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**HALL & WOODHOUSE**

INDEPENDENT FAMILY BREWERS

# REPORT AND ACCOUNTS 2011



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# HALL & WOODHOUSE LIMITED

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## Directors and Advisers

### Directors

M J M WOODHOUSE, MBA (*Chairman*)  
T CLARKE, MA \* (Appointed on 1st June 2010)  
D J FRENCH, BA (Hons), MBA  
D H C HOARE, BA (Hons), MBA  
M R KEARSEY, BA (Hons)  
The Rt Hon the LORD ROCKLEY (Resigned 21st May 2010)  
J M SCOTT, BA (Hons), ACMA  
M A STREET, OBE \*  
J G G WILLIAMS \*  
A W WOODHOUSE, MA (*Managing*)

\* denotes member of the Audit and Remuneration Committees

### 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 LLP  
Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX

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

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

### Secretary

M JAMES, LLB (Hons), Solicitor

### 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 THIRTEENTH ANNUAL GENERAL MEETING of the Company will be held at "Hall & Woodhouse", 1 Old King Street, Bath, Somerset, BA1 2JW on Friday the 20th day of May, 2011 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 29 January 2011
- 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 CLARKE
- 5) To re-elect retiring directors, namely M A STREET
- 6) To re-appoint the auditors, Nexia Smith & Williamson
- 7) To authorise the directors to determine the remuneration of the auditors
- 8) To transact any other ordinary business of the Company

By order of the Board



M JAMES  
*Secretary*

THE BREWERY  
BLANDFORD ST MARY  
DORSET  
15 April 2011

#### 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>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>	<i>% Change</i> <i>Year on Year</i>
TURNOVER	90,467	89,332	+1.3%
ONGOING GROUP OPERATING PROFIT	7,314	8,434	-13.3%
INTEREST RECEIVABLE	69	37	+87.5%
INTEREST PAYABLE	(1,826)	(1,918)	+4.8%
<b>ONGOING PROFIT ON ORDINARY ACTIVITIES</b>	<b>5,557</b>	<b>6,553</b>	<b>-15.2%</b>
ONEROUS RENT PROVISION	(2,578)	(691)	-273.1%
OTHER IMPAIRMENTS	(712)	-	-100%
PROFIT ON SALE OF PROPERTY	3,327	700	+375.3%
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5,594	6,562	-14.8%
TAXATION PAYABLE	(795)	(1,982)	+59.9%
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	4,799	4,580	+4.8%
<b>EARNINGS PER ORDINARY SHARE</b>	<b>£7.99</b>	<b>£7.62</b>	<b>+4.8%</b>
<b>DIVIDEND PER ORDINARY SHARE* (Paid and proposed)</b>	<b>£3.47</b>	<b>£3.47</b>	<b>+0.0%</b>

\* Dividend per ordinary share is calculated using total dividends in respect of a financial year regardless of the accounting period in which they are recognised

### Chairman's Statement

It is my pleasure to report that your Company has made good progress across a number of key fronts in my first year as Chairman. Lord Rockley retired as Chairman at the last AGM after nearly ten years of exemplary service, he led us through much change and latterly some very difficult times. I would formally like to thank him for his wisdom and wise guidance and I am determined to build on his strong leadership through these challenging economic conditions.

The future strategy for the Company has been clearly defined and communicated throughout the Company. We have started to see real benefits from the successful implementations of a range of initiatives across each of the operating divisions. Despite an external environment of continued uncertainty we are confident that the Company will continue to go from strength to strength.

2010 was always going to be a transition year financially as we incurred significant start up costs of our new flagship site at Bath and started building the new brewery on the Blandford site. Turnover was up slightly at £90.5m (2010-£89.3m). Operating Profit before onerous rent provisions fell to £7.3m (2010-£8.4m) mainly due to start up costs in Bath and change in sales mix towards increased, but lower margin, sales within the Take-home channel. Interest costs at £1.8m (2010-£1.9m) were slightly lower compared to last year. We achieved record property sales of £8.0m (2010-£2.1m), the main disposal was surplus land adjacent to the Plough, Horsham. Property disposal profits were £3.3m (2010-£0.7m). In the year we continued to review our leasehold estate and after careful consideration we took an additional onerous rent provision of £1.4m (2010-£0.7m) and wrote down 14 leasehold pubs to zero value. The long term aim is to exit the tail end of our leasehold estate and in the year we handed back 3 leases and assigned two leases. Taking these property transactions together there was nil effect on the profit for year.

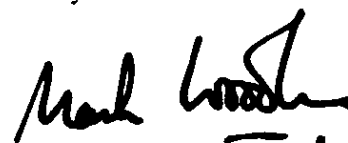
We again made significant headway in reducing borrowings which fell by a record £10.2m (2010-£6.4m) during the year. Borrowings at the year end were £43.3m (2010-£53.5m). This strong cash flow helped us to negotiate new bank facilities of £20m each from Lloyds and HSBC at margins which are higher than we have enjoyed but significantly below other companies who have not been able to demonstrate the strength of their cash flow and balance sheet. Barclays have continued to support us and in recognition of this we have moved our clearing business to them. We now have total facilities in excess of £60m, which we consider to be sufficient for the foreseeable future.

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 (2010-187p) which, together with the two interim dividends of 80p, results in an unchanged total dividend of 347p (2010-347p).

I would like to welcome Tim Clarke as our third Non-Executive Director who joined us on 1<sup>st</sup> June 2010. Tim has a wealth of knowledge of our industry and was Chief Executive of Mitchells and Butlers having worked for them for nearly 20 years.

2011 is not going to be any easier economically with significant cost pressures. The economy is showing little sign of recovery, substantial tax rises and government cuts have been announced. However we have got the full year positive impact of the highly successful Bath site and the exciting prospect of our new brewery, the first in over 100 years. I am very confident that we have the right strategy and the right team to tackle the challenges ahead and look forward to a very exciting year and beyond.

We are indebted to the team for all pulling together during these trying times and I would formally like to thank them for their hard work and commitment.



M J M WOODHOUSE  
Chairman

# HALL & WOODHOUSE LIMITED

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## Directors' Report

### PROFITS AND DIVIDEND

The Group profit for the year available for appropriation amounts to £5 594m (2010 - £4 580m) Ordinary interim dividends of £0 960m, a final dividend of £1 122m, and the preference dividend of £0 007m have been paid during the year The balance of £3 505m (2010 - £2 011m) 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

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

	2011	2010	Definition, method of calculation and analysis
Growth in sales (%)	1 3%	-1 8%	Year on year sales growth expressed as a percentage Sales increased in the Beer Company Take Home Sector and in the Retail Pub Sector with the Bath site opening in May 2010
Gross margin (%)	8 1%	9 4%	Gross margin is the ratio of operating profit before interest and property disposals, to sales expressed as a percentage The reduction reflects lower margin sales from Take Home, and one-off start up costs associated with the Bath site
Return on invested capital (%)	7 4%	8 9%	Operating Profit expressed as a percentage of net assets This reflects the shortfall in gross margin

### 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

## **HALL & WOODHOUSE LIMITED**

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### **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 £7.908m (2010 - £3.294m). 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 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 Group'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 £66,162 (2010 - £54,939) 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)**

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

#### **AUDITORS**

A resolution will be put to the Annual General Meeting proposing the re-appointment of Nexia Smith & Williamson as auditors to the Company

**This report was approved and authorised for issue by the board of directors on 25 March 2011.**



**M JAMES**

*Secretary*

25 March 2011

## **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

# HALL & WOODHOUSE LIMITED

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## Independent Auditors' Report

### to the Members of Hall & Woodhouse Limited (Registered No 57696)

We have audited the Group and Parent Company accounts of Hall & Woodhouse Limited for the year ended 29 January 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 29 January 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

Christopher Appleton  
Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants  
25 March 2011

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

## HALL & WOODHOUSE LIMITED

### Group Profit and Loss Account for the year ended 29 January, 2011

	Notes	2011 £000	2011 £000	2011 £000	2010 £000	2010 £000	2010 £000
		Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
Turnover	1	90,468	-	90,468	89,332	-	89,332
Operating costs	3(a)&(b)	(83,154)	(3,290)	(86,444)	(80,898)	(691)	(81,589)
<b>GROUP OPERATING PROFIT/(LOSS)</b>	4	7,314	(3,290)	4,024	8,434	(691)	7,743
Profit on sales of properties	3(b)	-	3,327	3,327	-	700	700
<b>PROFIT on ordinary activities before interest</b>		7,314	37	7,351	8,434	9	8,443
Interest receivable	7	69	-	69	37	-	37
Interest payable and similar charges	8	(1,545)	-	(1,545)	(1,475)	-	(1,475)
Net interest on pension liabilities	8	(281)	-	(281)	(443)	-	(443)
<b>PROFIT on ordinary activities before taxation</b>		5,557	37	5,594	6,553	9	6,562
<b>TAXATION on profit of ordinary activities</b>	9	(795)	-	(795)	(1 982)	-	(1 982)
<b>RETAINED PROFIT FOR THE YEAR</b>		4,762	37	4,799	4,571	9	4,580

All amounts relate to continuing operations

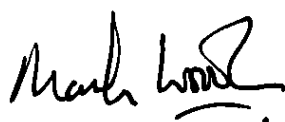
### Group Statement of Recognised Gains and Losses for the year ended 29 January, 2011

	Notes	2011 £000	2010 £000
<b>RETAINED PROFIT FOR THE YEAR</b>		4,799	4,580
Actuarial profit/(loss) relating to net pension liability	27	2,285	(2,492)
Deferred tax associated with actuarial profit/(loss) relating to net pension liability		(579)	796
<b>TOTAL GAINS RECOGNISED SINCE LAST ANNUAL REPORT</b>		6,505	2,884

# HALL & WOODHOUSE LIMITED

## Balance Sheets as at 29 January, 2011

		Group		Company	
	Notes	2011 £000	2010 £000	2011 £000	2010 £000
<b>Fixed Assets</b>					
Tangible assets	12	165,200	168 237	163,373	165 763
Investments	13	1,046	646	1,637	1,237
		<u>166,246</u>	<u>168,883</u>	<u>165,010</u>	<u>167,000</u>
<b>Current Assets</b>					
Stocks	14	2,856	2,950	2,856	2,950
Debtors	15	7,401	8,048	18,213	17,528
Cash at bank and in hand	16	1,670	16	1,670	16
		<u>11,927</u>	<u>11,014</u>	<u>22,739</u>	<u>20 494</u>
Creditors amounts falling due within one year	17	<u>(57,194)</u>	<u>(16,092)</u>	<u>(66,794)</u>	<u>(23,713)</u>
<b>Net Current Liabilities</b>		<u>(45,267)</u>	<u>(5,078)</u>	<u>(44,055)</u>	<u>(3,219)</u>
<b>Total Assets less Current Liabilities</b>		120,979	163,805	120,955	163,781
Creditors amounts falling due after more than one year	18	(6,875)	(52,146)	(6,875)	(52 146)
<b>Provisions for Liabilities and Charges</b>	20	<u>(11,586)</u>	<u>(12,070)</u>	<u>(11,586)</u>	<u>(12,070)</u>
<b>Net Assets excluding Pension Liability</b>		102,518	99,589	102,494	99,565
<b>Pension Liability Net of Deferred Tax</b>	27	<u>(3,629)</u>	<u>(5,116)</u>	<u>(3,629)</u>	<u>(5,116)</u>
<b>Net Assets including Pension Liability</b>		<u>98,889</u>	<u>94 473</u>	<u>98,865</u>	<u>94,449</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	97,757	93,341	97,733	93 317
<b>Total Shareholders' Funds</b>		<u>98,889</u>	<u>94 473</u>	<u>98,865</u>	<u>94,449</u>



M J M Woodhouse



J M Scott

Directors

25 March 2011

# HALL & WOODHOUSE LIMITED

## Group Statement of Cash Flows for the year ended 29 January, 2011

	<i>Notes</i>	<b>2011 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2010 £000</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITY</b>	3(c)		15,872		10,663
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received	7	69		37	
Interest paid	8	(1,826)	(1,757)	(1,918)	(1,881)
<b>TAXATION</b>			(1,570)		2,673
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire tangible fixed assets and transfer from current assets	12	(7,908)		(4,190)	
Receipts from sales of tangible fixed assets		8,017		2,095	
Trade loans advanced	13	(715)		(537)	
Trade loans repaid	13	315	(291)	188	(2 444)
<b>EQUITY DIVIDENDS PAID</b>					
On ordinary shares	11	(2,082)		(2 562)	
On preference shares	11	(7)	(2,089)	(7)	(2,569)
<b>NET CASH INFLOW BEFORE FINANCING</b>			10,165		6,442
<b>FINANCING</b>					
Movement in long term loans			(7,771)		(5,804)
<b>INCREASE IN CASH</b>	16		2,394		638

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT for the year ended 29 January 2011

	<i>Notes</i>	<b>2011 £000</b>	<b>2010 £000</b>
Increase in cash		2,394	638
Cash inflow from movement in loans		7,771	5 804
<b>MOVEMENT IN NET DEBT</b>	16	10,165	6 442
<b>NET DEBT AT BEGINNING OF YEAR</b>	16	(53,495)	(59 937)
<b>NET DEBT AT END OF YEAR</b>	16	(43,330)	(53 495)

# 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 29 January 2011. 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	3-10 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 rents receivable. 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

	Before Exceptional Items 2011 £000	Exceptional Items 2011 £000	Total 2011 £000	Before Exceptional Items 2010 £000	Exceptional Items 2010 £000	Total 2010 £000
Decrease/(Increase) in stocks of finished goods and work in progress	48	-	48	(203)	-	(203)
Raw materials, consumables and goods for resale	21,952	-	21,952	21,223	-	21,223
Staff costs - wages and salaries	20,966	-	20,966	20,726	-	20,726
- social security costs	1,883	-	1,883	1,701	-	1,701
- other pension costs	446	-	446	409	-	409
Depreciation - owned assets	5,283	1,168	6,451	5,417	-	5,417
Other operating income	(29)	-	(29)	-	-	-
Other operating charges	32,605	2,122	34,727	31,625	691	32,316
	<u>83,154</u>	<u>3,290</u>	<u>86,444</u>	<u>80,898</u>	<u>691</u>	<u>81,589</u>

### 3(b) EXCEPTIONAL ITEMS

Operating Costs		
Impairment of property	600	-
Abortive pub development costs from prior years	112	-
Onerous rent provision on leased pubs	1,410	691
Asset write down on leased pubs	1,168	-
	<u>3,290</u>	<u>691</u>
Property Disposals		
Profit on sale of property	3,523	700
Asset write down of fixtures to net realisable value	(196)	-
	<u>3,327</u>	<u>700</u>

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

	2011 £000	2010 £000
Group operating profit	4,024	7,743
Depreciation of tangible fixed assets	6,451	5,417
Decrease/(Increase) in stocks	94	(120)
Decrease/(Increase) in debtors	647	(990)
Increase/(Decrease) in creditors	4,432	(1,716)
Defined benefit operating profit charge less contributions paid	219	346
Increase/(Decrease) in provisions	5	(17)
Net cash flow from operating activities	<u>15,872</u>	<u>10,663</u>



# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

<b>4</b>	<b>OPERATING PROFIT is stated after charging:</b>	<b>2011</b>	<b>2010</b>
		<b>£000</b>	<b>£000</b>
	Hire of plant and equipment	234	233
	Auditors' remuneration - Audit services	31	25
	Non audit services paid to Auditor related companies - Taxation Services	18	32
<b>5</b>	<b>EMOLUMENTS OF DIRECTORS</b>	<b>2011</b>	<b>2010</b>
		<b>£000</b>	<b>£000</b>
	Emoluments	1,040	1,038
	Long Term Incentive Scheme	20	100
	Total company contributions to -		
	Defined contribution pension scheme	86	78
	Defined benefit pension scheme	34	23
		<b>Number</b>	<b>Number</b>
	Members of defined contribution pension scheme	4	5
	Members of company defined benefit pension scheme	2	2
	The amounts in respect of the highest paid director are as follows -	<b>2011</b>	<b>2010</b>
		<b>£000</b>	<b>£000</b>
	Basic salary, fees and benefits	172	172
	Annual bonus	31	51
	Long Term Incentive Scheme	10	50
	Total Emoluments	213	273
	Contribution to defined contribution pension scheme	24	24
<b>6</b>	<b>STAFF NUMBERS</b>		
	The average number of persons employed by the Group, including directors, during the year was as follows -	<b>2011</b>	<b>2010</b>
		<b>Number</b>	<b>Number</b>
	Brewery Site	197	200
	Managed houses	1,243	1,205
		<u>1,440</u>	<u>1,405</u>
<b>7</b>	<b>INTEREST RECEIVABLE</b>	<b>2011</b>	<b>2010</b>
		<b>£000</b>	<b>£000</b>
	Interest on trade and other loans	38	14
	Sundry income	31	23
		<u>69</u>	<u>37</u>
<b>8</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2011</b>	<b>2010</b>
		<b>£000</b>	<b>£000</b>
	Overdraft	8	16
	Bank Loans	1,532	1,434
	Other	5	25
	Interest payable before net interest on pension liability	1,545	1,475
	Net interest on pension liability	281	443
		<u>1,826</u>	<u>1,918</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 9 TAXATION

	2011 £000	2010 £000
Analysis of tax charge on ordinary activities		
UK corporation tax at 28.00%	1,360	1,565
Deferred taxation	(60)	410
Adjustments relating to prior years		
UK corporation tax	(76)	-
Deferred taxation	(38)	7
Effect of tax rate change on opening balances	(391)	-
	<u>795</u>	<u>1,982</u>
Factors affecting tax charge		
Expected tax charge on Profit on Ordinary Activities	1,566	1,837
Expenses not deductible for tax purposes	99	(63)
Depreciation on assets not qualifying for capital allowances	373	261
Capital allowances in excess of depreciation	46	(352)
Movement in short term timing differences	(11)	(115)
Other differences including rollover relief and indexation on chargeable gains	(713)	(3)
Current tax charge for the period	<u>1,360</u>	<u>1,565</u>

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 £8.426m (2010 - £6.788m).

### 10 PROFIT FOR THE YEAR

In accordance with the exemptions allowed by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account. Of the profit for the year, £5.594m (2010 - £4.580m) has been dealt with in the accounts of the Company.

### 11 DIVIDENDS

	2011 £000	2010 £000
Preference	7	7
Ordinary -		
- second interim for prior year	0p per share (2009 - 80p)	480
- final in respect of prior year	187p per share (2010 - 187p)	1,122
- first interim for current year	80p per share (2010 - 80p)	480
- second interim for current year	80p per share (2010 - 80p)	480
	<u>2,089</u>	<u>2,569</u>

The Board will be recommending a final dividend of 187p. In accordance with Accounting Standard FRS21 - 'Events after the balance sheet date', these 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 30 January 2010	166,071	1,835	11,893	8,169	11,765	199,733
Additions	3,398	1	29	729	3,751	7,908
Reclassification	(23)	2	22	(28)	27	-
Disposals	(3,735)	(265)	(920)	(23)	(744)	(5,687)
At 29 January 2011	<u>165,711</u>	<u>1,573</u>	<u>11,024</u>	<u>8,847</u>	<u>14,799</u>	<u>201,954</u>
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	<u>164,254</u>	<u>1,561</u>	<u>11,010</u>	<u>8,847</u>	<u>14,799</u>	<u>200,471</u>
	<u>165,711</u>	<u>1,573</u>	<u>11,024</u>	<u>8,847</u>	<u>14,799</u>	<u>201,954</u>
<b>Depreciation</b>						
At 30 January 2010	13,795	296	6,028	5,418	5,959	31,496
Charge for the year	2,436	40	1,430	851	1,694	6,451
Reclassification	(14)	-	15	(6)	5	-
Disposals	(212)	(47)	(782)	(6)	(146)	(1,193)
At 29 January 2011	<u>16,005</u>	<u>289</u>	<u>6,691</u>	<u>6,257</u>	<u>7,512</u>	<u>36,754</u>
<b>Net book values</b>						
At 29 January 2011	<u>149,706</u>	<u>1,284</u>	<u>4,333</u>	<u>2,590</u>	<u>7,287</u>	<u>165,200</u>
At 30 January 2010	<u>152,276</u>	<u>1,539</u>	<u>5,865</u>	<u>2,751</u>	<u>5,806</u>	<u>168,237</u>
<b>COMPANY</b>						
<b>Cost or valuation</b>						
At 30 January 2010	166,071	1,835	11,893	8,169	4,704	192,672
Additions	3,398	1	29	729	3,751	7,908
Reclassification	(23)	2	22	(28)	27	-
Disposals	(3,735)	(265)	(920)	(23)	(744)	(5,687)
At 29 January 2011	<u>165,711</u>	<u>1,573</u>	<u>11,024</u>	<u>8,847</u>	<u>7,738</u>	<u>194,893</u>
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	<u>164,254</u>	<u>1,561</u>	<u>11,010</u>	<u>8,847</u>	<u>7,738</u>	<u>193,410</u>
	<u>165,711</u>	<u>1,573</u>	<u>11,024</u>	<u>8,847</u>	<u>7,738</u>	<u>194,893</u>
<b>Depreciation</b>						
At 30 January 2010	13,795	296	6,028	5,418	1,372	26,909
Charge for the year	2,436	40	1,430	851	1,046	5,803
Reclassification	(14)	-	15	(6)	5	-
Disposals	(212)	(47)	(782)	(6)	(146)	(1,193)
At 29 January 2011	<u>16,005</u>	<u>289</u>	<u>6,691</u>	<u>6,257</u>	<u>2,277</u>	<u>31,519</u>
<b>Net book values</b>						
At 29 January 2011	<u>149,706</u>	<u>1,284</u>	<u>4,333</u>	<u>2,590</u>	<u>5,461</u>	<u>163,374</u>
At 30 January 2010	<u>152,276</u>	<u>1,539</u>	<u>5,865</u>	<u>2,751</u>	<u>3,332</u>	<u>165,763</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		
	<i>Trade loans £000</i>	<i>Total £000</i>	<i>Trade loans £000</i>	<i>Subsidiary undertakings £000</i>	<i>Total £000</i>
<b>COST</b>					
At 30 January 2010	646	646	646	591	1,237
Advances	715	715	715	-	715
Repayments/Write Offs	(315)	(315)	(315)	-	(315)
At 29 January 2011	<u>1,046</u>	<u>1,046</u>	<u>1,046</u>	<u>591</u>	<u>1,637</u>
<b>NET BOOK VALUE</b>					
At 29 January 2011	<u>1,046</u>	<u>1,046</u>	<u>1,046</u>	<u>591</u>	<u>1,637</u>
At 30 January 2010	<u>646</u>	<u>646</u>	<u>646</u>	<u>591</u>	<u>1,237</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
Badger Ales Limited	100%	England
Woodhouse Wines Limited	100%	England

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

### 14 STOCKS

	Group		Company	
	<i>2011 £000</i>	<i>2010 £000</i>	<i>2011 £000</i>	<i>2010 £000</i>
Raw materials and consumables	434	466	434	466
Work in progress	-	1	-	1
Finished goods	1,580	1,627	1,580	1,627
Goods for resale	645	604	645	604
Other stocks	197	252	197	252
	<u>2,856</u>	<u>2,950</u>	<u>2,856</u>	<u>2,950</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 15 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	4,867	5,200	4,867	5,200
Amounts owed by group undertakings	-	-	10,812	9,480
Prepayments and accrued income	2,534	2,848	2,534	2,848
	<u>7,401</u>	<u>8,048</u>	<u>18,213</u>	<u>17,528</u>

### 16 ANALYSIS OF NET DEBT

	At 30 January 2010	Group Cash Flow	At 29 January 2011
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank & in hand	16	1,654	1,670
Bank overdrafts	(740)	740	-
Cash	(724)	2,394	1,670
Loans	(52,771)	7,771	(45,000)
	<u>(53,495)</u>	<u>10,165</u>	<u>(43,330)</u>

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

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdraft (unsecured)	-	740	-	740
Trade creditors	3,953	3,625	3,953	3,625
Other creditors	434	383	434	383
Social security and other taxes	4,492	2,393	4,492	2,393
Taxation	639	925	639	925
Accruals and deferred income	8,201	6,108	8,201	6,108
Tenants' and other deposits	1,350	1,293	1,350	1,293
Amounts owed to group undertakings	-	-	9,600	7,621
Bank loan (unsecured)	38,125	625	38,125	625
	<u>57,194</u>	<u>16,092</u>	<u>66,794</u>	<u>23,713</u>

The significant increase in bank loans falling due within one year reflects the RBS and Fortus loans approaching their agreed termination dates during 2011. Since the date of these accounts, new loans have been negotiated as mentioned in the Chairman's Statement on page 5.

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

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (unsecured)	6,875	51,486	6,875	51,486
Floating Rate Guaranteed Loan Notes 2010	-	660	-	660
	<u>6,875</u>	<u>52,146</u>	<u>6,875</u>	<u>52,146</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 19 LOANS

	<i>Group &amp; Company</i>	
	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<b>Not wholly repayable within 5 years.</b>		
Barclays Bank plc	-	5 000
£5m bank facility with a variable interest rate linked to a fixed margin over LIBOR		
	-	5,000
<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	4,500	10,986
£12m bank facility with a variable interest rate linked to a fixed margin over LIBOR		
Royal Bank of Scotland plc	-	660
Floating Rate Guaranteed Loan Notes 2010		
Fortis Bank plc	8,000	8,000
£8m facility under a revolving credit agreement		
Interest is linked to a fixed margin over LIBOR		
Barclays Bank plc	2,500	3 125
£5m bank facility with a variable interest rate linked to a fixed margin		
Barclays Bank plc	3,000	3,000
£9m bank facility with a variable interest rate linked to a fixed margin		
Barclays Bank plc	5 000	-
£5m bank facility with a variable interest rate linked to a fixed margin		
	<u>45,000</u>	<u>52,771</u>
<b>Amounts repayable:</b>		
In one year or less, or on demand	38,125	625
In more than one year but not more than two years	625	45,271
In more than two years but not more than five years	<u>6,250</u>	<u>1,875</u>
	45,000	47 771
In more than five years	-	5 000
	<u>45,000</u>	<u>52,771</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 were unconditionally guaranteed by Royal Bank of Scotland plc Any loan notes not previously redeemed were paid in full, at par, on 31 December 2010

On 8th March 2011, the £32m loan facility with RBS was replaced with two loan facilities with HSBC and Lloyds of £20m each At the same time, the £5m overdraft facility with RBS was replaced with a £5m overdraft facility with Barclays Barclays and Fortis have agreed to continue their facilities until they mature

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 20 PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred taxation	10,494	10,983	10,494	10,983
King & Barnes Ltd unfunded pension scheme	1,068	1,063	1,068	1,063
Other provisions	24	24	24	24
	<u>11,586</u>	<u>12,070</u>	<u>11,586</u>	<u>12,070</u>

Movement in deferred taxation provision

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 30 January 2010	10,983	10,566	10,983	10,566
Transfer from subsidiary	-	-	(118)	(153)
Charge for the year	(60)	410	46	563
Prior year adjustment	(38)	7	(38)	7
Effect of change of tax rate	(391)	-	(379)	-
At 29 January 2011	<u>10,494</u>	<u>10,983</u>	<u>10,494</u>	<u>10,983</u>

The balance comprises

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</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	10,855	11,312	10,855	11,312
Other timing differences	(361)	(329)	(361)	(329)
	<u>10,494</u>	<u>10,983</u>	<u>10,494</u>	<u>10,983</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>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</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 29 January 2011 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 companies. 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 £30.0m (2010-£30.0m) with Barclays Bank plc as a hedge against adverse interest rate movements.

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 23 FINANCIAL COMMITMENTS

At 29 January, 2011 authorised future capital expenditure amounted to

<i>Group</i>		<i>Company</i>	
<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
587	1,554	587	1,554

Obligations under operating leases as at 29 January, 2011 fall due as follows

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
(a) within one year	185	49	185	49
(b) in two to five years	305	137	305	137
	<u>490</u>	<u>186</u>	<u>490</u>	<u>186</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 31 January 2009	800	332	93,026	94,158
Retained profit for the period	-	-	4,580	4,580
Dividends	-	-	(2,569)	(2,569)
Actuarial loss relating to net pension liability (net of tax)	-	-	(1,696)	(1,696)
	<u>800</u>	<u>332</u>	<u>93,341</u>	<u>94,473</u>
Balance at 30 January 2010	800	332	93,341	94,473
Retained profit for the period	-	-	4,799	4,799
Dividends	-	-	(2,089)	(2,089)
Actuarial gain relating to net pension liability (net of tax)	-	-	1,706	1,706
	<u>800</u>	<u>332</u>	<u>97,757</u>	<u>98,889</u>
Balance at 29 January 2011	<u>800</u>	<u>332</u>	<u>97,757</u>	<u>98,889</u>
<b>COMPANY</b>				
Balance at 31 January 2009	800	332	93,002	94,134
Retained profit for the period	-	-	4,580	4,580
Dividends	-	-	(2,569)	(2,569)
Actuarial loss relating to net pension liability (net of tax)	-	-	(1,696)	(1,696)
	<u>800</u>	<u>332</u>	<u>93,317</u>	<u>94,449</u>
Balance at 30 January 2010	800	332	93,317	94,449
Retained profit for the period	-	-	4,799	4,799
Dividends	-	-	(2,089)	(2,089)
Actuarial gain relating to net pension liability (net of tax)	-	-	1,706	1,706
	<u>800</u>	<u>332</u>	<u>97,733</u>	<u>98,865</u>
Balance at 29 January 2011	<u>800</u>	<u>332</u>	<u>97,733</u>	<u>98,865</u>



## HALL & WOODHOUSE LIMITED

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### Notes to the Accounts (continued)

#### 25 CONTROLLING PARTIES

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

#### 26 RELATED PARTY TRANSACTIONS

The directors' entitlement to dividends during the year were as follows

	<i>Dividend on Ordinary Shares</i>			
	<i>Beneficial</i>		<i>As Trustee</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
J G G Williams	-	-	234	288
A W Woodhouse	64	80	197	243
M J M Woodhouse	124	152	123	151

The apparent decrease in dividends relates to the timing of the second interim dividend for 2009 delayed until 2010 as shown in Note (11)

The inclusion of all joint interests in the names of more than one director invalidates any significance in the totals

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 27 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 29 January 2011. 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 £0.237m (2010 - £0.227m) 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 £0.190m. 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, including at least one member by current pensioners.

#### Illustrative balance sheet figures

	2011 (£000)			2010 (£000)			2009 (£000)		
	The Plan	King & Barnes	Total	The Plan	King & Barnes	Total	The Plan	King & Barnes	Total
Assets	24,802	2,859	27,661	23,087	2,863	25,950	19,550	2,738	22,288
Liabilities	29,694	3,007	32,701	30,099	2,957	33,056	24,114	2,444	26,558
(Deficit)/ Surplus	(4,892)	(148)	(5,040)	(7,012)	(94)	(7,106)	(4,564)	294	(4,270)
Related deferred tax asset/(liability)	1,370	41	1,411	1,963	27	1,990	1,278	(82)	1,196
Net Pension asset/(liability)	(3,522)	(107)	(3,629)	(5,049)	(67)	(5,116)	(3,286)	212	(3,074)

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.

#### Assets

Equities	12,569	130	12,699	10,915	130	11,045	8,281	130	8,411
Bonds	5,480	-	5,480	5,478	-	5,478	4,394	-	4,394
Gilts	5,800	536	6,336	6,150	536	6,686	6,306	536	6,842
Company Pension Promise	-	1,068	1,068	-	1,063	1,063	-	1,080	1,080
Other	953	1,125	2,078	544	1,134	1,678	569	992	1,561
Total	24,802	2,859	27,661	23,087	2,863	25,950	19,550	2,738	22,288

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)

### 27 PENSION COSTS ( continued )

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

	2011 £000	2010 £000
Present value of defined benefit obligation at beginning of year	33,056	26,558
Service cost (Employer Cost)	175	128
Interest cost	1,790	1,749
Members' contributions	88	91
Actuarial loss on scheme liabilities	(1,099)	5,675
Benefits paid	(1,309)	(1,145)
Present value of defined benefit obligation at end of year	<u>32,701</u>	<u>33,056</u>

#### Reconciliation of fair value of scheme assets

	2011 £000	2010 £000
Fair value of scheme assets at start of year	25,950	22,288
Expected return on scheme assets	1,509	1,306
Actuarial gain / (loss) on scheme assets	1,186	3,183
Contributions by the Company	237	227
Contributions by members	88	91
Benefits paid	(1,309)	(1,145)
Fair value of scheme assets at end of year	<u>27,661</u>	<u>25,950</u>

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

	2011 £000	2010 £000
Present value of funded obligation	32,701	33,056
Fair value of scheme assets	(27,661)	(25,950)
Net liability in balance sheet	<u>5,040</u>	<u>7,106</u>

#### Amounts to be recognised in the P&L statement

	2011 £000	2010 £000
Current service cost	175	128
Interest on obligation	1,790	1,749
Expected return on scheme assets	(1,509)	(1,306)
Total expense	<u>456</u>	<u>571</u>

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 27 PENSION COSTS ( continued )

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

	2011 £000	2010 £000
Total amount recognised in the statement of total recognised gains and losses (STRGL)	(2,231)	(4,516)

#### Expected Return on Assets

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is the sum of inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long term gilts and bonds. The expected return on property has been set equal to the expected return on equities. The expected return on other assets is the current interest rate set by the Bank of England.

	2011 £000	2010 £000
Actual return on scheme assets	<u>2,695</u>	<u>4,489</u>

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

	2011	2010	2009
Discount rate	5.50%	5.50%	6.70%
Expected return on scheme assets at the end of the year	5.99%	6.01%	6.00%
Rate of increase in salaries	2.90%	3.60%	3.30%
Price inflation	2.90%	3.60%	3.30%
Pension increases			
- Pension accrued before 6 April 1997	0.00%	0.00%	0.00%
- Pension accrued after 6 April 1997	3.60%	3.60%	3.30%
- Pension accrued after 6 April 2005	2.40%	2.50%	2.50%

Mortality 110% of PXA00 projected by year of birth with a long cohort projection and 1% improvement underpin

	2011	2010	2009
Retiring today			
Males	88.2	88.1	88.0
Females	90.7	90.6	90.0
Retiring in 20 years			
Males	90.2	90.1	90.5
Females	92.6	92.5	92.4

# HALL & WOODHOUSE LIMITED

## Notes to the Accounts (continued)

### 27 PENSION COSTS ( continued )

#### Sensitivity analysis of the principal assumptions used to measure scheme 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%	Decrease/increase by 17%
Rate of inflation	Increase/decrease by 1%	Increase/decrease by 11%
Rate of salary growth	Increase/decrease by 1%	Increase/decrease by 1%

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

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligation	32,701	33,056	26,558	23,329	26,382
Fair value of assets	<u>27,661</u>	<u>25,950</u>	<u>22,288</u>	<u>25,008</u>	<u>25,318</u>
Surplus/(deficit)	<u>(5,040)</u>	<u>(7,106)</u>	<u>(4,270)</u>	<u>1,679</u>	<u>(1,064)</u>
Experience gain / (loss) on scheme liabilities					
Amount (£'000s)	286	501	(4,354)	(108)	(142)
Percentage of present value of the scheme liabilities	1%	2%	(16%)	0%	(1%)
Difference between the expected and actual return on scheme assets					
Amount (£'000s)	1,186	3,183	(3,393)	(1,554)	(1,032)
Percentage of present value of the scheme assets	4%	12%	(15%)	(6%)	(4%)

#### Estimated contributions

The employer's best estimate of contributions to be paid to the Plan by the Company next year is £190,000

The employer's best estimate of contributions to be paid to the Plan by employees next year is £75,000

# HALL & WOODHOUSE LIMITED

## Group Five-Year Statement

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
<b>ASSETS EMPLOYED</b>					
Overdraft	-	(740)	(1,378)	(3,968)	(1,076)
Net Current Liabilities	(45,267)	(4,338)	(2,926)	(6,456)	(3,100)
Investments and Trade Loans	1,046	646	297	736	827
Fixed Assets	165,200	168,237	170,859	164,182	155,316
	<u>120,979</u>	<u>163,805</u>	<u>166,852</u>	<u>154,494</u>	<u>151,967</u>
<b>CAPITAL EMPLOYED</b>					
Equity	98,689	94,273	93,958	94,972	88,228
Preference Capital	200	200	200	200	200
Medium Term Loans	6,875	52,146	57,950	51,797	54,068
Long Term Liabilities	11,586	12,070	11,670	7,525	8,758
Net Pension Liability	3,629	5,116	3,074	-	713
	<u>120,979</u>	<u>163,805</u>	<u>166,852</u>	<u>154,494</u>	<u>151,967</u>
<b>PROFITS and DIVIDENDS</b>					
	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Turnover	<u>90,467</u>	<u>89,332</u>	<u>90,957</u>	<u>90,625</u>	<u>88,882</u>
Group Operating Profit	7,314	8,434	8,690	11,540	11,346
Exceptional Items	<u>(3,290)</u>	<u>(691)</u>	<u>-</u>	<u>-</u>	<u>--</u>
Group Operating Profit	4,024	7,743	8,690	11,540	11,346
Interest Receivable	69	37	330	115	134
Interest Payable	<u>(1,826)</u>	<u>(1,918)</u>	<u>(3,504)</u>	<u>(3,291)</u>	<u>(2,694)</u>
Trading Profit before Taxation	2,267	5,862	5,516	8,364	8,786
Profit on Sale of FT / Brand	-	-	-	637	-
Profit on Sales of Assets	<u>3,327</u>	<u>700</u>	<u>322</u>	<u>1,208</u>	<u>1,583</u>
<b>Profit before Taxation</b>	5,594	6,562	5,838	10,209	10,369
Deduct Taxation	(795)	(1,982)	(1,953)	(1,639)	(3,308)
Preference Dividend	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>
Earnings for Ordinary Shareholders	4,792	4,573	3,878	8,563	7,054
Deduct Ordinary Dividends	<u>(2,082)</u>	<u>(2,562)</u>	<u>(1,602)</u>	<u>(2,028)</u>	<u>(1,944)</u>
<b>Transfer to Reserves</b>	<u>2,710</u>	<u>2,011</u>	<u>2,276</u>	<u>6,535</u>	<u>5,110</u>
<b>Earnings per Ordinary Share</b>	£7 99	£7 62	£6 46	£14 27	£11 76
<b>Dividend per £1 Ordinary Share</b>	Pence	Pence	Pence	Pence	Pence
Net ordinary dividend paid/proposed	347	347	347	347	334