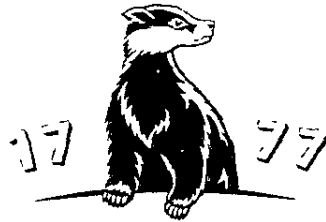


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**HALL & WOODHOUSE**

INDEPENDENT FAMILY BREWERS

# REPORT AND ACCOUNTS 2008

WE FRIDAY



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## **Directors and Advisers**

### **Directors**

The Rt Hon the LORD ROCKLEY\* (*Chairman*)  
D J FRENCH, BA, MBA (Appointed on 25th March 2008)  
D H C HOARE, MBA  
T M A PETERS, MSc, MCITD (Appointed on 2nd January 2008)  
J M SCOTT, BA (Hons), ACMA  
J G G WILLIAMS\*  
A W WOODHOUSE\*, MA  
D H WOODHOUSE, BA, MBA (*Managing*)  
M J M WOODHOUSE, MBA  
A S R YOUNGER, BComm, MBA (Resigned on 18th December 2007)

\* 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

### **Secretary**

M JAMES, LL B (Hons)

### **Registered Office**

The Brewery, Blandford St Mary, Dorset DT11 9LS

### **Registered No**

57696

### **Registrars**

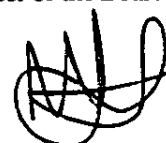
EQUINITI LIMITED  
Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND TENTH ANNUAL GENERAL MEETING of the company will be held in the Sealy Suite at The Crown Hotel, Blandford Forum, Dorset on Friday the 16th day of May, 2008 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 26 January 2008.
- 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 T M A PETERS
- 5) To re-elect a director appointed by the Board, namely D J FRENCH
- 6) To re-elect retiring directors, namely J G G WILLIAMS
- 7) To re-appoint the auditors
- 8) To authorise the directors to determine the remuneration of the auditors
- 9) To transact any other ordinary business of the company

By order of the Board



M JAMES

*Secretary*

THE BREWERY  
BLANDFORD ST. MARY  
DORSET  
18 April 2008

### 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

### Results at a Glance

	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>	<i>% Change</i> <i>Year on Year</i>
TURNOVER	88,018	86,198	+2.1%
GROUP OPERATING PROFIT	11,540	11,346	+1.7%
OTHER INCOME	115	134	-14.9%
PROFIT ON SALE AND REORGANISATION OF BUSINESS	637	-	+100%
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	12,292	11,480	+7.1%
INTEREST PAYABLE	(3,291)	(2,694)	+22.2%
PROFIT ON ORDINARY ACTIVITIES BEFORE PROFIT ON SALE OF PROPERTY	9,001	8,786	+2.4%
PROFIT ON SALE OF PROPERTY	1,208	1,583	-23.7%
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	10,209	10,369	-1.5%
TAXATION PAYABLE	(1,639)	(3,308)	-50.5%
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8,570	7,061	+21.4%
EARNINGS PER ORDINARY SHARE	£14.27	£11.76	+21.5%
DIVIDEND PER ORDINARY SHARE (Paid and proposed)	£3.47	£3.34	+3.9%

## Chairman's Statement

I am pleased to report that despite difficult trading conditions in the brewing and pub sector your Company has been able to report profits in line with last year's record trading profit. This has been achieved by close control of costs and investing in pubs of the future.

In the year overall turnover increased from £86.2m to £88.0m and operating profit increased from £11.3m to £11.5m, an increase of 2%. As a result of higher borrowings and higher average bank base rates the total interest charge in the year increased from £2.7m to £3.3m. The key measure of Profit before tax and property profits saw an increase from £8.8m to £9.0m, but this includes profit on disposal of the Free Trade business of £0.6m. In the year we achieved property disposal profits of £1.2m compared to £1.6m last year and at the end of the financial year we successfully sold our loss making Free Trade business for £1m. Total profit before tax fell marginally from £10.4m to £10.2m.

Total capital expenditure was £15.1m (2007 - £23.3m). The majority of this spend was on the refurbishment of the existing pub estate. Total bank borrowings at year end amounted to £59.6m (2007 - £55.1m).

The Board is recommending a final dividend of 187p (2007 - 178p) which together with the two interim dividends of 80p results in a total dividend of 347p (2007 - 334p), an increase of 3.9%. Under accounting standards the final dividend is not accrued in the accounts until it is approved by the shareholders.

In early November we were granted outline planning consent for the redevelopment of the Blandford site subject to agreeing the detail. At the time of writing we have only just received a first draft of that detailed agreement and hence we still have some negotiations to complete before our consent is formalised. We are hopeful that this will be achieved shortly so that it will enable us to submit a detailed application for the new brewery by early summer. We therefore anticipate starting to build the new brewery in early 2009.

During the year Andrew Younger left us and was replaced by Tracy Peters as Tenanted Pub Director; Tracey joined the Company in 2002 as Group Head of Human Resources. I have also asked David French to join the Board as Commercial Director with responsibility for the beer business. David joined the Company in 1999 as Group Strategic Analyst. I am very pleased that we have been able to make these important appointments from our cadre of talented senior managers within the business. I would like to thank Andrew for his contribution and welcome Tracey and David to the Board.

Over the last five years we have changed the focus of the Company dramatically with the aim of improving the long term sustainability of profit. The Company continues to embrace change and I am pleased to report that our employees' attitude to change has been exemplary. I wish formally to put on record your Board's gratitude for their hard work and commitment during the year.



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 £8 570m (2007 - £7 061m) Ordinary interim dividends of £0 960m have been paid The preference dividend of £0 007m has been paid during the year The balance of £6 535m (2007 - £5 110m) 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:

	2008	2007	Definition, method of calculation and analysis
Growth in sales (%)	2 1%	4 9%	Year on year sales growth expressed as a percentage. The increase is in line with our growth strategy Sales have improved due to our broader product range, increasing customer loyalty and improved product quality and availability
Gross margin (%)	13 1%	13 2%	Gross margin is the ratio of operating profit before interest and property disposals to sales expressed as a percentage Gross margin is slightly down on last year as a result of the renegotiation of contracts with a number of our suppliers
Return on invested capital (%)	12 0%	12 8%	Operating profit expressed as a percentage of net assets. Return on invested capital is in line with our expectations and consistent with last year

### RISK

The group gives appropriate consideration to risk management objectives and policies Facilities are in place to deal with cash flow and liquidity risk Supplier pricing risk is mitigated by a diverse supplier portfolio Credit risk is managed through adoption of a rigorous credit policy

### 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 £15 127m (2007 - £23 294m) A summary of the movement on fixed assets is shown in note 12 to the accounts

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

### **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 Managing Director chairs a management briefing twice a year where the results of the Company are presented by each Divisional Director. Following this meeting the Managing Director presents 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 £33,135 (2007 - £26,772) 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.

### **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,



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

### **DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS (continued)**

- 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**

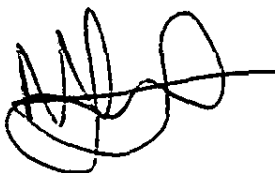
In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Nexia Smith & Williamson as auditors of the company will be put to the members at the Annual General Meeting.

### **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*

25 March 2008

# 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 26 January 2008 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 25. 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 26 January 2008 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  
25 March 2008

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

# HALL & WOODHOUSE LIMITED

## Group Profit and Loss Account for the year ended 26 January, 2008

		2008	2007
		Continuing Operations	Total
		2008	2007
	Notes	£000	£000
Turnover	1	85,589	88,018
Operating costs	3(a)	73,906	76,478
<b>GROUP OPERATING PROFIT</b>	4	11,683	11,540
Other income	7	115	115
Profit on Disposal of Free Trade Business		-	834
Costs associated with reorganising the business		-	197
Profit on sales of properties		1,208	1,208
<b>PROFIT on ordinary activities before interest</b>		13,006	13,500
INTEREST payable and similar charges	8		3,291
<b>PROFIT on ordinary activities before taxation</b>			10,209
<b>TAXATION on profit of ordinary activities</b>	9		1,639
<b>RETAINED PROFIT FOR THE YEAR</b>			8,570

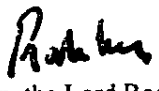
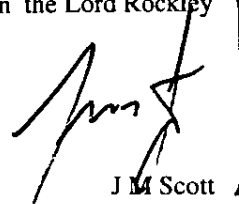
## Group Statement of Recognised Gains and Losses for the year ended 26 January, 2008

		2008	2007
	Notes	£000	£000
<b>RETAINED PROFIT FOR THE YEAR</b>		8,570	7,061
Actuarial gain relating to net pension asset / liability	25	515	2,067
Deferred tax associated with actuarial gain relating to net pension asset / liability		(306)	(685)
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT</b>		8,779	8,443

# HALL & WOODHOUSE LIMITED

## Balance Sheets as at 26 January, 2008

		Group		Company	
	Notes	2008 £000	2007 £000	2008 £000	2007 £000
<b>Fixed Assets</b>					
Tangible assets	12	164,182	155,316	159,969	151,292
Investments	13	736	827	1,327	1,418
		<u>164,918</u>	<u>156,143</u>	<u>161,296</u>	<u>152,710</u>
<b>Current Assets</b>					
Stocks	14	3,494	3,081	3,494	3,081
Debtors	15	8,064	7,189	11,662	10,598
Cash at bank and in hand	16	19	17	19	17
		<u>11,577</u>	<u>10,287</u>	<u>15,176</u>	<u>13,696</u>
Creditors amounts falling due within one year	17	(22,001)	(17,755)	(22,001)	(17,755)
<b>Net Current Liabilities</b>		<u>(10,424)</u>	<u>(7,468)</u>	<u>(6,826)</u>	<u>(4,059)</u>
<b>Total Assets less Current Liabilities</b>		154,494	148,675	154,470	148,651
Creditors amounts falling due after more than one year	18	(51,797)	(50,776)	(51,797)	(50,776)
<b>Provisions for Liabilities and Charges</b>	20	(7,525)	(8,758)	(7,525)	(8,758)
<b>Net Assets excluding Pension Liability</b>		<u>95,172</u>	<u>89,141</u>	<u>95,148</u>	<u>89,117</u>
<b>Pension Asset / (Liability) Net of Deferred Tax</b>	25	-	(713)	-	(713)
<b>Net Assets including Pension Asset / (Liability)</b>		<u>95,172</u>	<u>88,428</u>	<u>95,148</u>	<u>88,404</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	94,040	87,296	94,016	87,272
<b>Total Shareholders' Funds</b>		<u>95,172</u>	<u>88,428</u>	<u>95,148</u>	<u>88,404</u>

  
 The Rt Hon the Lord Rockley  
  
 J M Scott

Directors

25 March 2008

# HALL & WOODHOUSE LIMITED

## Group Statement of Cash Flows for the year ended 26 January, 2008

	<i>Notes</i>	<b>2008 £000</b>	<b>2008 £000</b>	<b>2007 £000</b>	<b>2007 £000</b>
NET CASH INFLOW FROM OPERATING ACTIVITY	3(b)		15,421		17,177
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received	7	115		134	
Interest paid	8	<u>(3,291)</u>	(3,177)	<u>(2,694)</u>	(2,560)
TAXATION			(2,339)		(2,397)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets	12	(15,127)		(23,294)	
Receipts from sales of tangible fixed assets		2,671		2,760	
Trade loans advanced	13	(186)		(410)	
Trade loans repaid	13	<u>277</u>	(12,365)	<u>408</u>	(20,536)
EQUITY DIVIDENDS PAID					
On ordinary shares	11	(2,028)		(1,944)	
On preference shares	11	<u>(7)</u>	(2,035)	<u>(7)</u>	(1,951)
NET CASH OUTFLOW BEFORE FINANCING			(4,494)		(10,267)
FINANCING					
Movement in long term loans			1,604		9,595
DECREASE IN CASH	16		<u>(2,890)</u>		<u>(672)</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT for the year ended 26 January 2008

	<i>Notes</i>	<b>2008 £000</b>	<b>2007 £000</b>
Decrease in cash		(2,890)	(672)
Cash inflow from movement in loans		(1,604)	(9,595)
MOVEMENT IN NET DEBT	16	<u>(4,494)</u>	<u>(10,267)</u>
NET DEBT AT BEGINNING OF YEAR	16	(55,127)	(44,860)
NET DEBT AT END OF YEAR	16	<u>(59,621)</u>	<u>(55,127)</u>

## 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 26 January 2008. 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

	2008 £000	2007 £000
(Increase) in stocks of finished goods and work in progress	(504)	(135)
Raw materials, consumables and goods for resale	19,489	17,938
Other external charges	11,938	12,561
Staff costs - wages and salaries	19,713	19,512
- social security costs	1,712	1,644
- other pension costs	550	681
Depreciation - owned assets	4,798	4,857
Other operating charges	18,782	17,794
	<u>76,478</u>	<u>74,852</u>

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

	2008 £000	2007 £000
Group operating profit	11,540	11,346
Depreciation of tangible fixed assets	4,798	4,857
Accrued income from sale of Free Trade business	834	-
Cost associated with reorganisation of business	(197)	-
(Increase) in stocks	(413)	(13)
(Increase)/Decrease in debtors	(875)	773
Increase in creditors	278	428
Defined benefit operating profit charge less contributions paid	(504)	(219)
(Decrease) /Increase in provisions	(40)	5
Net cash flow from operating activities	<u>15,421</u>	<u>17,177</u>

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

	2008			2007		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Turnover	85,589	2,429	88,018	83,449	2,749	86,198
Operating costs	73,906	2,572	76,478	72,124	2,728	74,852
Operating Profit	<u>11,683</u>	<u>(143)</u>	<u>11,540</u>	<u>11,325</u>	<u>21</u>	<u>11,346</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

<b>4</b>	<b>OPERATING PROFIT is stated after charging:</b>	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
	Hire of plant and equipment	308	365
	Auditors' remuneration - Audit services	26	25
	Non audit services paid to Auditor related companies - Taxation Services	9	17
<b>5</b>	<b>EMOLUMENTS OF DIRECTORS</b>	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
	Emoluments	839	860
	Compensation for loss of office	153	-
	Total company contributions to		
	Defined contribution pension scheme	58	55
	Defined benefit pension scheme	42	40
		<b>Number</b>	<b>Number</b>
	Members of defined contribution pension scheme	4	3
	Members of company defined benefit pension scheme	2	2
	The amounts in respect of the highest paid director are as follows -	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
	Basic salary, fees and benefits	184	170
	Annual bonus	25	30
	Total Emoluments	209	200
	Contribution to defined benefit pension scheme	28	27
	Accrued pension - company defined benefit pension scheme	67	59
<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>2008</b>	<b>2007</b>
		<b>Number</b>	<b>Number</b>
	Brewery Site	227	227
	Managed houses	1,181	1,379
		<u>1,408</u>	<u>1,606</u>
<b>7</b>	<b>OTHER INCOME</b>	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
	Interest on trade and other loans	67	53
	Sundry interest receivable	48	81
		<u>115</u>	<u>134</u>
<b>8</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
	Overdraft	141	155
	Bank Loans	3,355	2,709
	Other	6	15
	Interest payable before net interest on pension asset	3,502	2,879
	Net interest on pension asset	(211)	(185)
		<u>3,291</u>	<u>2,694</u>



# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

9	TAXATION	2008 £000	2007 £000
	Analysis of tax charge on ordinary activities		
	UK corporation tax at 30%	2,680	2,545
	Deferred taxation	(718)	583
	Adjustments relating to prior years		
	UK corporation tax	152	(18)
	Deferred taxation	-	198
	Effect of tax rate change on opening balances	(475)	-
		<u>1,639</u>	<u>3,308</u>

### Factors affecting tax charge

The tax assessed for the period is lower than the standard rate of corporation tax of 30%. The differences are explained below:

Expected tax charge on Profit on Ordinary Activities	3,063	3,111
Expenses not deductible for tax purposes	(79)	(62)
Depreciation on assets not qualifying for capital allowances	261	331
Capital allowances in excess of depreciation	(301)	(457)
Movement in short term timing differences	(2)	(3)
Other differences including rollover relief and indexation on chargeable gains	(262)	(375)
Current tax charge for the period	<u>2,680</u>	<u>2,545</u>

There is a large current year credit in respect of deferred tax due to changes in the IBA legislation which abolishes balancing adjustments. Consequently there is no longer a requirement to provide for a deferred tax liability on these assets. All depreciation on such assets will now be treated as a permanent difference.

In addition, deferred tax is now provided for at 28% due to a change in the tax rate for large companies with effect from 1 April 2008.

### Factors that may affect the future tax charge

Deferred tax has not been provided on revaluations of fixed assets. Tax will become 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 £7 072m (2007 - £7 016m).

## 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, £8 570m (2007 - £7 061m) has been dealt with in the accounts of the company.

## 11 DIVIDENDS

	2008 £000	2007 £000
Preference	7	7
Ordinary – final in respect of prior year	1,068	1,008
– first interim	480	468
– second interim	480	468
	<u>2,035</u>	<u>1,951</u>

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 27 January 2007	149,054	2,261	14,244	30,609	15,099	211,267
Additions	12,093	31	462	423	2,118	15,127
Reclassification	361	-	-	-	(361)	-
Disposals	(367)	(433)	(710)	(1,037)	(744)	(3,291)
At 26 January 2008	<u>161,141</u>	<u>1,859</u>	<u>13,996</u>	<u>29,995</u>	<u>16,112</u>	<u>223,103</u>
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	<u>159,684</u>	<u>1,847</u>	<u>13,982</u>	<u>29,995</u>	<u>16,112</u>	<u>221,620</u>
	<u>161,141</u>	<u>1,859</u>	<u>13,996</u>	<u>29,995</u>	<u>16,112</u>	<u>223,103</u>
<b>Depreciation</b>						
At 27 January 2007	13,074	285	6,485	26,374	9,733	55,951
Charge for the year	1,909	52	744	901	1,192	4,798
Reclassification	237	-	-	-	(237)	-
Disposals	(106)	(56)	(435)	(870)	(361)	(1,828)
At 26 January 2008	<u>15,114</u>	<u>281</u>	<u>6,794</u>	<u>26,405</u>	<u>10,327</u>	<u>58,921</u>
<b>Net book values</b>						
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>
At 27 January 2007	<u>135,980</u>	<u>1,976</u>	<u>7,759</u>	<u>4,235</u>	<u>5,366</u>	<u>155,316</u>
<b>COMPANY</b>						
<b>Cost or valuation</b>						
At 27 January 2007	149,025	2,261	14,244	30,610	5,606	201,746
Additions	12,092	31	462	422	1,043	14,050
Reclassification	361	-	-	-	(361)	-
Disposals	(367)	(433)	(710)	(1,037)	(592)	(3,139)
At 26 January 2008	<u>161,111</u>	<u>1,859</u>	<u>13,996</u>	<u>29,995</u>	<u>5,696</u>	<u>212,657</u>
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	<u>159,654</u>	<u>1,847</u>	<u>13,982</u>	<u>29,995</u>	<u>5,696</u>	<u>211,174</u>
	<u>161,111</u>	<u>1,859</u>	<u>13,996</u>	<u>29,995</u>	<u>5,696</u>	<u>212,657</u>
<b>Depreciation</b>						
At 27 January 2007	13,073	285	6,485	26,374	4,237	50,454
Charge for the year	1,906	52	744	901	348	3,951
Reclassification	237	-	-	-	(237)	-
Disposals	(106)	(56)	(435)	(870)	(250)	(1,717)
At 26 January 2008	<u>15,110</u>	<u>281</u>	<u>6,794</u>	<u>26,405</u>	<u>4,098</u>	<u>52,688</u>
<b>Net book values</b>						
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>
At 27 January 2007	<u>135,952</u>	<u>1,976</u>	<u>7,759</u>	<u>4,236</u>	<u>1,369</u>	<u>151,292</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 27 January 2007	827	827	827	591	1,418
Advances	186	186	186	-	186
Repayments	(277)	(277)	(277)	-	(277)
At 26 January 2008	<u>736</u>	<u>736</u>	<u>736</u>	<u>591</u>	<u>1,327</u>
<b>NET BOOK VALUE</b>					
At 26 January 2008	<u>736</u>	<u>736</u>	<u>736</u>	<u>591</u>	<u>1,327</u>
At 27 January 2007	<u>827</u>	<u>827</u>	<u>827</u>	<u>591</u>	<u>1,418</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		
<b>Non-Trading Companies</b>		
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	
	2008 £000	2007 £000	2008 £000	2007 £000
Raw materials and consumables	552	523	552	523
Work in progress	19	9	19	9
Finished goods	1,825	1,332	1,825	1,332
Goods for resale	600	595	600	595
Other stocks	<u>498</u>	<u>622</u>	<u>498</u>	<u>622</u>
	<u>3,494</u>	<u>3,081</u>	<u>3,494</u>	<u>3,081</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 15 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	3,992	4,563	3,992	4,563
Amounts owed by group undertakings	-	-	3,598	3,409
Prepayments and accrued income	4,072	2,626	4,072	2,626
	<u>8,064</u>	<u>7,189</u>	<u>11,662</u>	<u>10,598</u>

### 16 ANALYSIS OF NET DEBT

	At 27 January 2007	Group Cash Flow	At 26 January 2008
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank & in hand	17	2	19
Bank overdrafts	(1,076)	(2,892)	(3,968)
Cash	(1,059)	(2,890)	(3,949)
Loans	(54,068)	(1,604)	(55,672)
	<u>(55,127)</u>	<u>(4,494)</u>	<u>(59,621)</u>

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

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdraft (unsecured)	3,968	1,076	3,968	1,076
Trade creditors	4,412	4,134	4,412	4,134
Other creditors	262	225	262	225
Social security and other taxes	2,791	2,906	2,791	2,906
Taxation	1,745	1,252	1,745	1,252
Accruals and deferred income	3,651	3,564	3,651	3,564
Tenants' and other deposits	1,297	1,306	1,297	1,306
Bank loan (unsecured)	3,875	3,292	3,875	3,292
	<u>22,001</u>	<u>17,755</u>	<u>22,001</u>	<u>17,755</u>

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

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (unsecured)	50,500	42,708	50,500	42,708
Floating Rate Guaranteed Loan Notes 2010	1,297	8,068	1,297	8,068
	<u>51,797</u>	<u>50,776</u>	<u>51,797</u>	<u>50,776</u>

## Notes to the Accounts (continued)

19 LOANS	<i>Group &amp; Company</i>	
	<i>2008</i>	<i>2007</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	4,375	5,000
£5m bank facility with a variable interest rate linked to a fixed margin over LIBOR		
	<u>9,375</u>	<u>10,000</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	7,750	2,000
£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	1,297	8,068
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	4,000	4,000
£8m facility under a revolving credit agreement		
Interest is linked to a fixed margin over LIBOR		
	<u>55,672</u>	<u>54,068</u>
<b>Amounts repayable:</b>		
In one year or less, or on demand	3,875	3,292
In more than one year but not more than two years	625	1,958
In more than two years but not more than five years	<u>44,922</u>	<u>41,943</u>
	49,422	47,193
In more than five years	<u>6,250</u>	<u>6,875</u>
	<u>55,672</u>	<u>54,068</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 (£7,750m 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>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred taxation	6,396	7,589	6,396	7,589
King & Barnes Ltd unfunded pension scheme	1,101	1,133	1,101	1,133
Other provisions	28	36	28	36
	<u>7,525</u>	<u>8,758</u>	<u>7,525</u>	<u>8,758</u>

Movement in deferred taxation provision

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
At 27 January 2007	7,589	7,589
Transfer from subsidiary	-	(91)
Credit for the year	(247)	(201)
Prior year adjustment	(471)	(473)
Effect of change of tax rate	(475)	(428)
At 26 January 2008	<u>6,396</u>	<u>6,396</u>

The balance comprises

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</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	6,770	7,696	6,770	7,696
Other timing differences	(374)	(108)	(374)	(108)
	<u>6,396</u>	<u>7,588</u>	<u>6,396</u>	<u>7,588</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>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</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 26 January 2008 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 £22.5m (2007-£22.5m) with Royal Bank of Scotland plc and Barclays Bank plc as a hedge against adverse interest rate movements.

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 23 FINANCIAL COMMITMENTS

At 26 January, 2008 authorised future capital expenditure amounted to

<i>Group</i>		<i>Company</i>	
<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
1,623	2,200	1,623	2,200

Obligations under operating leases as at 26 January, 2008 fall due as follows

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
(a) within one year	157	181	157	181
(b) in two to five years	181	228	181	228
(c) over five years	-	-	-	-
	<u>338</u>	<u>409</u>	<u>338</u>	<u>409</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 28 January 2006	800	332	80,805	81,937
Retained profit for the period	-	-	7,061	7,061
Dividends	-	-	(1,951)	(1,951)
Actuarial gain relating to net pension liability (net of tax)	-	-	1,381	1,381
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)	-	-	1,384	1,384
Balance at 26 January 2008	<u>800</u>	<u>332</u>	<u>95,215</u>	<u>96,347</u>
<b>COMPANY</b>				
Balance at 28 January 2006	800	332	80,780	81,912
Retained profit for the period	-	-	7,061	7,061
Dividends	-	-	(1,951)	(1,951)
Actuarial gain relating to net pension liability (net of tax)	-	-	1,382	1,382
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	<u>800</u>	<u>332</u>	<u>94,016</u>	<u>95,148</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 25 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 2005 and updated on an approximate basis to 26 January 2008. This valuation has not yet been formalised, the last formal actuarial valuation was as at 1 October 2003. 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 unfunded 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 £0.598m (2007 - £0.422m) in accordance with the schedule of contributions. This contribution rate is to continue until reviewed following the triennial valuation of the Scheme due as at 1st April 2008. 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.

#### Assumptions

The assets of the Plan have been taken at market value and the liabilities have been calculated using the principal actuarial assumptions outlined below. For King & Barnes the assets have been taken at the discounted value of the company pension promise and the proceeds of the underlying insurance policies, calculated on the assumptions below.

	2008 (per annum)	2007 (per annum)	2006 (per annum)
Inflation	3.40%	3.30%	3.20%
Salary increases	3.40%	3.30%	3.20%
Rate of discount	6.30%	5.40%	4.75%
Pension in payment increases	3.20%	3.00%	2.95%
Pension Increases from 01/04/2005	2.50%	2.50%	2.50%
Revaluation rate for deferred pensioners	3.40%	3.30%	3.20%

#### Illustrative balance sheet figures

	2008 (£000)			2007 (£000)			2006 (£000)		
	The Plan	King & Barnes	Total	The Plan	King & Barnes	Total	The Plan	King & Barnes	Total
Assets	22,445	2,563	25,008	22,706	2,657	25,363	22,701	2,721	25,422
Liabilities	21,629	1,700	23,329	24,328	2,054	26,382	26,220	2,507	28,727
Surplus/(Deficit)	816	863	1,679	(1,622)	603	(1,019)	(3,519)	214	(3,305)
Related deferred tax (liability)/asset	(245)	(259)	(504)	487	(181)	306	1,056	(65)	991
Net Pension asset/(liability)	571	604	1,175	(1,135)	422	(713)	(2,463)	149	(2,314)

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:

Surplus/(Deficit)	-	(713)	(2,314)
<b>Assets</b>			
Equities	9,449	-	9,449
Bonds	3,502	-	3,502
Gilts	9,567	-	9,567
Company Pension Promise	-	1,101	1,101
Other	(73)	1,462	1,389
Total	22,445	2,563	25,008
	22,706	2,657	25,363
	22,701	2,721	25,422

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



## Notes to the Accounts (continued)

### 25 PENSION COSTS ( continued )

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.

#### Expected long term rate of return

	2008 (per annum)	2007 (per annum)	2006 (per annum)
Equities	7.75%	8.50%	7.25%
Bonds	6.00%	5.20%	4.85%
Company Pension Promise	5.50%	5.40%	4.75%
Other	5.50%	4.50%	4.50%

The Expected Long Term Rate of Return on the company pension promise is assumed to be equal to the discount rate, as this is the rate that will be used to calculate the funding charge added to the liability in the Group and Company Balance Sheets.

#### Illustrative charge to the profit and loss account over the financial year

	2008 £000	2007 £000
<i>Operating charge</i>		
Current service cost	429	533
Employee contributions	(124)	(100)
<b>Total operating charge</b>	<b>305</b>	<b>433</b>
<i>Other finance charge</i>		
Expected return on pension scheme assets	(1,620)	(1,535)
Interest on pension scheme liabilities	1,409	1,350
<b>Net finance credit</b>	<b>(211)</b>	<b>(185)</b>
<b>Total Charge to profit and loss account</b>	<b>94</b>	<b>248</b>

#### Illustrative amounts which would be included within the statement of total recognised gains and losses

	2008		2007	
	£000	%	£000	%
Difference between expected and actual return on assets Amount [Percentage of scheme assets]	(1,554)	-6%	(1,032)	-4%
Experience gains arising on the scheme liabilities Amount [Percentage of scheme liabilities]	(108)	-1%	(142)	-1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities Amount [Percentage of scheme liabilities]	3,856	17%	(3,241)	12%
<b>Total [Percentage of scheme liabilities]</b>	<b>2,194</b>	<b>9%</b>	<b>2,067</b>	<b>8%</b>

The actuarial gain recognised in the STRGL is subsequently reduced to £515k as a result of the decision not to recognise the pension surplus as an asset in the accounts.

## Notes to the Accounts (continued)

### 25 PENSION COSTS ( continued )

#### Movement in illustrative balance sheet surplus/(deficit) figures during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(1,019)	(3,305)
Movement in year	(305)	(433)
Current service cost		
Net finance credit	211	185
Total contributions	598	422
Curtailment	-	45
Actuarial gain	2,194	2,067
Surplus/(Deficit) in scheme at end of year	1,679	(1,019)
Less restriction in surplus per above	(1,679)	-
<b>Recognised surplus/(deficit)</b>	<b>-</b>	<b>(1,019)</b>

#### History of experience gains and losses

A history of the amounts recognised which would have been in the statement of total recognised gains and losses for the previous accounting year is as follows

	2008	2007	2006	2005	2004
Difference between expected and actual return on assets					
Amount	(1,554)	(1,032)	2,630	451	1,072
Percentage of scheme assets	-6%	-4%	10%	2%	5%
Experience gains arising on the scheme liabilities					
Amount	(108)	(142)	(428)	(233)	287
Percentage of present value of the scheme liabilities	-1%	-1%	-1%	-1%	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount	3,856	3,241	(2,322)	(1,413)	(709)
Percentage of present value of the scheme liabilities	17%	13%	-8%	-6%	-3%
<b>Total actuarial gain or (loss)</b>	<b>2,194</b>	<b>2,067</b>	<b>(120)</b>	<b>(1,195)</b>	<b>650</b>
<b>Percentage of present value of the scheme liabilities</b>	<b>9%</b>	<b>8%</b>	<b>0%</b>	<b>-5%</b>	<b>3%</b>

As detailed above, the actuarial gain is reduced to £515k in line with the note above

# HALL & WOODHOUSE LIMITED

## Group Five-Year Statement

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
<b>ASSETS EMPLOYED</b>					
Overdraft	(3,968)	(1,076)	(444)	(197)	(195)
Net Current Liabilities	(6,456)	(3,100)	(3,242)	(4,733)	(3,001)
Investments and Trade Loans	736	827	825	961	872
Fixed Assets	164,182	155,316	138,056	126,638	123,321
	<u>154,494</u>	<u>151,967</u>	<u>135,195</u>	<u>122,669</u>	<u>120,997</u>
<b>CAPITAL EMPLOYED</b>					
Equity	94,972	88,228	81,737	73,458	69,620
Preference Capital	200	200	200	200	200
Medium Term Loans	51,797	54,068	42,973	39,623	41,029
Long Term Liabilities	7,525	8,758	7,971	6,909	8,210
Net Pension Liability	-	713	2,314	2,479	1,938
	<u>154,494</u>	<u>151,967</u>	<u>135,195</u>	<u>122,669</u>	<u>120,997</u>
<b>PROFITS and DIVIDENDS</b>					
	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Turnover	88,018	86,198	82,207	94,435	93,248
Group Operating Profit	11,540	11,346	10,522	8,156	7,731
Investment Income	115	134	83	61	87
Interest Payable	(3,291)	(2,694)	(2,668)	(2,914)	(2,620)
Trading Profit before Taxation	8,363	8,786	7,937	5,303	5,198
Profit on Sale of FT / Brand	637	-	-	441	-
Profit on Sales of Assets	1,208	1,583	3,780	1,403	1,814
<b>Profit before Taxation</b>	10,209	10,369	11,717	7,147	7,012
Deduct Taxation	(1,639)	(3,308)	(2,531)	(1,964)	(2,283)
Preference Dividend	(7)	(7)	(7)	(7)	(7)
Earnings for Ordinary Shareholders	8,563	7,054	9,179	5,176	4,722
Deduct Ordinary Dividends	(2,028)	(1,944)	(816)	(1,632)	(1,524)
<b>Transfer to Reserves</b>	<u>6,535</u>	<u>5,110</u>	<u>8,363</u>	<u>3,544</u>	<u>3,198</u>
<b>Earnings per Ordinary Share</b>	£14 27	£11 76	£15 30	£8 63	£7 87
<b>Dividend per £1 Ordinary Share</b>	Pence	Pence	Pence	Pence	Pence
Net ordinary dividend paid/proposed	347	334	304	272	254

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