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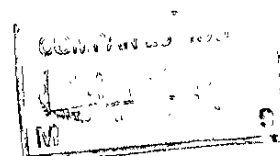
# S.A. BRAIN & COMPANY LIMITED

## ANNUAL REPORT 1939

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

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ANNUAL  
REPORT  
1989



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

## **DIRECTORS AND OFFICERS**

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### **DIRECTORS:**

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

### **SECRETARY AND REGISTERED OFFICE:**

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

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### **AUDITORS:**

**PRICE WATERHOUSE**  
**CHARTERED ACCOUNTANTS**

### **BANKERS:**

**LLOYDS BANK Plc**

### **SOLICITORS:**

**CARTWRIGHTS ADAMS & BLACK**

## GROUP FINANCIAL HIGHLIGHTS

Year ended 30 September	1989	1988
	£000	£000
Turnover	30,277	27,621
Operating profit	3,441	2,998
Profit on ordinary activities before taxation	3,519	3,081
Preference dividends	160	160
Profit attributable to equity	2,425	1,866
Transfer to properties reserve	1,790	1,000
Ordinary dividend	535	495
Earnings per ordinary share	213.2p	164.0p
Dividend per ordinary share	47.0p	43.5p
	£000	£000
Capital employed	18,742	16,852
Expenditure on fixed assets	4,920	2,240

## S. A. BRAIN & COMPANY LIMITED

### CHAIRMAN'S STATEMENT



#### GENERAL

I am honoured to have become Chairman of the company and I am conscious of the very great responsibility handed over to me by Bill Rhys who had been Chairman since 1971. I thank him for successfully steering the company for almost eighteen years and I am delighted that he has agreed to remain on the board as a non-executive director.

During those years the company and the brewing industry have been faced with many changes. Last year has seen a number of significant factors which are likely to play a part in the increasingly changing market in which the company now operates. These include the report of the Monopolies and Mergers Commission, the move towards the single European market and the exciting inward investment being attracted into South Wales.

#### MARKETS

It has been a year during which the total beer market has remained fairly static compared with the previous year. The company's performance in its sales of beer and cider shows the downward trend to be slowing with volumes only marginally lower. Trade in the tied estate held up exceptionally well during the year despite the temporary closure of a number of houses for redevelopment, whilst competition in the free trade has become exceedingly fierce.

The composition of the company's overall trading figures continues to change with lager volumes maintaining their growth at the expense of ales. Sales in the take-home sector are increasing steadily, helped by the introduction of SA Best Bitter in both cans and two litre PET bottles. The product range has been further enhanced by the re-launch of Bitter and Dark in cans and PET bottles. Nationally there has been a considerable increase in sales of low and non-alcoholic beers and the company's sales of these products have increased similarly although they represent a very small proportion of the total. Since the introduction of Labatt's Canadian Lager in 1988, its sales have continued to make good progress.

During the year the subsidiary company, Manor House (Wine Merchants) Limited, moved from Porthcawl to larger premises near Cowbridge and has increased its sales team. Turnover for the year has shown a very acceptable increase, although the new premises and the increase in staff have adversely affected the profitability in the short term. I am sure that these steps will enable the subsidiary company to increase its contribution to the group.

#### TIED TRADE

The tied trade department had a year which started with uncertainty and ended with the prospect of both opportunities and threats arising from the recommendations of the report of the Monopolies and Mergers Commission on the brewing industry and the consequent legislation which has now been laid before Parliament. The company's tied estate will be affected in that tenancy agreements will no longer be excluded from the provisions of the Landlord and Tenant Act.

The company continued the redevelopment programme of its public houses in order to make them as attractive and competitive as possible. Churchill's, Llandaff, was acquired during the year and is the second residential hotel owned by the company. Plans are currently being considered to extend and upgrade both hotels.

Work will shortly commence on a development at Atlantic Wharf, Cardiff, adjacent to the area being developed by the Cardiff Bay Development Corporation. This project will incorporate a public house and restaurant, together with other leisure amenities, and the whole site will be enhanced by an historic Bristol Channel pilot cutter which was acquired during the year and will be moored alongside.

Negotiations with Bath City Council are due to be finalised shortly and these will enable the company to develop a riverside public house and restaurant, marina and caravan park on the north bank of the River Avon. To meet this widening range of activities the company has recently recruited a specialist with hotel and leisure industry experience.

The benefit of flexible licensing hours has been enjoyed by the industry since August 1988 and, although there has now been some rationalisation in how long the houses remain open, this facility has brought increased profitable trading to the company.

#### FREE TRADE

The free trade department is continuing to expand the company's trading area into the South Wales valleys where trade is developing satisfactorily. However, the volume of trade in many of the old established clubs continues to decline and this has been exacerbated by the introduction of flexible licensing hours in the adjacent public houses. The department is having to seek more new accounts against fierce competition in its attempt to maintain its volume of sales.

The provision in the report of the Monopolies and Mergers Commission to allow tenants of the national brewing companies to have a guest cask-conditioned beer presents the company with an opportunity for increased trade. The company will vigorously pursue the advantage provided by these changing circumstances, although it acknowledges that the national brewers, in trying to replace lost trade, will be reinvesting heavily in the free trade and this will make an already difficult market even more competitive.

#### FINANCE AND INVESTMENT

The results for the year are encouraging, particularly when viewed against the increasing need for capital investment coupled with very high interest rates. This need for capital investment will continue to grow in order that the company's existing premises may be brought up to or maintained at the highest standards, whilst at the same time expanding its trading area. The acquisition of the hotels and the developments at Atlantic Wharf and Bath will require substantial investment.

Rumpoles, Cardiff, was opened as a completely new public house on the site formerly occupied by the Rhymney. This house is situated opposite the new magistrates courts and it is hoped that the many parties using and working in these courts will find this house a convenient source of refreshment and relaxation. The Halfway in Cardiff and the Sawyers Arms in Maesteg have been redeveloped and refurbished during the year and other major improvements have been carried out at the Windsor, Barry and the Westgate, Cardiff. A dining room has also been added to the Three Horse Shoes at Peterston-Super-Ely. All these investments are proving to be successful.

New skittle alleys are planned for the Tynewydd and the Master Mariner, both in Barry, whilst the rebuilding programme at the Swan, Eastbrook, is due to commence in 1990.

The company's maintenance depot lies within the area of development of the Cardiff Bay Development Corporation with the result that it will be necessary to acquire and develop an alternative site. Three public houses in that vicinity are also under threat. Although there will be some degree of compensation it is inevitable that there will be a call on the company's resources to fund these potential relocations.

#### THE FUTURE

There are many opportunities available to the group both as a result of the proposed changes in legislation and the inward investment into South Wales. However, it is hoped that interest rates will soon be at a level which will make the necessary investment much more worthwhile. Unfortunately, the group cannot afford to await a fall in interest rates before seizing opportunities which might never recur. It is essential to acquire and redevelop properties in order to benefit from the regeneration of Cardiff.

Group personnel played a major part in the recent referendum on Sunday opening of licensed premises in Wales. The result, which has been well publicised, was that there has been an addition of one local government district in which licensed premises are permitted to be open on a Sunday. More significantly, this leaves only one district in Wales where licensed premises are not open on a Sunday. The consistent move in favour of Sunday opening of licensed premises, coupled with the poor turn out of the electorate and the not insignificant costs of the referenda, surely indicate the need for the government now to consider the repeal of the relevant provisions of the Licensing Act 1961. These provisions present a potential threat to the group every seventh year in its main trading area and are inconsistent with the aims of the European Community for businesses to trade on equal terms.

The group has considered the significance of the single European market and has concluded that there is far greater business potential to be gained in developing the home market at the present time.

I take this opportunity of thanking everyone for the contribution they have made throughout the year and, in particular, Denis McCarthy, who has recently retired from the position of Chief Accountant after 49 years loyal service to the company.

I know that I can count on the loyal support of all employees and tenants of the group as I steer it towards the end of this century. I feel confident that I can fulfil the responsibilities which have been placed upon me and I look forward to tackling the many challenges which will face the group in the future.

C. M. BRAIN  
Chairman



# S. A. BRAIN & COMPANY LIMITED

## REPORT OF THE DIRECTORS

The directors submit their report and the accounts of the group for the year ended 30th September, 1989.

### 1. REVIEW OF THE BUSINESS

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

### 2. PROFIT AND DIVIDENDS

	1989 £000	1988 £000
Profit of the group for the financial year as shown on page 10	2,585	2,026
Transfer to properties reserve	(1,790)	(1,000)
	<u>795</u>	<u>1026</u>

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

#### Dividends

	9	9
4% (tax free) cumulative preference	151	151
11% second cumulative preference	268	250
Ordinary, interim at 23.5% (1988—22.0%)	267	245
Ordinary, final proposed at 23.5% (1988—21.5%)		
	<u>695</u>	<u>655</u>
Leaving retained profit for the year	<u>100</u>	<u>371</u>

The above figures are prepared under the historical cost convention.

### 3. FIXED ASSETS

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

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

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**4. DIRECTORS AND THEIR INTERESTS**

The directors at the year end are shown on page 2. Full details of directors' interests in shares of the company are disclosed in note 20 to the accounts.

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

**5. CHARITABLE AND POLITICAL CONTRIBUTIONS**

No political contributions were made by the group.

Contributions for charitable and similar purposes in the United Kingdom amounted to £3,953 (1988—£3,352).

**6. EMPLOYEE INVOLVEMENT**

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

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

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

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

**7. AUDITORS**

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

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

THE OLD BREWERY,  
CARDIFF  
26th January, 1990

**S. A. BRAIN & COMPANY LIMITED**  
**GROUP VALUE ADDED STATEMENT**  
**YEAR ENDED 30 SEPTEMBER, 1989**

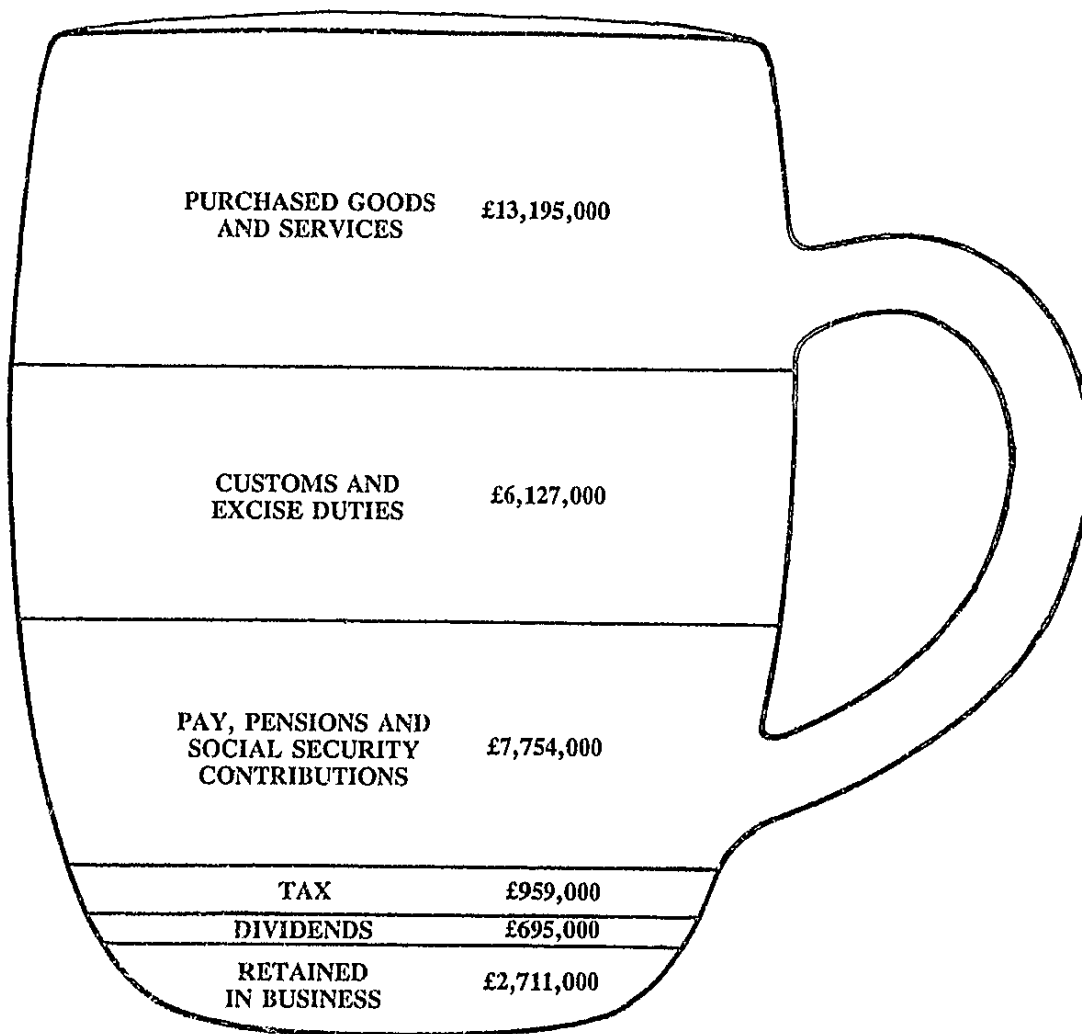
	1989 £000	1988 £000
<b>VALUE ADDED</b>		
Sales of goods and services to customers	30,277	27,621
Deduct: purchased goods and services	(13,195)	(10,758)
customs and excise duties	(6,127)	(6,428)
Value added	10,955	10,435
Rental, investment and other income	1,164	837
	<u>12,119</u>	<u>11,272</u>
 <b>DISTRIBUTION</b>		
<b>To employees</b>		
Pay, pensions, social security contributions and other employee costs	7,754	7,269
<b>To government</b>		
Amount set aside for corporation tax	959	1,130
<b>To shareholders</b>		
Dividends proposed for the year	695	655
 <b>Retained in the business</b>		
Depreciation to provide for replacement of buildings, plant and equipment	846	922
Deferred taxation	(25)	(75)
Future development of properties	1,790	1,000
Profit for the year	100	371
	<u>2,711</u>	<u>2,218</u>
	<u>12,119</u>	<u>11,272</u>

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

# HOW OUR REVENUE HAS BEEN SPENT

## YEAR ENDED 30 SEPTEMBER, 1989

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**S. A. BRAIN & COMPANY LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 SEPTEMBER, 1989**

	Note	1989 £000	1988 £000
<b>TURNOVER</b>	2	30,277	27,621
Cost of sales		(25,443)	(23,146)
<b>GROSS PROFIT</b>		4,834	4,475
Distribution costs		737	(666)
Administrative expenses		(1,748)	(1,565)
Other operating income		1,226	754
<b>OPERATING PROFIT</b>		3,441	2,998
Income from fixed asset investments		78	83
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2, 3	3,519	3,081
Taxation on profit on ordinary activities	4	(934)	(1,055)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	2	2,585	2,026
Dividends	5	(695)	(655)
<b>AMOUNT SET ASIDE TO RESERVES</b>	16	1,890	1,371
<b>EARNINGS PER ORDINARY SHARE</b>	6	213.2p	164.0p

The group profit and loss account should be read in conjunction with the notes on pages 14 to 22.

# BALANCE SHEETS

30 SEPTEMBER, 1989

	Note	Group		Company	
		1989 £000	1988 £000	1989 £000	1988 £000
<b>FIXED ASSETS</b>					
Tangible assets	7	22,689	18,721	22,650	18,678
Investments	8	1,622	1,670	1,778	1,826
		<u>24,311</u>	<u>20,391</u>	<u>24,428</u>	<u>20,504</u>
<b>CURRENT ASSETS</b>					
Stocks	9	2,131	2,083	1,958	1,945
Debtors	10	2,145	2,038	1,973	1,912
Cash at bank and in hand		280	329	227	276
		<u>4,556</u>	<u>4,450</u>	<u>4,158</u>	<u>4,133</u>
<b>CREDITORS</b> (amounts falling due within one year)	11	(9,547)	(6,449)	(9,385)	(6,271)
<b>NET CURRENT LIABILITIES</b>		<u>(4,991)</u>	<u>(1,999)</u>	<u>(5,227)</u>	<u>(2,138)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>19,320</u>	<u>18,392</u>	<u>19,201</u>	<u>18,366</u>
<b>CREDITORS</b> (amounts falling due after more than one year)	12	(9)	(893)	—	(878)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	—	(25)	—	(25)
<b>DEFERRED INCOME</b>	14	(569)	(622)	(569)	(622)
		<u>18,742</u>	<u>16,852</u>	<u>18,632</u>	<u>16,841</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	2,739	2,739	2,739	2,739
Other reserves	16	15,760	13,970	15,760	13,970
Profit and loss account	16	243	143	133	132
		<u>18,742</u>	<u>16,852</u>	<u>18,632</u>	<u>16,841</u>

These accounts were approved by the directors on 26th January, 1990.

C. M. BRAIN, DIRECTOR

R. C. MAY-HILL, DIRECTOR AND SECRETARY

The balance sheets should be read in conjunction with the notes on pages 14 to 22.

**S. A. BRAIN & COMPANY LIMITED**  
**GROUP SOURCE AND APPLICATION OF FUNDS**  
**YEAR ENDED 30 SEPTEMBER, 1989**

	1989 £000	1988 £000
<b>SOURCE</b>		
<b>Funds generated from operations</b>		
Profit before taxation	3,519	3,081
Adjustment for items not involving the flow of funds:		
depreciation less amortisation of regional development grants	846	922
profit on disposal of tangible fixed assets	(263)	(105)
profit on disposal of fixed asset investments	(15)	—
	<u>4,087</u>	<u>3,898</u>
<b>Funds generated from other sources</b>		
Proceeds of disposal of tangible fixed assets	317	153
Proceeds of disposal of fixed asset investments	134	—
Decrease in trade loans	—	77
Hire purchase	7	—
	<u>4,545</u>	<u>4,128</u>
<b>APPLICATION</b>		
Dividends paid	(643)	(609)
Taxes paid	(581)	(1,068)
Investment in fixed assets	(4,920)	(2,240)
Increase in trade loans	(71)	—
Investment in subsidiary company	—	(364)
Repayment of hire purchase	(11)	—
	<u>(6,226)</u>	<u>(4,281)</u>
	<u>(1,681)</u>	<u>(153)</u>
<b>(INCREASES)/DECREASES IN WORKING CAPITAL</b>		
Stock	(48)	(198)
Debtors	(82)	(139)
Creditors	(121)	868
	<u>(1,932)</u>	<u>378</u>
<b>(DECREASE)/INCREASE IN NET LIQUID FUNDS</b>		
Bank and cash balances	<u>(1,932)</u>	<u>378</u>

This statement should be read in conjunction with the notes on pages 14 to 22.

# REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 10 to 22 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th September, 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CARDIFF  
26th January, 1990

PRICE WATERHOUSE  
Chartered Accountants



**S. A. BRAIN & COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**  
**YEAR ENDED 30 SEPTEMBER, 1989**

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**1. ACCOUNTING POLICIES**

**(i) Basis of accounting**

The accounts are prepared under the historical cost convention.

**(ii) Basis of consolidation**

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

The group balance sheet combines the assets and liabilities of the company and its subsidiary company as at 30th September, 1989. 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 company exceeding the fair value of its net assets is written off directly against reserves.

**(iii) Tangible fixed assets**

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

**(iv) Depreciation**

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

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

The rates in use are as follows:

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

**(v) Regional development grants**

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

**(vi) 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.

**(vii) Repairs and renewals**

These are charged to expense in the year when incurred.

**(viii) 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.

**(ix) Pensions**

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

## NOTES TO THE ACCOUNTS (continued)

### 2. TURNOVER AND PROFITS

- (i) Turnover is the value of external sales made in the normal course of business and excludes value added tax.
- (ii) Turnover and profit on ordinary activities before taxation are derived from the classes of business referred to in the directors' report on page 6. In the opinion of the directors these classes do not differ substantially from each other.
- (iii) All the group's turnover is derived from the United Kingdom.
- (iv) As permitted by section 228(7) of the Companies Act 1985, a separate profit and loss account for the company has not been presented. The profit for the financial year dealt with in the accounts of the company amounted to £2,486,000 (1988—£2,015,000).

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after accounting for the following amounts:

	1989 £000	1988 £000
Wages and salaries	6,672	6,242
Social security costs	546	500
Other pension costs—note 18	305	290
Depreciation, less amortisation of regional development grants £52,832 (1988—£55,708)	846	922
Hire of plant and machinery	181	99
Interest on overdraft wholly repayable within five years	196	97
Auditors' remuneration	20	18
Profit on disposal of properties	243	80
Profit on disposal of plant and equipment	20	25
Profit on disposal of investments	15	—
Income from listed investments	6	7

### 4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1989 £000	1988 £000
Based on the profit on ordinary activities for the year:		
Corporation tax at 35% (1988—35%)	1,117	1,130
Deferred taxation—note 19	(25)	(75)
	<u>1,092</u>	<u>1,055</u>
Corporation tax overprovided in prior years	(158)	—
	<u>934</u>	<u>1,055</u>

The current year's corporation tax charge has been decreased by £60,000 (1988—increased by £54,000) as a result of capital allowances and certain other timing differences.

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

# S. A. BRAIN & COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

5. DIVIDENDS	1989 £000	1988 £000
4% preference:		
Interim paid	5	5
Final proposed (since paid)	4	4
	9	9
11% preference: paid	151	151
Ordinary:		
Interim (since paid)	268	250
Final proposed	267	245
	535	495
	695	655

### 6. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the group profit for the financial year after taxation and preference dividends and 1,137,670 (1988—1,137,670) ordinary shares.

### 7. TANGIBLE FIXED ASSETS

#### Group

	Total	Properties			Plant and equipment	Capital work in progress
	£000	Freehold	Leasehold	Short	£000	£000
		£000	£000	£000		
<b>Cost:</b>						
At beginning of year	24,400	13,291	2,403	300	7,121	1,285
Additions	4,920	1,988	—	—	570	2,362
Transfers	—	2,168	63	147	39	(2,417)
Disposals	(629)	(17)	—	—	(612)	—
At end of year	28,691	17,430	2,466	447	7,118	1,230
<b>Depreciation:</b>						
At beginning of year	5,679	595	194	63	4,827	—
Charge for year	898	72	24	10	792	—
Disposals	(575)	—	—	—	(575)	—
At end of year	6,002	667	218	73	5,044	—
<b>Net book amount:</b>						
30th September, 1989	22,689	16,763	2,248	374	2,074	1,230
30th September, 1988	18,721	12,696	2,209	237	2,294	1,285

## NOTES TO THE ACCOUNTS (continued)

### TANGIBLE FIXED ASSETS (continued)

#### Company

		Properties			Plant and equipment	Capital work in progress
	Total	Freehold	Leasehold Long	Short		
	£000	£000	£000	£000	£000	£000
<b>Cost:</b>						
At beginning of year	24,342	13,291	2,403	300	7,063	1,285
Additions	4,914	1,988	—	—	564	2,362
Transfers	—	2,168	63	147	39	(2,417)
Disposals	(629)	(17)	—	—	(612)	—
At end of year	28,627	17,430	2,466	447	7,054	1,230
<b>Depreciation:</b>						
At beginning of year	5,664	595	194	63	4,812	—
Charge for year	888	72	24	10	782	—
Disposals	(575)	—	—	—	(575)	—
At end of year	5,977	667	218	73	5,019	—
<b>Net book amount:</b>						
30th September, 1989	22,650	16,763	2,248	374	2,035	1,230
30th September, 1988	18,678	12,696	2,209	237	2,251	1,285

Future capital expenditure not provided for in the accounts:

	Group		Company	
	1989	1988	1989	1988
	£000	£000	£000	£000
Contracts placed	507	592	507	592
Authorised by the directors but contracts not yet placed	4,629	—	4,629	—
	5,136	592	5,136	592

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

**8. FIXED ASSET INVESTMENTS**  
**Group**

	<b>Total £000</b>	<b>Government securities £000</b>	<b>Trade loans £000</b>
<b>Cost:</b>			
At beginning of year	1,700	119	1,581
Advances	491	—	491
Disposals	(119)	(119)	—
Repayments	(426)	—	(426)
At end of year	1,646	—	1,646
<b>Provision for diminution in value:</b>			
At beginning of year	30	—	30
Amount released during year	(6)	—	(6)
At end of year	24	—	24
<b>Net book amount:</b>			
30th September, 1989	1,622	—	1,622
30th September, 1988	1,670	119	1,551

<b>Company</b>	<b>Total £000</b>	<b>Government securities £000</b>	<b>Trade loans £000</b>	<b>Subsidiary company £000</b>
<b>Cost:</b>				
At beginning of year	1,856	119	1,581	156
Advances	491	—	491	—
Disposals	(119)	(119)	—	—
Repayments	(426)	—	(426)	—
At end of year	1,802	—	1,646	156
<b>Provision for diminution in value:</b>				
At beginning of year	30	—	30	—
Amount released during year	(6)	—	(6)	—
At end of year	24	—	24	—
<b>Net book amount:</b>				
30th September, 1989	1,778	—	1,622	156
30th September, 1988	1,826	119	1,551	156

Government securities were valued at the lower of cost and market value.

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

## NOTES TO THE ACCOUNTS (continued)

### 9. STOCKS

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Raw materials and consumables	518	487	518	487
Work in progress	413	429	413	429
Finished goods and goods for resale	1,200	1,167	1,027	1,029
	<u>2,131</u>	<u>2,083</u>	<u>1,958</u>	<u>1,945</u>

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

### 10. DEBTORS

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Trade debtors	1,514	1,512	1,308	1,360
Recoverable advance corporation tax	192	175	192	175
Other debtors	279	189	279	189
Prepayments and accrued income	160	162	159	162
Amount due from subsidiary company	—	—	35	26
	<u>2,145</u>	<u>2,038</u>	<u>1,973</u>	<u>1,912</u>

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

### 11. CREDITORS (amounts falling due within one year)

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Bank overdraft	2,855	972	2,855	972
Trade creditors	1,162	1,384	1,133	1,339
Bills of exchange	37	43	—	—
Other creditors	87	40	25	18
Taxation and social security	3,550	2,425	3,517	2,359
Accruals	1,280	1,061	1,279	1,059
Proposed dividends	576	524	576	524
	<u>9,547</u>	<u>6,449</u>	<u>9,385</u>	<u>6,271</u>

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

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Taxation	—	878	—	878
Hire purchase	9	15	—	—
	<u>9</u>	<u>893</u>	<u>—</u>	<u>878</u>

# S. A. BRAIN & COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Deferred taxation:				
At beginning of year	25	100	25	100
Amount released during year	(25)	(75)	(25)	(75)
At end of year	—	25	—	25

### 14. DEFERRED INCOME

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Regional development grants:				
At beginning of year	622	678	622	678
Amount taken to profit for year	(53)	(56)	(53)	(56)
At end of year	569	622	569	622

### 15. SHARE CAPITAL

	Authorised £000	Allotted and fully paid £000
1989 and 1988:		
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
	3,050	2,739

### 16. RESERVES

	Profit and loss account £000	Total other reserves £000	Other Reserves	
			Capital redemption £000	Properties £000
Group				
At beginning of year	143	13,970	238	13,732
Amount set aside from profit for year	100	1,790	—	1,790
At end of year	243	15,760	238	15,522
Company				
At beginning of year	132	13,970	238	13,732
Amount set aside from profit for year	1	1,790	—	1,790
At end of year	133	15,760	238	15,522

## NOTES TO THE ACCOUNTS (continued)

### 17. CONTINGENT LIABILITIES

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Guarantees and indemnities	4	4	4	4

### 18. PENSIONS

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

Pension costs amounted to £305,000 (1988—£290,000) and the rate of contribution was 10.3% of scheme members' pensionable wages and salaries. The latest actuarial assessments of the schemes were carried out by a qualified actuary as at 1st October 1986, 1st October 1987 and 1st April 1989 using the attained age method. The assumptions which had the most significant effect on the results of the valuations were those relating to the rate of return on investments and the rates of increase in wages, salaries and pensions. It was assumed that the investment return would be 8.2% per annum, that wages and salaries would increase at the rate of 7.2% per annum and that pensions would be increased in accordance with scheme rules.

The total of the market values of the three schemes at their most recent actuarial valuation dates amounted to £3,898,000 and the actuarial value of these assets represented 109% of the benefits that had accrued to members after allowing for expected future increases in wages and salaries. The regular costs have been reduced on account of this surplus which is being amortised over the expected remaining service lives of scheme members. The contributions expressed as a percentage of pensionable wages and salaries are after a reduction in respect of this surplus amounting to 1.2%.

The contributions expressed as a percentage of pensionable wages and salaries include the following:

- (i) 1.0% funded at the discretion of the trustees of the S.A. Brain & Company Limited Pension and Benevolent Trust Fund set up by the company in 1948.
- (ii) 0.8% funded by scheme members.

In the event of the contributions referred to in (i) above not continuing, this element of the funding would become a liability of the group.

### 19. DEFERRED TAXATION

The basis for accounting for deferred taxation is given in note 1 (viii).  
The maximum potential liability and the amount provided are as follows.

	Group		Company	
	1989 £000	1988 £000	1989 £000	1988 £000
Accelerated capital allowances	1,904	1,845	1,901	1,842
Short term timing differences	(9)	(5)	(9)	(5)
	1,895	1,840	1,892	1,837
Rollover of capital gains on business assets	327	223	327	223
	2,222	2,063	2,219	2,060
Advance corporation tax	(192)	(175)	(192)	(175)
Potential liability	2,030	1,888	2,027	1,885
Amount provided	—	25	—	25

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



# S. A. BRAIN & COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 20. DIRECTORS AND EMPLOYEES

	1989 £	1988 £
Directors' emoluments charged in the year were:		
For services as directors	15,900	15,450
Other emoluments	288,799	267,478
	<u>304,699</u>	<u>282,928</u>

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, amounted to £48,858 (1988—£46,698).

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

Scale	1989	1988
£      £		
35,001 to 40,000	1	2
40,001 to 45,000	2	2
45,001 to 50,000	2	—

Emoluments exceeding £30,000, excluding pension contributions, of other employees fell within the following scale:

Scale	1989	1988
£      £		
30,001 to 35,000	1	—

The average number of persons employed by the group during the year, including directors, was 1216 (1988-1,209). All persons were employed in the United Kingdom.

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

	Ordinary Shares		4% Preference Shares		11% Preference Shares		
	1989	1988	1989	1988	1989	1988	
C. M. BRAIN	63,980	63,980	577	352	—	—	Beneficial
	402,517	404,029	615	615	100,000	100,000	Non-Beneficial
I. H. STURROCK	3,000	2,850	—	—	—	—	Beneficial
	181,051	181,061	—	—	—	—	Non-Beneficial
R. C. MAY-HILL	3,850	3,700	—	—	—	—	Beneficial
	326,078	327,590	—	—	100,000	100,000	Non-Beneficial
M. E. JAMES	100	100	—	—	—	—	Beneficial
O. N. BREAY	250	100	—	—	—	—	Beneficial
W. E. RHYS	38,842	40,102	92	92	19,220	19,220	Beneficial
	370,878	357,590	138	138	100,000	100,000	Non-Beneficial

After the year end the non-beneficial interests of C. M. Brain, R. C. May-Hill and W. E. Rhys were decreased in each case by the disposal of 655 ordinary shares.

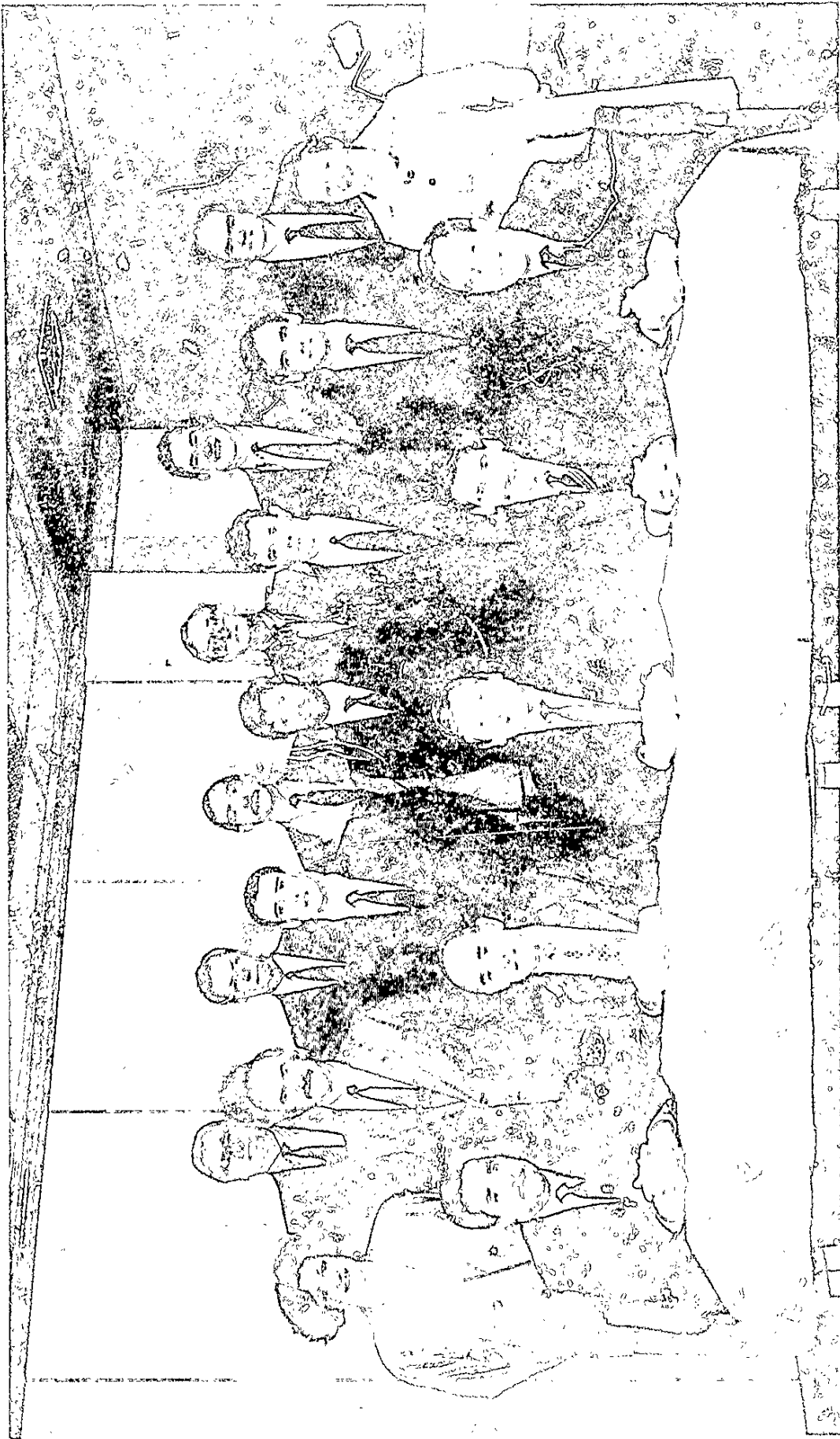
In addition the following increases in beneficial interest in ordinary shares took place after the year end: R. C. May-Hill—400; M. E. James—175.

# S.A. BRAIN & COMPANY LIMITED

## GROUP FIVE YEAR SUMMARY

	Year Ended 30 September				
	1989 £000	1988 £000	1987 £000	1986 £000	1985 £000
<b>TRADING RESULTS</b>					
Turnover	30,277	27,621	26,416	26,190	24,815
Operating profit	3,441	2,998	2,500	3,070	2,439
Profit before taxation	3,519	3,081	2,594	3,154	2,547
Profit after taxation	2,585	2,026	1,739	2,084	1,817
Profit attributable to equity	2,425	1,866	1,579	1,924	1,657
<b>RATIOS</b>					
Earnings per ordinary share	213.2p	164.0p	138.8p	169.1p	145.6p
Dividends per ordinary share	47.0p	43.5p	40.5p	38.5p	35.0p
<b>EMPLOYMENT OF CAPITAL</b>					
	£000	£000	£000	£000	£000
Tangible fixed assets	22,689	18,721	17,507	16,576	14,865
Long term investments	1,622	1,670	1,887	2,049	1,697
Net current liabilities	(4,991)	(1,999)	(2,098)	(2,092)	(1,682)
Long term creditors and provisions	(9)	(918)	(773)	(1,060)	(869)
Deferred income	(569)	(622)	(678)	(746)	(770)
	18,742	16,852	15,845	14,727	13,241
<b>CAPITAL EMPLOYED</b>					
Share capital	2,739	2,739	2,739	2,739	2,739
Reserves	15,760	13,970	12,970	11,855	10,370
Profit and loss account	243	143	136	133	132
	18,742	16,852	15,845	14,727	13,241

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



1964-1965