

S.A. BRAIN & Co. Ltd.

ANNUAL REPORT

1981



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

**ANNUAL
REPORT
1981**



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S. A. BRAIN & COMPANY LIMITED

DIRECTORS AND OFFICERS

DIRECTORS:

W. E. RHYS, CHAIRMAN AND CHIEF EXECUTIVE
C. M. BRAIN, JOINT MANAGING DIRECTOR
I. H. STURROCK, JOINT MANAGING DIRECTOR
R. C. MAY-HILL, F.C.A., FINANCIAL DIRECTOR AND SECRETARY
T. G. BLACK, F.C.A., NON-EXECUTIVE DIRECTOR

SECRETARY AND REGISTERED OFFICE:

R. C. MAY-HILL, F.C.A.
THE OLD BREWERY,
CARDIFF

AUDITORS:

PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

BANKERS:

LLOYDS BANK Plc

SOLICITORS:

ADAMS & BLACK with HOWELL BUCHANAN & CO.

FINANCIAL HIGHLIGHTS

Year ended 30 September	1981 £000	1980 £000
Turnover	18,896	16,814
Profit on trading activities	2,698	2,078
Profit before taxation	2,825	2,174
Preference dividends	160	160
Profit attributable to equity	1,715	1,214
Transfer to properties reserve	1,360	895
Ordinary dividend	351	317
Dividend per ordinary share	25.5p	23.0p
Earnings per ordinary share	124.6p	88.2p
Capital employed	£000 11,072	£000 9,662
Expenditure on fixed assets	1,596	1,524

S. A. BRAIN & COMPANY LIMITED

CHAIRMAN'S STATEMENT

GENERAL

The year has been notable for finally laying to rest two concepts hitherto held about the brewing industry; that it is resistant to recession and that the public will continue to consume its products regardless of price. The industry as a whole has been faced with considerably reduced bulk sales from which the company has not been immune and consequently substantial economies have been made in order to keep it competitive for the future.

The year has also seen a number of modest changes in the products which the company markets. In June a new keg beer was launched under the name Capital Keg which gave a fresh image to the company's keg beers. Both the existing keg beers, Gold Dragon and Tudor Light were phased out. These beers had served the company well but it was felt that an opportunity should be taken to revitalise the company's image in this field. To celebrate the wedding of Their Royal Highnesses, The Prince and Princess of Wales, a special brew—Prince's Ale—was produced in half pint bottles. This proved very successful both with consumers and collectors. During the year agreement was reached to keg Carling Black Label Lager at the New Brewery. This has given the company more flexibility with its supply of draught lager and has also improved margins. None of these changes however detracts from the company's cask conditioned draught beers which still account for a very large proportion of total sales.

TRADE

The downturn in trade suffered by the entire industry hit the company rather later than is indicated by the national figures. Current sales, however, are reflecting the national decrease. The period of good weather late in the summer checked the decline for a few weeks, but failed to have the lasting effect hoped for by the industry. The marketing of beer and wines and spirits is becoming more competitive, and the company must continue to increase capital investment to maintain its market share.

FINANCIAL

The excellent results shown in these accounts stem from two factors. Firstly, as the downturn in trade was noted, strict economies were effected throughout the company. It reflects great credit on everybody in our company that the results of these economies have proved to be so effective. Secondly, it must be remembered that these accounts cover the period when the economies were achieved and the trade had not then declined to the present level. The current year, however, will have neither of these benefits, as further economies can only be made with difficulty and trade shows no sign of recovery.

We have again included a Current Cost Statement in these accounts which shows the impact of inflation on the company's profits. However, a current cost balance sheet has not been included since this would necessitate valuations of all the company's properties and the directors felt that the costs involved were not justified. Since this is not in full compliance with Statement of Standard Accounting Practice No. 16 the auditors have made reference to it in their report.

OLD BREWERY

The contractors moved off the site early in December and, with a look of nostalgia, left what had undoubtedly become a second home to some of them. The last major task involving the work on the yard over the main cellars has now been completed and for the first time for a number of years we had unrestricted use of this vital area in time for the Christmas trade. The major development to the Old Brewery, although primarily intended to increase the capacity of the production unit, has also brought other benefits. Working conditions have been improved and this is a just reward for the great inconvenience which employees suffered during the rebuilding programme. All credit is due to the design team for the successful completion of this very difficult and comprehensive redevelopment.

TIED TRADE

The Master Mariner in Barry to which I referred last year opened ahead of schedule in December 1981, in time for the Christmas trade. Work is progressing well on the new public house near Bridgend and two further sites are being acquired to the north of Cardiff where large residential developments are in progress. I also anticipate that the Marine on Barry Island after being closed for five years will reopen well before the 1982 summer season commences. In addition, the Board is continuing its policy of refurbishing and improving existing properties, and it is hoped that this programme will gain momentum now that work at the Old Brewery has come to an end. Sadly, a number of houses in the Cardiff central area have been lost through compulsory purchase orders due to redevelopment in the city centre. It remains to be seen if the remaining houses will benefit from the increased trade which the City Council confidently predicts will result from the newly developed shopping precinct and conference centre.

FREE TRADE

During the year the free trade department increased its sales and this has helped to mitigate the drop in our overall trade. However, despite the excellent reputation of our products and their popularity in our area, this increase has been achieved only with the help of considerable capital investment.

STAFF AND EMPLOYEES

The problems with which we are confronted today are a great challenge to all our staff and employees, and I would like to pay sincere thanks to all who have contributed to our hard won success during the past year.

During the course of the year the Board undertook a major review of the increasingly heavy and diverse responsibilities being borne by its executive members. As a result of this review a degree of delegation was effected and on the 1st October, 1981 two senior management changes were announced. Ian Sturrock, while retaining his overall responsibilities as Managing Director in charge of production, relinquished the post of Head Brewer. John Glazzard, formerly Brewer in Charge at the Old Brewery, was appointed Head Brewer. On the same day Malcolm James was promoted to the new post of Marketing Controller. Both have been with the company for many years and I have every confidence that these appointments will prove successful.

THE FUTURE

Last year I apologised for being unable to be optimistic about the future, although I did see a glimmer of hope in the size of the company's share of the market. However, the savage increase in duty imposed by the Chancellor in his budget killed off any chance of a recovery in sales and present forecasts do nothing to warrant optimism. The Board intends to continue investing in both the Tied and the Free Trade but it is mindful of the fact that over-investment in a small geographical area can result in this same trade simply being spread between more outlets. Last year's very good financial figure, should not be taken as an indication of the results for 1982 and my feeling is that until the national economic situation improves the company must continue to expect difficult times.

W. E. RHYS
Chairman

S. A. BRAIN & COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the accounts of the company for the year ended 30th September, 1981.

1. ACTIVITIES

The company carries on business as brewers, bottlers, wine and spirit merchants, table water manufacturers and licensed property owners and managers.

2. PROFIT AND DIVIDENDS

	1981 £000	1980 £000
Profit after taxation as shown on page 10	1,875	1,374
Transfer to properties reserve	1,360	895
	<u>515</u>	<u>479</u>

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

	£000	£000
Dividends		
4% (tax free) cumulative preference		
1.7.81 2% interim	5	
4.1.82 2% final (proposed)	4	
<u>4%</u>	<u>—</u>	9
 11% second cumulative preference		
2.1.81 5½%	75	
1.7.81 5½%	76	
<u>11%</u>	<u>—</u>	151
 Ordinary		
1.7.81 2 % interim (1)	(2%)	28
4.1.82 12 % interim (2)	(11%)	165
1.7.82 11½% final (proposed)	(10%)	158
<u>25½%</u>	<u>(23%)</u>	<u>351</u>

	511	477
Leaving retained profit for the year	<u>4</u>	<u>2</u>

The above figures are prepared under the historical cost convention. On page 20 the Current Cost Statement shows the impact of inflation on the results for the year.

3. FIXED ASSETS

The changes in the company's fixed assets are set out in note 7 to the accounts and comprise further expenditure on The Old Brewery and other transactions made in the normal course of business. It is considered that the market value of properties owned by the company 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.

4. EXPORT SALES

No products of the company were exported during the year.

5. EMPLOYEES

The average number of persons employed in each week during the year ended 30th September, 1981 was 1,139 (1980—1,239) and the aggregate gross remuneration paid to them for the year amounted to £3,966,000 (1980—£3,776,000).

6. DIRECTORS

The present directors are shown on page 2 of this report.

7. DIRECTORS' INTERESTS

The interests of the directors at 30th September, 1981, in shares and debentures of S. A. Brain & Company Limited were as follows:

	Ordinary Shares		4% Preference Shares		11% Preference Shares		
	1981	1980	1981	1980	1981	1980	
W. E. RHYS	42,000	42,000	65	65	22,768	32,768	Beneficial
	403,699	405,958	818	818	—	—	Non-Beneficial
C. M. BRAIN	83,610	83,610	339	339	—	—	Beneficial
	432,338	434,597	1,124	1,124	—	—	Non-Beneficial
I. H. STURROCK	750	750	—	—	—	—	Beneficial
R. C. MAY-HILL	583	583	—	—	—	—	Beneficial
	362,499	364,758	680	680	—	—	Non-Beneficial
T. G. BLACK	5,310	5,310	57	57	—	—	Beneficial
	619,899	622,158	1,932	1,932	—	—	Non-Beneficial

8. CHARITABLE AND POLITICAL CONTRIBUTIONS

No political contributions were made by the company.
Contributions for charitable and similar purposes in the United Kingdom amounted to £1,902 (1980—£2,225).

9. 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
28th January, 1982

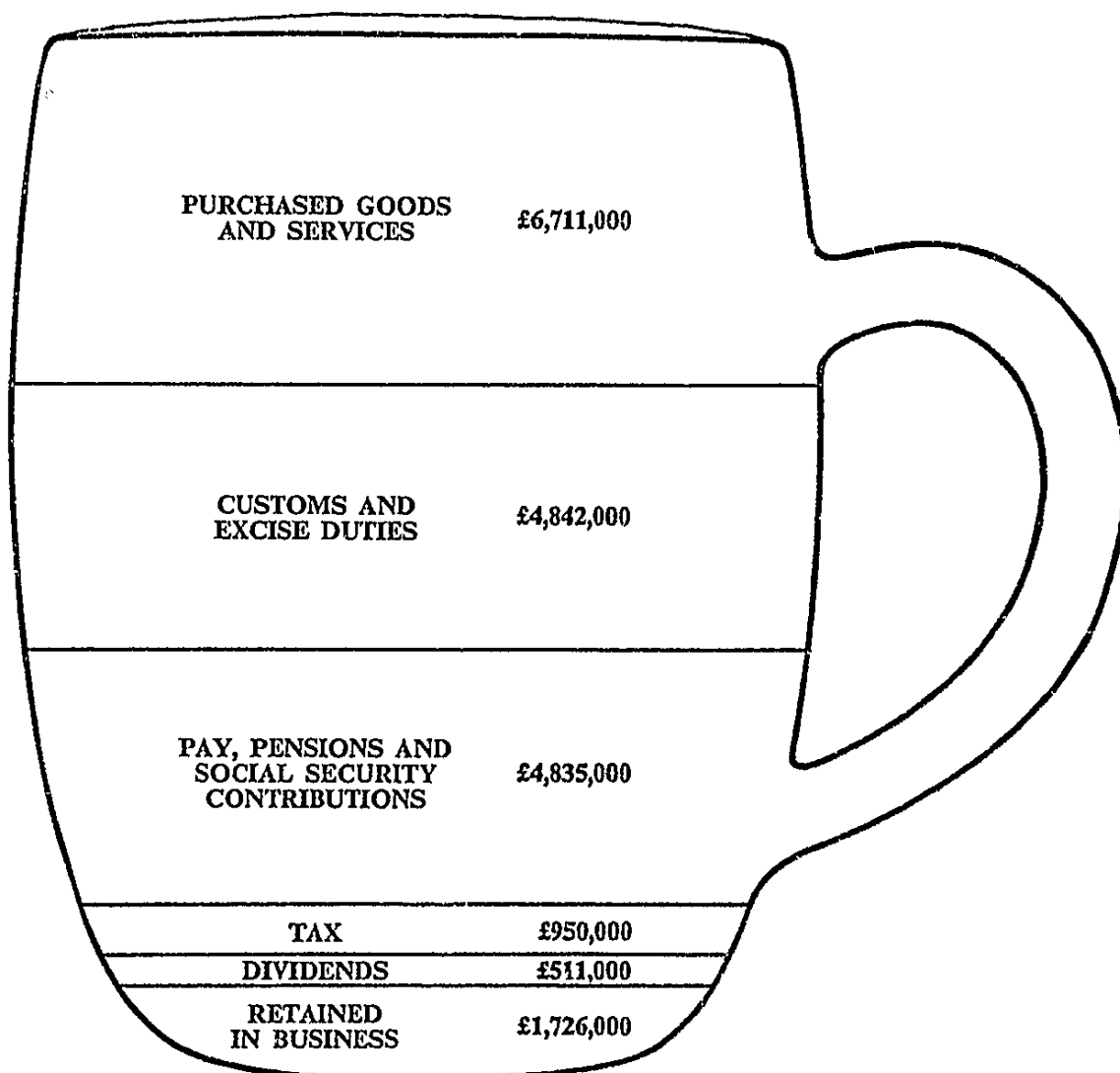
S. A. BRAIN & COMPANY LIMITED
VALUE ADDED STATEMENT
YEAR ENDED 30 SEPTEMBER, 1981

	1981 £000	1980 £000
VALUE ADDED		
Sales of goods and services to customers	18,896	16,814
Deduct: purchased goods and services customs and excise duties	(6,711) (4,842)	(6,339) (3,857)
Value added	7,343	6,618
Rental, investment and other income	679	513
	<u>8,022</u>	<u>7,131</u>
DISTRIBUTION		
To employees		
Pay, pension and social security contributions	4,835	4,660
To government		
Amount set aside for corporation tax	950	800
To shareholders		
Dividends proposed for year	511	477
Retained in the business		
Depreciation to provide for replacement of buildings, plant and equipment	362	297
Retained towards future development of properties	1,360	895
Retained profits	4	2
	<u>1,726</u>	<u>1,194</u>
	<u>8,022</u>	<u>7,131</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 the company's employees, using the assets and facilities financed by the shareholders.

HOW OUR REVENUE HAS BEEN SPENT

YEAR ENDED 30 SEPTEMBER, 1981



S. A. BRAIN & COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER, 1981

	Note	1981 £000	1980 £000
TURNOVER	1	<u>18,896</u>	<u>16,814</u>
PROFIT BEFORE TAXATION	2	2,825	2,174
TAXATION	3	(950)	(800)
PROFIT AFTER TAXATION		<u>1,875</u>	<u>1,374</u>
TRANSFER TO PROPERTIES RESERVE	4	(1,360)	(895)
		<u>515</u>	<u>479</u>
DIVIDENDS			
Preference		(160)	(160)
Ordinary		(351)	(317)
RETAINED PROFIT	4	<u>4</u>	<u>2</u>
EARNINGS PER ORDINARY SHARE			
(accounting policies note 8)		<u>124.6p</u>	<u>88.2p</u>

The Profit and Loss Account should be read in conjunction with the notes on pages 14 to 19.

BALANCE SHEET

30 SEPTEMBER, 1981

	Note	1981 £000	1980 £000
FIXED ASSETS			
TRUSTEES FOR DEBENTURE HOLDERS	7	10,330	9,164
ADVANCE CORPORATION TAX	9	174	171
	10	156	141
CURRENT ASSETS			
Stock	11	1,177	1,055
Debtors	12	2,493	2,292
Bank and cash		1,341	935
		<u>5,011</u>	<u>4,282</u>
CURRENT LIABILITIES			
Creditors		2,605	2,441
Taxation	13	1,630	1,325
Dividends	14	364	330
		<u>4,599</u>	<u>4,096</u>
NET CURRENT ASSETS		412	186
		<u>11,072</u>	<u>9,662</u>
SHARE CAPITAL			
RESERVES	15	2,977	2,977
	4	7,428	6,064
		<u>10,405</u>	<u>9,041</u>
LOAN CAPITAL			
REGIONAL DEVELOPMENT GRANT RESERVE	16	4	4
		663	617
		<u>11,072</u>	<u>9,662</u>

Certified a true copy of the Balance Sheet
dated 30 September 1981 and of the Directors and
Auditors reports.

W. E. RHYS, DIRECTOR

R. C. MAY-HILL, DIRECTOR AND SECRETARY

The Balance Sheet should be read in conjunction with the notes on pages 14 to 19.

S. A. BRAIN & COMPANY LIMITED
SOURCE AND APPLICATION OF FUNDS
YEAR ENDED 30 SEPTEMBER, 1981

	1981 £000	1980 £000
SOURCE		
Funds generated from operations		
Profit before taxation	2,825	2,174
Adjustment for items not involving the flow of funds:		
depreciation less amortisation of regional development grants	362	297
profit on disposal of fixed assets	(194)	(58)
decrease in market value of investments held for trustees for debenture holders	6	7
profit on disposal of investments	—	(26)
	<u>2,999</u>	<u>2,394</u>
Funds generated from other sources		
Proceeds of disposal of fixed assets	221	110
Regional development grants	87	86
Proceeds of disposal of investments	—	132
	<u>3,307</u>	<u>2,722</u>
APPLICATION		
Dividends paid	477	447
Taxes paid	660	759
Investment in fixed assets	1,596	1,524
Trustees for debenture holders—bank deposit	9	11
	<u>2,742</u>	<u>2,741</u>
	<u>565</u>	<u>(19)</u>
INCREASES/(DECREASES) IN WORKING CAPITAL		
Stock	122	71
Debtors	201	553
Bank and cash	406	(509)
Creditors	(164)	(134)
	<u>565</u>	<u>(19)</u>

This statement should be read in conjunction with the notes on pages 14 to 19.

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 10 to 21 in accordance with approved auditing standards.

In our opinion:

the financial statements on pages 10 to 19 which have been prepared under the historical cost convention give under that convention a true and fair view of the state of the company's affairs at 30th September 1981, and of its profit and source and application of funds for the year then ended, and comply with the Companies Acts 1948 to 1981.

the supplementary Current Cost Statement on pages 20 to 21 has been properly prepared in accordance with the policies and methods described in the notes to give the information required by Statement of Standard Accounting Practice No. 16 with the exception that no current cost balance sheet has been prepared for the reason set out on page 21.

CARDIFF
29th January, 1982

PRICE WATERHOUSE
Chartered Accountants

S. A. BRAIN & COMPANY LIMITED

ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention except in the case of the Current Cost Statement set out on page 20.

2. FIXED ASSETS

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

3. DEPRECIATION

It is company 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 fixed assets are depreciated at rates designed to write off the cost evenly over their estimated working lives.

The rates in use are given in note 8 to the accounts.

4. REGIONAL DEVELOPMENT GRANTS

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

5. 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, which are below replacement cost.

6. REPAIRS AND RENEWALS

These are charged to expense in the year when incurred.

7. DEFERRED TAXATION

No provision is made for taxation deferred by timing differences as there is a reasonable probability that the tax reduction arising therefrom will continue for the foreseeable future.

8. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the profit after taxation and preference dividends and 1,376,320 ordinary shares.

NOTES ON ACCOUNTS

YEAR ENDED 30 SEPTEMBER, 1981

1. TURNOVER

This is the value of external sales made in the normal course of business and excludes value added tax.

2. PROFITS

	Note	1981 £000	1980 £000
Profit before taxation is after taking account of:			
Income			
Interest on government securities		7	11
Short term deposit interest		126	92
Rental income		140	122
Profit on disposal of properties		192	55
Profit on disposal of plant and vehicles		2	3
Profit on disposal of investments		—	26
Expense			
Depreciation, less amortisation of regional development grants £41,000 (1980—£38,000)	7	362	297
Directors' emoluments	5	118	102
Auditors' remuneration		8	7
Decrease in market value of investments held for trustees for debenture holders	9	6	7

3. TAXATION

(1) The charge to profit and loss account is corporation tax at 52% on the profit as computed for taxation purposes, as reduced by the tax effect of accelerated capital allowances of £289,000 (1980—£261,000).

(2) The total tax deferred by timing differences calculated on the liability method for which provision is not made in the accounts is as follows:

	1981 £000	1980 £000
Accelerated capital allowances	1,837	1,570
Rollover of capital gains on business assets	115	92
	<u>1,952</u>	<u>1,662</u>
Less: expenditure allowable for tax in future years	132	139
	<u>1,820</u>	<u>1,523</u>

(3) The company is a close company within the meaning of section 282 of the Income and Corporation Taxes Act 1970. The Inland Revenue has given clearance on the level of distributions made for accounting periods up to 30th September, 1980.

S. A. BRAIN & COMPANY LIMITED

NOTES ON ACCOUNTS (continued)

4. RESERVES

	1981 £000	1980 £000
Properties:		
At beginning of year	5,949	5,054
Transfer from profit for year	1,360	895
At end of year	<u>7,309</u>	<u>5,949</u>
Retained profits:		
At beginning of year	115	113
Profit retained for year	4	2
At end of year	<u>119</u>	<u>115</u>
	<u>7,428</u>	<u>6,064</u>

In view of the company's policy for the development, extension and maintenance of its breweries and other properties, substantially all the available profit after the payment of dividends is transferred to properties reserve.

5. DIRECTORS' EMOLUMENTS

	1981 £	1980 £
Emoluments charged in the year were:		
For services as directors	2,000	2,000
Other emoluments	116,011	100,384
	<u>118,011</u>	<u>102,384</u>

The emoluments, excluding pension contributions, of the Chairman (highest paid director) amounted to £26,210 (1980—£23,876).

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

Scale		
£ £	1981	1980
5,001—10,000	1	1
10,001—15,000	—	—
15,001—20,000	—	3
20,001—25,000	3	—

NOTES ON ACCOUNTS (continued)

6. EMOLUMENTS OF OTHER EMPLOYEES

There were no other employees whose emoluments, excluding pension contributions, exceeded £20,000 during the year (1980—None).

7. FIXED ASSETS

	Total	Properties Freehold	Long leases	Plant and equipment	Capital work in progress
	£000	£000	£000	£000	£000
Cost:					
At beginning of year	10,622	5,691	1,030	2,968	933
Additions	1,596	—	—	274	1,322
Transfers	—	1,131	64	21	(1,216)
Disposals	(50)	(18)	—	(32)	—
At end of year	12,168	6,804	1,094	3,231	1,039
Depreciation:					
At beginning of year	1,458	167	91	1,200	—
Charge for year	403	58	10	335	—
Disposals	(23)	—	—	(23)	—
At end of year	1,838	225	101	1,512	—
Net book value:					
30 September, 1981	10,330	6,579	993	1,719	1,039
30 September, 1980	9,164	5,524	939	1,768	933

8. DEPRECIATION

Depreciation is calculated on a straight-line basis. The main rates in use are:

Freehold properties excluding public houses	2% on cost
Plant and equipment	10-20% on cost
Motor vehicles	20% on cost
Leasehold properties	Over life of lease.

S. A. BRAIN & COMPANY LIMITED

NOTES ON ACCOUNTS (continued)

9. TRUSTEES FOR DEBENTURE HOLDERS

	1981 £000	1980 £000
Government securities at market value	84	90
Bank deposit	90	81
	<u>174</u>	<u>171</u>

10. ADVANCE CORPORATION TAX RECOVERABLE

Advance corporation tax on dividends proposed at 30th September, 1981 amounted to £156,000 (1980—£141,000). This is recoverable by deduction from corporation tax payable out of future profits.

11. STOCK

	1981 £000	1980 £000
Raw materials and packaging	237	281
Finished goods	770	617
Stores and miscellaneous	170	157
	<u>1,177</u>	<u>1,055</u>

12. DEBTORS

The total includes £1,010,000 (1980—£870,000) receivable after 30th September, 1982.

13. TAXATION

The total includes corporation tax of £850,000 (1980—£648,000) payable on 1st January, 1983.

14. DIVIDENDS

	1981 £000	1980 £000
4% (tax free) cumulative preference (since paid)	4	4
11% second cumulative preference (since paid)	37	37
Ordinary—second interim (since paid)	165	151
Ordinary—final proposed	158	138
	<u>364</u>	<u>330</u>

NOTES ON ACCOUNTS (continued)

15. SHARE CAPITAL

	1981 £000	1980 £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
	<u>3,050</u>	<u>3,050</u>
Issued 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	1,376	1,376
	<u>2,977</u>	<u>2,977</u>

16. LOAN CAPITAL

	1981 £000	1980 £000
4% perpetual mortgage debenture stock	<u>4</u>	<u>4</u>

The company holds £95,673 debenture stock, all of which has been cancelled. The debenture stock is secured on various freehold and leasehold properties, and on the assets stated in note 9.

17. CAPITAL COMMITMENTS

	1981 £000	1980 £000
Contracts placed	<u>547</u>	<u>357</u>
Authorised but no contracts placed	<u>620</u>	<u>430</u>

S. A. BRAIN & COMPANY LIMITED
CURRENT COST STATEMENT
YEAR ENDED 30 SEPTEMBER, 1981

	Note	1981 £000	1980 £000
TURNOVER		<u>18,896</u>	<u>16,814</u>
HISTORICAL COST PROFIT BEFORE TAXATION		2,825	2,174
Less: CURRENT COST OPERATING ADJUSTMENTS	2		
Depreciation	3	476	486
Fixed assets disposal	4	124	38
Fixed assets		<u>600</u>	<u>524</u>
Cost of sales	5	151	117
Monetary working capital	6	(66)	(67)
Working capital		<u>85</u>	<u>50</u>
		<u>685</u>	<u>574</u>
CURRENT COST PROFIT BEFORE TAXATION	7	2,140	1,600
TAXATION		(950)	(800)
CURRENT COST PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>1,190</u>	<u>800</u>
DIVIDENDS		(511)	(477)
RETAINED CURRENT COST PROFIT		<u>679</u>	<u>323</u>
CURRENT COST EARNINGS PER ORDINARY SHARE (accounting policies note 8)		<u>74.8p</u>	<u>46.5p</u>

This statement should be read in conjunction with the notes on page 21.

NOTES ON CURRENT COST STATEMENT

YEAR ENDED 30 SEPTEMBER, 1981

1. No current cost balance sheet has been prepared as in the opinion of the directors the costs involved outweigh any benefit which might be derived.
2. The current cost operating adjustments have been calculated in accordance with Statement of Standard Accounting Practice No. 16 applicable to the profit and loss account.
3. The depreciation adjustment represents the additional charge for depreciation on the increased cost of replacing fixed assets which has been calculated, in the main, by reference to specific asset indices published by the Government Statistical Service. It includes a charge on assets which, although still in use, have been fully depreciated in the historical cost accounts. Depreciation has not been provided on freehold public houses.
4. The fixed assets disposals adjustment represents the difference between the historical and current cost net book values of assets disposed of during the year. It has the effect of reducing the profit on disposal of fixed assets disclosed in note (2) to the historical cost accounts.
5. The cost of sales adjustment represents the difference between the actual cost of stock sold and its estimated cost of replacement at the time of sale. It has been calculated using the averaging method and by reference to appropriate indices published by the Government Statistical Service.
6. The monetary working capital adjustment represents the benefit which has arisen due to the impact of rising prices, when working capital is financed partially by an excess of trade creditors over trade debtors and certain stocks not held for sale. It has been calculated using the averaging method and by reference to appropriate indices published by the Government Statistical Service.
7. The current cost profit before taxation is the surplus arising from the ordinary activities of the business after taking account of the impact of price changes on the funds needed to maintain the productive assets of the business.

S. A. BRAIN & COMPANY LIMITED

FIVE YEAR SUMMARY

	Year Ended 30 September				
	1981 £000	1980 £000	1979 £000	1978 £000	1977 £000
TRADING RESULTS					
Turnover	18,896	16,814	15,104	14,093	12,741
Profit on trading activities	2,698	2,078	1,849	1,790	1,313
Profit before taxation	2,825	2,174	1,969	1,853	1,426
Profit after taxation	1,875	1,374	1,369	1,153	866
Extraordinary items	—	—	75	394	47
Profit attributable to equity	1,715	1,214	1,387	1,538	904
RATIOS					
Earnings per ordinary share	124.6p	88.2p	95.4p	83.1p	62.3p
Dividends per ordinary share	25.5p	23.0p	20.0p	20.0p	16.0p
EMPLOYMENT OF CAPITAL					
	£000	£000	£000	£000	£000
Fixed assets	10,230	9,164	8,027	6,344	5,153
Investments	174	171	273	261	271
Net current assets (including ACT)	568	327	417	782	471
	11,072	9,662	8,717	7,387	5,895
CAPITAL EMPLOYED					
Share capital	2,977	2,977	2,977	1,601	1,601
Reserves	7,428	6,064	5,167	5,431	4,167
Loan capital	4	4	4	4	4
RDG reserve	663	617	569	351	123
	11,072	9,662	8,717	7,387	5,895

Note: Profits and related statistics have been adapted to reflect current accounting policies.