S.A.BRAIN & CO LTD

(Registered Number 52099)

Directors' Report and Accounts

2004

VISION STATEMENT

To be Wales' leading integrated, independent drinks and hospitality business, recognised by consumers throughout the UK.

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CHAIRMAN'S STATEMENT

I am very pleased to report on a particularly positive set of results, especially given the degree of development activity undertaken across the group. Turnover rose by 13%, breaking through a significant milestone by reaching £108.1m. Through careful delivery of our business plan, this growth drove a rise in profit before tax of £1m or 14% to £8.2m. Within this, operating profit increased by almost £2m or 21%.

Earnings per share increased 6% to 470p with earnings before interest, tax, depreciation and amortisation (EBITDA), which is a key measure used within our sector, increasing by 17% to £16m. The size of this increase compared well with other players in our industry, but it is also recognised that there is further scope for growth to reach our identified benchmark level.

Total capital investment was maintained at the previous year's level of £12m – of this, £2m was directed towards acquisitions of additional public houses and the William Stedman wholesaling business. We continued with the significant programme of redevelopment which is being undertaken within our pub estate and much credit must be given to the retail team for delivering such a comprehensive plan so effectively.

This activity has meant that an additional £5m from our debt facility has been utilised during the year. However, both the board and the bank are comfortable with this level of debt and indeed the latter is very supportive of continued growth in the facility should suitable investment opportunities arise. Shareholder funds have grown by almost £4m to £58m, which reflects acquisitions and investments in the pub estate in the main.

In line with the board's more progressive dividend policy previously outlined, an interim dividend of 58p per ordinary share has been paid and the board will recommend to the Annual General Meeting a proposed final dividend of 58p per ordinary share to be paid on 1 July 2005. If approved, this will bring the total dividend on ordinary shares for the year to 116p, an increase of over 18%.

These results are ahead of expectation and have been delivered in spite of a variety of challenges in our sector. Our strategy of becoming the leading provider of drinks and retail hospitality to the South Wales marketplace continues to be robust under current circumstances. We are succeeding in all key elements of the business plans that support this strategy, namely development of our brand, pub estate, brewing, drinks distribution and people.

I would also like to take this opportunity to thank all of our staff for their support and considerable efforts during this year of continued development. I would like to note my thanks to Richard May-Hill, who retired from the board at the end of October 2004, for his 33 years service with the business and 30 years as Company Secretary. In April, we were very pleased to welcome Richard Davies to our business as Sales and Marketing Director. Richard has drinks industry experience through H P Bulmer Limited, Courage Take-Home and, more recently, was Commercial Director for Nutricia UK, which is part of a multinational group best known in the UK for Cow & Gate infant food. Richard is already making a strong contribution to the business and we wish him well as a board member of S A Brain.

Richard's appointment has meant that David Bonney has been able to commence his role as Commercial Director. His duties include working on strategic planning, purchasing, acquisitions, estate management and the development of key cross-functional processes to support our business strategy.

The Old Brewery Quarter has grown its presence as a destination venue within Cardiff city centre over the year and the majority of units are now let. Trading at our own Yard Bar & Kitchen has continued to exceed expectations well over a year after its opening. It is also a finalist in The Publican Pub Design of the Year and the Morning Advertiser Cask Ale Pub of the Year. Indeed, the Old Brewery Quarter itself won a prestigious architectural design award during the year.

The year ended on a particular high with our announcement of Brains becoming the official sponsor of the Welsh Rugby Union for a period of four years. This will see the company name being proudly displayed on the Welsh rugby shirt as well as being able to supply Brains beer to the Millennium Stadium as the "Official Ale of the WRU". We have also renegotiated our sponsorship with Glamorgan County Cricket Club and will be present as the main sponsor on all kits from the start of next season.

Looking forward, trading in the first quarter of 2004/05 has broadly met expectations. Sales volumes across the group were up 2%, which we believe significantly outperforms the market place. Like-for-like sales from our comparative managed houses have been growing at around 3% with a total growth of 7%. It can be concluded from overall Christmas trading that consumers appear to be cautious in their spending patterns and we will continue to keep an eye on this position as we roll-out our plans.

The business is having to respond to a number of legislative issues, which will take up a lot of time and expense. These include the Disability Discrimination Act, which has already come into force and the new licensing arrangements, which are still providing some uncertainty with regards to the workings of the Act. In the longer term, the government has announced its intention to restrict smoking in pubs and bars which has a number of implications for the business including future capital investment plans. It is concerning to note, however, that the Welsh Assembly Government has indicated its intention, if given the power, to introduce a total ban on smoking within licensed premises in Wales. We are fully engaged with officials from the Assembly as part of their consultation process.

However, given these scenarios, we are still confident that we have the plans in place to continue to grow the business and strengthen our long term position in our core market place.

C M Brain
Group Chairman

CHIEF EXECUTIVE'S REVIEW

We have achieved a number of very tangible and visible developments within the business this year, particularly within our pub estate and marketing activities. When the positive results that the group has achieved are also considered, then this is a year of achievement for which everyone who has worked for the company should be proud.

Despite considerable disruption across the retail estate arising from our comprehensive investment programme and a particularly poor summer weather-wise compared to the previous year, we were pleased with our overall volume growth. At plus 1.1%, this compares to a general market decline in the on-trade of 1.9%. It is clear that the strategy put in place to increasingly dominate the supply of drinks and retail hospitality within our market place is appropriate and the report that follows lays out the main developments within each of the key areas of the business.

BRAND DEVELOPMENT

Advertising remains a significant part of our overall investment in our brand. TV and 48-sheet poster campaigns have been undertaken throughout the year, supported by high profile PR. Evaluation of the current approach has indicated that our "positive thinking" campaign is becoming closely associated with Brains in the minds of target consumers and, in PR terms, is a connection enjoyed by journalists.

The sponsorship of the Welsh national rugby team will provide a very strong platform for brand development in the future. The autumn series of 2004 has already shown the potential for leveraging marketing activity in the form of advertising, promotions, merchandising, customer entertainment and, not least, the impact of spectators being able to sample Brains beer in the The Millennium Stadium.

This sponsorship will also support our strategic aim of widening distribution for Brains brands which has also gained momentum through redesign, trade promotions and new product initiatives. We have successfully tested an Extra Cold version of Brains Smooth which is planned to be rolled out to all trade sectors during the first half of 2005. "Bread of Heaven" is a beer that has been developed in both cask and 660ml bottle forms to specifically support our sponsorship of the Welsh Rugby Union. In addition, we have introduced a bottle-conditioned version of our award-winning Brains Dark.

PEOPLE

The company has continued to develop its human resources strategy through increased investment in training and development throughout the year. This is due to us understanding that well trained and motivated people will implement our business plans more effectively. A lot of work has been put into restructuring our remuneration packages and making them more flexible. Processes have also been put in place to improve consultation and communication across the group.

Moving forward, further work will take place on the development of remuneration packages, which will include implementing the results of a current review of the company's pension arrangements. The HR team will also be supporting the new structures that have been put in place, particularly in the Retail and Marketing areas, and concentrating on management development.

I would echo the Chairman's thanks to all our staff for their hard work and contribution to the delivery of our plan. I would also add my best wishes to Richard Davies (pictured right) and David Bonney in their new roles as Sales and Marketing Director and Commercial Director respectively.

MANAGED HOUSES

This division produced very strong total sales growth of 17.5%. On a newly defined, more challenging measure, like-for-like sales were flat. This was, in the main, due to the significant number of houses that were developed and a slowing down of trade during the key summer period due to the adverse weather conditions. The investment programme in managed houses was accelerated from the previous year with 38 major redevelopments undertaken during the year resulting in 145 weeks of disruption to the business. This was a significant challenge for the Retail team, but I am pleased to note the high overall quality of the redevelopments delivered. This was a difficult year to add appropriate acquisitions to the estate and we have made only one acquisition during the year. However, our new Estates and Acquisitions Manager has now established a comprehensive network of agents and contacts and the company has both the funding and appetite in place to acquire suitable pubs in the future.

Food has continued to grow at around 25% with further development of our menus as the number of destination food houses has increased. This area will continue to be developed as the market and consumer dynamics of our industry evolve.

This division of our business continues to face continuous pressure on its cost base, particularly through legislation. The Disability Discrimination Act, the increase in Minimum Wage being ahead of inflation and the forthcoming licensing arrangements are good examples of this and, along with other measures, will cost the group an additional £0.5m in the coming year.

TENANTED HOUSES

The tenanted estate produced another solid performance with a growth of just over 4% in both sales and contribution. Investment in the estate also increased with 16 major redevelopments being undertaken and two acquisitions being added to the estate. Disruption to the tenanted business was also significant with the equivalent of a total of 47 weeks of closures. The focus this year has been on developing a new range of agreements which are designed to attract more entrepreneurial licensees to run our tenanted and leased pubs for the future. In addition, a number of smaller managed houses have been identified to be transferred into the tenanted/leased estate during 2005.

SALES OPERATIONS

The Free Trade team performed strongly throughout the year in an increasingly competitive marketplace. Sales were ahead of plan and provided a growth of around 3%, which is a significant out-performance of a marketplace in a 1.9% decline. This would indicate that customers are increasingly turning to our focused approach on brand range and excellent customer service, all at a reasonable price. Moving forward, we believe that our sponsorship of Welsh rugby will help to mitigate some of the pressures within the market.

Our Wholesale division, which is ostensibly made up of the James Williams and William Stedman businesses, performed well during the year producing a contribution ahead of expectation. In particular, this division has been very successful in growing the distribution and sales of our own brands, which was a key objective behind the acquisitions.

A growth of nearly 12% for the National Sales division was a highly credible performance. Indeed, momentum was growing in the final quarter of the year as the new listings gained within the sector began to produce sales. This sector remains a key focus area for the year ahead for growing Brains beer brand distribution.

Sales through Manor House Wine were marginally behind plan and reflected a particularly competitive marketplace for wine in the face of slowing on-trade sales. However, our strategy throughout the year was to retain margin and I am pleased to report that this division was ahead of target for overall profit contribution. The wine range has now been refocused for each trade sector and increased resources have been provided to the business. We therefore expect a positive performance in the year ahead.

In the take-home market we have continued to grow sales, benefiting from our brand redevelopment programme and advertising to encourage consumers to choose our products. This is a major area of focus for the coming year and our performance will be helped in particular by our sponsorship of the Welsh Rugby Union and the introduction of new pack configurations.

COMMERCIAL

The key projects that have been undertaken in this first year of operation for this department include comprehensive business process mapping, which is fundamental to the new IT infrastructure that is being developed. Particular focus has been put into achieving savings through purchasing across key product categories. This process has been aided by suppliers viewing us as an increasingly high profile regional brewer with a proven growth track record. As previously mentioned, much effort has gone into establishing our contact network for the supply of future acquisitions as well as general property portfolio management. The focus moving forward will continue to be on acquisitions, purchasing, driving cross-functional efficiencies and benchmarking our performance against other leaders in the sector.

OPERATIONS

The Brewers have played a key role in the new product development process and have continued to produce our beers to a very high standard. They were once again awarded a Silver Medal for Brains Dark at the Great British Beer Festival in the summer. In addition, Reverend James was awarded Best Ale in Show at the Pub & Bar Show earlier in the year. The contribution from contract brewing continues to grow and was nearly 30% up during the year. We remain confident about attracting further contracts in the future.

The focus for the Logistics team has centred around improving efficiency across the six depots that we now operate, with a particular shift in volume to our depots in the west. Our Technical Services team continues to be a key element in our support package across all trade sectors as well as working on specific projects across our own pub estate and undertaking a major installation programme of our fonts within The Millennium Stadium.

PROSPECTS

The update on current trading within the Chairman's Statement provides comfort that the new year has got underway satisfactorily. It is clear that momentum is building within each sector of the business, which is manifesting itself both in results and in enthusiasm for our staff to succeed. There also appears to be a growing recognition of our achievements externally through a number of awards having been secured by the company and being short-listed for the finals in a number of categories in both the national Publican and Morning Advertiser Awards.

The key areas of focus for this year include continued investment in the pub estate, implementation of a new IT system, exploiting our sponsorships, particularly that of the Welsh Rugby Union, and the renegotiation of our major supply contracts. We will also be judged on continuing to improve the return on assets employed, controlling the cost base and developing a truly customer-focused, challenging internal culture. As the industry continues to consolidate, along with a number of other external dynamics, we remain confident that the strategy in place will continue to deliver growth in shareholder value.

Scott Waddington
Chief Executive

DIRECTORS:

C M Brain ***Chairman***

J S Waddington ***Chief Executive***

D P Bonney ***Commercial Director***

R P Davies ***Sales and Marketing Director*** *(from 5 April 2004)*

J Kerr ***Operations Director***

P H Lay ***Retail Director***

M S Reed, F.C.C.A. ***Finance Director***

J F W Rhys *

* Non-Executive Director

SECRETARY:

R C May-Hill, F.C.A. *(retired 31 October 2004)*

K Eastwood, LL.B., M.B.A. *(from 1 November 2004)*

BANKERS:

Lloyds TSB Bank Plc

REGISTERED OFFICE:

The Cardiff Brewery, PO Box 53,
Crawshay Street, Cardiff CF10 1SP

AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

REGISTERED NUMBER:

52099

SOLICITORS:

Cartwright Black

CONTENTS

REPORT OF THE DIRECTORS

The directors submit their report and the accounts of the group for the year ended 30 September 2004.

REVIEW OF THE BUSINESS

The group carries on business as brewers, wine and spirit merchants and licensed property owners and managers. A report of the group's performance during the year and future developments is given in the Chairman's statement and Chief Executive's review, on pages 2 to 7.

PROFIT AND DIVIDENDS

	2004 £'000	2003 £'000
Operating Profit	10,809	8,944
Profit for the group for the financial year	5,213	4,932
The directors recommend that this balance be dealt with as follows:		
DIVIDENDS:		
4% (tax free) cumulative preference	13	13
11% second cumulative preference	151	151
Ordinary, interim at 58.00p per share (2003 - 49.00p)	624	527
Ordinary, final proposed at 58.00p per share (2003 - 49.00p)	624	527
	1,412	1,218
Retained profit for the financial year	3,801	3,714

RESEARCH AND DEVELOPMENT

The company carries out research and development activities as part of its normal business, the costs of which are not considered material.

FIXED ASSETS

The changes in the group's tangible fixed assets are set out in Note 8 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 total market value of properties owned by the group is in excess of their book value but until such time as a full valuation is carried out the directors are unable to quantify this excess.

The changes in investments are set out in Notes 9 and 10 to the accounts and comprise mainly loans to free trade customers, repayments, amortisation and provisions for diminution in value, together with investments in joint venture companies.

DIRECTORS AND THEIR INTERESTS

The directors at the date of this report are shown on page 8. R C May-Hill who was a director throughout the year resigned as a director following his retirement on 31 October 2004. Full details of directors' interests in the share capital of the company and its subsidiary undertakings are disclosed in Note 29 to the accounts.
Other than their service contracts and the interest of certain directors as shown in Note 29, no director had any other material interest in any contract with the company or its subsidiary undertakings during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing those financial statements 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.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHARITABLE AND POLITICAL CONTRIBUTIONS

No political contributions were made by the group.

Contributions for charitable and similar purposes in the United Kingdom amounted to £3,296 (2003 - £4,024). This amount includes £1,646 donated to brewing industry charities, £1,000 to the British Olympic Association and £500 to the Minerva Campaign, an educational charity.

EMPLOYEE INVOLVEMENT

The directors are fully conscious of the need to make employees aware of and involve them in factors which influence the group's success. Employees benefit from this success with greater job security and satisfaction whilst also receiving financial reward based on profit levels and feedback gained from customers.

The main channels of communication are regular departmental meetings, a bi-monthly cascade briefing process, six-monthly employee presentations and discussions via the joint Negotiating Committees. The company's performance and future plans are just some of the aspects shared with these groups. In recognition that some of these processes do not allow early input and involvement in business decisions, an Employee Communication Forum has been established where elected representatives from every area of the business meet with managers from the company to discuss matters of mutual interest.

The company understands, and is committed to, its obligations to promote equality and inclusiveness. The belief is borne out by its approach to recruitment, promotion and training where employees are judged on their merits. The company is committed to its social responsibilities and support activities that will allow it to engage with its communities.

REPORT OF THE DIRECTORS

CONTINUED

PAYMENT OF CREDITORS

It is the group's policy, in respect of its suppliers, to agree the terms of payment with each supplier as appropriate. Otherwise the group's standard settlement terms are the end of the calendar month following the supplier's invoice date. At 30 September 2004 the group's creditor days, compared to the value of suppliers' invoices received in the year was 28 (2003 - 31).

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

K. Eastwood.

THE CARDIFF BREWERY, CARDIFF
By Order of the Board
K EASTWOOD, LL.B., M.B.A., Secretary
31 January 2005

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review and the Report of the Directors.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2004 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff
31 January 2005

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2004

	2004 £'000	2003 £'000 restated (see note2)
TURNOVER (Including share of joint ventures) (Notes 2 & 10)	108,133	95,990
Cost of sales	(86,119)	(76,104)
GROSS PROFIT	22,014	19,886
Selling & distribution costs	(7,170)	(6,246)
Administrative expenses	(7,004)	(7,447)
Other operating income	2,969	2,751
NET OPERATING EXPENSES	(11,205)	(10,942)
OPERATING PROFIT (Including share of joint ventures, see note 10)	10,809	8,944
Profit on sale of fixed assets	15	187
Investment income	*181*	*86*
Interest payable (Note 3)	(2,840)	(2,059)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX (Notes 2 and 3)	8,165	7,158
Taxation on profit on ordinary activities (Note 4)	(2,845)	(2,119)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	5,320	5,039
Dividends : minority interest (Note 5)	(107)	(107)
PROFIT FOR THE FINANCIAL YEAR (Note 2)	5,213	4,932
Dividends:		
Equity shares (Note 5)	(1,248)	(1,054)
Non-equity shares (Note 5)	(164)	(164)
RETAINED PROFIT FOR THE FINANCIAL YEAR (Note 21)	3,801	3,714
EARNINGS PER ORDINARY SHARE (Note 6)	469.5p	443.4p

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The results relate entirely to continuing operations.

The profit for the financial year includes all recognised gains and losses in the year.

The group profit and loss account should be read in conjunction with the notes on pages 16 – 40.

BALANCE SHEETS

AS AT 30 SEPTEMBER 2004

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Intangible assets (Note 7)	696	107	696	107
Tangible assets (Note 8)	94,698	87,804	94,694	87,796
Investments (Note 9)	4,792	5,128	16,546	16,882
Investment in joint ventures (Note 10)				
Share of gross assets	8,963	9,481		
Share of gross liabilities	(6,833)	(7,355)		
	2,130	2,126	1,953	1,987
	102,316	95,165	113,889	106,772
CURRENT ASSETS				
Stocks (Note 11)	3,660	2,971	3,660	2,971
Debtors (Note 12)	10,104	9,796	10,104	9,793
Cash at bank and in hand (Note 13)	1,168	1,178	1,127	1,064
	14,932	13,945	14,891	13,828
CREDITORS				
(Amounts falling due within one year) (Note 14)	(20,138)	(21,249)	(30,683)	(31,787)
NET CURRENT LIABILITIES	(5,206)	(7,304)	(15,792)	(17,959)
TOTAL ASSETS LESS CURRENT LIABILITIES	97,110	87,861	98,097	88,813
CREDITORS				
(Amounts falling due after more than one year) (Note 15)	(34,728)	(29,708)	(34,728)	(29,708)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 18)	(4,347)	(3,907)	(4,349)	(3,909)
DEFERRED INCOME (Note 19)	(299)	(311)	(299)	(311)
	57,736	53,935	58,721	54,885
CAPITAL AND RESERVES				
Called up share capital (Note 20)	2,677	2,677	2,677	2,677
Other reserves (Note 21)	26,457	26,457	26,453	26,453
Profit and loss account (Note 21)	27,890	24,089	29,591	25,755
SHAREHOLDERS FUND'S				
(including non-equity interests) (Note 22)	57,024	53,223	58,721	54,885
Minority interests in preference shares (Note 23)	712	712	-	-
	57,736	53,935	58,721	54,885

These accounts were approved by the board of directors on 31 January 2005 and were signed on its behalf by:

C M Brain
Group Chairman

J S Waddington
Chief Executive

The balance sheets should be read in conjunction with the notes on pages 16 – 40.

GROUP CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2004

	2004 £'000	2003 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 24)	12,585	10,361
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	181	86
Interest paid	(2,213)	(1,844)
Interest element of finance lease rental payments	(117)	(110)
Dividends paid: Non equity shares	(164)	(164)
Minority interest	(53)	(107)
Net cash outflow from returns on investments and servicing of finance	(2,366)	(2,139)
TAXATION	(2,323)	(1,632)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of intangible fixed assets	(625)	-
Purchase of tangible fixed assets	(11,729)	(12,131)
Proceeds of sale of tangible fixed assets	166	985
Trade loan advances	(1,075)	(1,715)
Trade loan repayments	1,365	1,237
Repayment of loan to joint venture	34	72
Net cash outflow from capital expenditure and financial investment	(11,864)	(11,552)
ACQUISITIONS		
Investment in joint venture	-	(1,525)
Net cash outflow from acquisitions	-	(1,525)
EQUITY DIVIDENDS PAID	(1,054)	(2,452)
Net cash outflow before management of liquid resources and financing	(5,022)	(8,939)
MANAGEMENT OF LIQUID RESOURCES		
FINANCING		
Repayment of loan notes	(95)	(192)
New loans	5,095	8,689
Finance lease advances	540	293
Capital element of finance lease rental payments	(708)	(664)
NET CASH INFLOW FROM FINANCING	4,832	8,126
DECREASE IN CASH DURING THE YEAR (Note 26)	(190)	(813)

The group cash flow statement should be read in conjunction with the notes on pages 16 – 40.

1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

(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 undertakings, being Manor House (Wine Merchants) Limited, Crown Buckley Limited, Crown Brewery Plc, Crown Buckley Taverns Limited, Filbuk 313 Limited, Brain Crown Buckley Limited, The Good Pub Company Limited and William Stedman Limited.

The group balance sheet combines, from the date of acquisition, the assets and liabilities of the company and its subsidiary undertakings and includes the group's share of the assets and liabilities of joint ventures. Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of consideration over the fair value of net tangible assets acquired, was, until 1997 charged against reserves on acquisition. Goodwill arising subsequently will be amortised over its useful economic life in accordance with Financial Reporting Standard No. 10 issued by the Accounting Standards Board.

(III) INTANGIBLE FIXED ASSETS

Purchased goodwill, being the excess of purchase price over the value of trading assets acquired at the date of acquisition, is amortised over its useful life which is considered to be 20 years.

(IV) TANGIBLE FIXED ASSETS

Tangible fixed assets are shown at cost less depreciation.

(V) DEPRECIATION

All tangible fixed assets are depreciated at rates designed to write off their cost evenly over their estimated useful lives. Depreciable fixed assets are written down to their estimated residual values on a straight line basis over their estimated useful lives as follows:

Freehold land	Not depreciated
Freehold buildings	Over 50 years
Leasehold properties	Over term of lease
Plant and equipment	Over periods of 5 to 10 years
Motor vehicles	Over 5 years

(VI) JOINT VENTURES

The group's share of net assets of joint ventures is included in the consolidated financial statements based on the management accounts for the period up to 30 September 2004.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2004

1 ACCOUNTING POLICIES (CONTINUED)

(VII) INVESTMENTS

Investments in subsidiaries are included at cost less provision for any permanent diminution in value.

(VIII) INVESTMENTS - TRADE LOANS

Trade loans made to customers are amortised over their estimated useful economic lives unless repaid earlier.

(IX) GRANTS

Government grants received for the purchase of assets are treated as deferred income and credited to the profit and loss account over the expected economic life of the assets concerned.

(X) REPAIRS AND RENEWALS

These are charged to expense in the year when incurred.

(XI) LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to the profit and loss account to write off the assets over their expected useful lives.

Finance lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a basis which reflects the amounts financed under these arrangements.

All other operating leases and annual rentals are charged to the profit and loss account on a straight line basis over the lease terms.

(XII) OPERATING LEASE INCOME

Income from properties under operating leases is recognised on a straight line basis over the life of the lease, and included in other operating income.

(XIII) 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, manufacturing overheads and, where applicable, duty. Packing stocks are valued at deposit rates.

(XIV) DEFERRED TAXATION

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. The Group has chosen not to discount deferred tax assets and liabilities.

1 ACCOUNTING POLICIES (CONTINUED)

(XV) PENSIONS

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

(XVI) FOREIGN CURRENCIES

Liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(XVII) TURNOVER

Turnover comprises net retail sales including contract packaging fees and income from gaming and vending machines. They are all stated after relevant discounts and are exclusive of Value Added Tax. Retail turnover and contract packaging fees are recognised on despatch or sale of the products to the customer, gaming and vending income is recognised on an accruals basis.

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) In the opinion of the directors turnover and profit on ordinary activities before taxation are derived from one class of business.

(III) Virtually 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 £5,247,000 (2003 - £4,624,000).

(V) The directors have revised the allocation of costs between costs of sales, selling and distribution and administrative expenses to more accurately reflect the nature of the costs incurred. The comparative analysis has been restated: £316,000 of costs previously included in cost of sales have been reflected as selling and distribution costs. £477,000 of costs previously included in administrative costs have been reflected as cost of sales (£387,000) and selling and distribution costs (£90,000).

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after accounting for the following amounts:

	2004 £'000	2003 £'000
Wages and salaries	22,163	19,214
Social security costs	1,745	1,418
Other pension costs (Note 27)	709	664
Depreciation of owned fixed assets	4,256	3,586
Depreciation of fixed assets held under finance leases and hire purchase contracts	564	534
Reversal of exceptional impairment provision charged in 2002	(100)	-
Reversal of onerous lease provision charged in 2002 (Note 18)	(100)	-
Amortisation of government grants	(12)	(11)
Auditors' remuneration – company	48	58
Auditors' remuneration – group	48	62
Non-audit fees paid to auditors	115	70
Loss/(Profit) on disposal of properties	15	(212)
(Profit)/Loss on disposal of plant and equipment	(30)	25
Interest on bank overdrafts	168	18
Interest on bank loans	2,028	1,814
Interest on hire purchase contracts	117	110
Interest payable on deposits held	12	9
Interest payable other	5	3
Share of joint ventures interest payable	510	105
Operating lease payments - hire of plant and machinery	446	536

4 TAXATION

(a) Analysis of charge in the year:

	2004 £'000	2003 £'000
The charge for taxation is made up as follows:		
CURRENT TAX:		
UK corporation tax on profits for the year	2,662	2,308
Share of joint ventures taxation	18	9
Adjustment in respect of previous periods	(375)	(163)
Total current tax (Note 4b)	2,305	2,154
DEFERRED TAX:		
Origination and reversal of timing differences - current year	336	218
- adjustment in respect of previous periods	204	(253)
Total deferred tax (Note 18)	540	(35)
Total tax on profit on ordinary activities	2,845	2,119

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the U.K. (30 per cent). The differences are explained below:

	2004 £'000	2003 £'000
Profit before tax	8,165	7,158
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	2,450	2,147
Effects of:		
Temporary timing differences between taxable and accounting profits:		
Accelerated capital allowances	(336)	(287)
Share of joint ventures taxation	18	9
Other timing differences	-	56
Permanent differences	557	399
Adjustment to tax charge in respect of previous periods	(375)	(163)
Differential in corporation tax rates used	(9)	(7)
Current tax charge for the year (Note 4a)	2,305	2,154

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2004

5 **DIVIDENDS**

	2004	2003
	£'000	£'000
S. A. BRAIN & COMPANY LIMITED		
EQUITY		
£1 Ordinary:		
Interim proposed (since paid)	624	527
Final proposed	624	527
	1,248	1,054
NON EQUITY		
4% £10 preference:		
Interim paid	6	6
Final proposed	7	7
	13	13
11% £1 preference paid	151	151
	164	164
CROWN BUCKLEY LIMITED:		
Minority non-equity		
15% £1 "A" preference:		
Interim paid	54	107
Final proposed	53	-
	107	107

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 1,075,426 (2003 - 1,075,426) ordinary shares in issue.

7 INTANGIBLE FIXED ASSETS

	Goodwill
	£'000
GROUP AND COMPANY	
COST:	
At 1 October 2003	113
Additions	625
At 30 September 2004	738
AMORTISATION:	
At 1 October 2003	6
Charge for the year	36
At 30 September 2004	42
NET BOOK VALUE:	
At 30 September 2004	**696**
At 30 September 2003	**107**

On 1 October 2003, the company acquired the wholesale trade and certain trading assets of William Stedman Limited.

	£000
DETAILS OF THE ACQUISITION ARE AS FOLLOWS:	
Cash consideration	1,108

	Book Value
	£000
Goodwill	625
Tangible fixed assets	51
Stocks	407
Trade loans and other debtors	25
Net assets acquired	1,108

The results of the business since acquisition have not been separately disclosed on the grounds of materiality.

8 TANGIBLE FIXED ASSETS

	Freehold properties	Leasehold properties Long	Leasehold properties Short	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
GROUP					
COST:					
At 1 October 2003	67,385	8,938	3,482	31,261	111,066
Additions	3,388	183	87	8,071	11,729
Disposals	(51)	-	(53)	(214)	(318)
At 30 September 2004	70,722	9,121	3,516	39,118	122,477
DEPRECIATION:					
At 1 October 2003	3,485	1,470	1,075	17,232	23,262
Charge for year	835	128	154	3,567	4,684
Disposals	(3)	-	(46)	(118)	(167)
At 30 September 2004	4,317	1,598	1,183	20,681	27,779
NET BOOK AMOUNT:					
At 30 September 2004	66,405	7,523	2,333	18,437	94,698
At 30 September 2003	63,900	7,468	2,407	14,029	87,804
COMPANY					
COST:					
At 1 October 2003	67,384	8,938	3,482	31,175	110,979
Additions	3,389	183	87	8,070	11,729
Disposals	(51)	-	(53)	(214)	(318)
At 30 September 2004	70,722	9,121	3,516	39,031	122,390
DEPRECIATION:					
At 1 October 2003	3,485	1,470	1,075	17,153	23,183
Charge for year	835	128	154	3,563	4,680
Disposals	(3)	-	(46)	(118)	(167)
At 30 September 2004	4,317	1,598	1,183	20,598	27,696
NET BOOK AMOUNT:					
At 30 September 2004	66,405	7,523	2,333	18,433	94,694
At 30 September 2003	63,899	7,468	2,407	14,022	87,796

	Group and Company - Plant & equipment 2004	2003
	£'000	£'000
Included in the above amounts at 30 September are assets held under finance leases:		
Cost	3,596	3,055
Accumulated depreciation	(2,361)	(1,797)
Net book value	1,235	1,258

There is no contracted future capital expenditure not provided for in the accounts (2003 - £nil).

9 INVESTMENTS

	Trade loans £'000	Other £'000	Total £'000
GROUP			
COST:			
At 1 October 2003	8,783	31	8,814
Advances	1,075	-	1,075
Repayments	(1,365)	-	(1,365)
Amortisation	(496)	-	(496)
At 30 September 2004	7,997	31	8,028
PROVISION FOR DIMINUTION IN VALUE:			
At 1 October 2003	3,686	-	3,686
Decrease in provision	(450)	-	(450)
At 30 September 2004	3,236	-	3,236
NET BOOK AMOUNT:			
At 30 September 2004	4,761	31	4,792
At 30 September 2003	5,097	31	5,128

	Trade loans £'000	Subsidiary undertakings £'000	Other £'000	Total £'000
COMPANY				
COST:				
At 1 October 2003	8,783	11,754	31	20,568
Advances	1,075	-	-	1,075
Repayments	(1,365)	-	-	(1,365)
Amortisation	(496)	-	-	(496)
At 30 September 2004	7,997	11,754	31	19,782
PROVISION FOR DIMINUTION IN VALUE:				
At 1 October 2003	3,686	-	-	3,686
Decrease in provision	(450)	-	-	(450)
At 30 September 2004	3,236	-	-	3,236
NET BOOK VALUE:				
At 30 September 2004	4,761	11,754	31	16,546
At 30 September 2003	5,097	11,754	31	16,882

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2004

9 INVESTMENTS (CONTINUED)

	£'000
The investments in subsidiary undertakings comprise:	
• the cost of shares in Crown Buckley Limited, as follows:	
150,001 ordinary shares of 1p each (100% of total issued)	
149,999 8% preferred ordinary shares of 1p each (100% of total issued)	
2,200,000 8% "B" preference shares of 1p each (100% of total issued)	
The company is registered in England and Wales. Its assets and liabilities and business operations were transferred to S. A. Brain & Company Limited on 1 October 1997.	9,391
• the cost of 200 ordinary shares of £1 each in Manor House (Wine Merchants) Limited being its entire share capital.	
The company is registered in England and Wales and its principal activity is the purchase and resale of wines and spirits	156
• the cost of shares in The Good Pub Company Limited, as follows:	
1,000 ordinary shares of £1 each (100% of total issued)	
52,000 ordinary "A" shares of £1 each (100% of total issued)	
10,000 ordinary "B" shares of 0.1p each (100% of total issued)	
The company is registered in England and Wales. Its assets and liabilities and business operations were transferred to S.A. Brain & Company Limited on 1 October 2001.	2,207
	11,754

• other investments are principally Welsh Rugby Union debentures.

10 INVESTMENTS IN JOINT VENTURE COMPANIES

	2004 £'000	2003 £'000
GROUP		
Share of gross assets at end of year	8,963	9,481
Share of gross liabilities at end of year	(6,833)	(7,355)
	2,130	2,126
COMPANY		
Cost of investments in joint venture companies	1,953	1,987

During 1999 the Company acquired a 50% investment in the ordinary issued share capital of SA Brain & Company Ventures Limited, a company incorporated in England and Wales, being equal partner in the joint venture with a third party. The company's principal activity is licensed property ownership and management. During the year £34,000 of the company's investment was repaid.

In September 2000 the company acquired a 50% investment in the ordinary issued share capital of Old Brewery Quarter Developments Limited, a company incorporated in England and Wales, being equal partner in the joint venture with a third party.

In November 2001 the company acquired a 50% investment in the ordinary issued share capital of Brain Mansford Estates Limited, a company incorporated in England and Wales, being equal partner in the joint venture with a third party. The company was set up to own and manage the group's Customer Service Centre.

In September 2003 the company acquired a 50% investment in Mansford Holdings Cardiff LLP as an equal partner with a third party. The partnership was set up to own, develop and manage the company's former premises at the Old Brewery Cardiff. An amount of £1,525,000 has been loaned to the partnership.

The amounts included in the group profit and loss account are as follows

	2004 £'000	2003 £'000
The group's share of turnover	539	603
The group's share of other operating income	488	375
The group's share of operating profit	566	201
The group's share of profit before tax	56	96

11 STOCKS

	2004 £'000	2003 £'000
GROUP AND COMPANY		
Raw materials and consumables	274	258
Work in progress	202	203
Finished goods and goods for resale	3,184	2,510
	3,660	2,971

12 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	6,939	6,945	6,939	6,945
Other debtors	740	833	740	833
Prepayments and accrued income	2,425	2,018	2,425	2,015
	10,104	9,796	10,104	9,793

13 CASH AT BANK AND IN HAND

Cash at bank includes £35,000 (2003 - £130,000) which is held in support of the liabilities in respect of the unsecured loan stock 2002 (see Note 14).

14 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loan (Note 15)	1,061	867	1,061	867
Bank overdraft	3,266	3,086	3,266	3,086
Trade creditors	4,408	6,476	4,408	6,426
Obligations under finance leases and hire purchase contracts	333	620	333	620
Other creditors	1,260	1,224	1,265	1,200
Corporation tax	871	907	842	771
Other taxation and social security	3,224	3,119	3,157	3,023
Accruals	4,335	3,723	4,335	3,719
Proposed dividends	1,345	1,097	1,291	1,097
Amount due to subsidiary undertakings	-	-	10,690	10,848
Unsecured loan stock	35	130	35	130
	20,138	21,249	30,683	31,787

Unsecured loan stock represents £35,000 (2003- £130,000) loan stock 2002 issued on the acquisition of Crown Buckley Limited.

15 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	2004 £'000	2003 £'000
GROUP AND COMPANY		
Bank loans	34,173	29,272
Obligations under finance leases and hire purchase contracts	555	436
	34,728	29,708

Analysis of bank loans and overdrafts, finance leases and hire purchase repayments due:

	2004 £'000	2003 £'000
GROUP AND COMPANY		
Within one year or on demand	4,660	4,573
Between one and two years	11,802	1,071
Between two and five years	22,926	27,722
After five years	-	915
	39,388	34,281

Bank loans comprise:

- medium term loans totalling £4,804,000 (2003- £5,490,000) repayable over periods up to 2011, at an interest rate of 0.75% over base rate for 7 years from August 2004.
- drawdowns of £30,500,000 (2003- £24,750,000) against a five year revolving loan and term out facility of £50,000,000 arranged in April 2003. This facility is at an interest rate of 0.75% over base rate.

All bank loans are secured by a floating charge over the whole of the group's assets and undertaking.

The group has entered into certain interest rate swap transactions which have the effect of fixing interest rates on £7,500,000 of borrowings at 6.1% until September 2006.

16 CONTINGENT LIABILITIES

The parent company, S A Brain & Company Limited, has entered into an Omnibus Guarantee and Set Off Agreement in respect of the bank borrowings of other group companies.

17 LEASE OBLIGATIONS

Non-cancellable operating leases on plant and equipment have annual commitments which expire as follows:

	2004 £'000	2003 £'000
GROUP AND COMPANY		
Within one year	*103*	*90*
Between two and five years	35	266
	138	356

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Deferred taxation	4,141	3,601	4,143	3,603
Provision for the excess of pension costs charged over amounts funded	206	206	206	206
Provision for onerous contracts (Note 3)	-	100	-	100
	4,347	3,907	4,349	3,909

DEFERRED TAXATION

The movement on the deferred tax liability is as follows:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
At start of year	3,601	3,636	3,603	3,638
Profit and loss account	540	(35)	540	(35)
At end of year	4,141	3,601	4,143	3,603
The deferred tax provided is made up as follows:				
Accelerated capital allowances	4,326	3,815	4,328	3,817
Other timing differences	(185)	(214)	(185)	(214)
	4,141	3,601	4,143	3,603

No provision has been made for deferred tax on the sale of property during previous financial years. Such tax would become payable only if it was not possible to claim rollover relief. The group needs to apply the full consideration received in acquiring assets qualifying for rollover relief in a period beginning twelve months before and ending thirty six months after the time of disposal. It is envisaged that the potential taxable gain will be rolled over into assets qualifying for rollover relief. The total amount unprovided is approximately £3,000,000. At present it is not envisaged that any tax will become payable in the forseeable future.

19 DEFERRED INCOME

	2004	2003
	£'000	£'000
GROUP AND COMPANY		
Government grants		
At start of year	311	322
Amortisation during year	(12)	(11)
At end of year	299	311

20 SHARE CAPITAL

	2004 £'000	2003 £'000
AUTHORISED:		
4% (tax free) cumulative preference shares of £10 each	250	250
11% second cumulative preference shares of £1 each	1,400	1,400
Ordinary shares of £1 each	1,400	1,400
	3,050	3,050
ALLOTTED AND FULLY PAID:		
4% (tax free) cumulative preference shares of £10 each	225	225
11% second cumulative preference shares of £1 each	1,376	1,376
Ordinary shares of £1 each	1,076	1,076
	2,677	2,677

The rights attaching to each class of share are summarised as follows:

Rights to dividends - 4% (tax free) cumulative preference shares of £10 each -
4% cumulative dividend payable half yearly on amount paid up.
11% second cumulative preference shares of £1 each -
11% cumulative dividend payable half yearly on amount paid up.
Ordinary shares of £1 each - none.

Rights to redemption - 4% (tax free) cumulative preference shares of £10 each - none.
11% second cumulative preference shares of £1 each - none.
Ordinary shares of £1 each - none.

Rights on winding up - The assets of the company remaining after all liabilities and costs have been discharged are to be distributed in the event of a winding up as follows:
Firstly, in paying to 4% preference shareholders any arrears of dividends;
Secondly, in paying to 11% preference shareholders any arrears of dividends;
Thirdly, in paying to 4% preference shareholders the amount paid up on their shares;
Fourthly, in paying to 11% preference shareholders the amount paid up on their shares, including any premium;
Fifthly, any balance of assets to be paid to ordinary shareholders in the proportion of shares held.

Voting rights - 4% (tax free) cumulative preference shares of £10 each - none.
11% second cumulative preference shares of £1 each - none.
Ordinary shares of £1 each - full voting rights.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2004

21 RESERVES

			Other reserves	
	Profit & loss account £'000	Total other reserves £'000	Capital redemption £'000	Properties (distributable) £'000
GROUP:				
At 1 October 2003	24,089	26,457	300	26,157
Retained profit for the year	3,801	-	-	-
At 30 September 2004	27,890	26,457	300	26,157
COMPANY:				
At 1 October 2003	25,755	26,453	300	26,153
Retained profit for the year	3,836	-	-	-
At 30 September 2004	29,591	26,453	300	26,153

22 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS FUNDS

	2004 £'000	2003 £'000
Profit for the financial year	5,320	5,039
Dividends	(1,519)	(1,325)
Net addition to shareholders' funds	3,801	3,714
Shareholders' funds at beginning of year	53,223	49,509
Shareholders' funds at end of year	57,024	53,223
Shareholders' funds are attributable as follows:		
Equity shareholders' funds	55,423	51,622
Non-equity shareholders' funds	1,601	1,601
At end of year	57,024	53,223

23 MINORITY INTERESTS

Crown Buckley Limited preference shares not held by S A Brain & Company Limited are as follows:

	2004 £'000	2003 £'000
712,310 15% "A" preference shares of £1 each (non-equity interest)	712	712

The rights attaching to this class of share are summarised as follows:

Rights to dividends -	15% cumulative dividend, payable half yearly on amount paid up.
Rights to redemption -	Redeemable at the option of the company in certain circumstances.
Rights on winding up -	The rights to distribution in the event of a winding up (after all liabilities and costs have been discharged) in respect of any arrears of dividends and the amounts paid up on shares rank pari passu with the "B" preference shares (held by the company) and before the ordinary and preferred ordinary shares (held by the company).
Voting rights -	Right to vote at separate class meetings only.

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £'000	2003 £'000
Operating profit	10,809	8,944
Less share of joint ventures operating profit	(566)	(201)
Depreciation and amortisation charges	4,720	4,120
Amortisation of trade loans	496	626
Decrease in provision for trade loans	(450)	(107)
Amount taken to profit from deferred income	(12)	(11)
Increase in stocks	(689)	(403)
Increase in debtors	(308)	(1,452)
Decrease in creditors	(1,315)	(1,155)
Onerous contract provision release	(100)	-
Net cash inflow	12,585	10,361

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (SEE ALSO NOTE 26)

	£'000
Decrease in cash during the year	(190)
Cash inflow from increase in debt and lease financing	(4,387)
Movement in net debt resulting from cash flows	(4,577)
Finance lease advances	(540)
Net debt at beginning of year	(33,103)
Net debt at end of year	(38,220)

26 ANALYSIS OF NET (DEBT)/FUNDS DURING THE YEAR

	At start of year £'000	Cash flow £'000	Non-cash changes £'000	At end of year £'000
Cash in hand and at bank	1,178	(10)	-	1,168
Overdrafts	(3,086)	(180)	-	(3,266)
	(1,908)	(190)	-	(2,098)
Bank loans	(30,139)	(5,095)	-	(35,234)
Finance leases	(1,056)	708	(540)	(888)
	(31,195)	(4,387)	(540)	(36,122)
Total	(33,103)	(4,577)	(540)	(38,220)

27 PENSIONS

The group operated two fully funded defined benefit pension schemes; the S A Brain & Company Limited Group Pension Scheme and the Crown Buckley Limited Pension Scheme. The assets of both schemes are held in separate trustee administered funds. Certain licensed house managers participated in a separate group personal pension scheme.

Pension costs amounted to £709,000 (2003 - £664,000).

In addition, contributions are made to defined contribution schemes of certain directors. These amounted to £36,150 (2003-£24,000).

S A BRAIN & COMPANY LIMITED GROUP PENSION SCHEME

The rate of contribution was 7.6% of scheme members' pensionable wages and salaries.

The most recent actuarial valuation of the scheme was carried out by a qualified independent actuary as at 1 July 2001 using the projected unit method. The assumptions which had the most significant effect on the results of the valuation 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 7.0% per annum pre retirement and 5.75% after retirement; that wages and salaries would increase at the rate of 4.0% per annum and that pensions would be increased in accordance with scheme rules.

The market value of the assets of the scheme at its most recent actuarial valuation date amounted to £30,070,000 and the actuarial value of these assets represented 125% 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 7.6%.

CROWN BUCKLEY LIMITED PENSION SCHEME

An actuarial valuation of the scheme was carried out by a qualified independent actuary as at 1 July 2001. The projected unit credit actuarial method was used and the principal actuarial assumptions adopted for the valuation of liabilities were: an investment return of 6.5% per annum before retirement, an investment return of 5.5% per annum after retirement, salary increases of 4.5% per annum and future pension increases of 3.0% per annum, where such increases are to be in line with Limited Price Indexation.

The valuation showed that the market value of the Scheme's assets represented 105% of its liabilities. The market value of assets was £13,296,000. This figure excludes the value of the annuity policies held in respect of certain pensioners. These assets, and their corresponding liabilities, were allowed for in the 2001 actuarial valuation, their market value being approximately £850,000.

As the scheme is closed to new entrants, under the projected unit method the current service cost will increase as members approach retirement.

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2004

27 PENSIONS (CONTINUED)

The following information is provided in accordance with Financial Reporting Standard No. 17 ("Accounting for Pension Costs") and represents combined information for the two defined benefit schemes operated by the company. The information is based on approximate actuarial updates carried out at the balance sheet date by the respective actuaries.

The major financial assumptions used by the respective actuaries at 30 September each year were:

	2004	2003	2002
Discount rate	5.6%	5.4%-5.5%	5.6-5.8%
Rate of increase in salaries	3.0%-3.2%	3.0%	3.8%
Rate of increase in pensions in payment	2.8%-3.0%	2.5%-3.0%	2.3%-3.0%
Inflation assumption	2.7%-2.9%	2.7%	2.3%-2.5%

The combined market value of assets in the schemes and the expected long-term rates of return as at 30 September each year were as follows:

	2004 Value £'000	2003 Value £'000	2002 Value £'000
Equities	29,737	26,625	25,737
Bonds	9,403	9,238	6,696
Property	80	120	90
Cash	711	847	628
Total	39,931	36,830	33,151
	Expected return	**Expected return**	**Expected return**
Equities	7.5%-8.1%	7.0%-8.2%	7.0%-8.3%
Bonds	4.8%-5.0%	4.7%-5.0%	4.5%-5.0%
Property	6.5%	6.0%	6.0%
Cash	4.0%-4.5%	3.5%-4.0%	3.5%-4.5%

27 PENSIONS (CONTINUED)

At 30 September, the net pension liability was as follows:

	2004 £'000	2003 £'000
Total market value of assets	39,931	36,830
Present value of scheme liabilities	(46,135)	(42,540)
Deficit in the schemes	(6,204)	(5,710)
Related deferred tax asset	1,861	1,713
Net pension liability	(4,343)	(3,997)

If the pension liability shown above was reflected in the balance sheet of the group at 30 September, the net assets and reserves would be as follows:

	Net assets		Profit and loss account	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
As shown in the balance sheet	57,736	53,935	27,890	24,089
Provision for the excess of pension costs charged over amounts funded	206	206	206	206
	57,942	54,141	28,096	24,295
Pension liability as shown above	(4,343)	(3,997)	(4,343)	(3,997)
Adjusted totals	53,599	50,144	23,753	20,298

Analysis of the amount charged to operating profit:

	2004 £'000	2003 £'000
Current service cost	1,017	1,151
Analysis of the amount credited to other finance income:		
Expected return on pension scheme assets	2,620	2,365
Interest on pension scheme liabilities	(2,328)	(2,311)
Net return	292	54

ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	1,627	2,185
Experience gains and losses arising on scheme liabilities	(2,079)	(265)
Changes in assumptions underlying the present value of the scheme liabilities	76	(158)
	(376)	(1,762)

27 PENSIONS (CONTINUED)

	2004 £'000	2003 £'000
MOVEMENT IN DEFICIT DURING THE YEAR		
Deficit in scheme at beginning of year	(5,710)	(6,881)
Movement in year:		
Current service cost	(1,017)	(1,151)
Contributions	607	506
Other finance income	292	54
Actuarial (loss)/gain	(376)	1,762
Deficit in scheme at end of the year	(6,204)	(5,710)

	2004 £'000	2003 £'000
DETAILS OF EXPERIENCE GAINS AND LOSSES		
Difference between the expected and actual return on scheme assets:		
Gain amount	1,627	2,185
Percentage of scheme assets	4.1%	5.9%
Experience gains and losses on scheme liabilities:		
Loss amount	(2,079)	(265)
Percentage of present value of scheme liabilities	(4.5%)	(0.6%)
Total amount recognised in statement of total recognised gains and losses		
(Loss)/Gain amount	(376)	1,762
Percentage of present value of scheme liabilities	(0.8%)	4.1%

28 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by FRS 8 paragraph 3(c), not to disclose details of related party transactions between group companies.

The amounts owing to and from joint venture companies at the year end were as follows:

	2004		2003	
	Loan balances £'000	Trading balances £'000	Loan balances £'000	Trading balances £'000
Due to S. A. Brain & Company Ventures Ltd	-	46	-	24
Due from S. A. Brain & Company Ventures Ltd				
(included in Note 10 – Investment in Joint Venture Companies)	265	90	299	80
Due from Brain Mansford Estates Limited	163	-	163	-
Due from Mansford Holdings Cardiff LLP	1,525	-	1,525	-

No balances are disclosed for Old Brewery Quarter Developments Limited as there are no material balances at the year end.

Rent of £313,000 (2003 - £313,000) has been charged to the company by Brain Mansford Estates Limited.

Trading transactions with S A Brain & Company Ventures Limited are not disclosed above as they are not material.

Consultancy fees were paid during the year to an entity of which JFW Rhys (a director of the company) is a partner amounting to £36,000 (2003 - £36,000).

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2004

29 DIRECTORS AND EMPLOYEES

	2004	2003
	£	£
Directors' emoluments paid in the year were:		
For services as directors	49,009	45,254
Other emoluments	974,016	893,881
	1,023,025	939,135
Company pension contribution to Money Purchase scheme	36,150	24,000

The number of directors who were members of a defined benefit pension scheme funded by the company was 8 (2003 - 8).

	2004	2003
	£	£
Highest paid director:		
Salaries and benefits in kind	160,972	156,830
Annual bonus receivable	44,240	46,332
Amounts receivable under Long Term Bonus Arrangement	62,000	39,340
Total emoluments	267,212	242,502
Defined benefit pension scheme		
Accrued pension at end of year	11,333	10,920
Accrued lump sum at end of year	12,750	12,285
Defined contribution pension scheme contributions	36,150	24,000

Consultancy fees of £36,000 (2003 - £36,000) were paid in respect of J F W Rhys, these are disclosed in Note 28.

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

	Ordinary shares		4% Preference Shares		11% Preference Shares		
	2004	2003	2004	2003	2004	2003	
	Number	Number	Number	Number	Number	Number	
C M Brain	79,188	77,338	943	943	-	-	Beneficial
	303,032	339,956	10,514	10,524	100,000	100,000	Non beneficial
R C May-Hill	20,500	19,650	-	-	40,000	20,000	Beneficial
	288,232	294,156	10,376	10,386	100,000	100,000	Non beneficial
J F W Rhys	15,400	15,400	-	-	-	-	Beneficial
J Kerr	-	-	10	10	-	-	Beneficial
J S Waddington	-	-	10	10	-	-	Beneficial
M S Reed	-	-	10	10	-	-	Beneficial
	162,431	162,431	-	-	-	-	Non beneficial
P H Lay	-	-	10	10	-	-	Beneficial
D P Bonney	-	-	10	10	-	-	Beneficial
R P Davies	-	-	10	-	-	-	Beneficial

29 DIRECTORS AND EMPLOYEES (CONTINUED)

Directors' beneficial interests in shares of the subsidiary undertakings were as follows:

	Crown Buckley Limited 15% "A" Preference shares	
	2004	2003
	Number	Number
J S Waddington	1,000	1,000
J Kerr	2,000	2,000
M S Reed	1,050	1,050

The average number of persons employed by the group during the year, including directors, was 2,139 (2003 - 1,952). All persons were employed in the United Kingdom.

GROUP FIVE YEAR SUMMARY

S.A. BRAIN & COMPANY LIMITED

Year ended 30 September	2004	2003	2002	2001	2000
	£'000	£'000	£'000	£'000	£'000
TRADING RESULTS					
Turnover	108,133	95,990	84,462	77,385	71,439
Profit before taxation	8,165	7,158	13,544	6,233	5,430
Profit after taxation	5,320	5,039	11,812	4,379	3,698
Profit attributable to equity	5,049	4,768	11,541	4,108	3,436
RATIOS					
Earnings per ordinary share	469.5	443.4	1,016.6	361.1	302.0
Dividend per ordinary share	116.0	98.0	86.0	83.5	80.5
Special dividend per ordinary share	-	-	142.0	-	-
	£'000	£'000	£'000	£'000	£'000
EMPLOYMENT OF CAPITAL					
Intangible fixed assets	696	107	113	-	-
Tangible fixed assets	94,698	87,804	80,585	81,895	74,040
Long term investments	6,922	7,254	5,753	6,124	6,431
Net current liabilities	(5,206)	(7,304)	(11,178)	(3,965)	(24,265)
Long term creditors and provisions	(39,075)	(33,615)	(24,730)	(41,204)	(13,091)
Deferred income	(299)	(311)	(322)	(387)	(497)
	57,736	53,935	50,221	42,463	42,618
CAPITAL EMPLOYED					
Share capital	2,677	2,677	2,677	2,739	2,739
Other reserves	26,457	26,457	26,457	27,725	31,050
Profit and loss account	27,890	24,089	20,375	11,287	8,117
Minority Interests	712	712	712	712	712
	57,736	53,935	50,221	42,463	42,618