessed in accordance with the advice of qualified actuaries and charged to the profit and loss account so as to spread the cost of pensions over the service lives of the scheme members. Variations from regular cost are amortised over the expected remaining service lives of scheme members.

### 2. TURNOVER AND PROFITS

- (i) Turnover is the value of external sales made in the normal course of business and excludes value added tax.
- (ii) Turnover and profit on ordinary activities before taxation are derived from the classes of business referred to in the directors' report on page 6. In the opinion of the directors these classes do not differ substantially from each other.
- (iii) All the group's turnover is derived from the United Kingdom.
- (iv) As permitted by section 230 (1) of the Companies Act 1985, a separate profit and loss account for the company has not been presented. The profit for the financial year dealt with in the accounts of the company amounted to £2,970,000 (1990 - £2,924,000).

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after accounting for the following amounts:

	1991 £000	1990 £000
Wages and salaries	7,863	7,327
Social security costs	630	597
Other pension costs	363	336
Depreciation, less, revaluation of regional development grants £28,527 (1990 - £34,544)	982	841
Hire of plant and machinery	307	260
Auditors' remuneration	27	25
Profit on disposal of properties	297	560
Profit on disposal of plant and equipment	35	68
Interest on bank overdraft wholly repayable within five years	1,024	596
Interest on hire purchase contracts	3	2

### 4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1991 £000	1990 £000
Based on the profit on ordinary activities for the year:		
Corporation tax at 33.5% (1990 - 35%)	1,084	880
Corporation tax overprovided in prior years	(65)	(186)
	<u>1,019</u>	<u>694</u>

The current year's corporation tax charge has been decreased by £195,000 (1990 £162,000) as a result of capital allowances and certain other timing differences.

The company is a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988.

# S. A. BRAIN & COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

	1991 £000	1990 £000
<b>5. DIVIDENDS</b>		
4% preference:		
Interim paid	5	5
Final proposed (since paid)	4	4
	9	9
11% preference: paid	151	151
Ordinary:		
Interim (since paid)	307	290
Final proposed	308	290
	615	580
	<u>775</u>	<u>740</u>

### 6. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the group profit for the financial year after taxation and preference dividends and 1,137,670 (1990 - 1,137,670) ordinary shares.

### 7. TANGIBLE FIXED ASSETS

#### Group

	Total	Properties			Plant and equipment	Capital work in progress
	£000	Freehold	Leasehold	Short	£000	£000
		£000	Long	£000		
<b>Cost:</b>						
At beginning of year	33,563	17,907	2,543	447	7,461	5,205
Additions	5,870	111	-	-	1,388	4,371
Transfers	-	5,860	3,113	4	135	(9,112)
Disposals	(720)	(6)	-	(19)	(695)	-
At end of year	<u>38,713</u>	<u>23,872</u>	<u>5,656</u>	<u>432</u>	<u>8,289</u>	<u>464</u>
<b>Depreciation:</b>						
At beginning of year	6,445	739	243	83	5,380	-
Charge for year	1,011	72	44	11	884	-
Disposals	(671)	-	-	(7)	(664)	-
At end of year	<u>6,785</u>	<u>811</u>	<u>287</u>	<u>87</u>	<u>5,600</u>	<u>-</u>
<b>Net book amount:</b>						
30th September, 1991	<u>31,928</u>	<u>23,061</u>	<u>5,369</u>	<u>345</u>	<u>2,689</u>	<u>464</u>
30th September, 1990	<u>27,118</u>	<u>17,168</u>	<u>2,300</u>	<u>364</u>	<u>2,001</u>	<u>5,205</u>

# NOTES TO THE ACCOUNTS (continued)

## TANGIBLE FIXED ASSETS (continued)

### Company

	Total	Freehold	Properties		Plant and equipment	Capital work in progress
	£000	£000	Long	Short	£000	£000
Cost:						
At beginning of year	33,447	17,907	2,543	447	7,345	5,205
Additions	5,786	111	-	-	1,304	4,371
Transfers	-	5,860	3,113	4	135	(9,112)
Disposals	(686)	(6)	-	(19)	(661)	-
At end of year	38,547	23,872	5,656	432	8,123	464
Depreciation:						
At beginning of year	6,397	739	243	83	5,332	-
Charge for year	985	72	44	11	858	-
Disposals	(652)	-	-	(7)	(645)	-
At end of year	6,730	811	287	87	5,545	-
Net book amount:						
30th September, 1991	31,817	23,061	5,369	345	2,578	464
30th September, 1990	27,050	17,168	2,300	364	2,013	5,205

Future capital expenditure not provided for in the accounts:

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Contracts placed	-	4,242	-	4,242
Authorised by the directors but contracts not yet placed	296	91	296	91
	296	4,333	296	4,333

# S. A. BRAIN & COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 8. FIXED ASSET INVESTMENTS

#### Group

	Trade loans £000
<b>Cost:</b>	
At beginning of year	1,781
Advances	503
Repayments	(362)
<b>At end of year</b>	<b>1,922</b>
<b>Provision for diminution in value:</b>	
At beginning of year	25
Amount provided during year	16
<b>At end of year</b>	<b>41</b>
<b>Net book amount:</b>	
30th September, 1991	1,881
30th September, 1990	1,756

#### Company

	Total £000	Trade loans £000	Subsidiary undertaking £000
<b>Cost:</b>			
At beginning of year	1,937	1,781	156
Advances	503	503	-
Repayments	(362)	(362)	-
<b>At end of year</b>	<b>2,078</b>	<b>1,922</b>	<b>156</b>
<b>Provision for diminution in value:</b>			
At beginning of year	25	25	-
Amount provided during year	16	16	-
<b>At end of year</b>	<b>41</b>	<b>41</b>	<b>-</b>
<b>Net book amount:</b>			
30th September, 1991	2,037	1,881	156
30th September, 1990	1,912	1,756	156

The subsidiary undertaking investment represents 200 ordinary shares of £1 each in Manor House (The Merchants) Limited being its entire issued share capital.

## NOTES TO THE ACCOUNTS (continued)

### 9. STOCKS

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Raw materials and consumables	376	405	376	405
Work in progress	428	388	428	388
Finished goods and goods for resale	1,098	1,343	717	1,051
	<u>1,902</u>	<u>2,136</u>	<u>1,521</u>	<u>1,844</u>

The replacement cost of stocks does not differ significantly from the amounts stated above.

### 10. DEBTORS

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Trade debtors	2,222	1,798	1,836	1,559
Recoverable advance corporation tax	219	207	219	207
Other debtors	33	266	28	266
Prepayments and accrued income	361	348	355	339
Amount due from subsidiary undertaking	-	-	68	117
	<u>2,835</u>	<u>2,619</u>	<u>2,506</u>	<u>2,488</u>

Advance corporation tax is recoverable by deduction from corporation tax payable out of future profits.

### 11. CREDITORS

(amounts falling due within one year)

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Bank overdraft	8,711	6,728	8,711	6,728
Trade creditors	1,441	1,554	1,160	1,484
Hire purchase	15	8	-	-
Bills of exchange	84	75	-	-
Other creditors	158	197	90	157
Taxation and social security	3,109	2,341	3,054	2,308
Accruals	1,205	1,312	1,199	1,306
Proposed dividends	656	621	656	621
	<u>15,379</u>	<u>12,836</u>	<u>14,880</u>	<u>12,604</u>

### 12. CREDITORS

(amounts falling due after more than one year)

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Hire purchase	17	1	-	-
	<u>17</u>	<u>1</u>	<u>-</u>	<u>-</u>

**S. A. BRAIN & COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**13. LEASE OBLIGATIONS**

Operating leases on plant and equipment have annual commitments which expire as follows:

	Group		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
Less than one year	139	234	139	234
Two to five years	89	138	89	138
	<u>228</u>	<u>372</u>	<u>228</u>	<u>372</u>

**14. DEFERRED INCOME**

	Group		Company	
	1991 £000	1990 £000	1991 £000	1990 £000
Regional development grants:				
At beginning of year	535	569	535	569
Amount taken to profit for year	(29)	(34)	(29)	(34)
At end of year	<u>506</u>	<u>535</u>	<u>506</u>	<u>535</u>

**15. SHARE CAPITAL**

	Authorised £000	Allotted and fully paid £000
1991 and 1990:		
4% (tax free) cumulative preference shares of £10 each	250	225
11% second cumulative preference shares of £1 each	1,400	1,376
Ordinary shares of £1 each	1,400	1,138
	<u>3,050</u>	<u>2,739</u>

**16. RESERVES**

Group	Profit and loss account £000	Total other reserves £000	Other Reserves Capital redemption £000	Properties £000
At beginning of year	340	17,510	238	17,272
Amount set aside from profit for year	63	2,175	-	2,175
At end of year	<u>403</u>	<u>19,685</u>	<u>238</u>	<u>19,447</u>
Company				
At beginning of year	168	17,510	238	17,272
Amount set aside from profit for year	20	2,175	-	2,175
At end of year	<u>188</u>	<u>19,685</u>	<u>238</u>	<u>19,447</u>

## NOTES TO THE ACCOUNTS (continued)

### 17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1991	1990
	£000	£000
Operating profit	4,979	3,813
Depreciation charges	982	841
Profit on sale of tangible fixed assets	(332)	(628)
Increase in provision against diminution in value of trade loans	16	1
Decrease / (increase) in stocks	234	(5)
Increase in debtors	(404)	(259)
Increase in creditors	595	585
Net cash inflow from operating activities	<u>6,070</u>	<u>4,348</u>

### 18. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1991		1990	
	Hire Purchase	Trade Loans	Hire Purchase	Trade Loans
	£000	£000	£000	£000
Balance at beginning of year	(9)	1,781	(21)	1,646
Advances	-	503	-	493
Borrowings	(45)	-	-	-
Repayments	22	(362)	12	(358)
Balance at end of year	<u>(32)</u>	<u>1,922</u>	<u>(9)</u>	<u>1,781</u>

### 19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1991	1990
	£000	£000
Balance at beginning of year	(6,396)	(2,575)
Net cash out flow - note 20	(2,132)	(3,821)
Balance at end of year	<u>(8,528)</u>	<u>(6,396)</u>

### 20. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1991			1990		
	At beginning of year	At end of year	Change in year	At beginning of year	At end of year	Change in year
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand	332	183	(149)	280	332	52
Bank overdraft	(6,728)	(8,711)	(1,983)	(2,855)	(6,728)	(3,873)
	<u>(6,396)</u>	<u>(8,528)</u>	<u>(2,132)</u>	<u>(2,575)</u>	<u>(6,396)</u>	<u>(3,821)</u>



# S. A. BRAIN & COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 21. PENSIONS

The company operates three fully funded defined benefit pension schemes, the assets of which are held in separate trustee administered funds.

For 1990 costs amounted to £363,000 (1989 - £336,000) and the rate of contribution was 9.6% of pensionable members' pensionable wages and salaries. The most recent actuarial valuations of the schemes were carried out by a qualified actuary as at 1st October, 1987, 1st April, 1989 and 1st October, 1989 using the attained age method. The assumptions which had the most significant effect on the results of the valuations were those relating to the rate of return on investments and the rates of increase in wages, salaries and pensions. It was assumed that the investment return would be 8.4% per annum, that wages and salaries would increase at the rate of 7.4% per annum and that pensions would be increased in accordance with scheme rules.

The aggregate market value of the assets of the three schemes at their most recent actuarial valuation dates amounted to £10,440,000 and the actuarial value of these assets represented 112% of the benefits that had accrued to members after allowing for expected future increases in wages and salaries. The regular costs have been reduced on account of this surplus which is being amortised over the expected remaining service lives of scheme members. The contributions expressed as a percentage of pensionable wages and salaries are after a reduction in respect of this surplus amounting to 2.0%.

The contributions expressed as a percentage of pensionable wages and salaries include 0.8% funded by scheme members.

### 22. DEFERRED TAXATION

The basis for accounting for deferred taxation is given in note 1 (ix).

The maximum potential liability and the amount provided are as follows:

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Accelerated capital allowances	2,229	1,978	2,226	1,975
Short term timing differences	(17)	(9)	(17)	(9)
	<u>2,212</u>	<u>1,969</u>	<u>2,209</u>	<u>1,966</u>
Rollover of capital gains on business assets	444	612	444	612
	<u>2,656</u>	<u>2,581</u>	<u>2,653</u>	<u>2,578</u>
Advance corporation tax	(219)	(207)	(219)	(207)
Potential liability	<u>2,437</u>	<u>2,374</u>	<u>2,434</u>	<u>2,371</u>
Amount provided	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The advance corporation tax taken into account above has been included in debtors, the details of which are given in note 10.

## NOTES TO THE ACCOUNTS (continued)

### 23. DIRECTORS AND EMPLOYEES

	1991 £	1990 £
Directors' emoluments charged in the year were:		
For services as directors	31,733	30,200
Other emoluments	314,385	281,315
	<u>346,118</u>	<u>312,215</u>

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, amounted to £65,519 (1990 - £59,675).

Emoluments, excluding pension contributions, of other directors fell within the following scales:

Scale			1991	1990
£		£		
5,001	to	10,000	1	-
10,001	to	15,000	1	1
45,001	to	50,000	-	2
50,001	to	55,000	3	1
55,001	to	60,000	-	1
60,001	to	65,000	1	-

The average number of persons employed by the group during the year, including directors, was 1,228 (1990 - 1,249). All persons were employed in the United Kingdom.

Directors' interests in shares of the company were as follows:

	Ordinary Shares		4% Preference Shares		11% Preference Shares		
	1991	1990	1991	1990	1991	1990	
C.M. BRAIN	65,352	63,980	577	577	-	-	Beneficial
	458,578	466,208	615	615	100,000	100,000	Non-Beneficial
R.C. MAY-HILL	7,450	4,450	-	-	-	-	Beneficial
	181,061	328,769	-	-	-	100,000	Non-Beneficial
M.E. JAMES	375	275	-	-	-	-	Beneficial
O.N. BREAY	550	250	-	-	-	-	Beneficial
J.W. GLAZZARD	100	-	46	-	-	-	Beneficial
W.E. RHYS	37,642	38,842	92	92	19,220	19,220	Beneficial
	190,878	193,508	138	138	100,000	100,000	Non-Beneficial

After the year end the non-beneficial interest of C.M. Brain decreased by 10,464 ordinary shares and that of W.E. Rhys decreased by 250 ordinary shares. The non-beneficial interest of R.C. May-Hill increased by 144,828 ordinary shares and 100,000 11% preference shares and the beneficial interest of R.C. May-Hill increased by 250 ordinary shares.

# S. A. BRAIN & COMPANY LIMITED

## GROUP FIVE YEAR SUMMARY

	Year Ended 30 September				
	1991 £000	1990 £000	1989 £000	1988 £000	1987 £000
<b>TRADING RESULTS</b>					
Turnover	36,101	32,586	30,277	27,621	26,416
Operating profit	4,979	3,813	3,637	3,095	2,595
Profit before taxation	4,032	3,281	3,519	3,081	2,594
Profit after taxation	3,013	2,587	2,585	2,026	1,739
Profit attributable to equity	2,853	2,427	2,425	1,866	1,579
<b>RATIOS</b>					
Earnings per ordinary share	250.8p	213.3p	213.2p	164.0p	138.8p
Dividend per ordinary share	54.0p	51.0p	47.0p	43.5p	40.5p
<b>EMPLOYMENT OF CAPITAL</b>					
	£000	£000	£000	£000	£000
Tangible fixed assets	31,928	27,118	22,689	18,721	17,507
Long term investments	1,881	1,756	1,622	1,670	1,887
Net current liabilities	(10,459)	(7,749)	(4,991)	(1,999)	(2,098)
Long term creditors and provisions	(17)	(1)	(9)	(918)	(773)
Deferred income	(506)	(535)	(569)	(622)	(678)
	22,827	20,589	18,742	16,852	15,845
<b>CAPITAL EMPLOYED</b>					
Share capital	2,739	2,739	2,739	2,739	2,739
Reserves	19,685	17,510	15,760	13,970	12,970
Profit and loss account	403	340	243	143	136
	22,827	20,589	18,742	16,852	15,845

Note: profits and related statistics have been adapted to reflect current accounting policies and certain prior year items.