

**S A BRAIN & COMPANY LIMITED**  
**(Registered Number 52099)**

**DIRECTORS' REPORT AND ACCOUNTS**

**30 SEPTEMBER 2003**



## VISION STATEMENT

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

## CONTENTS

|                                |       |
|--------------------------------|-------|
| Chairman's Statement .....     | 2     |
| Chief Executive's Review ..... | 5     |
| Accounts .....                 | 11-47 |

## CHAIRMAN'S STATEMENT

These results are ahead of expectations at this stage of the business plan that was set out last year. There is much still to be achieved but the significant investment being made across the business is beginning to reap rewards. The redevelopment of the Brains brand which has included new point of sale, advertising, marketing focus and improved signage have all helped to provide a more positive image of the company and its brands. The capital investment programme in our pub estate has been consistently successful, focusing on our identified trading templates, including repairs to the fabric of our buildings, catering and improved standards. Development of our people was clearly identified as a key requirement for the successful delivery of our business plans. The human resources team has made good progress in implementing training and development programmes, better communications and establishing a customer-focused, team-based culture for the future.

A key factor in being able to absorb the costs associated with these investments was the successful renegotiation of all of our major supply contracts. This has also benefited the development of our wholesale division, which has seen the successful integration of James Williams (Narberth) and the acquisition of William Stedman Limited on 1 October, 2003. The sales division has been restructured to better meet customer needs, exploit our brand investment and grow distribution for the future.

All of these initiatives are supporting our declared strategy of becoming the leading provider of drinks and retail hospitality to the South Wales marketplace. This strategy is designed to deliver improved return on assets employed, strengthen the Brains brand equity and put the building blocks in place to meet future challenges as our industry continues to restructure.

An interim dividend of 49p per ordinary share has been paid and the board will recommend to the annual general meeting a proposed final dividend of 49p per ordinary share to be paid on 1 July, 2004. This would provide a total dividend of 98p, a 14% increase in the underlying dividend. This reflects a desire to improve the proportion of earnings that are distributed to ordinary shareholders in the future, particularly when earnings are ahead of plan.

Shareholder funds have grown by almost £4m this year to £54m, which reflects acquisitions, investments in the pub estate, particularly the Yard, and the investment in the Old Brewery Quarter.

This, in turn, has meant a further £8.7m being utilised from our debt facility. This facility has been renegotiated during the year from a syndicate of three banks to an exclusive arrangement with Lloyds TSB on better terms.

Capital investment during the year was £12m compared to £8.7m last year. This investment was focused on the pub estate in the main where seven new sites were acquired and a comprehensive programme of improvements and developments were undertaken. This trend is planned to continue during the current year.

The opening of the Old Brewery Quarter site and our Yard Bar & Kitchen has seen another milestone passed in the exciting development of the site which my forebears purchased in 1882. Around three-quarters of the retail operations have been let and trading to date has been encouraging, with each individual outlet attracting its own, new customers. I am sure it will prove an attractive and popular venue in the future.

I have already outlined our commitment to the development of our people and would like to take this opportunity to thank all of our staff for their continued support and considerable efforts during this year of significant change. I would also like to register my thanks to Malcolm James, who retired during the year, following 44 years of loyal service to the group. We also welcome David Bonney to the board as Commercial Director. David worked with Malcolm on the restructuring of the sales operation and is currently running this part of the business. However, once we have recruited a Sales & Marketing Director, he will take responsibility for strategy, cross-functional planning, purchasing, acquisitions and estates management.

Looking forward, trading in the first quarter of 2003/04 has broadly met expectations and we are happy with progress made to date. Sales volumes for the first 13 weeks of the year are up 1.2% in the face of continued industry decline. Like-for-like sales from undeveloped managed houses are growing at around 1%, whilst total sales growth for this division is approaching 20%. We will be watching consumer spending carefully, particularly in relation to any movements in interest rates. Restructuring of our industry is likely to continue and we believe that our strategy leaves the group well placed for the likely outcomes. The plan for this year is considered to be achievable and will deliver further growth and development for the group.

**C M Brain**  
*Group Chairman*

## **CHIEF EXECUTIVE'S REVIEW**

The levels of profitability reported were also achieved following major increases in costs from the investments outlined by the Chairman and will form the foundation for continued, longer term development of the company's profitability.

Particular highlights include the image of the company and its brands responding positively to the investment made. The managed house performance was particularly impressive and the initial phases of the HR strategy have been successfully implemented. In addition, the James Williams business, acquired in 2002, was successfully integrated. Some of these initiatives, along with last year's financial results, contributed to Brains achieving the prestigious "Western Mail Welsh Company of the Year 2003" award.

## BRAND DEVELOPMENT

Our aim is to develop Brains beer into a must-stock brand on any Welsh bar. Newly designed fonts and pump clips have been rolled out across all trade channels, supported by new point of sale. Advertising support commenced with billboard posters and a press campaign, followed by TV commercials in the second half of the year. The new brand imagery has been incorporated into retail investment and signage schemes, with signage on company

sites to be completed shortly. Focus on penetrating different sales channels more effectively resulted in increased resource and channel-specific promotional activity. Work has also commenced on updating the Buckleys range in terms of fonts and point of sale. This up-weighted investment is planned to continue this year covering advertising, PR and driving growth of distribution and throughputs for Brains beers.

## MANAGED HOUSES

The year was characterised by an extensive pub redevelopment programme and we were particularly pleased that 90% of projects have met the aggressive targets set, with the remainder still achieving satisfactory performances. This is providing improved returns on capital as we better meet customer needs by template. Six new houses were acquired during the year and, where development monies have already been invested, performance is exceeding expectations.

Food continues to grow as relevant templates have been developed and more food-based businesses have been acquired. Food now accounts for around 25% of the expanded retail takings and, following extensive menu development during the year, the company has recruited a Head of Catering. At house level, a structured staff training programme has been put in place and this has begun to raise standards and improve staff retention. More focused

business planning has been agreed with house managers, who now have access to relevant template documentation and linked promotional activity via the Intranet.

Following all this activity, the division produced very strong sales growth of 13.5% with like-for-like sales growth in excess of 3%, which is above the industry norm. Over the next couple of years this measure is expected to decline as more houses are redeveloped. Following significant cost increases, both legislative and planned, it is very pleasing to report an 8% growth in contribution which met a stretching target.

The comprehensive investment programme is planned to continue and further quality acquisitions are being sought. This process will be aided by a new Estates and Acquisitions Manager, whose focus is on improving return on assets employed. With continuing pressures on the cost base, it is likely that some smaller managed houses will be transferred to the tenanted division.

## TENANTED HOUSES

This division provided a solid performance with growth of around 5% in both sales and contribution. Higher investment was made in terms of capital developments, and also in revenue repairs which will reap longer term benefits for this estate. Competition for acquisitions was intense during the year, making it difficult to acquire suitable houses

at sensible prices. We therefore only acquired one site, falling short of our target. However, we will continue to seek more acquisitions and this division will benefit from further investment and transfers from the managed house division. It is also planned to add new skills and experience into the management team.

## SALES OPERATION

The Free Trade teams experienced a highly competitive market with continuous pressure on discounting. A volume decline of 2.8% against an on-trade market decline of 2.9% was therefore seen as a creditable result. However, contribution grew by 5.5% which reflected reduced costs, focus on deal structuring and enhanced margins.

National Sales enjoyed a strong sales performance with volumes up 11.9%, but with flatter contribution growth owing to lower margin from one particular tactical account. The sales growth was driven by increasing penetration of national sales accounts following the brand redevelopment programme, backed up by more focused promotional activity. National sales remains an important area for expanding brand distribution next year.

Manor House Wine produced an underlying sales increase of 4.9% and through improved margin and cost savings, an increased contribution up 38%. This sector

experienced tough competition as key players target this growing category. The focus for the year ahead is to exploit wine expertise across all sales channels and synergies from greater integration to the group.

In the take-home market, the new distinctive packaging has been positively accepted by all customers, with additional listings gained within the Thresher off-licence chain in particular.

Our vision is to become the pre-eminent supplier of drinks to the South Wales market whilst growing market share for Brains brands. A planned restructure of the sales operation has been completed in order to provide greater channel specific focus. We now have the most comprehensive distribution network across South Wales following the integration of James Williams and, more recently, the acquisition of William Stedman, which has grown our presence in South-East Wales.

## OPERATIONS

The brewers have continued to produce our beers to a very high standard and were awarded a Silver Medal at the Great British Beer Festival for Brains Dark. The contribution from contract brewing nearly doubled during the year, which is key to offsetting the fixed overhead from the brewery. We continue to pursue further contracts and are confident of success as the major brewers will have to satisfy their growing need for lager capacity.

Logistics activity has centred around the consolidation of activities at the Customer

Service Centre in Llanishen, as well as integrating the four James Williams depots. Key objectives are further development of our customer service ethos and further synergies from the William Stedman business. It has been another busy year for our Technical Services team, driven by the font changeover programme, tied trade redevelopments, acquisitions and the need to support a series of major events.

## PEOPLE

A key factor in delivering our corporate strategy and related business plans is the effective implementation of our human resources strategy. Much has been achieved in the first year with our new HR team, including pay, performance and development structures being put in place, production of training and development programmes, improved communications and the installation of a comprehensive HR system. We are striving to develop a culture that is customer-focused, challenging and displays a professional team attitude. The HR plan will continue to be developed through the coming year, including further work on terms and

conditions, staff involvement and exploiting the HR system.

I would like to add my thanks to that of the Chairman for all the support that Malcolm James gave me during the couple of years that we worked together. We welcomed David Bonney (pictured right) as Commercial Director in April, initially to run the Sales division whilst we recruit a new Sales & Marketing Director. David has already made a valuable contribution to a number of important areas of the business. I would also like to add my thanks to all staff for their support and hard work during the year.

## BREWERY SITES

The Llanelli site was eventually sold during the year to Aldi, the discount supermarket chain, but for a lower consideration than was originally hoped for. However, there is no major impact on book value. The group entered a limited partnership with Mansford Holdings to acquire the commercial development aspects of the Old Brewery

Quarter. Clearly, this deal retains strong links with our heritage, but is also commercially attractive given its high profile location in the centre of Cardiff. The Old Brewery Quarter itself began to reach fruition in October and saw the opening of our flagship site, the Yard Bar & Kitchen, which has traded very successfully in its early months.

## PROSPECTS

As the Chairman has noted, we are comfortable with current trading and with reaching the targets that we have set ourselves for 2003/04. However, there are still a number of major areas to develop which include continuing to improve return on assets employed, developing our internal culture and improving cross-functional efficiency. We will continue to invest in our brand, our physical pub assets and our people, with further investment also planned for IT systems and improved management information. We aim to attract a larger share of drinks provision to our core marketplace and to provide contract services to other

players in our geography. The industry is likely to continue to evolve with increased consolidation within the retail sector and increasing influence of global brewers on the supply side. Given the continued investment described, we do not expect the same level of growth of earnings seen in the last couple of years. However, we are confident that our strategy places us in a strong position as the market evolves and will create longer term value in the three to five year time period.

**Scott Waddington**  
Chief Executive



## ACCOUNTS

|                                     |    |
|-------------------------------------|----|
| Directors' report .....             | 12 |
| Independent auditors' report .....  | 15 |
| Group profit and loss account ..... | 16 |
| Balance sheets .....                | 18 |
| Group cash flow statement .....     | 20 |
| Notes to the accounts .....         | 21 |
| Group five year summary .....       | 47 |

### DIRECTORS:

C M Brain *Chairman*  
J S Waddington *Chief Executive*  
R C May-Hill, F.C.A. \* *Deputy Chairman*  
D P Bonney *Commercial Director (from 1 April 2003)*  
J Kerr *Operations Director*  
P H Lay *Retail Director*  
M S Reed, F.C.C.A. *Finance Director*  
J F W Rhys \*

\* Non-Executive Directors

### 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 LLP  
Chartered Accountants and Registered Auditors

### REGISTERED NUMBER:

52099

### SOLICITORS:

Cartwright Black

# REPORT OF THE DIRECTORS

The directors submit their report and the accounts of the group for the year ended 30 September 2003.

## REVIEW OF THE BUSINESS

The group carries on business as brewers, wine and spirit merchants and licensed property owners and managers. A report of the group's performance during the year and future developments is given in the Chairman's statement and Chief Executive's review, on pages 2 to 9.

## PROFIT AND DIVIDENDS

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| Operating Profit                            | 8,944        | 6,700        |
| Profit for the group for the financial year | 4,932        | 11,705       |

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

## DIVIDENDS:

|  |       |       |
|--|-------|-------|
| 4% (tax free) cumulative preference                            | 13    | 13    |
| 11% second cumulative preference                               | 151   | 151   |
| Ordinary, interim at 49.00p per share (2002 : 43.00p)          | 527   | 463   |
| Ordinary, final proposed at 49.00p per share (2002 : 43.00p)   | 527   | 463   |
| Ordinary, special proposed at 0.00p per share (2002 : 142.00p) | 0     | 1,527 |
|  | 1218  | 2,617 |
| Retained profit for the financial year                         | 3,714 | 9,088 |

## RESEARCH AND DEVELOPMENT

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

## FIXED ASSETS

The changes in the group's tangible fixed assets are set out in Note 9 to the accounts and comprise expenditure on the tied estate and other transactions made in the normal course of business. It is considered that the total market value of properties owned by the group is in excess of their book value but until such time as a full valuation is carried out the directors are unable to quantify this excess.

The changes in investments are set out in Notes 10 and 11 to the accounts and comprise mainly loans to free trade customers, repayments, amortisation and provisions for diminution in value, together with investments in joint venture companies.

## REPORT OF THE DIRECTORS

(continued)

### DIRECTORS AND THEIR INTERESTS

The directors at the date of this report are shown on page 11. During the year M E James also served as a director until 30 June 2003. Full details of directors' interests in the share capital of the company and its subsidiary undertakings are disclosed in Note 30 to

the accounts. Other than their service contracts and the interest of certain directors as shown in Note 30, no director had any other material interest in any contract with the company or its subsidiary undertakings during the year.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

In preparing those financial statements the directors are required to:-

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

### CHARITABLE AND POLITICAL CONTRIBUTIONS

No political contributions were made by the group.

Contributions for charitable and similar purposes in the United Kingdom amounted to £4,024 (2002 : £961).

## REPORT OF THE DIRECTORS

(continued)

### EMPLOYEE INVOLVEMENT

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

The main channels of communication are regular departmental meetings, a bi-monthly cascade briefing process, six-monthly employee presentations and discussions via the Joint Negotiating Committees.

The company's performance and future plans are just some of the aspects shared with these groups.

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

### 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 2003 the group's creditor days, compared to the value of suppliers' invoices received in the year was 31 (2002 : 28).

### AUDITORS

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

THE CARDIFF BREWERY, CARDIFF

By Order of the Board

C M Brain, *Chairman*

2nd February 2004

# INDEPENDENT AUDITORS' REPORT

to the members of S.A. Brain & Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes

which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

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

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

## BASIS OF AUDIT OPINION

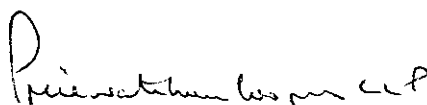
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2003 and of the profit and

cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Cardiff

2nd February 2004

# GROUP PROFIT AND LOSS ACCOUNT

Year ended 30 September 2003

|  | 2003<br>£'000 | 2002<br>£'000<br>restated (see note 2) |
|--|---------------|--|
| <b>TURNOVER</b> (Note 2)                           | 95,990        | 84,462                                 |
| Cost of sales                                      | (76,033)      | (68,722)                               |
| <b>GROSS PROFIT</b>                                | 19,957        | 15,740                                 |
| Selling & distribution costs                       | (5,840)       | (4,129)                                |
| Administrative expenses                            | (7,924)       | (7,189)                                |
| Other operating income                             | 2,751         | 2,278                                  |
| <b>NET OPERATING EXPENSES</b>                      | (11,013)      | (9,040)                                |
| <b>OPERATING PROFIT</b>                            | 8,944         | 6,700                                  |
| Profit on sale of fixed assets                     | 187           | 9,184                                  |
| Investment income                                  | 86            | 147                                    |
| Interest payable (Note 3)                          | (2,059)       | (2,487)                                |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>    |               |  |
| (Notes 2, 3 and 4)                                 | 7,158         | 13,544                                 |
| Taxation on profit on ordinary activities (Note 5) | (2,119)       | (1,732)                                |
| <b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>     | 5,039         | 11,812                                 |
| Dividends : minority interest (Note 6)             | (107)         | (107)                                  |
| <b>PROFIT FOR THE FINANCIAL YEAR</b> (Note 2)      | 4,932         | 11,705                                 |

## GROUP PROFIT AND LOSS ACCOUNT

Year ended 30 September 2003 (continued)

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| <b>PROFIT FOR THE FINANCIAL YEAR</b> (Note 2)           | 4,932         | 11,705        |
| Dividends:  |               |               |
| Equity shares (Note 6)                                  | (1,054)       | (2,453)       |
| Non-equity shares (Note 6)                              | (164)         | (164)         |
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b> (Note 22) | 3,714         | 9,088         |
| <b>EARNINGS PER ORDINARY SHARE</b> (Note 7)             | 443.4p        | 1016.6p       |

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

The results relate entirely to continuing operations.

The group profit and loss account should be read in conjunction with the notes on pages 21 – 46.

### STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Profit and total recognised gains for the financial year            | 4,932         | 11,705        |
| Prior year adjustment (implementation of FRS19 - deferred taxation) | -             | (3,325)       |
| <b>Total gains recognised since last annual report</b>              | 4,932         | 8,380         |

# BALANCE SHEETS

as at 30 September 2003

|  | Group    |          | Company  |          |
|--|----------|----------|----------|----------|
|  | 2003     | 2002     | 2003     | 2002     |
|  | £'000    | £'000    | £'000    | £'000    |
| <b>FIXED ASSETS</b>                                      |          |          |          |          |
| Intangible assets (Note 8)                               | 107      | 113      | 107      | 113      |
| Tangible assets (Note 9)                                 | 87,804   | 80,585   | 87,796   | 80,564   |
| Investments (Note 10)                                    | 5,128    | 5,169    | 16,882   | 16,923   |
| Investment in joint ventures (Note 11)                   |          |          |          |          |
| Share of gross assets                                    | 9,481    | 2,147    |          |          |
| Share of gross liabilities                               | (7,355)  | (1,563)  |          |          |
|  | 2,126    | 584      | 1,987    | 534      |
|  | 95,165   | 86,451   | 106,772  | 98,134   |
| <b>CURRENT ASSETS</b>                                    |          |          |          |          |
| Stocks (Note 12)   | 2,971    | 2,568    | 2,971    | 2,568    |
| Debtors (Note 13)  | 9,796    | 8,344    | 9,793    | 7,634    |
| Cash at bank and in hand (Note 14)                       | 1,178    | 1,413    | 1,064    | 1,311    |
|  | 13,945   | 12,325   | 13,828   | 11,513   |
| <b>CREDITORS</b>   |          |          |          |          |
| (Amounts falling due within one year) (Note 15)          | (21,249) | (23,503) | (31,787) | (33,113) |
| <b>NET CURRENT LIABILITIES</b>                           | (7,304)  | (11,178) | (17,959) | (21,600) |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>             | 87,861   | 75,273   | 88,813   | 76,534   |
| <b>CREDITORS</b>   |          |          |          |          |
| (Amounts falling due after more than one year) (Note 16) | (29,708) | (20,788) | (29,708) | (20,788) |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>            |          |          |          |          |
| (Note 19)  | (3,907)  | (3,942)  | (3,909)  | (3,944)  |
| <b>DEFERRED INCOME</b> (Note 20)                         | (311)    | (322)    | (311)    | (322)    |
|  | 53,935   | 50,221   | 54,885   | 51,480   |



**BALANCE SHEETS****as at 30 September 2003 (continued)**

|   | Group  |        | Company |        |
|---|--------|--------|---------|--------|
|   | 2003   | 2002   | 2003    | 2002   |
|   | £'000  | £'000  | £'000   | £'000  |
| <b>CAPITAL AND RESERVES</b>                       |        |        |         |        |
| Called up share capital (Note 21)                 | 2,677  | 2,677  | 2,677   | 2,677  |
| Other reserves (Note 22)                          | 26,457 | 26,457 | 26,453  | 26,453 |
| Profit and loss account (Note 22)                 | 24,089 | 20,375 | 25,755  | 22,350 |
| <b>SHAREHOLDERS' FUNDS</b>                        |        |        |         |        |
| (including non-equity interests ) (Note 23)       | 53,223 | 49,509 | 54,885  | 51,480 |
| Minority interests in preference shares (Note 24) | 712    | 712    | -       | -      |
|   | 53,935 | 50,221 | 54,885  | 51,480 |

These accounts were approved by the board of directors on 2nd February 2004 and were signed on its behalf by:

C M Brain, *Chairman*

J S Waddington, *Chief Executive*

The balance sheets should be read in conjunction with the notes on pages 21 – 46.

# GROUP CASH FLOW STATEMENT

Year ended 30 September 2003

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b> (Note 25)                    | 10,562        | 14,171        |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>                        |               |               |
| Interest received   | 86            | 147           |
| Interest paid   | (1,949)       | (2,358)       |
| Interest element of finance lease rental payments                             | (110)         | (129)         |
| Dividends paid: Non equity shares   | (164)         | (164)         |
| Minority interest   | (107)         | (107)         |
| Net cash outflow from returns on investments and servicing of finance         | (2,244)       | (2,611)       |
| <b>TAXATION</b>   | (1,639)       | (1,855)       |
| <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>                           |               |               |
| Purchase of intangible fixed assets   | -             | (113)         |
| Purchase of tangible fixed assets   | (12,131)      | (8,655)       |
| Proceeds of sale of tangible fixed assets                                     | 985           | 14,242        |
| Trade loan advances   | (1,715)       | (1,354)       |
| Trade loan repayments   | 1,237         | 1,106         |
| Net cash (outflow)/inflow from capital expenditure and financial investment   | (11,624)      | 5,226         |
| <b>ACQUISITIONS</b>   |               |               |
| Investment in joint venture   | (1,542)       | (90)          |
| Net cash outflow from acquisitions  | (1,542)       | (90)          |
| <b>EQUITY DIVIDENDS PAID</b>  | (2,452)       | (951)         |
| Net cash (outflow)/inflow before management of liquid resources and financing | (8,939)       | 13,890        |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>   |               |               |
| <b>FINANCING</b>  |               |               |
| Purchase of share capital   | -             | (1,330)       |
| Repayment of bank loans   | -             | (16,515)      |
| Repayment of loan notes   | (192)         | (2,000)       |
| New loans   | 8,689         | -             |
| Finance lease advances  | 293           | 354           |
| Capital element of finance lease rental payments                              | (664)         | (588)         |
| Net cash inflow/(outflow) from financing                                      | 8,126         | (20,079)      |
| <b>DECREASE IN CASH DURING THE YEAR</b> (Note 27)                             | (813)         | (6,189)       |

The group cash flow statement should be read in conjunction with the notes on pages 21 – 46.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 1 ACCOUNTING POLICIES

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

### (i) Basis of accounting

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

### (ii) Basis of consolidation

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

The group balance sheet combines, from the date of acquisition, the assets and liabilities of the company and its subsidiary undertakings and includes the

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

### (iii) Intangible fixed assets

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

### (iv) Tangible fixed assets

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

### (v) Depreciation

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

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

### (vi) Joint ventures

The group's share of net assets of joint ventures is included in the consolidated financial statements based on the management accounts for the period up to 30 September 2003.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 1 ACCOUNTING POLICIES (CONTINUED)

### (vii) Investments

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

### (viii) Investments - trade loans

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

### (ix) Grants

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

### (x) Repairs and renewals

These are charged to expense in the year when incurred.

### (xi) Leased assets and obligations

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

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

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

### (xii) Operating lease income

Income from properties under operating leases is recognised on a straight line basis over the life of the lease.

### (xiii) Stock

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

### (xiv) Deferred taxation

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

The Group has chosen not to discount deferred tax assets and liabilities.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 1 ACCOUNTING POLICIES (CONTINUED)

### (xv) Pensions

The expected cost of pensions in respect of the group's defined benefit pension schemes is assessed in accordance with the advice of independent qualified actuaries and charged to the profit and loss

account so as to spread the cost of pensions over the expected service lives of the scheme members.

Variations from regular cost are amortised over the expected remaining service lives of scheme members.

### (xvi) Foreign currencies

Liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of

exchange ruling at the date of the transaction.

Exchange differences are taken into account in arriving at the operating profit.

## 2 TURNOVER AND PROFITS

(i) Turnover is the value of external sales made in the normal course of business and excludes value added tax.

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

(iii) Virtually all the group's turnover is derived from the United Kingdom.

(iv) As permitted by section 230 (1) of the Companies Act 1985, a separate profit and loss account for the company has not been presented. The profit for the financial year dealt with in the accounts of the company amounted to £4,624,000 (2002 : £11,497,000).

(v) The directors have revised the allocation of costs between cost of sales, selling and distribution and administrative expenses to more accurately reflect the nature of the costs incurred. The comparative analysis has been restated; £2,560,000 of costs previously included in cost of sales and £153,000 of costs previously included in administrative expenses have been reflected as selling and distribution costs.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after accounting for the following amounts:

|  | 2003   | 2002    |
|--|--------|---------|
|  | £'000  | £'000   |
| Wages and salaries   | 19,214 | 16,681  |
| Social security costs  | 1,418  | 1,208   |
| Other pension costs (Note 28)  | 688    | 648     |
| Depreciation & amortisation of owned fixed assets (Note 4)                         | 3,586  | 4,404   |
| Depreciation of fixed assets held under finance leases and hire purchase contracts | 534    | 503     |
| Amortisation of government grants (Note 20)  | (11)   | (65)    |
| Auditors' remuneration – company   | 58     | 50      |
| Auditors' remuneration – group   | 62     | 55      |
| Non-audit fees paid to auditors  | 70     | 172     |
| Profit on disposal of properties   | (212)  | (9,146) |
| Loss/(profit) on disposal of plant and equipment                                   | 25     | (38)    |
| Interest on bank overdrafts  | 18     | 27      |
| Interest on bank loans   | 1,919  | 2,319   |
| Interest on hire purchase contracts  | 110    | 129     |
| Interest payable on deposits held  | 9      | 12      |
| Interest payable other   | 3      | –       |
| Operating lease payments – hire of plant and machinery                             | 536    | 367     |

## 4 EXCEPTIONAL ITEMS

The profit on ordinary activities for the previous year was stated after charging exceptional items as follows:

|                                 | Gross | 2002 Tax | Net   |
|---------------------------------|-------|----------|-------|
|                                 | £'000 | £'000    | £'000 |
| Site reorganisation costs (i)   | 234   | (70)     | 164   |
| Impairment of fixed assets (ii) | 1,502 | –        | 1,502 |
| Restructure costs (iii)         | 502   | (151)    | 351   |
|                                 | 2,238 | (221)    | 2,017 |

(i) Further costs were incurred in respect of the reorganisation of the group's production and distribution operations, commenced in 1999.

(ii) Under the provisions of FRS 11 "impairment of fixed assets" the group is required to assess whether any of its fixed assets may be impaired. This review was undertaken during 2002. £1,402,000 of additional depreciation was charged and a £100,000 onerous contracts provision was established. In making this assessment a discount rate of 5% was used in respect of future cashflows.

(iii) A restructure of the board was instigated in 2000 following the decision of a number of directors to retire. Further board and other restructuring costs were charged in the accounts for the year ended 30 September 2002.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 5 TAXATION

### (a) Analysis of charge in the year:

|   | 2003         | 2002         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| The charge for taxation is made up as follows:    |              |              |
| <b>Current tax:</b>                               |              |              |
| UK corporation tax on profits for the year        | 2,317        | 1,756        |
| Adjustment in respect of previous periods         | (163)        | (236)        |
| <b>Total current tax (Note 5b)</b>                | <b>2,154</b> | <b>1,520</b> |
| <b>Deferred tax:</b>                              |              |              |
| Origination and reversal of timing differences    | (35)         | 212          |
| <b>Total deferred tax (Note 19)</b>               | <b>(35)</b>  | <b>212</b>   |
| <b>Total tax on profit on ordinary activities</b> | <b>2,119</b> | <b>1,732</b> |

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2002 : lower) than the standard rate of corporation tax in the U.K. (30 per cent). The differences are explained below:

|   | 2003         | 2002         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Profit before tax   | 7,158        | 13,544       |
| Profit multiplied by the standard rate of corporation tax in the UK of 30% (2002 : 30%) | 2,147        | 4,063        |
| Effects of:   |              |              |
| Temporary timing differences between taxable and accounting profits:                    |              |              |
| Accelerated capital allowances  | (287)        | (303)        |
| Other timing differences  | 65           | 18           |
| Rollover relief on disposal of property   | -            | (2,900)      |
| Permanent differences   | 399          | 878          |
| Adjustment to tax charge in respect of previous periods                                 | (163)        | (236)        |
| Differential in corporation tax rates used  | (7)          | -            |
| <b>Current tax charge for the year (Note 5a)</b>  | <b>2,154</b> | <b>1,520</b> |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 6 DIVIDENDS

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| <b>S. A. BRAIN &amp; COMPANY LIMITED</b> |               |               |
| <b>Equity</b>                            |               |               |
| £1 Ordinary:                             |               |               |
| Interim proposed (since paid)            | 527           | 463           |
| Final proposed                           | 527           | 463           |
| Special proposed                         | –             | 1,527         |
|  | 1,054         | 2,453         |
| <b>Non equity</b>                        |               |               |
| 4% £10 preference:                       |               |               |
| Interim paid                             | 6             | 6             |
| Final proposed                           | 7             | 7             |
|  | 13            | 13            |
| 11% £1 preference paid                   | 151           | 151           |
|  | 164           | 164           |
| <b>CROWN BUCKLEY LIMITED:</b>            |               |               |
| <b>Minority non-equity</b>               |               |               |
| 15% £1 "A" preference : paid             | 107           | 107           |

## 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 1,075,426 (2002 : 1,135,276) ordinary shares in issue.

## 8 INTANGIBLE FIXED ASSETS

|  |     |
|--|-----|
| <b>GROUP AND COMPANY</b>                   |     |
| <b>Cost:</b>                               |     |
| At 30 September 2002 and 30 September 2003 | 113 |
| <b>Amortisation:</b>                       |     |
| Charge for the year                        | 6   |
| At 30 September 2003                       | 6   |
| <b>Net book value:</b>                     |     |
| At 30 September 2003                       | 107 |
| At 30 September 2002                       | 113 |



# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 9 TANGIBLE FIXED ASSETS

|                         | Total   | Freehold   | Leashold properties |       | Plant and | Capital  | Assets   |
|-------------------------|---------|------------|---------------------|-------|-----------|----------|----------|
|                         |         | properties | Long                | Short | equipment | work in  | awaiting |
|                         | £'000   | £'000      | £'000               | £'000 | £'000     | progress | disposal |
|                         | £'000   | £'000      | £'000               | £'000 | £'000     | £'000    | £'000    |
| <b>GROUP</b>            |         |            |                     |       |           |          |          |
| <b>Cost:</b>            |         |            |                     |       |           |          |          |
| At 1 October 2002       | 100,389 | 62,140     | 7,768               | 2,996 | 26,928    | 152      | 405      |
| Reclassification        | -       | 14         | -                   | -     | 22        | (152)    | 116      |
| Additions               | 12,131  | 5,803      | 1,170               | 486   | 4,672     | -        | -        |
| Disposals               | (1,454) | (572)      | -                   | -     | (361)     | -        | (521)    |
| At 30 September 2003    | 111,066 | 67,385     | 8,938               | 3,482 | 31,261    | -        | -        |
| <b>Depreciation:</b>    |         |            |                     |       |           |          |          |
| At 1 October 2002       | 19,804  | 2,993      | 1,368               | 938   | 14,429    | -        | 76       |
| Charge for year         | 4,114   | 779        | 102                 | 137   | 3,096     | -        | -        |
| Disposals               | (656)   | (287)      | -                   | -     | (293)     | -        | (76)     |
| At 30 September 2003    | 23,262  | 3,485      | 1,470               | 1,075 | 17,232    | -        | -        |
| <b>Net book amount:</b> |         |            |                     |       |           |          |          |
| At 30 September 2003    | 87,804  | 63,900     | 7,468               | 2,407 | 14,029    | -        | -        |
| At 30 September 2002    | 80,585  | 59,147     | 6,400               | 2,058 | 12,499    | 152      | 329      |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 9 TANGIBLE FIXED ASSETS (continued)

|                         | Total   | Freehold | Leashold properties |       | Plant and equipment | Capital work in progress | Assets awaiting disposal |
|-------------------------|---------|----------|---------------------|-------|---------------------|--------------------------|--------------------------|
|                         | £'000   | £'000    | Long                | Short | £'000               | £'000                    | £'000                    |
| <b>COMPANY</b>          |         |          |                     |       |                     |                          |                          |
| <b>Cost:</b>            |         |          |                     |       |                     |                          |                          |
| At 1 October 2002       | 100,276 | 62,139   | 7,768               | 2,996 | 26,816              | 152                      | 405                      |
| Reclassification        | -       | 14       | -                   | -     | 22                  | (152)                    | 116                      |
| Additions               | 12,131  | 5,803    | 1,170               | 486   | 4,672               | -                        | -                        |
| Disposals               | (1,428) | (572)    | -                   | -     | (335)               | -                        | (521)                    |
| At 30 September 2003    | 110,979 | 67,384   | 8,938               | 3,482 | 31,175              | -                        | -                        |
| <b>Depreciation:</b>    |         |          |                     |       |                     |                          |                          |
| At 1 October 2002       | 19,712  | 2,993    | 1,368               | 938   | 14,337              | -                        | 76                       |
| Charge for year         | 4,107   | 779      | 102                 | 137   | 3,089               | -                        | -                        |
| Disposals               | (636)   | (287)    | -                   | -     | (273)               | -                        | (76)                     |
| At 30 September 2003    | 23,183  | 3,485    | 1,470               | 1,075 | 17,153              | -                        | -                        |
| <b>Net book amount:</b> |         |          |                     |       |                     |                          |                          |
| At 30 September 2003    | 87,796  | 63,899   | 7,468               | 2,407 | 14,022              | -                        | -                        |
| At 30 September 2002    | 80,564  | 59,146   | 6,400               | 2,058 | 12,479              | 152                      | 329                      |

|   | Group             |                   | Company           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2003              | 2002              | 2003              | 2002              |
|   | Plant & equipment | Plant & equipment | Plant & equipment | Plant & equipment |
|   | £'000             | £'000             | £'000             | £'000             |
| Included in the above amounts at 30 September are assets held under finance leases: |                   |                   |                   |                   |
| Cost  | 3,055             | 2,762             | 3,055             | 2,762             |
| Accumulated depreciation  | (1,797)           | (1,263)           | (1,797)           | (1,263)           |
| Net book value  | 1,258             | 1,499             | 1,258             | 1,499             |

There is no contracted future capital expenditure not provided for in the accounts (2002 : £nil).

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 10 INVESTMENTS

|   | Trade loans<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---|----------------------|----------------|----------------|
| <b>GROUP</b>                              |                      |                |                |
| <b>Cost:</b>                              |                      |                |                |
| At 1 October 2002                         | 8,931                | 31             | 8,962          |
| Advances                                  | 1,715                | –              | 1,715          |
| Repayments                                | (1,237)              | –              | (1,237)        |
| Amortisation                              | (626)                | –              | (626)          |
| At 30 September 2003                      | 8,783                | 31             | 8,814          |
| <b>Provision for diminution in value:</b> |                      |                |                |
| At 1 October 2002                         | 3,793                | –              | 3,793          |
| Decrease in provision                     | (107)                | –              | (107)          |
| At 30 September 2003                      | 3,686                | –              | 3,686          |
| <b>Net book amount:</b>                   |                      |                |                |
| At 30 September 2003                      | 5,097                | 31             | 5,128          |
| At 30 September 2002                      | 5,138                | 31             | 5,169          |

|  | Trade<br>loans<br>£'000 | Subsidiary<br>undertakings<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|--|-------------------------|-------------------------------------|----------------|----------------|
| <b>COMPANY</b>                           |                         |                                     |                |                |
| <b>Cost:</b>                             |                         |                                     |                |                |
| At 1 October 2002                        | 8,931                   | 11,754                              | 31             | 20,716         |
| Advances                                 | 1,715                   | –                                   | –              | 1,715          |
| Repayments                               | (1,237)                 | –                                   | –              | (1,237)        |
| Amortisation                             | (626)                   | –                                   | –              | (626)          |
| At 30 September 2003                     | 8,783                   | 11,754                              | 31             | 20,568         |
| <b>Provision for diminution in value</b> |                         |                                     |                |                |
| At 1 October 2002                        | 3,793                   | –                                   | –              | 3,793          |
| Decrease in provision                    | (107)                   | –                                   | –              | (107)          |
| At 30 September 2003                     | 3,686                   | –                                   | –              | 3,686          |
| <b>Net book value:</b>                   |                         |                                     |                |                |
| At 30 September 2003                     | 5,097                   | 11,754                              | 31             | 16,882         |
| At 30 September 2002                     | 5,138                   | 11,754                              | 31             | 16,923         |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 10 INVESTMENTS (continued)

£'000

The investments in subsidiary undertakings comprise:

- the cost of shares in Crown Buckley Limited, as follows:

150,001 ordinary shares of 1p each (100% of total issued)  
 149,999 8% preferred ordinary shares of 1p each (100% of total issued)  
 2,200,000 8% "B" preference shares of 1p each (100% of total issued)

The company is registered in England and Wales. Its assets and liabilities and business operations were transferred to S. A. Brain & Company Limited on 1 October 1997.

9,391

- the cost of 200 ordinary shares of £1 each in Manor House (Wine Merchants) Limited being its entire share capital.

The company is registered in England and Wales and its principal activity is the purchase and resale of wines and spirits

156

- The cost of shares in The Good Pub Company Limited, as follows:

1,000 ordinary shares of £1 each (100% of total issued)  
 52,000 ordinary "A" shares of £1 each (100% of total issued)  
 10,000 ordinary "B" shares of 0.1p each (100% of total issued)

The company is registered in England and Wales. Its assets and liabilities and business operations were transferred to S.A. Brain & Company Limited on 1 October 2001.

2,207

11,754

- other investments are principally Welsh Rugby Union debentures.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 11 INVESTMENTS IN JOINT VENTURE COMPANIES

|  | 2003   | 2002    |
|--|--------|---------|
|  | £'000  | £'000   |
| <b>GROUP</b>                                   |        |         |
| Share of gross assets at end of year           | 9,481  | 2,147   |
| Share of gross liabilities at end of year      | (7355) | (1,563) |
|  | 2,126  | 584     |
| <b>COMPANY</b>                                 |        |         |
| Cost of investments in joint venture companies | 1,987  | 534     |

During 1999 the Company acquired a 50% investment in the ordinary issued share capital of SA Brain & Company Ventures Limited, a company incorporated in England and Wales, being equal partner in the joint venture with a third party. The company's principal activity is licensed property ownership and management. During the year £72,000 of the company's investment was repaid.

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

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

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

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

|                                       | 2003  | 2002  |
|---------------------------------------|-------|-------|
|                                       | £'000 | £'000 |
| The group's share of turnover         | 603   | 421   |
| The group's share of operating profit | 89    | 33    |

## 12 STOCKS

|                                     | Group |       | Company |       |
|-------------------------------------|-------|-------|---------|-------|
|                                     | 2003  | 2002  | 2003    | 2002  |
|                                     | £'000 | £'000 | £'000   | £'000 |
| Raw materials and consumables       | 258   | 360   | 258     | 360   |
| Work in progress                    | 203   | 163   | 203     | 163   |
| Finished goods and goods for resale | 2,510 | 2,045 | 2,510   | 2,045 |
|                                     | 2,971 | 2,568 | 2,971   | 2,568 |

## NOTES TO THE ACCOUNTS

Year ended 30 September 2003

### 13 DEBTORS

|                                | Group |       | Company |       |
|--------------------------------|-------|-------|---------|-------|
|                                | 2003  | 2002  | 2003    | 2002  |
|                                | £'000 | £'000 | £'000   | £'000 |
| Trade debtors                  | 6,945 | 5,703 | 6,945   | 5,214 |
| Other debtors                  | 833   | 698   | 833     | 480   |
| Prepayments and accrued income | 2,018 | 1,943 | 2,015   | 1,940 |
|                                | 9,796 | 8,344 | 9,793   | 7,634 |

### 14 CASH AT BANK AND IN HAND

Cash at bank includes £130,000 (2002 : £322,000) which is held in support of the liabilities in respect of the unsecured loan stock 2002 (see Note 15).

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

|  | Group  |        | Company |        |
|--|--------|--------|---------|--------|
|  | 2003   | 2002   | 2003    | 2002   |
|  | £'000  | £'000  | £'000   | £'000  |
| Bank loan (Note 16)  | 867    | 1,465  | 867     | 1,465  |
| Bank overdraft (Note 16)                                     | 3,086  | 2,508  | 3,086   | 2,508  |
| Trade creditors  | 6,476  | 5,526  | 6,426   | 5,446  |
| Obligations under finance leases and hire purchase contracts | 620    | 624    | 620     | 624    |
| Other creditors  | 1,224  | 1,524  | 1,200   | 1,524  |
| Corporation tax  | 907    | 392    | 771     | 348    |
| Other taxation and social security                           | 3,119  | 4,890  | 3,023   | 4,828  |
| Accruals   | 3,723  | 3,757  | 3,719   | 3,749  |
| Proposed dividends   | 1,097  | 2,495  | 1,097   | 2,495  |
| Amount due to subsidiary undertaking                         | -      | -      | 10,848  | 9,804  |
| Unsecured loan stock   | 130    | 322    | 130     | 322    |
|  | 21,249 | 23,503 | 31,787  | 33,113 |

Unsecured loan stock represents £130,000 (2002 : £322,000) loan stock 2002 issued on the acquisition of Crown Buckley Limited.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

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

|  | Group  |        | Company |        |
|--|--------|--------|---------|--------|
|  | 2003   | 2002   | 2003    | 2002   |
|  | £'000  | £'000  | £'000   | £'000  |
| Bank loans   | 29,272 | 19,985 | 29,272  | 19,985 |
| Obligations under finance leases and hire purchase contracts | 436    | 803    | 436     | 803    |
|  | 29,708 | 20,788 | 29,708  | 20,788 |

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

|                                     | Group  |        | Company |        |
|-------------------------------------|--------|--------|---------|--------|
|                                     | 2003   | 2002   | 2003    | 2002   |
|                                     | £'000  | £'000  | £'000   | £'000  |
| <i>Within one year or on demand</i> | 4,573  | 4,597  | 4,573   | 4,597  |
| <i>Between one and two years</i>    | 1,071  | 2,024  | 1,071   | 2,024  |
| <i>Between two and five years</i>   | 27,722 | 15,734 | 27,722  | 15,734 |
| <i>After five years</i>             | 915    | 3,030  | 915     | 3,030  |
|                                     | 34,281 | 25,385 | 34,281  | 25,385 |

Bank loans comprise:

- medium term loans totalling £5,490,000 (2002 : £10,605,000) repayable over periods up to 2009. £5,490,000 is at an interest rate of 8.6% per annum fixed for 7 years from August 1997.
- drawdowns of £24,750,000 (2002 : £11,000,000) against a five year revolving loan and term out facility of £50,000,000 arranged in April 2003. This facility is at an interest rate of 0.75% over base rate.

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

The group has entered into certain interest rate swap transactions which have the effect of fixing interest rates on £7,500,000 of borrowings at 6.1% until September 2004 and on a further £7,500,000 of borrowings at 6.1% until September 2006.

## 17 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.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 18 LEASE OBLIGATIONS

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

|                            | Group |       | Company |       |
|----------------------------|-------|-------|---------|-------|
|                            | 2003  | 2002  | 2003    | 2002  |
|                            | £'000 | £'000 | £'000   | £'000 |
| Within one year            | 90    | 24    | 90      | 24    |
| Between two and five years | 266   | 287   | 266     | 287   |
|                            | 356   | 311   | 356     | 311   |

## 19 PROVISIONS FOR LIABILITIES AND CHARGES

|   | Group |       | Company |       |
|---|-------|-------|---------|-------|
|   | 2003  | 2002  | 2003    | 2002  |
|   | £'000 | £'000 | £'000   | £'000 |
| Deferred taxation   | 3,601 | 3,636 | 3,603   | 3,638 |
| Provision for the excess of pension costs charged over amounts funded | 206   | 206   | 206     | 206   |
| Provision for onerous contracts                                       | 100   | 100   | 100     | 100   |
|   | 3,907 | 3,942 | 3,909   | 3,944 |



# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 19 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

### Deferred taxation

The movement on the deferred tax liability is as follows:

|  | Group |       | Company |       |
|--|-------|-------|---------|-------|
|  | 2003  | 2002  | 2003    | 2002  |
|  | £'000 | £'000 | £'000   | £'000 |
| At start of year                                 | 3,636 | 3,424 | 3,638   | 3,398 |
| Transfer from group company                      | –     | –     | –       | 30    |
| Profit and loss account                          | (35)  | 212   | (35)    | 210   |
| At end of year                                   | 3,601 | 3,636 | 3,603   | 3,638 |
| The deferred tax provided is made up as follows: |       |       |         |       |
| Accelerated capital allowances                   | 3,815 | 3,794 | 3,817   | 3,796 |
| Other timing differences                         | (214) | (158) | (214)   | (158) |
|  | 3,601 | 3,636 | 3,603   | 3,638 |

No provision has been made for deferred tax on the sale of property during the previous financial year. Such tax would become payable only if it was not possible to claim rollover relief. The group needs to apply the full consideration received in acquiring assets qualifying for rollover relief in a period beginning twelve months before and ending thirty six

months after the time of disposal. It is envisaged that the potential taxable gain will be rolled over into assets qualifying for rollover relief. The total amount unprovided is approximately £3,000,000. At present it is not envisaged that any tax will become payable in the foreseeable future.

## 20 DEFERRED INCOME

|                          | Group |       | Company |       |
|--------------------------|-------|-------|---------|-------|
|                          | 2003  | 2002  | 2003    | 2002  |
|                          | £'000 | £'000 | £'000   | £'000 |
| Government grants:       |       |       |         |       |
| At 1 October 2002        | 322   | 387   | 322     | 387   |
| Amortisation during year | (11)  | (65)  | (11)    | (65)  |
| At 30 September 2003     | 311   | 322   | 311     | 322   |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 21 SHARE CAPITAL

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| <b>Authorised:</b>                                     |               |               |
| 4% (tax free) cumulative preference shares of £10 each | 250           | 250           |
| 11% second cumulative preference shares of £1 each     | 1,400         | 1,400         |
| Ordinary shares of £1 each                             | 1,400         | 1,400         |
|  | 3,050         | 3,050         |
| <b>Allotted and fully paid:</b>                        |               |               |
| 4% (tax free) cumulative preference shares of £10 each | 225           | 225           |
| 11% second cumulative preference shares of £1 each     | 1,376         | 1,376         |
| Ordinary shares of £1 each                             | 1,076         | 1,076         |
|  | 2,677         | 2,677         |

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

- Rights to dividends - 4% (tax free) cumulative preference shares of £10 each -  
4% cumulative dividend payable half yearly on amount paid up.
- 11% second cumulative preference shares of £1 each -  
11% cumulative dividend payable half yearly on amount paid up.
- Ordinary shares of £1 each - none.
- Rights to redemption - 4% (tax free) cumulative preference shares of £10 each - none.
- 11% second cumulative preference shares of £1 each - none.
- Ordinary shares of £1 each - none.
- Rights on winding up - The assets of the company remaining after all liabilities and costs  
have been discharged are to be distributed in the event of a  
winding up as follows:
- Firstly, in paying to 4% preference shareholders any  
arrears of dividends;
- Secondly, in paying to 11% preference shareholders any  
arrears of dividends;
- Thirdly, in paying to 4% preference shareholders the amount paid  
up on their shares;
- Fourthly, in paying to 11% preference shareholders the amount  
paid up on their shares, including any premium;
- Fifthly, any balance of assets to be paid to ordinary shareholders in  
the proportion of shares held.
- Voting rights - 4% (tax free) cumulative preference shares of £10 each - none.
- 11% second cumulative preference shares of £1 each - none.
- Ordinary shares of £1 each - full voting rights.

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 22 RESERVES

|                              | Profit & loss<br>account<br>£'000 | Total other<br>reserves<br>£'000 | Other reserves<br>Capital<br>redemption<br>£'000 | Properties<br>(distributable)<br>£'000 |
|------------------------------|-----------------------------------|----------------------------------|--|--|
| <b>GROUP:</b>                |                                   |                                  |  |  |
| At 1 October 2002            | 20,375                            | 26,457                           | 300  | 26,157                                 |
| Retained profit for the year | 3,714                             | —                                | —  | —                                      |
| At 30 September 2003         | 24,089                            | 26,457                           | 300  | 26,157                                 |
| <b>COMPANY:</b>              |                                   |                                  |  |  |
| At 1 October 2002            | 22,350                            | 26,453                           | 300  | 26,153                                 |
| Retained profit for the year | 3,405                             | —                                | —  | —                                      |
| At 30 September 2003         | 25,755                            | 26,453                           | 300  | 26,153                                 |

## 23 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS FUNDS

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Profit for the financial year                    | 5,039         | 11,812        |
| Dividends  | (1,325)       | (2,724)       |
| Consideration paid on acquisition of own shares  | -             | (1,330)       |
| Net addition to shareholders' funds              | 3,714         | 7,758         |
| Shareholders' funds at beginning of year         | 49,509        | 41,751        |
| Shareholders' funds at end of year               | 53,223        | 49,509        |
| Shareholders' funds are attributable as follows: |               |               |
| Equity shareholders' funds                       | 51,622        | 47,908        |
| Non-equity shareholders' funds                   | 1,601         | 1,601         |
| At 30 September 2003                             | 53,223        | 49,509        |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 24 MINORITY INTERESTS

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

|   | 2003  | 2002  |
|---|-------|-------|
|   | £'000 | £'000 |
| 712,310 15% "A" preference shares of £1 each<br>(non-equity interest) | 712   | 712   |

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

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

## 25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|  | 2003    | 2002    |
|--|---------|---------|
|  | £'000   | £'000   |
| Operating profit                                 | 8,944   | 6,700   |
| Depreciation and amortisation charges            | 4,120   | 4,907   |
| Amortisation of trade loans                      | 626     | 624     |
| (Decrease)/Increase in provision for trade loans | (107)   | 85      |
| Amount taken to profit from deferred income      | (11)    | (65)    |
| Increase in stocks                               | (403)   | (204)   |
| Increase in debtors                              | (1,452) | (1,646) |
| (Decrease)/Increase in creditors                 | (1,155) | 3,770   |
| Net cash inflow                                  | 10,562  | 14,171  |

## NOTES TO THE ACCOUNTS

Year ended 30 September 2003

### 26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (see also Note 27)

|  | £'000    |
|--|----------|
| Decrease in cash during the year                       | (813)    |
| Cash outflow from decrease in debt and lease financing | (8,025)  |
| Movement in net debt resulting from cash flows         | (8,838)  |
| Finance lease advances                                 | (293)    |
| Net debt at beginning of year                          | (23,972) |
| Net debt at end of year                                | (33,103) |

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

|                          | At start<br>of year<br>£'000 | Cash<br>flow<br>£'000 | Non-cash<br>changes<br>£'000 | At end<br>of year<br>£'000 |
|--------------------------|------------------------------|-----------------------|------------------------------|----------------------------|
| Cash in hand and at bank | 1,413                        | (235)                 | –                            | 1,178                      |
| Overdrafts               | (2,508)                      | (578)                 | –                            | (3,086)                    |
|                          | (1,095)                      | (813)                 | –                            | (1,908)                    |
| Bank loans               | (21,450)                     | (8,689)               | –                            | (30,139)                   |
| Finance leases           | (1,427)                      | 664                   | (293)                        | (1,056)                    |
|                          | (22,877)                     | (8,025)               | (293)                        | (31,195)                   |
| Total                    | (23,972)                     | (8,838)               | (293)                        | (33,103)                   |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 28 PENSIONS

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

Pension costs amounted to £664,000 (2002 : £616,000).

In addition contributions are made to defined contribution schemes of certain directors. These amounted to £24,000 (2002 : £32,000)

### S A Brain & Company Limited Group Pension Scheme

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

The most recent actuarial valuation of the scheme was carried out by a qualified independent actuary as at 1 July 2001 using the projected unit method. The assumptions which had the most significant effect on the results of the valuation were those relating to the rate of return on investments and the rates of increase in wages, salaries and pensions.

It was assumed that the investment return would be 7.0% per annum pre retirement and 5.75% after retirement, that wages and salaries would increase at the rate of 4.0% per annum and that pensions would be increased in accordance with scheme rules.

The market value of the assets of the scheme at its most recent actuarial valuation date amounted to £30,070,000 and the actuarial value of these assets represented 125% of the benefits that had accrued to members after allowing for expected future increases in wages and salaries. The regular costs have been reduced on account of this surplus which is being amortised over the expected remaining service lives of scheme members.

The contributions expressed as a percentage of pensionable wages and salaries are after a reduction in respect of this surplus amounting to 7.6%.

### Crown Buckley Limited Pension Scheme

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

The valuation showed that the market value of the Scheme's assets represented 103% of its liabilities. The market value of assets was £13,296,000. This figure excludes the value of the annuity policies held in respect of certain pensioners. These assets, and their corresponding liabilities, were allowed for in the 2001 actuarial valuation, their market value being approximately £850,000.

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

## NOTES TO THE ACCOUNTS

Year ended 30 September 2003

### 28 PENSIONS (continued)

The following information is provided in accordance with Financial Reporting Standard No. 17 ("Accounting for Pension Costs") and represents combined information for the two defined benefit schemes operated by the company.

The information is based on approximate actuarial updates carried out at the balance sheet date by the respective actuaries.

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

|   | 2003        | 2002        | 2001        |
|---|-------------|-------------|-------------|
| Discount rate                           | 5.4% - 5.6% | 5.6% - 5.8% | 6.0%        |
| Rate of increase in salaries            | 3.0% - 3.8% | 3.8%        | 4.0%        |
| Rate of increase in pensions in payment | 2.3% - 3.0% | 2.3% - 3.0% | 2.5% - 3.0% |
| Inflation assumption                    | 2.3% - 2.7% | 2.3% - 2.5% | 2.5%        |

The combined market value of assets in the schemes and the expected long-term rates of return as at 30 September 2003 were as follows:

|              | 2003          | 2002          | 2001          |
|--------------|---------------|---------------|---------------|
|              | Value         | Value         | Value         |
|              | £'000         | £'000         | £'000         |
| Equities     | 25,055        | 25,737        | 29,556        |
| Bonds        | 9,378         | 6,696         | 6,410         |
| Property     | 90            | 90            | 100           |
| Cash         | 847           | 628           | 1,647         |
| <b>Total</b> | <b>35,370</b> | <b>33,151</b> | <b>37,713</b> |

|          | Expected return | Expected return | Expected return |
|----------|-----------------|-----------------|-----------------|
| Equities | 7.0% - 8.2%     | 7.0% - 8.3%     | 7.5%            |
| Bonds    | 4.7% - 5.0%     | 4.5% - 5.0%     | 5.5%            |
| Property | 6.0%            | 6.0%            | 6.5%            |
| Cash     | 3.5% - 4.0%     | 3.5% - 4.5%     | 4.5%            |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 28 PENSIONS (continued)

At 30 September 2003, the net pension liability was as follows:

|                                     | 2003     | 2002     |
|-------------------------------------|----------|----------|
|                                     | £'000    | £'000    |
| Total market value of assets        | 36,830   | 33,151   |
| Present value of scheme liabilities | (45,240) | (40,032) |
| Deficit in the schemes              | (5,710)  | (6,881)  |
| Related deferred tax asset          | 1,713    | 2,064    |
| Net pension liability               | (3,997)  | (4,817)  |

If the pension liability shown above was reflected in the balance sheet of the group at 30 September 2003, the net assets and reserves would be as follows:

|   | Net assets |         | Profit and loss account |         |
|---|------------|---------|-------------------------|---------|
|   | 2003       | 2002    | 2003                    | 2002    |
|   | £'000      | £'000   | £'000                   | £'000   |
| As shown in the balance sheet   | 53,935     | 50,221  | 24,089                  | 20,375  |
| Provision for the excess of pension costs charged over amounts funded | 206        | 206     | 206                     | 206     |
|   | 54,141     | 50,427  | 24,295                  | 20,581  |
| Pension liability as shown above                                      | (4,564)    | (4,817) | (4,564)                 | (4,817) |
| Adjusted totals   | 49,577     | 45,610  | 19,731                  | 15,764  |

Analysis of the amount charged to operating profit:

|  | 2003    | 2002    |
|--|---------|---------|
|  | £'000   | £'000   |
| Current service cost                                     | 1,151   | 1,106   |
| Analysis of the amount credited to other finance income: |         |         |
| Expected return on pension scheme assets                 | 2,365   | 2,616   |
| Interest on pension scheme liabilities                   | (2,311) | (2,225) |
| Net return   | 54      | 391     |



## NOTES TO THE ACCOUNTS

Year ended 30 September 2003

### 28 PENSIONS (continued)

| <b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL)</b> |       |         |
|--|-------|---------|
|  | 2003  | 2002    |
|  | £'000 | £'000   |
| Actual return less expected return on pension scheme assets                                    | 2,185 | (6,476) |
| Experience gains and losses arising on scheme liabilities                                      | (265) | (184)   |
| Changes in assumptions underlying the present value of the scheme liabilities                  | (158) | (1,174) |
|  | 1,762 | (7,834) |

|  | 2003    | 2002    |
|--|---------|---------|
|  | £'000   | £'000   |
| <b>Movement in surplus during the year</b>       |         |         |
| (Deficit)/surplus in scheme at beginning of year | (6,881) | 1,089   |
| Movement in year:                                |         |         |
| Current service cost                             | (1,151) | (1,106) |
| Contributions                                    | 506     | 579     |
| Other finance income                             | 54      | 391     |
| Actuarial gain/(loss)                            | 1,762   | (7,834) |
| Deficit in scheme at end of the year             | (5,710) | (6,881) |

| <b>Details of experience gains and losses</b>                             | 2003       | 2002         |
|---|------------|--------------|
| Difference between the expected and actual return on scheme assets:       |            |              |
| Gain/(Loss) amount  | £2,185,000 | (£6,476,000) |
| Percentage of scheme assets   | 6.2%       | 19.5%        |
| Experience gains and losses on scheme liabilities:                        |            |              |
| Loss amount   | £265,000   | £184,000     |
| Percentage of present value of scheme liabilities                         | 0.6%       | 0.5%         |
| Total amount recognised in statement of total recognised gains and losses |            |              |
| Gain/(Loss) amount  | £1,762,000 | (£7,834,000) |
| Percentage of present value of scheme liabilities                         | 4.2%       | 19.6%        |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 29 RELATED PARTY TRANSACTIONS

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

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

|   | 2003                      |                              | 2002                      |                              |
|---|---------------------------|------------------------------|---------------------------|------------------------------|
|   | Loan<br>balances<br>£'000 | Trading<br>balances<br>£'000 | Loan<br>balances<br>£'000 | Trading<br>balances<br>£'000 |
| Due to S. A. Brain & Company Ventures Ltd   | -                         | 24                           | -                         | 105                          |
| Due from S. A. Brain & Company Ventures Ltd<br>(included in Note 11 - Investment<br>in Joint Venture Companies) | 299                       | -                            | 371                       | -                            |
| Due from Brain Mansford Estates Limited   | 163                       | -                            | 163                       | -                            |
| Due from Mansford Holdings Cardiff L.L.P.   | 1,525                     | -                            | -                         | -                            |

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

Rent of £313,000 (2002 : £251,000) has been charged to the company by Brain Mansford Estates Limited.

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

Consultancy fees were paid to an entity controlled by JFW Rhys (a director of the company) during the year amounting to £36,000 (2002 : £12,000). During 2002 consultancy fees were also paid to an entity of which J F W Rhys was a director amounting to £9,000

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 30 DIRECTORS AND EMPLOYEES

|   | 2003    | 2002      |
|---|---------|-----------|
|   | £       | £         |
| Directors' emoluments paid in the year were:          |         |           |
| For services as directors                             | 45,254  | 42,167    |
| Other emoluments                                      | 886,358 | 817,690   |
| Compensation for loss of office                       | –       | 251,600   |
|   | 931,612 | 1,111,457 |
| Company pension contribution to Money Purchase scheme | 24,000  | 32,000    |

|   | 2003    | 2002    |
|---|---------|---------|
|   | £       | £       |
| The number of directors who were members of a defined benefit pension scheme funded by the company was 7 (2002 : 10). |         |         |
| Highest paid director:  |         |         |
| Salary and benefits in kind   | 161,830 | 150,613 |
| Annual bonus receivable   | 46,332  | 26,000  |
| Amounts receivable under Long Term Bonus Arrangement  | 39,340  | –       |
| Total emoluments  | 247,502 | 176,613 |

Defined benefit pension scheme:

|   |        |        |
|---|--------|--------|
| Accrued pension at end of year                    | 10,920 | 4,320  |
| Accrued lump sum at end of year                   | 12,285 | 4,860  |
| Defined contribution pension scheme contributions | 24,000 | 32,000 |

Consultancy fees of £36,000 (2002 : £21,000) were paid in respect of J F W Rhys, these are disclosed in Note 29.

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

|                | Ordinary shares |         | 4% Preference Shares |        | 11% Preference Shares |         |                |
|----------------|-----------------|---------|----------------------|--------|-----------------------|---------|----------------|
|                | 2003            | 2002    | 2003                 | 2002   | 2003                  | 2002    |                |
|                | Number          | Number  | Number               | Number | Number                | Number  |                |
| C M Brain      | 77,338          | 71,392  | 943                  | 721    | –                     | –       | Beneficial     |
|                | 339,956         | 356,814 | 10,524               | 10,978 | 100,000               | 100,000 | Non beneficial |
| R C May-Hill   | 19,650          | 18,350  | –                    | –      | 20,000                | 20,000  | Beneficial     |
|                | 294,156         | 311,014 | 10,386               | 10,840 | 100,000               | 100,000 | Non beneficial |
| M E James      | –               | 1,925   | –                    | –      | –                     | –       | Beneficial     |
| J F W Rhys     | 15,400          | 14,800  | –                    | –      | –                     | –       | Beneficial     |
| J Kerr         | –               | –       | 10                   | 10     | –                     | –       | Beneficial     |
| J S Waddington | –               | –       | 10                   | 10     | –                     | –       | Beneficial     |
| M S Reed       | –               | –       | 10                   | 10     | –                     | –       | Beneficial     |
|                | 162,431         | 162,431 | –                    | –      | –                     | –       | Non beneficial |
| P H Lay        | –               | –       | 10                   | 10     | –                     | –       | Beneficial     |
| D P Bonney     | –               | –       | 10                   | –      | –                     | –       | Beneficial     |

# NOTES TO THE ACCOUNTS

Year ended 30 September 2003

## 30 DIRECTORS AND EMPLOYEES (continued)

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

|                | Crown Buckley Limited     |        |
|----------------|---------------------------|--------|
|                | 15% "A" Preference shares |        |
|                | 2003                      | 2002   |
|                | Number                    | Number |
| J S Waddington | 1,000                     | 2,000  |
| J Kerr         | 2,000                     | 2,000  |
| M S Reed       | 1,050                     | 4,050  |
| P H Lay        | -                         | 2,000  |

The average number of persons employed by the group during the year, including directors, was 1,952 (2002 : 1,785). All persons were employed in the United Kingdom.

# GROUP FIVE YEAR SUMMARY

S.A. Brain & Company Limited

Year ended 30 September

|                                    | 2003<br>£'000 | 2002<br>£'000 | 2001<br>£'000 | 2000<br>£'000 | 1999<br>£'000 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>TRADING RESULTS</b>             |               |               |               |               |               |
| Turnover                           | 95,990        | 84,462        | 77,385        | 71,439        | 65,245        |
| Profit before taxation             | 7,158         | 13,544        | 6,233         | 5,430         | 5,156         |
| Profit after taxation              | 5,039         | 11,812        | 4,379         | 3,698         | 4,086         |
| Profit attributable to equity      | 4,768         | 11,541        | 4,108         | 3,436         | 3,815         |
| <b>RATIOS</b>                      |               |               |               |               |               |
| Earnings per ordinary share        | 443.4         | 1,016.6       | 361.1         | 302.0         | 335.3         |
| Dividend per ordinary share        | 98.0          | 228.0         | 83.5          | 80.5          | 77.5          |
| <b>EMPLOYMENT OF CAPITAL</b>       |               |               |               |               |               |
|                                    | £'000         | £'000         | £'000         | £'000         | £'000         |
| Intangible fixed assets            | 107           | 113           | -             | -             | -             |
| Tangible fixed assets              | 87,804        | 80,585        | 81,895        | 74,040        | 65,946        |
| Long term investments              | 7,254         | 5,753         | 6,124         | 6,431         | 6,495         |
| Net current liabilities            | (7,304)       | (11,178)      | (3,965)       | (24,265)      | (14,257)      |
| Long term creditors and provisions | (33,615)      | (24,730)      | (41,204)      | (13,091)      | (16,965)      |
| Deferred income                    | (311)         | (322)         | (387)         | (497)         | (695)         |
|                                    | 53,935        | 50,221        | 42,463        | 42,618        | 40,524        |
| <b>CAPITAL EMPLOYED</b>            |               |               |               |               |               |
| Share capital                      | 2,677         | 2,677         | 2,739         | 2,739         | 2,739         |
| Other reserves                     | 26,457        | 26,457        | 27,725        | 31,050        | 31,050        |
| Profit and loss account            | 24,089        | 20,375        | 11,287        | 8,117         | 6,023         |
| Minority Interests                 | 712           | 712           | 712           | 712           | 712           |
|                                    | 53,935        | 50,221        | 42,463        | 42,618        | 40,524        |