

# S.A.BRAIN & CO LTD.

## ANNUAL REPORT

YEAR ENDED 30 SEPTEMBER 2000



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### DIRECTORS:

C M Brain  
R C May-Hill, F.C.A.  
M A J Salter, F.C.A.  
M E James  
J W Glazzard  
C A Parr  
R B Cunningham  
J S Barrett, F.C.A.  
J Kerr  
J F W Rhys

Chairman  
Chief Executive and Secretary  
Managing Director  
Free Trade Director  
Production Director  
Retail Director  
Logistics Director  
Finance Director  
Operations Director (appointed 1 Nov 2000)  
Non-Executive Director

### SECRETARY:

R C May-Hill, F.C.A.

### BANKERS:

Lloyds TSB Bank Plc

### REGISTERED OFFICE:

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

### AUDITORS:

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

### REGISTERED NUMBER:

52099

### SOLICITORS:

Cartwrights Adams & Black

## CHAIRMAN'S STATEMENT

Since 1882 my great grandfather, his co-founder S.A.Brain and all their successors conducted the affairs of the company from The Old Brewery and this situation continued until the relocation of my office last June. This is therefore the first Annual Report and Accounts of the company that has not been issued from The Old Brewery.

Putting aside nostalgia, I have to report that the move to the new premises at The Cardiff Brewery has been a great success in terms of both production and administration.

The Brewing Department now has much more flexibility and scope, to which I shall refer shortly. The three phase move during June of the majority of administrative staff to The Cardiff Brewery was achieved very smoothly and reflects great credit on all those who were involved, but particularly on those who planned and oversaw the operation.

As I mentioned in my recent letter, the fact that the majority of office personnel is now at one location allows for much better integration and most importantly a sense of unity.

### FORMER BREWERY PREMISES

During the course of the year, agreement was reached with the Mansford Group which resulted in the incorporation of a joint venture company to progress further the proposed development of The Old Brewery site. In October, conditional planning consent for the development was received from the Cardiff County Council.

This has allowed more active marketing of the development and I am happy to report that a number of prospective anchor tenants are now in negotiation.

Similarly, considerable interest has been expressed in the residential part of the proposal and currently a residential developer is working on its detailed proposals.

The site of the former Crown Brewery at Pontyclun was sold in the year. A detailed proposal for the redevelopment of the former Buckley Brewery in Llanelli has now been finalised and has attracted a number of potential purchasers. I anticipate the proposal being considered by the relevant council planning committee within the next few weeks.

## BRANDS/ MARKETING

The financial year started with the Rugby World Cup and the utilisation of The Old Brewery yard as the "Yard of Ale".

This was considered to be the second best location for spectators after the Millennium Stadium itself. Arms Park Ale which was brewed specifically for the Cup and the subsequent Six Nations Championship has been retained as a permanent feature in the portfolio. Dylan's has been re-launched during the course of the year and, to date, the number of installations is ahead of budget and most encouraging. As a result of market feedback, the SA in can has been "de-widged" and relivered to match its sister canned products. This, together with changes in the lager portfolio, has resulted in the company having what I consider is the best range of products available in Wales and the Marches.

Although the marketplace has been extremely difficult throughout the financial year, independent returns show that the company has out-performed the general trend which is a reflection upon both consistent, high quality products and the personnel that contribute to the company's reputation in the marketplace.

However, without a doubt the greatest media coverage for both the company and its products must have resulted from the wedding of Catherine Zeta Jones to Michael Douglas.

Not only were there repeated references to Brains SA and Brains Dark in the local and national press, but the item was also referred to on national radio, to say nothing of the most welcome reference during a national television evening news bulletin.

Great strides have been made in the area of communication both internally and externally.

The company's web site has been totally overhauled and is now more extensive and much more sophisticated.

The address is:  
**[www.sabrain.com](http://www.sabrain.com)**

Two major conferences were held during the year. The first for all retail managers and the second embraced all senior and middle management on the staff.

These were followed by four groups of directors, senior and middle management attending residential management courses.

As a result, a "Customer First" initiative has been introduced which will build upon and develop the lessons learned at these events.

## TIED ESTATE

Once again I am able to confirm that the continuing strategic expansion of the tied estate has been maintained and during the year further acquisitions have been made.

Nineteen houses have been purchased during the financial year and of these, four were being operated as tenancies at the year end. Although the geographical area covered by the estate has not been greatly expanded in the year, the additions have consolidated the position in a number of locations.

A number of additional houses have been acquired in the Abergavenny and Crickhowell area which, when added to the existing outlets, result in the company having a significant presence in a locality which is both a dormitory and a tourist attraction on the edge of the Brecon Beacons National Park. A core presence has now been established in Aberystwyth with three outlets including a Bar Essential.

These are proving very satisfactory. Premises have also been acquired in Carmarthenshire, Powys, Monmouthshire and on the English side of the Bristol Channel.

However, start up costs and initial periods of trading for these acquisitions will result in a lower rate of return until their full potential is realised. There is continual monitoring of any under-performing outlets and, where necessary, the appropriate action is taken.

In addition, significant improvements have been made to a number of existing houses which have resulted in increases in trade, particularly where the outlet is food led.

The Drovers Feast and Highway Tavern concepts have been extended during the year with the

Fox & Hounds in Whitchurch, Cardiff being a particularly successful example of the latter.

This outlet together with the Ty Mawr in Lisvane, which was similarly refurbished and refocused in the year, and the Tynant at Radyr have now established a reputation which continues to grow successfully.

## FREE TRADE

The Free Trade department performed well in the fiercely competitive environment with sales volume increasing by 1.8% in an on-trade market which declined nationally by 4.5%. However, increasing market share does not come without an impact on gross margin and I estimate that the effect of the two factors combined has been to reduce the gross margin in the free trade business by some 4%.

The nature of support given to the free trade is also changing from loan finance to discounting.

This change results in a lower gross margin, but is compensated for by lower capital investment and hence related interest costs.

National Sales had another good year with sales up 8.3% largely due to the success of SA featuring in a national brewer's guest ale programme.

Sales in the take-home sector were disappointing, although distribution has been maintained regionally in the major multiple retailers.

## PRODUCTION

The Cardiff Brewery has now been home for the company's product range for well over twelve months. The continuing success of the company's products is proof that the brewers have successfully achieved the transfer of both brewing and racking from The Old Brewery and Pontyclun respectively. Some brewing and packaging work has also been undertaken for third

parties and as the industry in general continues to experience a period of unprecedented change I am hopeful there will be more opportunities of this nature.

## MANOR HOUSE (WINE MERCHANTS) LIMITED

Despite the appalling weather conditions which significantly influenced the tourist trade in west Wales, Manor House has returned a turnover increase of virtually 6% compared to the previous year.

In turn, this has resulted in a very acceptable increase in the financial contribution which the company has made towards the group profits.

Much of this is due to the popularity of its new range within the tied and managed estate of the parent company. Sales to third parties were marginally down at the year-end compared to the previous year, but there has since been a considerable upturn in sales with the first quarter being up 17.7%. This is a considerable achievement in the adverse conditions and very much reflects the hard work and specialist knowledge that are required to select and sell the new and very attractive range of wines.

## FINANCIAL HIGHLIGHTS

### Operations

Turnover has improved, by a satisfactory 9.25%, in a year that has continued to see retail sales depressed in many sectors.

Although the benefit of the Rugby World Cup and the return of the Six Nations Championship was achieved early in the year, the diabolical weather in the summer reduced the increase in sales in the second half to 5%. The gross profit for the year has been affected by a number of significant factors when compared with last year:-

- A new Accounting Standard, FRS15, requires a depreciation charge to be made in respect of the non-land value of premises. Previously, in line with industry practice, the company's policy of refurbishment has resulted in a low depreciation charge.

Whilst this has no effect on cash flow, it has resulted in a reduction in profit of £709,000 (1999 nil).

- A charge of £636,000 for impairment of The Old Brewery site has been made, following the move of production and office facilities to The Cardiff Brewery and the decision to redevelop the site, to which I have referred earlier.

- The increased competitiveness and the changing nature of the free trade marketplace to which I have referred earlier have not been without a cost.

Distribution costs have been reduced by 13% which reflects the benefits arising from the reorganisation undertaken last year. Administration expenses have been impacted by a continuation of the reorganisation, including at board level, which had a total cost of £742,000 in the year (1999 £1,087,000).

However, despite the aforementioned adverse factors, the profit before tax at £5.43m is 5.3% ahead of the corresponding figure in the previous year.

### Asset Disposals

The sale of the Pontyclun site at a significant book profit was most gratifying and furthermore I have no doubt that the executive housing which is now in the course of construction will blend with the environment and ultimately enhance the area. Against this profit has to be set the book loss that was incurred on the disposal of plant and equipment from that site, £800,000, together with the final write downs of the remaining plant at The Old Brewery.

In order to maintain the link with The Old Brewery site and to retain some influence over the development, the company intends to grant a long lease on the property and retain the freehold.

### Financing

The increase in the interest charge for the year is a direct consequence of financing the expansion of the tied estate. The company has now completed the reorganisation of its financing with a £50m revolving credit facility, although this was finalised

after the year end. The immediate consequence of the re-financing was a substantial reduction in the working overdraft which had been utilised, in the main, to finance the additions to the retail estate.

The main purpose of the facility is to allow for the planned expansion of the retail estate whilst avoiding the necessity of making fresh applications for funds on each and every occasion. The facility is at a lower rate of interest than the overdraft and hence there is an immediate benefit to the company.

Shareholders can also be reassured that the board will evaluate rigorously all proposed acquisitions.

I was greatly heartened by both the enthusiasm and the confidence that each of the banks expressed in the company's plans and the considerable support which they have given in order to place the company in such a powerful position.

It was also very gratifying to receive a complimentary editorial comment on the new funding in the Business Section of the Western Mail.

This facility has greatly strengthened the company's independent position as it is now able to implement its strategic expansion without further recourse to other sources of finance.

## Shareholders

Although the earnings per share, after exceptional items and the tax charge, have shown a modest decrease this year, the directors have decided to increase the ordinary dividend for the year to 80.5p (1999 77.5p).

During the course of the year John Rhys and I carried out an extensive series of discussions with ordinary shareholders and we were both heartened and encouraged by the overwhelming support which there was for the current strategy of expansion and in particular the intention to keep the

company family-controlled, independent and vertically integrated.

## Directors

As you are aware from my earlier letter, once the site rationalisation had been completed I was able to implement the last part of the reorganisation which was necessitated following the takeover of Crown Buckley in 1997.

The original board of nine executive directors was always known to be too large, but it achieved its aim of successfully implementing the merging and rationalisation of the two groups. During the course of the last year I was thus able to plan to refocus board responsibilities and as a result a number of my colleagues will depart in the months following the financial year end.

Mike Salter, who took over as Managing Director of the group after the takeover and who was responsible for welding together the two operations, handed over his responsibilities at the end of December when the roles of Chief Executive and Managing Director were merged. Richard Cunningham, the Logistics Director, having expressed a wish to retire, has handed over his responsibilities to Jim Kerr since the financial year end. Jim took up his appointment as Operations Director on 1 November and in addition

to the logistics function will take over the production responsibility from John Glazzard when he retires early in the new calendar year. I wish to thank all of these colleagues for their efforts, Mike and Richard over the last four years and John Glazzard over more than thirty years and wish them every happiness in the future.

I anticipate the new Chief Executive joining the company at the beginning of February and assuming his responsibilities at the beginning of April, which will then allow Richard May-Hill to retire. However, I hope that I shall be able to persuade Richard to retain a part-time commitment to the company as both a non-executive director and to continue to act as Company Secretary and thus utilise his extensive knowledge of the company and in particular that in respect of the ordinary shareholders.

## The Future

Although the current year will probably not be marked by any high profile activity of the type which occurred last year, there is no doubt that the continuing development of Cardiff is still proceeding at an amazing rate. The obvious manifestation is the opening to vehicular traffic of the newly constructed Bute

Square, together with its links to St Mary Street and Cardiff Bay, which has achieved the planners' major goal of linking the rapidly developing Bay area with the heart of the city. There is no doubt that the Bay area is now attracting increasing populations both of commercial activities and residents. As these activities continue the attraction and hence the prosperity of the city and surrounding area will increase as has been proved this year, although that traditional spoiler of plans, the British weather, can and does play a significant wild card.

Nevertheless, there have been signs of good trading patterns emerging, particularly in locations where renovations to and refocusing of the outlet have taken place. The Christmas trends have generally been encouraging.

With reasonable weather during the spring and summer I am optimistic that the ongoing policy of improvement and expansion will be able to generate the returns which it deserves.

As I write the industry is awaiting the decision of the Secretary of State for Trade and Industry with regard to amendments to the 1989 Beer Orders.

The first quarter of the current year has seen unprecedented rainfall in South Wales in line with the whole country. Unfortunately, this has not encouraged regular customers and has undoubtedly discouraged visitors.

The consequences of any changes to the Beer Orders, coupled with the dynamic state of the industry at the corporate level, are bound to influence commercial activities sooner or later.

The original Beer Orders were directed, at least in part, against large estates of public houses being owned by brewers.

It will be interesting to see whether the Secretary of State considers action is necessary to curb the now equally large estates that are owned by "pubcos" and other non-brewery corporations. One of the results of the changing face of the industry may well be further contract brewing and packaging which will help the company to reduce unit costs of production if this demand continues.

Once again, I would like to thank each and every employee for the contributions which they have made to the success of the group, particularly as many of them have had yet another disrupted year due to relocation.

I know that my shareholders are appreciative of the efforts which everybody makes to sustain and develop their company and on this occasion, in addition, I extend my own personal thanks to the ordinary shareholders for the significant support which they have given to me in what has been another year of considerable change.

**C M Brain, Chairman**

# S.A.BRAIN & CO LTD.

## REPORT OF THE DIRECTORS

The directors submit their report and the accounts of the group for the year ended 30 September 2000.

### 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 on pages 4 to 9.

### PROFIT AND DIVIDENDS

	2000 £000	1999 £000
Profit on ordinary activities before interest.	7,771	6,856
Profit for the group for the financial year	3,600	3,979

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

#### Dividends:

4% (tax free) cumulative preference

11% second cumulative preference

Ordinary, interim at 40.25% (1999 - 38.75%)

Ordinary, final proposed at 40.25% (1999 - 38.75%)

13	13
151	151
458	441
458	441
1,080	1,046
2,520	2,933

Retained profit for the financial year

The above figures are prepared under the historical cost convention.

### 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 market value of properties owned by the group is in excess of the book value but until such time as a full valuation is carried out the directors are unable to quantify this excess.

The changes in 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 an investment in a joint venture company.



# **S.A.BRAIN & CO LTD.**

## **REPORT OF THE DIRECTORS (CONTINUED)**

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### **DIRECTORS AND THEIR INTERESTS**

The directors at the date of this report are shown on page 3. Full details of directors' interests in the share capital of the company and its subsidiary undertakings are disclosed in Note 29 to the accounts.

Messrs M A J Salter, R B Cunningham and J S Barrett are due certain payments under the terms of the agreement for the acquisition of Crown Buckley Limited, which are based upon group profits.

Other than his service contract and the interest of certain directors as noted above, no director had any other material interest in any contract with the company or its subsidiary undertakings during the year.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by law to prepare accounts each year which give a true and fair view of the state of affairs of the group at the end of the financial year and of the profit or loss and cash flows for the year.

The directors are responsible for maintaining adequate accounting records, safeguarding the assets of the group and preventing and detecting fraud and other irregularities.

The directors confirm that the accounts have been prepared using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The directors also confirm that the accounts have been prepared following applicable accounting standards, as explained in the accounting policies. The directors consider it appropriate to prepare the accounts on a going concern basis.

### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

No political contributions were made by the group.

Contributions for charitable and similar purposes in the United Kingdom amounted to £8,006 (1999 - £1,775).

### **EMPLOYEE INVOLVEMENT**

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

# S.A.BRAIN & CO LTD.

## REPORT OF THE DIRECTORS (CONTINUED)

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### EMPLOYEE INVOLVEMENT (CONTINUED)

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

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

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

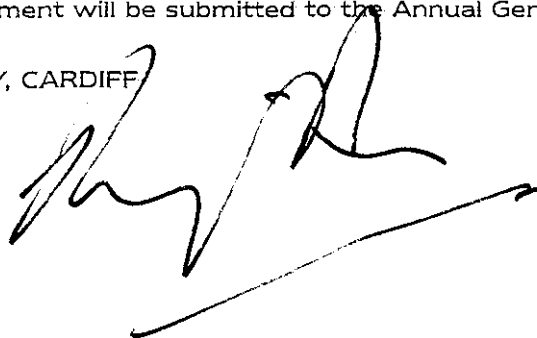
### PAYMENT OF CREDITORS

It is the group's policy, in respect of its suppliers, to agree the terms of payment with each supplier as appropriate. Otherwise the company's standard settlement terms are the end of the calendar month following the supplier's invoice date. At 30 September 2000 the group's creditor days, calculated by reference to the value of main suppliers' invoices received in the year, was 30 (1999 - 28).

### AUDITORS

PricewaterhouseCoopers have indicated their willingness to be re-appointed and a resolution concerning their appointment will be submitted to the Annual General Meeting.

THE CARDIFF BREWERY, CARDIFF  
By Order of the Board  
RC MAY-HILL, Secretary  
26TH January 2001





## **REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF S.A. BRAIN & COMPANY LIMITED**

We have audited the financial statements on pages 14 to 37 which have been prepared under the historical cost convention and the accounting policies set out on pages 18 and 19.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 11, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethics.

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 United Kingdom Companies Act. 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.

### **Basis of 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 of the group as at 30 September 2000 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*  
PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors  
Cardiff

26TH January 2001

# S.A.BRAIN & C<sup>o</sup> LTD.

## GROUP PROFIT AND LOSS ACCOUNT Year ended 30 September 2000

	2000 £000	1999 £000
TURNOVER (Note 2)	71,439	65,245
Cost of sales	(59,789)	(52,675)
<b>GROSS PROFIT</b>	<b>11,650</b>	<b>12,570</b>
Distribution costs	(1,259)	(1,473)
Administrative expenses	(5,579)	(5,582)
Other operating income	2,151	1,940
<b>NET OPERATING EXPENSES</b>	<b>(4,687)</b>	<b>(5,115)</b>
<b>OPERATING PROFIT</b>	<b>6,963</b>	<b>7,455</b>
Profit/(loss) on sale of fixed assets	808	(599)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	<b>7,771</b>	<b>6,856</b>
Income from fixed asset investments	53	35
Other interest receivable	-	63
Interest payable	(2,394)	(1,798)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Notes 2 and 3)</b>		
(carried forward to page 15)	5,430	5,156

# S.A.BRAIN & CO LTD.

## GROUP PROFIT AND LOSS ACCOUNT Year ended 30 September 2000 (Continued)

	2000 £000	1999 £000
<b>PROFIT ON-ORDINARY ACTIVITIES</b>		
<b>BEFORE TAXATION</b> (Notes 2 and 3)		
(brought forward from page 14)	5,430	5,156
Taxation on profit on ordinary activities (Note 5)	(1,732)	(1,070)
	<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES</b>		
<b>AFTER TAXATION</b> (Note 2)	3,698	4,086
Dividends : minority interest (Note 6)	(98)	(107)
	<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b> (Note 2)	3,600	3,979
Dividends : equity shares (Note 6)	(916)	(882)
non-equity shares (Note 6)	(164)	(164)
	<hr/>	<hr/>
<b>RETAINED PROFIT FOR THE</b>		
<b>FINANCIAL YEAR</b> (Note 21)	2,520	2,933
	<hr/>	<hr/>
<b>EARNINGS PER ORDINARY</b>		
<b>SHARE</b> (Note 7)	302.0p	335.3p
	<hr/>	<hr/>

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

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

The results relate entirely to continuing operations.

The group profit and loss account should be read in conjunction with the notes on pages 18-37.

# S.A.BRAIN & CO LTD.

## BALANCE SHEETS as at 30 September 2000

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
<b>FIXED ASSETS</b>				
Tangible assets (Note 8)	74,040	65,946	74,014	65,904
Investments (Note 9)	5,973	6,065	15,520	15,186
Investment in joint venture (Note 10)	458	430	458	430
	<u>80,471</u>	<u>72,441</u>	<u>89,992</u>	<u>81,520</u>
<b>CURRENT ASSETS</b>				
Stocks (Note 12)	2,383	2,399	2,007	2,049
Debtors (Note 13)	5,713	5,108	5,333	4,799
Cash at bank and in hand	788	649	788	594
	<u>8,884</u>	<u>8,156</u>	<u>8,128</u>	<u>7,442</u>
<b>CREDITORS</b> (Amounts falling due within one year) (Note 14)	(33,149)	(22,413)	(40,621)	(29,940)
<b>NET CURRENT LIABILITIES</b>	<u>(24,265)</u>	<u>(14,257)</u>	<u>(32,493)</u>	<u>(22,498)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	56,206	58,184	57,499	59,022
<b>CREDITORS</b> (Amounts falling due after more than one year) (Note 15)	(12,816)	(16,689)	(12,816)	(16,689)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b> (Note 18)	(275)	(276)	(275)	(276)
<b>DEFERRED INCOME</b> (Note 19)	<u>(497)</u>	<u>(695)</u>	<u>(497)</u>	<u>(695)</u>
	<u>42,618</u>	<u>40,524</u>	<u>43,911</u>	<u>41,362</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital (Note 20)	2,739	2,739	2,739	2,739
Other reserves (Note 21)	31,050	31,050	31,050	31,050
Profit and loss account (Note 21)	8,117	6,023	10,122	7,573
<b>SHAREHOLDERS' FUNDS</b>				
(including non-equity interests) (Note 22)	41,906	39,812	43,911	41,362
Minority interests in preference shares (Note 23)	712	712	-	-
	<u>42,618</u>	<u>40,524</u>	<u>43,911</u>	<u>41,362</u>

These accounts were approved by the board of directors on 26th January 2001, and were signed on its behalf by

C M BRAIN, CHAIRMAN

R C MAYNILL, CHIEF EXECUTIVE

The balance sheets should be read in conjunction with the notes on pages 18-37.

# S.A.BRAIN & C<sup>O</sup> LTD.

## GROUP CASH FLOW STATEMENT Year ended 30 September 2000

	2000 £000	1999 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 24)	11,318	10,051
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	53	98
Interest paid	(2,325)	(1,745)
Interest element of finance lease rental payments	(46)	(39)
Dividends paid - non-equity shares	(164)	(164)
- minority interest	(107)	(107)
Net cash outflow from returns on investments and servicing of finance	(2,589)	(1,957)
TAXATION	(1,626)	(1,733)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(13,786)	(14,893)
Proceeds of sale of tangible fixed assets	2,843	2,036
Trade loan advances	(1,620)	(2,186)
Trade loan repayments	804	719
Purchase of investments	(31)	-
Net cash outflow from capital expenditure and financial investment	(11,790)	(14,324)
ACQUISITIONS		
Investment in joint venture	(217)	(268)
Contingent consideration paid for acquired subsidiary undertaking	(268)	(600)
Net cash outflow from acquisitions	(485)	(868)
EQUITY DIVIDENDS PAID	(882)	(852)
Net cash outflow before management of liquid resources and financing	(6,054)	(9,683)
MANAGEMENT OF LIQUID RESOURCES	-	-
FINANCING		
Debt due within one year:		
Repayment of loans	(2,193)	(678)
Debt due beyond one year:		
Finance lease advances	974	236
Capital element of finance lease rental payments	(251)	(205)
Net cash outflow from financing	(1,470)	(647)
DECREASE IN CASH DURING THE YEAR (Note 26)	(7,524)	(10,330)

The group cash flow statement should be read in conjunction with the notes on pages 18-37.

# S.A. BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

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### 1 ACCOUNTING POLICIES

#### (i) Basis of accounting

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

#### (ii) Basis of consolidation

The group profit and loss account combines the profits of the company and its subsidiary undertakings, being Manor House (Wine Merchants) Limited, Crown Buckley Limited, Crown Brewery Plc, Crown Buckley Taverns Limited, Filbuk 313 Limited and Brain Crown Buckley Limited.

The group balance sheet combines the assets and liabilities of the company and its subsidiary undertakings and include the group's share of assets and liabilities of the joint venture as at 30 September 2000. The net assets are included in the consolidated accounts at their fair value to the group. Any goodwill arising from the cost of acquiring a subsidiary undertaking exceeding the fair value of its net assets is written off directly against reserves.

#### (iii) Tangible fixed assets

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

#### (iv) Depreciation

All tangible fixed assets are depreciated at rates designed to write off the cost evenly over their estimated working lives.

The group adopted the provisions of Financial Reporting Standard No. 15 ("FRS 15") during the year. The group's policy has been, and remains, to depreciate its properties at appropriate rates.

It is group policy to maintain public houses to a high standard so as to preserve their earning capacity. In previous years, prior to the adoption of FRS15, the directors considered the lives of these assets to be so long and their residual values sufficiently high that their depreciation was insignificant. Since the adoption of FRS15, the group policy is to depreciate public house buildings, as set out below. Any permanent diminution in value of such properties is charged to profit and loss account as appropriate.

Depreciable fixed assets are written off on a straight line basis over their estimated useful lives as follows:

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

#### (v) Joint ventures

The group's share of net assets of the joint venture is included in the consolidated financial statements based on the management accounts for the period up to 30 September 2000.



# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

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(vi) Investments

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

(vii) Investments - trade loans

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

(viii) 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.

(ix) Repairs and renewals

These are charged to expense in the year when incurred.

(x) 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.

(xi) 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.

(xii) Deferred taxation

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

(xiii) Pensions

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

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 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 including exceptional items 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 £3,629,000 (1999 - £3,942,000).

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after accounting for the following amounts:

	2000 £000	1999 £000
Wages and salaries	13,769	12,737
Social security costs	956	896
Other pension costs (Note 27)	337	319
Depreciation of owned fixed assets	3,401	2,339
Depreciation of fixed assets held under finance leases and hire purchase contracts	271	89
Amortisation of government grants	(198)	(226)
Auditors' remuneration - company	36	36
Auditors' remuneration - group	39	41
Non-audit fees paid to auditors	98	76
(Profit)/loss on disposal of properties	(1,610)	330
Loss/(profit) on disposal of plant and equipment	802	(23)
Impairment of plant, shown as loss on disposal	-	292
Impairment of property, included in depreciation	636	-
Interest on bank overdrafts	1,133	379
Interest on bank loans	1,190	1,355
Interest on hire purchase contracts	46	39
Interest payable on deposits held	13	25

### 4 EXCEPTIONAL ITEMS

The profit on ordinary activities for the year is stated after charging/(crediting) exceptional items as follows:

	2000			1999		
	Gross £000	Tax £000	Net £000	Gross £000	Tax £000	Net £000
Implementation of FRS15 (i)	709	-	709	-	-	-
Site reorganization costs (ii)	(505)	151	(354)	1,770	(370)	1,400
Impairment of fixed assets (iii)	636	-	636	-	-	-
Restructure of board (iv)	403	(121)	282	-	-	-
	<u>1,243</u>	<u>30</u>	<u>1273</u>	<u>1,770</u>	<u>(370)</u>	<u>1,400</u>

- (i) FRS15 has been adopted with effect from 1 October 1999, and this has resulted in an additional depreciation charge on freehold buildings of £709,000 for the year.
- (ii) Commencing in 1999, a reorganisation of the group's distribution and warehousing operations was undertaken. Exceptional costs include redundancy costs, the cost of moving to new sites, additional incremental costs of operating more than one site simultaneously and (profits)/losses on disposal of various properties involved in the reorganisation.

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

- (iii) Following the move of production and office facilities to a new site during the year, a charge for impairment of the buildings on the former production site has been incurred.
- (iv) During the year, a restructure of the board was instigated, following the decision of a number of directors to retire during 2001. The estimated cost of this restructuring has been charged in the accounts for the year ended 30 September 2000.

### 5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
Based on the profit on ordinary activities for the year:		
UK corporation tax at 30% (1999 - 30%)	1,620	1,344
UK corporation tax under/(over)provided in prior years	112	(274)
	<u>1,732</u>	<u>1,070</u>

The current year's corporation tax charge has been decreased by £182,000 (1999 - increased by £52,000) as a result of capital allowances and certain other temporary timing differences.

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

### 6 DIVIDENDS

	2000 £000	1999 £000
<b>S A Brain &amp; Company Limited:</b>		
Equity		
£1 ordinary:		
Interim (since paid)	458	441
Final proposed	458	441
	<u>916</u>	<u>882</u>
Non-equity		
4% £10 preference:		
Interim paid	6	6
Final proposed	7	7
	<u>13</u>	<u>13</u>
11% £1 preference paid	151	151
	<u>164</u>	<u>164</u>
<b>Crown Buckley Limited:</b>		
Minority non-equity		
15% £1 "A" preference: paid	107	107
Dividend accrued but not due for payment:		
- at beginning of year	(9)	(9)
- at end of year	<u>9</u>	<u>9</u>
	<u>98</u>	<u>107</u>

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 7 EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the group profit for the financial year after taxation and preference dividends and 1,137,670 (1999 - 1,137,670) ordinary shares in issue.

### 8 TANGIBLE FIXED ASSETS

	Total £000	Freehold properties £000	Leasehold properties		Plant and equipment £000	Capital work in progress £000	Assets awaiting disposal £000
			Long £000	Short £000			
<b>Group</b>							
<b>Cost:</b>							
At 1 October 1999	82,567	49,597	6,335	651	15,842	255	9,887
Reclassification	-	(521)	-	-	-	-	521
Additions	13,919	4,666	176	613	3,066	5,297	101
Transfers	(118)	3,070	365	759	1,163	(5,475)	-
Disposals	(6,383)	(539)	-	-	(497)	-	(5,347)
At 30 September 2000	89,985	56,273	6,876	2,023	19,574	77	5,162
<b>Depreciation:</b>							
At 1 October 1999	16,621	569	743	230	8,897	-	6,182
Reclassification	-	(91)	-	-	-	-	91
Charge for year	3,672	930	69	89	1,948	-	636
Disposals	(4,348)	(172)	-	-	(437)	-	(3,739)
At 30 September 2000	15,945	1,236	812	319	10,408	-	3,170
<b>Net book amount:</b>							
At 30 September 2000	74,040	55,037	6,064	1,704	9,166	77	1,992
At 30 September 1999	65,946	49,028	5,592	421	6,945	255	3,705
<b>Company</b>							
<b>Cost:</b>							
At 1 October 1999	82,460	49,597	6,335	651	15,735	255	9,887
Reclassification	-	(521)	-	-	-	-	521
Additions	13,915	4,666	176	613	3,062	5,297	101
Transfers	(118)	3,070	365	759	1,163	(5,475)	-
Disposals	(6,366)	(539)	-	-	(480)	-	(5,347)
At 30 September 2000	89,891	56,273	6,876	2,023	19,480	77	5,162
<b>Depreciation:</b>							
At 1 October 1999	16,556	569	743	230	8,832	-	6,182
Reclassification	-	(91)	-	-	-	-	91
Charge for year	3,659	930	69	89	1,935	-	636
Disposals	(4,338)	(172)	-	-	(427)	-	(3,739)
At 30 September 2000	15,877	1,236	812	319	10,340	-	3,170

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 8 TANGIBLE FIXED ASSETS (CONTINUED)

	Total £000	Freehold properties £000	Leasehold properties Long £000	Short £000	Plant and equipment £000	Capital work in progress £000	Assets awaiting disposal £000
Net book amount:							
At 30 September 2000	74,014	55,037	6,064	1,704	9,140	77	1,992
At 30 September 1999	65,904	49,028	5,592	421	6,903	255	3,705

	Group		Company	
	2000	1999	2000	1999
	Plant and equipment £000	Plant and equipment £000	Plant and equipment £000	Plant and equipment £000
Included in the above amounts at 30 September are assets held under finance leases:				
Cost	1,424	444	1,424	444
Accumulated depreciation	(403)	(162)	(403)	(162)
Net book amount	1,021	282	1,021	282

There is no contracted future capital expenditure not provided for in the accounts (1999 - £nil)

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 9 INVESTMENTS

	Trade loans £000	Other £000	Total £000
Group			
Cost:			
At 1 October 1999	10,294	-	10,294
Additions	-	31	31
Advances	1,620	-	1,620
Repayments	(804)	-	(804)
Amortisation	(667)	-	(667)
Loans written off	(938)	-	(938)
At 30 September 2000	<u>9,505</u>	<u>31</u>	<u>9,536</u>
Provision for diminution in value:			
At 1 October 1999	4,229	-	4,229
Amounts written off	(938)	-	(938)
Increase in provision	272	-	272
At 30 September 2000	<u>3,563</u>	<u>-</u>	<u>3,563</u>
Net book amount:			
At 30 September 2000	<u>5,942</u>	<u>31</u>	<u>5,973</u>
At 30 September 1999	<u>6,065</u>	<u>-</u>	<u>6,065</u>

	Trade loans £000	Subsidiary loans undertakings £000	Other £000	Total £000
Company				
Cost:				
At 1 October 1999	10,294	9,121	-	19,415
Additional cost of subsidiary undertakings (see below)	-	426	-	426
Additions	-	-	31	31
Advances	1,620	-	-	1,620
Repayments	(804)	-	-	(804)
Amortisation	(667)	-	-	(667)
Loans written off	(938)	-	-	(938)
At 30 September 2000	<u>9,505</u>	<u>9,547</u>	<u>31</u>	<u>19,083</u>
Provision for diminution in value:				
At 1 October 1999	4,229	-	-	4,229
Amounts written off	(938)	-	-	(938)
Increase in provision	272	-	-	272
At 30 September 2000	<u>3,563</u>	<u>-</u>	<u>-</u>	<u>3,563</u>

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 9 INVESTMENTS (CONTINUED)

	Trade loans £000	Subsidiary undertakings £000	Other £000	Total £000
Net book amount:				
At 30 September 2000	<u>5,942</u>	<u>9,547</u>	<u>31</u>	<u>15,520</u>
At 30 September 1999	<u>6,065</u>	<u>9,121</u>	<u>-</u>	<u>15,186</u>

£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. The increase in the cost of the shares of £426,000 represents additional amounts payable as contingent consideration, in accordance with the agreement dated 27 February 1997 (see note 11). The additional goodwill thus arising on acquisition has been written off against reserves in the Group accounts (see note 21).

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

9,547

- other investments are principally Welsh Rugby Union debentures.

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 10 INVESTMENT IN JOINT VENTURE COMPANY

	2000	1999
	£000	£000
GROUP AND COMPANY		
Share of gross assets at end of year	466	430
Share of gross liabilities at end of year	(8)	-
	<u>458</u>	<u>430</u>

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.

	2000	1999
	£000	£000
The group's share of turnover was	<u>178</u>	<u>-</u>
The group's share of operating loss for the year was	<u>(20)</u>	<u>-</u>

### 11 ACQUISITIONS AND TRANSFERS

On 27 February 1997, the company acquired 100% of the issued ordinary shares and "B" preference shares of Crown Buckley Limited. As part of the acquisition there is contingent consideration payable. During the year £599,900 of the contingent consideration was paid in cash and by the issue of unsecured loan stock.

The contingent consideration payable is based on group profits over accounting periods from acquisition to 30 September 2000 and amounts to £2,926,000, of which £1,799,000 has been paid with the balance being provided for in these accounts.



# S.A.BRAIN & C<sup>O</sup> LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 12 STOCKS

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Raw materials and consumables	564	522	564	522
Work in progress	128	161	128	161
Finished goods and goods for resale	1,691	1,716	1,315	1,366
	<u>2,383</u>	<u>2,399</u>	<u>2,007</u>	<u>2,049</u>

### 13 DEBTORS

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	4,550	4,468	4,175	4,159
Other debtors	376	220	376	220
Prepayments and accrued income	787	420	782	420
	<u>5,713</u>	<u>5,108</u>	<u>5,333</u>	<u>4,799</u>

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 14 CREDITORS (amounts falling due within one year)

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loan (Note 15)	2,194	678	2,194	678
Bank overdraft	18,750	11,087	18,699	11,087
Trade creditors	2,371	2,979	2,184	2,753
Obligations under finance leases and hire purchase contracts	287	98	287	98
Other creditors	1,534	683	1,534	683
Taxation and social security	3,066	2,719	2,916	2,543
Accruals	2,861	2,635	2,853	2,594
Proposed dividends	959	934	959	925
Contingent consideration (Note 11)	1,127	600	1,127	600
Amount due to subsidiary undertaking	-	-	7,868	7,979
	<u>33,149</u>	<u>22,413</u>	<u>40,621</u>	<u>29,940</u>

### 15 CREDITORS (amounts falling due after more than one year)

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans	12,120	15,829	12,120	15,829
Contingent consideration (Note 11)	-	698	-	698
Obligations under finance leases and hire purchase contracts	696	162	696	162
	<u>12,816</u>	<u>16,689</u>	<u>12,816</u>	<u>16,689</u>

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

Within one year or on demand	21,231	13,378	21,231	13,378
Between one and two years	1,779	2,261	1,779	2,261
Between two and five years	4,977	4,640	4,977	4,640
After five years	6,060	7,575	6,060	7,575
	<u>34,047</u>	<u>27,854</u>	<u>34,047</u>	<u>27,854</u>

The bank loans are for terms of up to twelve years and are secured by fixed charges on certain of the group's freehold and leasehold properties and floating charges on certain of the group's plant and equipment. £8,235,000 of bank loans is at an interest rate of 8.6% per annum fixed for seven years from August 1997. The remaining bank loans bear interest at 1% above Lloyds TSB Bank base rate.

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

Since the year end a five year revolving credit facility of £50,000,000 has been arranged with a syndicate of three banks. This facility has been partly utilized in repayment of the bank overdraft, with the remainder to be used for financing an expansion of the group's public house estate, and bears an interest rate of 1% over LIBOR.

### 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:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Within one year	29	222	29	222
Between two and five years	193	217	193	217
	<u>222</u>	<u>439</u>	<u>222</u>	<u>439</u>

### 18 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Deferred taxation	69	69	69	69
Provision for the excess of pension costs charged over amounts funded	206	207	206	207
	<u>275</u>	<u>276</u>	<u>275</u>	<u>276</u>

### Deferred taxation provided:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Accelerated capital allowances	69	69	69	69
Short term timing differences	-	-	-	-
	<u>69</u>	<u>69</u>	<u>69</u>	<u>69</u>

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 18 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£00	£000
Unprovided deferred taxation:				
Accelerated capital allowances	3,231	3,083	3,231	3,083
Short term timing differences and losses available for future relief	(167)	(292)	(167)	(292)
	<u>3,064</u>	<u>2,791</u>	<u>3,064</u>	<u>2,791</u>
Rollover of capital gains on business assets	253	253	253	253
Unprovided liability	<u>3,317</u>	<u>3,044</u>	<u>3,317</u>	<u>3,044</u>

	Group	Company
	£000	£000
Analysis of movements on deferred taxation:		
At 1 October 1999 and 30 September 2000	69	69

### 19 DEFERRED INCOME

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Government grants:				
At 1 October 1999	695	921	695	921
Amortisation during year	(198)	(226)	(198)	(226)
At 30 September 2000	<u>497</u>	<u>695</u>	<u>497</u>	<u>695</u>

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 20 SHARE CAPITAL

	Authorised £000	Allotted and fully paid £000
As at 30 September 2000 and 1999		
4% (tax free) cumulative preference shares of £10 each	250	225
11% second cumulative preference shares of £1 each	1,400	1,376
Ordinary shares of £1 each	1,400	1,138
	<u>3,050</u>	<u>2,739</u>

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.

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 21 RESERVES

	Profit & loss account £000	Total other reserves £000	Other reserves Capital redemption £000	Properties (distributable) £000
<b>Group:</b>				
At 1 October 1999	6,023	31,050	238	30,812
Retained profit for the year	2,520	-	-	-
Goodwill written off (see Note 9)	(426)	-	-	-
	<u>8,117</u>	<u>31,050</u>	<u>238</u>	<u>30,812</u>
At 30 September 2000	8,117	31,050	238	30,812
	<u>8,117</u>	<u>31,050</u>	<u>238</u>	<u>30,812</u>
<b>Company:</b>				
At 1 October 1999	7,573	31,050	238	30,812
Retained profit for the year	2,549	-	-	-
	<u>10,122</u>	<u>31,050</u>	<u>238</u>	<u>30,812</u>
At 30 September 2000	10,122	31,050	238	30,812
	<u>10,122</u>	<u>31,050</u>	<u>238</u>	<u>30,812</u>

### 22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Profit for the financial year	3,698	4,086	3,629	3,942
Dividends	(1,178)	(1,153)	(1,080)	(1,046)
Goodwill written off	(426)	-	-	-
	<u>2,094</u>	<u>2,933</u>	<u>2,549</u>	<u>2,896</u>
Net addition to shareholders' funds	2,094	2,933	2,549	2,896
Shareholders' funds at beginning of year	39,812	36,879	41,362	38,466
	<u>41,906</u>	<u>39,812</u>	<u>43,911</u>	<u>41,362</u>
Shareholders' funds at end of year	41,906	39,812	43,911	41,362
	<u>41,906</u>	<u>39,812</u>	<u>43,911</u>	<u>41,362</u>
Shareholders' funds are attributable as follows:				
Equity shareholders' funds	40,264	38,170	42,269	39,720
Non-equity shareholders' funds	1,642	1,642	1,642	1,642
	<u>41,906</u>	<u>39,812</u>	<u>43,911</u>	<u>41,362</u>
At 30 September 2000	41,906	39,812	43,911	41,362
	<u>41,906</u>	<u>39,812</u>	<u>43,911</u>	<u>41,362</u>

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 23 MINORITY INTERESTS

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

	2000 £000	1999 £000
712,310 15% "A" preference shares of £1 each (non-equity interest)	<u>712</u>	<u>712</u>

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

	2000 £000	1999 £000
Operating profit	6,963	7,455
Depreciation charges	3,672	2,428
Impairment of fixed assets included in depreciation	-	(292)
Amortisation of trade loans	667	746
Increase/(decrease) in provision for trade loans	272	(56)
Amount taken to profit from deferred income	(198)	(226)
Decrease/(increase) in stocks	16	(328)
(Increase)/decrease in debtors	(578)	15
Increase in creditors	504	309
Net cash inflow	<u>11,318</u>	<u>10,051</u>

# S.A.BRAIN & C<sup>O</sup> LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS (see also Note 26)

	2000 £000	1999 £000
Decrease in cash during the year	(7,524)	(10,330)
Cash outflow from decrease in debt and lease financing	1,470	647
Movement in net debt resulting from cash flows	(6,054)	(9,683)
Net debt at beginning of year	(27,205)	(17,522)
Net debt at end of year	(33,259)	(27,205)

### 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
<b>2000</b>				
Cash in hand and at bank	649	139	-	788
Overdrafts	(11,087)	(7,663)	-	(18,750)
	(10,438)	(7,524)	-	(17,962)
Debt due after 1 year	(15,829)	-	3,709	(12,120)
Debt due within 1 year	(678)	678	(2,194)	(2,194)
Finance leases	(260)	(723)	-	(983)
	(16,767)	(45)	1,515	(15,297)
<b>Total</b>	(27,205)	(7,569)	1,515	(33,259)



# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

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

	At start of year £000	Cash flow £000	Non-cash changes £000	At end of year £000
<b>1999</b>				
Cash in hand and at bank	589	60	-	649
Overdrafts	(697)	(10,390)	-	(11,087)
	<u>(108)</u>	<u>(10,330)</u>	<u>-</u>	<u>(10,438)</u>
Debt due after 1 year	(16,507)	-	678	(15,829)
Debt due within 1 year	(678)	678	(678)	(678)
Finance leases	(229)	(31)	-	(260)
	<u>(17,414)</u>	<u>647</u>	<u>-</u>	<u>(16,767)</u>
<b>Total</b>	<u>(17,522)</u>	<u>(9,683)</u>	<u>-</u>	<u>(27,205)</u>

### 27 PENSIONS

The parent company 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 £337,000 (1999 - £319,000).

#### 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 actuary as at 1 July 1998 using the attained age 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 9.0% per annum, that wages and salaries would increase at the rate of 7.5% 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 dates amounted to £27,314,000 and the actuarial value of these assets represented 108% 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.

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 27 PENSIONS (CONTINUED)

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 actuary as at 30 June 1998. The projected unit credit actuarial method was used and the principal actuarial assumptions adopted for the valuation of liabilities were : an investment return of 8.5% per annum; salary increases of 7% per annum and future pension increases of 4.5% per annum where such increases are to be in line with Limited Price Indexation. For the valuation of scheme assets, it was further assumed that future dividend growth would be at the rate of 5% per annum.

The valuation showed that the value of the scheme's assets represented 108% of its liabilities. The market value of assets was £13,008,000 as at 30 June 1998. (This figure excludes the value of the annuity policies held in respect of certain pensioners. These policies were valued as part of the 1998 actuarial valuation, their market value being approximately £1,280,000).

### 28 RELATED PARTY TRANSACTIONS

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

During the year the Company made an additional capital contribution of £55,000 to S A Brain & Company Ventures Limited, of which £27,500 was made on behalf of the joint venture partner. At 30 September 2000 this amount of £27,500 was still due from the joint venture partner.

### 29 DIRECTORS AND EMPLOYEES

	2000 £	1999 £
Directors' emoluments paid in the year were:		
For services as directors	48,350	47,500
Other emoluments	713,522	698,812
	<u>761,872</u>	<u>746,312</u>

The average number of persons employed by the group during the year, including directors, was 1,591 (1999 - 1,477). All persons were employed in the United Kingdom.

The number of directors who were members of a defined benefit pension scheme funded by the company was 8 (1999 - 8).

	2000 £	1999 £
Highest paid director:		
Total emoluments	117,877	118,159
Defined benefit pension scheme:		
Accrued pension at end of year	51,314	47,173
Accrued lump sum at end of year	142,974	135,450

# S.A.BRAIN & CO LTD.

## NOTES TO THE ACCOUNTS Year ended 30 September 2000

### 29 DIRECTORS AND EMPLOYEES (CONTINUED)

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

	2000 Number	Ordinary Shares 1999 Number	2000 Number	4% Preference Shares 1999 Number	2000 Number	11% Preference Shares 1999 Number	
C M Brain	69,902	69,102	721	721	-	-	Beneficial
	370,712	373,447	11,018	11,018	100,000	100,000	Non-beneficial
R C May-Hill	16,950	16,250	-	-	-	-	Beneficial
	305,184	175,846	10,880	444	100,000	-	Non-beneficial
M E James	1,700	1,300	-	-	-	-	Beneficial
J W Glazzard	2,200	2,200	-	-	-	-	Beneficial
J F W Rhys	14,636	14,236	-	-	-	-	Beneficial
C A Parr	-	-	46	46	-	-	Beneficial
M A J Salter	-	-	10	10	-	-	Beneficial
R B Cunningham	-	-	10	10	-	-	Beneficial
J S Barrett	-	-	10	10	-	-	Beneficial

Since the year end non-beneficial shareholdings have reduced as follows:

C M Brain	Ordinary 10,680
R C May-Hill	Ordinary 10,680

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

	Crown Buckley Limited 15% "A" Preference shares	
	2000 Number	1999 Number
M A J Salter	1,005	1,005
R B Cunningham	4,805	4,305
J S Barrett	4,300	3,800

The directors are also the beneficiaries of an earn-out agreement with the company. These earn-out payments during the year amounted to the following, in the form of unsecured loan stock.

	£
M A J Salter	120,352
R B Cunningham	110,107
J S Barrett	76,819

The total loan stock including interest held by these directors at 30 September 2000 was:

	2000 £	1999 £
M A J Salter	185,457	65,105
R B Cunningham	169,645	59,538
J S Barrett	173,315	96,496

# S.A.BRAIN & CO LTD.

## GROUP FIVE YEAR SUMMARY

	Year ended 30 September				
	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
<b>TRADING RESULTS</b>					
Turnover	71,439	65,245	62,588	52,310	35,966
Operating profit	6,963	7,455	7,616	5,065	3,143
Profit before taxation	5,430	5,156	6,315	4,900	3,277
Profit after taxation	3,698	4,086	4,865	3,521	2,297
Profit attributable to equity	3,436	3,815	4,593	3,299	2,137
<b>RATIOS</b>					
Earnings per ordinary share	302.0p	335.3p	403.7p	290.0p	187.8p
Dividend per ordinary share	80.5p	77.5p	75.0p	66.5p	64.0p
<b>EMPLOYMENT OF CAPITAL</b>					
	£000	£000	£000	£000	£000
Tangible fixed assets	74,040	65,946	55,790	54,383	37,260
Long term investments	6,431	6,495	5,288	5,843	588
Net current (liabilities)/assets	(24,265)	(14,257)	(4,729)	(5,154)	132
Long term creditors and provisions	(13,091)	(16,965)	(17,837)	(19,432)	(2,714)
Deferred income	(497)	(695)	(921)	(1,146)	(390)
	42,618	40,524	37,591	34,494	34,876
<b>CAPITAL EMPLOYED</b>					
Share capital	2,739	2,739	2,739	2,739	2,739
Other reserves	31,050	31,050	31,050	31,050	31,050
Profit and loss account	8,117	6,023	3,090	(7)	1,087
Minority Interests	712	712	712	712	-
	42,618	40,524	37,591	34,494	34,876