



# HALL & WOODHOUSE

INDEPENDENT FAMILY BREWERS

## REPORT AND ACCOUNTS 2009



**Rio**

# **HALL & WOODHOUSE LIMITED**

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# HALL & WOODHOUSE LIMITED

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## Directors and Advisers

### Directors

The Rt. Hon. the LORD ROCKLEY\* (*Chairman*)  
D J FRENCH, BA (Hons), MBA (Appointed on 25th March 2008)  
D H C HOARE, BA (Hons), MBA  
M R KEARSEY, BA (Hons) (Appointed on 30th March 2009)  
T M A PETERS, MSc (Resigned on 11th February 2009)  
J M SCOTT, BA (Hons), ACMA  
J G G WILLIAMS\*  
A W WOODHOUSE, MA (*Joint Managing*)  
D H WOODHOUSE, BA, MBA (Died on 1st January 2009)  
M J M WOODHOUSE, MBA (*Joint Managing*)

\* denotes member of the Audit & Remuneration Committee

### Auditors

NEXIA SMITH & WILLIAMSON  
Imperial House, 18-21 Kings Park Road, Southampton SO15 2AT

### Bankers

NATWEST BANK PLC  
25 Market Place, Blandford Forum, Dorset DT11 7AQ

### Solicitors

TAYLOR WESSING  
Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX

PARIS SMITH & RANDALL LLP  
Number 1 London Road, Southampton, SO15 2AE

BAILEY BLANCHARDS LLP  
Bunbury House, Stour Park, Blandford DT11 9LQ

### Secretary

M JAMES, LLB (Hons)

### Registered Office

The Brewery, Blandford St. Mary, Dorset DT11 9LS

### Registered No

57696

### Registrars

EQUINITI LIMITED  
Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

## HALL & WOODHOUSE LIMITED

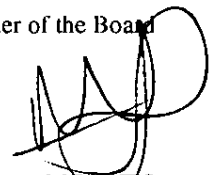
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### Notice of Meeting of Hall & Woodhouse Limited (the Company)

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND ELEVENTH ANNUAL GENERAL MEETING of the Company will be held in the the Visitor Centre, The Brewery, Blandford St. Mary, Dorset on Friday the 15th day of May, 2009 at 12.00 noon to transact the following business:

- 1) To receive and consider the report of the directors and audited statement of accounts for the year ended 31 January 2009.
- 2) To adopt and ratify the action of the directors in paying a dividend at the rate of 3.5% per annum on the preference shares.
- 3) To declare a dividend on the ordinary shares.
- 4) To re-elect a director appointed by the Board, namely: M R KEARSEY
- 5) To re-elect retiring directors, namely: The Rt. Hon. the LORD ROCKLEY
- 6) To re-appoint the auditors.
- 7) To authorise the directors to determine the remuneration of the auditors.
- 8) To adopt the new articles of association of the Company.
- 9) To transact any other ordinary business of the Company.

By order of the Board



M JAMES  
*Secretary*

THE BREWERY  
BLANDFORD ST. MARY  
DORSET  
17 April 2009

#### NOTE 1

A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy and such a proxy need not also be a member of the Company.

#### NOTE 2

A holding of preference shares does NOT confer any right of voting at any general meeting of the Company, except in special circumstances as stated in the articles of association of the Company.

## HALL & WOODHOUSE LIMITED

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### Results at a Glance

	<i>2009</i>	<i>2008</i>	<i>% Change</i>
	<i>£000</i>	<i>£000</i>	<i>Year on Year</i>
TURNOVER	88,012	88,018	0.0%
GROUP OPERATING PROFIT	8,690	11,540	-24.7%
INTEREST RECEIVABLE	330	115	+187.0%
INTEREST PAYABLE	(3,504)	(3,291)	+6.5%
<b>PROFIT ON ORDINARY ACTIVITIES</b>	<b>5,516</b>	<b>8,364</b>	<b>-34.1%</b>
PROFIT ON SALE OF PROPERTY	322	1,208	-73.3%
PROFIT ON SALE AND REORGANISATION OF BUSINESS	-	637	-100.0%
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5,838	10,209	-42.8%
TAXATION PAYABLE	(1,953)	(1,639)	-19.1%
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	3,885	8,570	-54.7%
<b>EARNINGS PER ORDINARY SHARE</b>	<b>£6.46</b>	<b>£14.27</b>	<b>-54.8%</b>
<b>DIVIDEND PER ORDINARY SHARE (Paid and proposed)</b>	<b>£3.47</b>	<b>£3.47</b>	<b>+0.0%</b>

## **Chairman's Statement**

This has I believe been one of the most difficult years in your Company's history. I said in my last letter there was little prospect of the economic gloom lifting in the foreseeable future and that remains the case. The economy has entered into a deep recession; the Government has targeted our sector for additional tax revenue and of course there was the sad death on 1st January 2009 of David Woodhouse who has been a tower of strength to the Company over many years.

We are however very lucky as a Company to have a depth of talent to call on and I am very pleased to tell you that both Anthony and Mark Woodhouse are settling very well into their new roles as Joint Managing Directors and are rising to the challenge of building on David's legacy and keeping your Company moving forward.

Against the background of very difficult trading conditions, it will come as no surprise to Shareholders that profits have fallen. Turnover remained constant at £88.0m despite the sale of the Freetrade business. Operating profit fell from £11.5m to £8.7m. Interest charges increased slightly to £3.5m (2008-£3.3m) and in the year we achieved property disposal profits of £0.3m (2008-£1.2m). Total profit before tax fell to £5.8m (2008-£10.2m).

Despite this disappointing result, borrowings remained broadly constant at £59.9m at year end compared with £59.6m in 2008 whilst the Company has invested £12.8m (2008-£15.1m) of capital expenditure, mainly in our pub estate, including the acquisition of the freehold central Bath site. At the year end we had total banking facilities of over £72m with only the £5m overdraft due for renewal in 2009.

The Board, after due consideration to the strength of the cash flow and balance sheet, is recommending no change in the final dividend of 187p (2008-187p) which, together with the two interim dividends of 80p, results in an unchanged total dividend of 347p for the year.

We have a new addition to the Board. As has been announced Matthew Kearsey joined the Company on the 30th March 2009 as Tenanted Director. Since 2006, Matthew has been Operations Director with Greene King Partners looking after 500 pubs and brings invaluable experience to our business. Tracey Peters, the previous Tenanted Director, has resigned from the Company.

Over the last ten years under David's stewardship, your Company has invested heavily in its sound businesses and sold the weaker ones; these actions, although at times painful, have put your Company into a robust position to ride out this recession. I am confident under Anthony and Mark's strong leadership your Company will continue to prosper and take advantage of an improvement in the economic situation when it arrives.

It is at times like these that the quality of our employees shines through. I wish formally to put on record your Board's gratitude for their hard work, support and commitment.



The Rt. Hon. the LORD ROCKLEY  
Chairman

# HALL & WOODHOUSE LIMITED

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## Directors' Report

### PROFITS AND DIVIDEND

The group profit for the year available for appropriation amounts to £3.885m (2008 - £8.570m). Ordinary interim dividends of £0.480m have been paid. The preference dividend of £0.007m has been paid during the year. The balance of £2.276m (2008 - £6.535m) has been added to reserves.

### PRINCIPAL ACTIVITIES

The principal activities of the group consist of the brewing and packaging of beer and the ownership and management of public houses and hotels.

### TRADING REVIEW AND SUBSEQUENT EVENTS

All other matters have been dealt with in the Chairman's statement.

### KEY PERFORMANCE INDICATORS

We have made significant progress in the year on the group's overriding objectives and three key elements of our strategy for growth. The board monitors progress on the overall group strategy and the individual strategic elements by reference to three KPIs. Performance during the year, together with historical trend data is set out in the table below:

	2009	2008	Definition, method of calculation and analysis
Growth in sales (%)	0.0%	2.1%	Year on year sales growth expressed as a percentage. In 2008 the Free Trade business was sold which generated turnover of approximately £2m. In the current financial year a number of managed pubs were successfully redeveloped which gave turnover growth.
Gross margin (%)	9.9%	13.1%	Gross margin is the ratio of operating profit before interest and property disposals to sales expressed as a percentage. Gross margin fell significantly in the year as a result of increased labour, food, duty and utility costs.
Return on invested capital (%)	9.2%	12.0%	Operating profit expressed as a percentage of net assets. Return on invested capital fell significantly during the year due to the increase in costs highlighted above.

### TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

In order to minimise credit risk relating to financial loss resulting from a customer's failure to meet their liabilities, checks are carried out to establish credit worthiness before deferred terms are granted. Credit terms are applied for each customer to control debt exposure.

The Company manages liquidity risk by monitoring daily cash balances and producing monthly rolling cash flow forecasts. Capital expenditure is approved by the Board with investment appraisal models used to evaluate proposed expenditure.

Borrowings comprise a mixture of long term borrowings, a revolving credit facility and a committed multi-option overdraft facility. In order to protect itself from upward movements in interest rates, the Company has entered into interest rate swap contracts covering the term of the loan. The short term borrowings carry floating rates of interest based on LIBOR and Royal Bank of Scotland base rates.

At present, the Company does not hedge against foreign exchange exposure as it is considered low risk with low levels of transactions.

## **Directors' Report (continued)**

### **PROPERTIES**

Your directors are of the opinion that the market value of the company's properties is in excess of the book value. The amount of such excess could only be obtained by revaluations carried out at frequent intervals by professional valuers; such valuations would be very expensive and your directors do not consider such expenditure justified.

Most of the properties are maintained for use in the company's business as licensed public houses. Some of these properties have a value in excess of present trading value if used for other purposes.

### **FIXED ASSETS**

The group has continued to invest substantial amounts in fixed assets. During the year this investment was £12.811m (2008 - £15.127m). A summary of the movement on fixed assets is shown in note 12 to the accounts.

### **EMPLOYEE INVOLVEMENT**

The group has always encouraged and fostered mutually supportive employee relationships both formally through the shop stewards and union representatives, and informally by personal contact, meetings and notices.

The Joint Managing Directors chair a management briefing twice a year where the results of the Company are presented by each Divisional Director. Following this meeting the Joint Managing Directors present a summary of the trading results and an update on current issues to all Blandford based non management employees.

Once a year the Retail Conference is held which is attended by pub and regional managers. The results for the proceeding year are announced and the plans for the next financial year are outlined.

The objective of these meetings is to ensure effective dissemination of information to employees at all levels, and to provide feedback to management.

At all the meetings the employees are encouraged to ask questions and exchange views.

The group issues a monthly publication entitled 'News & Brews' supplying information about employees in the news, new developments, new plant installations and other items of general interest.

The group offers attractive bonus schemes to enable employees to share in increased productivity and profits. These schemes are tailored to the appropriate type of operation. Profit related bonuses are paid annually when the financial results for the year are known.

### **DISABLED PERSONS**

The company's policy is to give full and fair consideration to applications for employment by disabled persons and to continuing the employment, with appropriate training, of those employees who become disabled whilst working within the group.

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year the group contributed £53,857 (2008 - £33,135) for charitable purposes.

### **DIRECTORS**

The names of all directors who held office during the year are set out on page 2.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest in any contract to which the company or a subsidiary was a party during the year under review.



## **HALL & WOODHOUSE LIMITED**

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### **Directors' Report (continued)**

#### **DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts 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 accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Nexia Smith & Williamson as auditors of the company will be put to the members at the Annual General Meeting.

#### **STATEMENT OF DISCLOSURE TO AUDITORS**

Each director of the company has confirmed that in fulfilling their duties as a director :

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**By order of the Board**



**M JAMES**

*Secretary*

30 March 2009

# HALL & WOODHOUSE LIMITED

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## Independent Auditors' Report

### to the Members of Hall & Woodhouse Limited

We have audited the group and parent company accounts of Hall & Woodhouse Limited for the year ended 31 January 2009 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 26. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31 January 2009 and of the profit of the group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

*Nexia Smith & Williamson*

Nexia Smith & Williamson  
Chartered Accountants  
Registered Auditors  
30 March 2009

Imperial House  
18 – 21 Kings Park Road  
Southampton  
SO15 2AT

## HALL & WOODHOUSE LIMITED

### Group Profit and Loss Account for the year ended 31 January, 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Turnover	1	88,012	88,018
Operating costs	3(a)	(79,322)	(76,478)
<b>GROUP OPERATING PROFIT</b>	4	<u>8,690</u>	<u>11,540</u>
Profit on Disposal of Free Trade Business		-	834
Costs associated with reorganising the business		-	(197)
Profit on sales of properties		322	1,208
<b>PROFIT on ordinary activities before interest</b>		<u>9,012</u>	<u>13,385</u>
Interest Receivable	7	330	115
Interest payable and similar charges	8	(3,504)	(3,291)
<b>PROFIT on ordinary activities before taxation</b>		<u>5,838</u>	<u>10,209</u>
<b>TAXATION on profit of ordinary activities</b>	9	<u>(1,953)</u>	<u>(1,639)</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		<u><u>3,885</u></u>	<u><u>8,570</u></u>

### Group Statement of Recognised Gains and Losses for the year ended 31 January, 2009

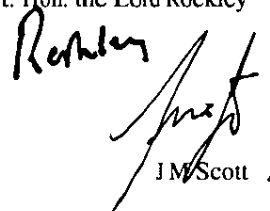
	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
<b>RETAINED PROFIT FOR THE YEAR</b>		3,885	8,570
Actuarial (loss)/gain relating to net pension asset / liability	26	(4,486)	515
Deferred tax associated with actuarial gain relating to net pension liability / asset		1,196	(306)
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>		<u><u>595</u></u>	<u><u>8,779</u></u>

# HALL & WOODHOUSE LIMITED

## Balance Sheets as at 31 January, 2009

		Group		Company	
	Notes	2009 £000	2008 £000	2009 £000	2008 £000
<b>Fixed Assets</b>					
Tangible assets	12	170,859	164,182	167,499	159,969
Investments	13	297	736	888	1,327
		<u>171,156</u>	<u>164,918</u>	<u>168,387</u>	<u>161,296</u>
<b>Current Assets</b>					
Stocks	14	2,830	3,494	2,830	3,494
Debtors	15	10,371	8,064	21,259	11,662
Cash at bank and in hand	16	16	19	16	19
		<u>13,217</u>	<u>11,577</u>	<u>24,105</u>	<u>15,176</u>
Creditors: amounts falling due within one year	17	(17,521)	(22,001)	(25,664)	(22,001)
<b>Net Current Liabilities</b>		<u>(4,304)</u>	<u>(10,424)</u>	<u>(1,559)</u>	<u>(6,826)</u>
<b>Total Assets less Current Liabilities</b>		166,852	154,494	166,828	154,470
Creditors: amounts falling due after more than one year	18	(57,950)	(51,797)	(57,950)	(51,797)
<b>Provisions for Liabilities and Charges</b>	20	(11,670)	(7,525)	(11,670)	(7,525)
<b>Net Assets excluding Pension Liability</b>		<u>97,232</u>	<u>95,172</u>	<u>97,208</u>	<u>95,148</u>
<b>Pension Liability Net of Deferred Tax</b>	26	(3,074)	-	(3,074)	-
<b>Net Assets including Pension Liability</b>		<u>94,158</u>	<u>95,172</u>	<u>94,134</u>	<u>95,148</u>
<b>Capital and Reserves</b>					
Called-up share capital	21	800	800	800	800
Revaluation reserve	24	332	332	332	332
Profit and loss account	24	93,026	94,040	93,002	94,016
<b>Total Shareholders' Funds</b>		<u>94,158</u>	<u>95,172</u>	<u>94,134</u>	<u>95,148</u>

The Rt. Hon. the Lord Rockley

  
J M Scott

Directors

30 March 2009

# HALL & WOODHOUSE LIMITED

## Group Statement of Cash Flows for the year ended 31 January, 2009

	Notes	2009 £000	2009 £000	2008 £000	2008 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITY</b>	3(b)		17,556		15,421
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received	7	330		115	
Interest paid	8	(3,504)	(3,174)	(3,291)	(3,176)
<b>TAXATION</b>			(2,200)		(2,339)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire tangible fixed assets	12	(12,811)		(15,127)	
Receipts from sales of tangible fixed assets		1,483		2,671	
Trade loans advanced	13	(116)		(186)	
Trade loans repaid	13	555	(10,889)	277	(12,365)
<b>EQUITY DIVIDENDS PAID</b>					
On ordinary shares	11	(1,602)		(2,028)	
On preference shares	11	(7)	(1,609)	(7)	(2,035)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>			(316)		(4,494)
<b>FINANCING</b>					
Movement in long term loans			2,903		1,604
<b>INCREASE/(DECREASE) IN CASH</b>	16		<u>2,587</u>		<u>(2,890)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT for the year ended 31 January 2009</b>					
	Notes	2009 £000		2008 £000	
Increase/(Decrease) in cash		2,587		(2,890)	
Cash inflow from movement in loans		(2,903)		(1,604)	
<b>MOVEMENT IN NET DEBT</b>	16		(316)		(4,494)
<b>NET DEBT AT BEGINNING OF YEAR</b>	16		(59,621)		(55,127)
<b>NET DEBT AT END OF YEAR</b>	16		<u>(59,937)</u>		<u>(59,621)</u>

# HALL & WOODHOUSE LIMITED

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## Statement of Accounting Policies

### Accounting Convention

The Accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards, except for the revaluation of freehold and leasehold properties incorporated within these Accounts.

### Basis of Consolidation

The group profit and loss account and balance sheet include the accounts of Hall & Woodhouse Limited and its subsidiary undertakings for the year ended 31 January 2009. Intra group sales and profit are eliminated fully on consolidation.

Goodwill arising on acquisitions prior to 31 December 1997 was previously written off against reserves and, to the extent that such assets are disposed of in the future, related goodwill will be reinstated and charged to the profit and loss account.

### Fixed Assets

The gross amounts of freehold and leasehold properties, including fixtures and fittings, are as valued by Mason & Son in 1963, with acquisitions since this date included at cost.

All tangible fixed assets, except freehold land, are depreciated to write off their carrying value, less estimated residual value, over their expected useful lives. The methods adopted for this purpose are as follows:

Freehold & Long Leasehold Properties	50 years
Short Leasehold Properties	Term of the lease
Fixtures & Fittings	10 years
Plant & Machinery	5-20 years
Motor Vehicles	3-7 years

The carrying value of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

### Leased Assets

Assets held under leasing arrangements that transfer substantially all of the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a rate commensurate with the capital balance outstanding. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

### Stocks

Stock is valued on a basis consistent with previous years, at the lower of cost or net realisable value. Cost comprises purchase price or direct production cost with manufacturing overheads and duty as appropriate.

### Deferred Taxation

Deferred tax is provided for on a full provision basis on all timing differences that have arisen at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Any assets or liabilities recognised have not been discounted.

### Pensions

The group operates two defined benefit pension schemes. Under FRS17 pension scheme assets are measured using fair values. Pension scheme liabilities are measured using an attained age method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The pension scheme surplus/deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the profit and loss account and the statement of total recognised gains and losses. The full service cost of the pension provision is the increase in the pension value of the liabilities expected to arise in the future as a result of the benefits earned during the year by employees and is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return on the scheme net assets is included within other finance costs. Actuarial gains or losses, arising from any difference between the expected return on assets and that actually achieved and any differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses. The group also makes contributions into private pension plans. The company's contributions are charged to the profit and loss account in the period they arise.

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts

### 1 TURNOVER

Turnover comprises the net retail sales of the company including contract packaging fees, income from amusement, gaming and vending machines and net rents received. They are stated after all relevant discounts and commissions. Turnover is recognised at the point of delivery and is exclusive of VAT.

### 2 ANALYSIS OF TURNOVER AND PROFITS BETWEEN ACTIVITIES AND MARKETS

The activities of the group are the normal activities of a regional brewing company, and in the opinion of the directors no further analysis between market sectors is appropriate.

### 3(a) OPERATING COSTS

	2009 £000	2008 £000
Decrease/(Increase) in stocks of finished goods and work in progress	419	(504)
Raw materials, consumables and goods for resale	18,900	19,489
Other external charges	12,909	11,938
Staff costs - wages and salaries	20,332	19,713
- social security costs	1,772	1,712
- other pension costs	526	550
Depreciation - owned assets	4,973	4,798
Other operating charges	19,491	18,782
	<u>79,322</u>	<u>76,478</u>

### 3(b) RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 £000	2008 £000
Group operating profit	8,690	11,540
Depreciation of tangible fixed assets	4,973	4,798
Accrued income from sale of Free Trade business	-	834
Cost associated with reorganisation of business	-	(197)
Decrease/(Increase) in stocks	664	(413)
Decrease/(Increase) in debtors	365	(875)
Increase in creditors	3,105	278
Defined benefit operating profit charge less contributions paid	(216)	(504)
(Decrease) in provisions	(25)	(40)
Net cash flow from operating activities	<u>17,556</u>	<u>15,421</u>

### 3(c) OPERATING PROFIT ON DISCONTINUED BUSINESS

	2009			2008		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Turnover	88,012	-	88,012	85,589	2,429	88,018
Operating costs	(79,322)	-	(79,322)	(73,906)	(2,572)	(76,478)
Operating Profit	<u>8,690</u>	<u>-</u>	<u>8,690</u>	<u>11,683</u>	<u>(143)</u>	<u>11,540</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

<b>4</b>	<b>OPERATING PROFIT is stated after charging:</b>	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>
	Hire of plant and equipment	248	308
	Auditors' remuneration - Audit services	26	26
	Non audit services paid to Auditor related companies - Taxation Services	45	9
<b>5</b>	<b>EMOLUMENTS OF DIRECTORS</b>	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>
	Emoluments	1,008	839
	Compensation for loss of office	150	153
	Total company contributions to :		
	Defined contribution pension scheme	62	58
	Defined benefit pension scheme	58	42
		<b>Number</b>	<b>Number</b>
	Members of defined contribution pension scheme	4	4
	Members of company defined benefit pension scheme	3	2
	The amounts in respect of the highest paid director are as follows :-	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>
	Basic salary, fees and benefits	177	184
	Annual bonus	1	25
	Total Emoluments	178	209
	Contribution to defined benefit pension scheme	27	28
	Accrued pension - company defined benefit pension scheme	-	67
<b>6</b>	<b>STAFF NUMBERS</b>		
	The average number of persons employed by the company, including directors, during the year was as follows:-	<b>2009</b>	<b>2008</b>
		<b>Number</b>	<b>Number</b>
	Brewery Site	206	227
	Managed houses	1,249	1,181
		1,455	1,408
<b>7</b>	<b>INTEREST RECEIVABLE</b>	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>
	Interest on trade and other loans	49	67
	Interest on Corporation Tax refunds	231	-
	Sundry interest receivable	50	48
		330	115
<b>8</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>
	Overdraft	143	141
	Bank Loans	3,294	3,355
	Other	2	6
	Interest payable before net interest on pension asset	3,439	3,502
	Net interest on pension asset	65	(211)
		3,504	3,291



# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

<b>9 TAXATION</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Analysis of tax charge on ordinary activities:		
UK corporation tax at 28.34%	1,707	2,680
Deferred taxation	596	(718)
Adjustments relating to prior years:		
UK corporation tax	(3,924)	152
Deferred taxation	3,574	-
Effect of tax rate change on opening balances	-	(475)
	<u>1,953</u>	<u>1,639</u>
Factors affecting tax charge:		
Expected tax charge on Profit on Ordinary Activities	1,655	3,063
Expenses not deductible for tax purposes	96	(79)
Depreciation on assets not qualifying for capital allowances	263	261
Capital allowances in excess of depreciation	(745)	(301)
Movement in short term timing differences	(68)	(2)
Trade losses carried back	436	-
Other differences including rollover relief and indexation on chargeable gains	70	(262)
Current tax charge for the period	<u>1,707</u>	<u>2,680</u>

The tax charge includes a prior year adjustment of circa £3.9m as a result of a capital allowance review being undertaken in the year to 28 January 2008. This resulted in the company claiming additional capital allowances relating to the expenditure incurred over the last ten years. As a result of the review, a refund of circa £3.3m was received after the year end.

In addition, tax losses have been carried back to reduce the 2008 tax charge further.

The deferred tax liability has increased also as a result of the capital allowance review, due to around £20m being reallocated from ineligible to eligible assets. This has given rise to a large prior year charge to deferred tax as the depreciation on the assets being reallocated was significantly lower than the capital allowances claimed.

Factors that may effect the future tax charge:

Deferred tax has not been provided on revaluations of fixed assets. Tax will be payable if the assets are sold and rollover relief is not obtained.

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £6.512m (2008 - £7.072m). (Reduction due to change in tax rate from 30 to 28%).

## 10 PROFIT FOR THE YEAR

In accordance with the exemptions allowed by section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. Of the profit for the year, £3.885m (2008 - £8.570m) has been dealt with in the accounts of the company.

## 11 DIVIDENDS

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Preference	7	7
Ordinary – final in respect of prior year	1,122	1,068
– first interim	480	480
– second interim	-	480
	<u>1,609</u>	<u>2,035</u>

Together with the second interim dividend of 80p, the Board will be recommending a final dividend of 187p. In accordance with Accounting Standard, FRS21 - 'Events after the balance sheet date' they are not accrued within these accounts.

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 12 TANGIBLE FIXED ASSETS

	<i>Freehold property and fixtures £000</i>	<i>Leasehold property and fixtures over 50 years £000</i>	<i>under 50 years £000</i>	<i>Plant and vehicles £000</i>	<i>Containers furniture &amp; effects £000</i>	<i>Total £000</i>
<b>GROUP</b>						
<b>Cost or valuation</b>						
At 26 January 2008	161,141	1,859	13,996	29,995	16,112	223,103
Additions	9,934	34	157	537	2,149	12,811
Reclassification	(257)	(1)	-	2	205	(51)
Disposals	(560)	-	(413)	(61)	(921)	(1,955)
At 31 January 2009	<u>170,258</u>	<u>1,892</u>	<u>13,740</u>	<u>30,473</u>	<u>17,545</u>	<u>233,908</u>
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	<u>168,801</u>	<u>1,880</u>	<u>13,726</u>	<u>30,473</u>	<u>17,545</u>	<u>232,425</u>
	<u>170,258</u>	<u>1,892</u>	<u>13,740</u>	<u>30,473</u>	<u>17,545</u>	<u>233,908</u>
<b>Depreciation</b>						
At 26 January 2008	15,114	281	6,794	26,405	10,327	58,921
Charge for the year	2,132	41	728	851	1,221	4,973
Reclassification	(62)	-	-	-	11	(51)
Disposals	(97)	-	(413)	(48)	(236)	(794)
At 31 January 2009	<u>17,087</u>	<u>322</u>	<u>7,109</u>	<u>27,208</u>	<u>11,323</u>	<u>63,049</u>
<b>Net book values</b>						
At 31 January 2009	<u>153,171</u>	<u>1,570</u>	<u>6,631</u>	<u>3,265</u>	<u>6,222</u>	<u>170,859</u>
At 26 January 2008	<u>146,027</u>	<u>1,578</u>	<u>7,202</u>	<u>3,590</u>	<u>5,785</u>	<u>164,182</u>
<b>COMPANY</b>						
<b>Cost or valuation</b>						
At 26 January 2008	161,111	1,859	13,996	29,995	5,696	212,657
Additions	9,934	34	157	537	2,149	12,811
Reclassification	(227)	(1)	-	2	175	(51)
Disposals	(560)	-	(413)	(61)	(719)	(1,753)
At 31 January 2009	<u>170,258</u>	<u>1,892</u>	<u>13,740</u>	<u>30,473</u>	<u>7,301</u>	<u>223,664</u>
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	<u>168,801</u>	<u>1,880</u>	<u>13,726</u>	<u>30,473</u>	<u>7,301</u>	<u>222,181</u>
	<u>170,258</u>	<u>1,892</u>	<u>13,740</u>	<u>30,473</u>	<u>7,301</u>	<u>223,664</u>
<b>Depreciation</b>						
At 26 January 2008	15,110	281	6,794	26,405	4,098	52,688
Charge for the year	2,131	41	728	851	394	4,145
Reclassification	(57)	-	-	-	6	(51)
Disposals	(97)	-	(413)	(48)	(59)	(617)
At 31 January 2009	<u>17,087</u>	<u>322</u>	<u>7,109</u>	<u>27,208</u>	<u>4,439</u>	<u>56,165</u>
<b>Net book values</b>						
At 31 January 2009	<u>153,171</u>	<u>1,570</u>	<u>6,631</u>	<u>3,265</u>	<u>2,862</u>	<u>167,499</u>
At 26 January 2008	<u>146,001</u>	<u>1,578</u>	<u>7,202</u>	<u>3,590</u>	<u>1,598</u>	<u>159,969</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 12 TANGIBLE FIXED ASSETS (continued)

Freehold and leasehold land, buildings and built in fixtures and fittings were revalued at 31 July 1963 on the going concern (existing use) basis, by Mason & Son. Depreciation provided has been based on the revalued amount and additions at cost thereafter. The difference between book value at cost and the revalued amount is not material.

### 13 FIXED ASSET INVESTMENTS

	GROUP		COMPANY		
	Trade loans £000	Total £000	Trade loans £000	Subsidiary undertakings £000	Total £000
<b>COST</b>					
At 26 January 2008	736	736	736	591	1,327
Advances	116	116	116	-	116
Repayments/write offs	(555)	(555)	(555)	-	(555)
At 31 January 2009	<u>297</u>	<u>297</u>	<u>297</u>	<u>591</u>	<u>888</u>
<b>NET BOOK VALUE</b>					
At 31 January 2009	<u>297</u>	<u>297</u>	<u>297</u>	<u>591</u>	<u>888</u>
At 26 January 2008	<u>736</u>	<u>736</u>	<u>736</u>	<u>591</u>	<u>1,327</u>

Investments in wholly-owned subsidiary companies represent ordinary shares in the following companies.

Trading Companies	Percentage of Voting Shares held	Country of Incorporation
Woodhouse Inns Limited	100%	England
Woodhouse Inns Limited is in the business of management of public houses and hotels.		

Non-Trading Companies		
Badger Inns Limited	100%	England
Blandford Beer Company Limited	100%	England
King & Barnes Limited	100%	England
Rio Drinks Limited	100%	England
The Isle of Wight Traditional Beer Company Limited	100%	England
Woodhouse Wines Limited	100%	England

All of these subsidiaries have been consolidated in the group financial statements.

### 14 STOCKS

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Raw materials and consumables	493	552	493	552
Work in progress	36	19	36	19
Finished goods	1,389	1,825	1,389	1,825
Goods for resale	585	600	585	600
Other stocks	327	498	327	498
	<u>2,830</u>	<u>3,494</u>	<u>2,830</u>	<u>3,494</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 15 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	4,090	3,992	4,090	3,992
Amounts owed by group undertakings	-	-	10,889	3,598
Taxation	2,673	-	2,673	-
Prepayments and accrued income	3,608	4,072	3,608	4,072
	<u>10,371</u>	<u>8,064</u>	<u>21,259</u>	<u>11,662</u>

### 16 ANALYSIS OF NET DEBT

	At 26 January 2008	Group Cash Flow	At 31 January 2009
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank & in hand	19	(3)	16
Bank overdrafts	<u>(3,968)</u>	<u>2,590</u>	<u>(1,378)</u>
Cash	(3,949)	2,587	(1,362)
Loans	<u>(55,672)</u>	<u>(2,903)</u>	<u>(58,575)</u>
	<u>(59,621)</u>	<u>(316)</u>	<u>(59,937)</u>

### 17 CREDITORS - amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdraft (unsecured)	1,378	3,968	1,378	3,968
Trade creditors	4,163	4,412	4,163	4,412
Other creditors	316	262	316	262
Social security and other taxes	4,899	2,791	4,899	2,791
Taxation	-	1,745	-	1,745
Accruals and deferred income	4,814	3,651	4,814	3,651
Tenants' and other deposits	1,326	1,297	1,326	1,297
Amounts owed to Group Companies	-	-	8,144	-
Bank loan (unsecured)	625	3,875	625	3,875
	<u>17,521</u>	<u>22,001</u>	<u>25,664</u>	<u>22,001</u>

### 18 CREDITORS - amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (unsecured)	56,878	50,500	56,878	50,500
Floating Rate Guaranteed Loan Notes 2010	<u>1,072</u>	<u>1,297</u>	<u>1,072</u>	<u>1,297</u>
	<u>57,950</u>	<u>51,797</u>	<u>57,950</u>	<u>51,797</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

19 LOANS	<i>Group &amp; Company</i>	
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
<b>Not wholly repayable within 5 years:</b>		
Barclays Bank plc	5,000	5,000
£5m bank facility with a variable interest rate linked to a fixed margin over LIBOR		
Barclays Bank plc	3,750	4,375
£5m bank facility with a variable interest rate linked to a fixed margin over LIBOR		
	<u>8,750</u>	<u>9,375</u>
<b>Wholly repayable within 5 years:</b>		
Royal Bank of Scotland plc	22,000	22,000
£22m bank loan with a variable interest rate linked to a fixed margin over LIBOR.		
Royal Bank of Scotland plc	8,000	8,000
£8m bank facility with a variable interest rate linked to a fixed margin over LIBOR.		
Royal Bank of Scotland plc	10,753	7,750
£12m bank facility with a variable interest rate linked to a fixed margin over LIBOR.		
Royal Bank of Scotland plc	-	3,250
£22m bank facility with a variable interest rate linked to a fixed margin over LIBOR.		
Floating Rate Guaranteed Loan Notes 2010	1,072	1,297
Repayable at the option of the loan note holder on the interest payment dates, half yearly.		
Interest is fixed to a margin of 0.5% less than the LIBOR rate for 6 monthly deposits.		
Fortis Bank plc	8,000	4,000
£8m facility under a revolving credit agreement.		
Interest is linked to a fixed margin over LIBOR.		
	<u>58,575</u>	<u>55,672</u>
<b>Amounts repayable:</b>		
In one year or less, or on demand	625	3,875
In more than one year but not more than two years	12,450	625
In more than two years but not more than five years	<u>39,875</u>	<u>44,922</u>
	52,950	49,422
In more than five years	<u>5,625</u>	<u>6,250</u>
	<u>58,575</u>	<u>55,672</u>

Floating Rate Guaranteed Loan Notes 2010 to the value of £15.859m were issued on 12 May 2000 to King & Barnes Limited shareholders as an alternative to cash consideration on the purchase of King & Barnes Limited.

The loan notes are unconditionally guaranteed by Royal Bank of Scotland plc. Any loan notes not previously redeemed will become repayable in full, at par, on 31 December 2010. If at any time the nominal amount outstanding is below £100,000 the company has the right to redeem all of the outstanding loan notes on any subsequent interest payment date.

Royal Bank of Scotland plc have confirmed that they will convert any unutilised part of the loan note guarantee into a committed loan for a term not exceeding the remaining term of the loan notes (£10.753m of the original guarantee has been converted).

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 20 PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred taxation	10,566	6,396	10,566	6,396
King & Barnes Ltd unfunded pension scheme	1,080	1,101	1,080	1,101
Other provisions	24	28	24	28
	<u>11,670</u>	<u>7,525</u>	<u>11,670</u>	<u>7,525</u>

Movement in deferred taxation provision:

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 26 January 2008	6,396	7,589	6,396	7,589
Transfer from subsidiary	-	-	(115)	(91)
Charge/(Credit) for the year	596	(247)	711	(201)
Prior year adjustment	3,574	(471)	3,574	(473)
Effect of change of tax rate	-	(475)	-	(428)
At 31 January 2009	<u>10,566</u>	<u>6,396</u>	<u>10,566</u>	<u>6,396</u>

The balance comprises:

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Corporation tax on excess of book value of fixed assets over tax written-down values	10,952	6,770	10,952	6,770
Other timing differences	(386)	(374)	(386)	(374)
	<u>10,566</u>	<u>6,396</u>	<u>10,566</u>	<u>6,396</u>

The deferred tax liability has not been discounted.

### 21 CALLED-UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called-up and fully paid</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
3.5% cumulative preference shares of £1 each	200	200	200	200
Ordinary shares of £1 each	600	600	600	600
	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>

The preference share dividend is payable half yearly in arrears. The preference shares carry no votes at meetings. On a winding up the preference shareholders have a right to receive, in preference to ordinary shareholders, £1 per share plus any accrued dividend.

### 22 CONTINGENT LIABILITIES

At 31 January 2009 guarantees were in place with Royal Bank of Scotland plc whereby Hall & Woodhouse Limited and Woodhouse Inns Limited each provided an unlimited guarantee to Royal Bank of Scotland plc in respect of the debts of the other company. This cross company guarantee arrangement is normal banking practice for a group of companies and brings benefit to the group by allowing the group to pay overdraft interest only on the net overdraft of the group.

The company has entered into Fixed Interest Rate Swaps totalling £10.0m (2008-£22.5m) with Barclays Bank plc as a hedge against adverse interest rate movements.

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 23 FINANCIAL COMMITMENTS

At 31 January, 2009 authorised future capital expenditure amounted to:

<i>Group</i>		<i>Company</i>	
<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
101	1,623	101	1,623

Obligations under operating leases as at 31 January, 2009 fall due as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
(a) within one year	149	157	149	157
(b) in two to five years	168	181	168	181
(c) over five years	-	-	-	-
	<u>317</u>	<u>338</u>	<u>317</u>	<u>338</u>

### 24 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital</i>	<i>Revaluation Reserve</i>	<i>Profit and Loss Account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>GROUP</b>				
Balance at 27 January 2007	800	332	87,296	88,428
Retained profit for the period	-	-	8,570	8,570
Dividends	-	-	(2,035)	(2,035)
Actuarial gain relating to net pension asset (net of tax)	-	-	209	209
Balance at 26 January 2008	800	332	94,040	95,172
Retained profit for the period	-	-	3,885	3,885
Dividends	-	-	(1,609)	(1,609)
Actuarial loss relating to net pension liability (net of tax)	-	-	(3,290)	(3,290)
Balance at 31 January 2009	<u>800</u>	<u>332</u>	<u>93,026</u>	<u>94,158</u>
<b>COMPANY</b>				
Balance at 27 January 2007	800	332	87,272	88,404
Retained profit for the period	-	-	8,570	8,570
Dividends	-	-	(2,035)	(2,035)
Actuarial gain relating to net pension asset (net of tax)	-	-	209	209
Balance at 26 January 2008	800	332	94,016	95,148
Retained profit for the period	-	-	3,885	3,885
Dividends	-	-	(1,609)	(1,609)
Actuarial loss relating to net pension liability (net of tax)	-	-	(3,290)	(3,290)
Balance at 31 January 2009	<u>800</u>	<u>332</u>	<u>93,002</u>	<u>94,134</u>

### 25 CONTROLLING PARTIES

In the opinion of the directors, there is no single ultimate controlling party.

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 26 PENSION COSTS

The company sponsors the Hall & Woodhouse Limited and Subsidiary Companies Retirement Benefits Plan (the "Plan"), which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by an independent qualified actuary as at 1 April 2008 and updated on an approximate basis to 31 January 2009. In addition, following the acquisition of King & Barnes in April 2000, the company has an additional liability in respect of the pensions in payment for former King & Barnes employees. The King & Barnes pension is also a defined benefit arrangement.

Assets in relation to the Plan are held separately from those of the group in trustee administered funds. The King & Barnes obligation is funded and the liability for this is shown in the Balance Sheets of both the group and company.

The contributions made by the company to the Plan over the financial year have been £0.564m (2008 - £0.598m) in accordance with the schedule of contributions. Following completion of the 1 April 2008 valuation, a new schedule of contributions has been agreed, accordingly the contributions to the Plan for the forthcoming year are expected to be £0.235m. As the plan is closed to new entrants, the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages, although it will be applied to a decreasing pensionable payroll.

#### Relationship between Hall & Woodhouse Limited and the Trustees of the defined benefit plan

The pension assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of trustees to the plan is determined by the plan's trust documentation. Hall & Woodhouse Limited has a policy that one-third of all trustees should be nominated by members of the plan.

#### Illustrative balance sheet figures

	2009 (£000)			2008 (£000)			2007 (£000)		
	The Plan	King & Barnes	Total	The Plan	King & Barnes	Total	The Plan	King & Barnes	Total
Assets	19,550	2,738	22,288	22,445	2,563	25,008	22,706	2,657	25,363
Liabilities	24,114	2,444	26,558	21,629	1,700	23,329	24,328	2,054	26,382
Surplus/(Deficit)	(4,564)	294	(4,270)	816	863	1,679	(1,622)	603	(1,019)
Related deferred tax (liability)/asset	1,278	(82)	1,196	(245)	(259)	(504)	487	(181)	306
Net Pension asset/(liability)	(3,286)	212	(3,074)	571	604	1,175	(1,135)	422	(713)

Under FRS17, the amount of surplus that can be recognised is the amount of surplus that can be recovered through reduced contributions payable by the company calculated as the value of future service benefits less employee contributions or by a refund of part or all of this surplus from the pension fund. The directors currently consider there is insufficient basis to anticipate either outcome and the surplus has, consequently, not been recognised. The restricted surplus is as follows:

(Deficit)/Surplus	(3,074)	-	(713)
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#### Assets

Equities	8,281	130	8,411	9,449	-	9,449	9,799	-	9,799
Bonds	4,394	-	4,394	3,502	-	3,502	12,806	-	12,806
Gilts	6,306	536	6,842	9,567	-	9,567	-	-	-
Company Pension Promise	-	1,080	1,080	-	1,101	1,101	-	1,133	1,133
Other	569	992	1,561	(73)	1,462	1,389	101	1,524	1,625
Total	19,550	2,738	22,288	22,445	2,563	25,008	22,706	2,657	25,363

The 'Other' assets consist primarily of insured annuity policies and cash.

The 'Company Pension Promise' represents the amount remaining of a provision recognised on the acquisition of King & Barnes Limited. At the time this provision was created it represented the present value of the pension liability to King & Barnes pensioners that was not covered by insured annuity contracts or other assets held separately from the company. This provision has been adjusted annually to reflect the reducing liability as a result of making pension payments to pensioners during the year and, as recommended by accounting standards, increased to add a funding charge to the value of the liability carried in the Group and Company Balance Sheets.



# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 26 PENSION COSTS ( continued )

#### Reconciliation of the present value of the defined benefit obligation

	2009 £000	2008 £000
Present value of defined benefit obligation at beginning of year	23,329	26,382
Service cost (Employer Cost)	283	305
Interest cost	1,439	1,409
Members' contributions	117	124
Actuarial (gain) / loss on scheme liabilities	2,772	(3,748)
Benefits paid	(1,382)	(1,143)
Present value of defined benefit obligation at end of year	<u>26,558</u>	<u>23,329</u>

#### Reconciliation of fair value of plan assets

	2009 £000	2008 £000
Fair value of scheme assets at start of year	25,008	25,363
Expected return on scheme assets	1,374	1,620
Actuarial gain / (loss) on scheme assets	(3,393)	(1,554)
Contributions by the company	564	598
Contributions by members	117	124
Benefits paid	(1,382)	(1,143)
Fair value of scheme assets at end of year	<u>22,288</u>	<u>25,008</u>

#### Amounts to be recognised in the balance sheet

	2009 £000	2008 £000
Present value of funded obligation	26,558	23,329
Fair value of scheme assets	(22,288)	(25,008)
Net liability in balance sheet	<u>4,270</u>	<u>(1,679)</u>

#### Amounts to be recognised in the income statement

	2009 £000	2008 £000
Current service cost	283	305
Interest on obligation	1,439	1,409
Expected return on scheme assets	(1,374)	(1,620)
Total expense	<u>348</u>	<u>94</u>

#### Total amount recognised in the statement of total recognised gains and losses (STRGL)

	2009 £000	2008 £000
Actuarial gain / (loss)	(6,165)	2,194
Effect of the limit on the net asset to be recognised	-	-
Actuarial gain / (loss) recognised in STRGL	<u>(6,165)</u>	<u>2,194</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 26 PENSION COSTS ( continued )

#### Cumulative amount of actuarial gains and losses recognised in STRGL

	2009 £000	2008 £000
Total amount recognised in the statement of total recognised gains and losses (STRGL)	(2,024)	4,141

#### Principal actuarial assumptions at the balance sheet date

	2009	2008
Discount rate	6.70%	6.30%
Expected return on scheme assets at the end of the year	6.00%	6.18%
Rate of increase in salaries	3.30%	3.40%
Price inflation	3.30%	3.40%
Pension increases:		
- Pension accrued before 6 April 1997	2.70%	3.00%
- Pension accrued after 6 April 1997	3.30%	3.40%
- Pension accrued after 6 April 2005	2.50%	2.50%
Mortality	110% of PXA00 projected by year of birth with a long cohort projection and 1% improvement underpin	PXA92 projected to calendar year 2005 (pensioners) or 2020 (non-pensioners)
	2009	2008
Retiring today		
Males	88.0	85.0
Females	90.0	87.9
Retiring in 20 years		
Males	90.5	86.9
Females	92.4	89.8

#### Sensitivity analysis of the principal assumptions used to measure plan liabilities:

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Increase/decrease by 16%
Rate of inflation	Increase/decrease by 1%	Decrease/Increase by 6%
Rate of salary growth	Increase/decrease by 1%	Decrease/increase by 2%

## HALL & WOODHOUSE LIMITED

### Notes to the Accounts (continued)

#### 26 PENSION COSTS ( continued )

##### History of assets, liabilities and actuarial gains and losses

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	26,558	23,329	26,382	28,727	25,437
Fair value of assets	<u>22,288</u>	<u>25,008</u>	<u>25,318</u>	<u>25,422</u>	<u>21,805</u>
Surplus/(deficit)	<u>(4,270)</u>	<u>1,679</u>	<u>(1,064)</u>	<u>(3,305)</u>	<u>(3,632)</u>
Experience gain / (loss) on plan liabilities					
Amount (£'000s)	(4,354)	(108)	(142)	(428)	
Percentage of present value of the plan liabilities	(16%)	(0%)	(1%)	(1%)	
Difference between the expected and actual return on plan assets					
Amount (£'000s)	(3,393)	(1,554)	(1,032)	2,630	
Percentage of present value of the plan assets	(15%)	(6%)	(4%)	10%	

##### Estimated contributions

The employer's best estimate of contributions to be paid to the plan by the company next year is £235,000. In addition the employer will meet all administration expenses and levies.

The employer's best estimate of contributions to be paid to the scheme by employees next year is £103,000.

## **HALL & WOODHOUSE LIMITED**

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### **Notes**

## **HALL & WOODHOUSE LIMITED**

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### **Notes**

# HALL & WOODHOUSE LIMITED

## Group Five-Year Statement

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
<b>ASSETS EMPLOYED</b>					
Overdraft	(1,378)	(3,968)	(1,076)	(444)	(197)
Net Current Liabilities	(2,926)	(6,456)	(3,100)	(3,242)	(4,733)
Investments and Trade Loans	297	736	827	825	961
Fixed Assets	170,859	164,182	155,316	138,056	126,638
	<u>166,852</u>	<u>154,494</u>	<u>151,967</u>	<u>135,195</u>	<u>122,669</u>
<b>CAPITAL EMPLOYED</b>					
Equity	93,958	94,972	88,228	81,737	73,458
Preference Capital	200	200	200	200	200
Medium Term Loans	57,950	51,797	54,068	42,973	39,623
Long Term Liabilities	11,670	7,525	8,758	7,971	6,909
Net Pension Liability	3,074	-	713	2,314	2,479
	<u>166,852</u>	<u>154,494</u>	<u>151,967</u>	<u>135,195</u>	<u>122,669</u>
<b>PROFITS and DIVIDENDS</b>					
	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Turnover	88,012	88,018	86,198	82,207	94,435
Group Operating Profit	8,690	11,540	11,346	10,522	8,156
Investment Income	330	115	134	83	61
Interest Payable	(3,504)	(3,291)	(2,694)	(2,668)	(2,914)
Trading Profit before Taxation	5,516	8,364	8,786	7,937	5,303
Profit on Sale of FT / Brand	-	637	-	-	441
Profit on Sales of Assets	322	1,208	1,583	3,780	1,403
<b>Profit before Taxation</b>	<b>5,838</b>	<b>10,209</b>	<b>10,369</b>	<b>11,717</b>	<b>7,147</b>
Deduct: Taxation	(1,953)	(1,639)	(3,308)	(2,531)	(1,964)
Preference Dividend	(7)	(7)	(7)	(7)	(7)
Earnings for Ordinary Shareholders	3,878	8,563	7,054	9,179	5,176
Deduct: Ordinary Dividends	(1,602)	(2,028)	(1,944)	(816)	(1,632)
<b>Transfer to Reserves</b>	<b>2,276</b>	<b>6,535</b>	<b>5,110</b>	<b>8,363</b>	<b>3,544</b>
<b>Earnings per Ordinary Share</b>	<b>£6.46</b>	<b>£14.27</b>	<b>£11.76</b>	<b>£15.30</b>	<b>£8.63</b>
<b>Dividend per £1 Ordinary Share</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Net ordinary dividend paid/proposed	347	347	334	304	272

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