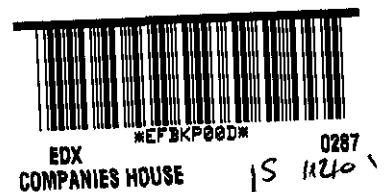


# HALL & WOODHOUSE LIMITED

~ INDEPENDENT FAMILY BREWERS SINCE 1777 ~

## REPORT AND ACCOUNTS 2001



Y8/12/21  
Y38

# HALL & WOODHOUSE LIMITED

## Group Five-Year Statement

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>ASSETS EMPLOYED</b>					
Overdraft	(397)	(1,202)	(1,222)	(4,479)	(3,847)
Net current assets (liabilities)	34	2,247	3,222	447	(17)
Investments and Trade Loans	1,302	1,424	1,033	945	958
Fixed Assets	103,482	77,120	73,380	65,720	57,904
	<u>104,421</u>	<u>79,589</u>	<u>76,413</u>	<u>62,633</u>	<u>54,998</u>
<b>CAPITAL EMPLOYED</b>					
Equity	65,208	61,074	56,710	52,269	47,106
Preference Capital	200	200	200	200	200
Medium Term Loans	33,642	14,680	16,201	7,153	4,481
Long Term Liabilities	5,371	3,635	3,302	3,011	3,211
	<u>104,421</u>	<u>79,589</u>	<u>76,413</u>	<u>62,633</u>	<u>54,998</u>
<b>PROFITS and DIVIDENDS</b>					
	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Turnover	88,873	88,962	80,659	82,055	77,254
Group Operating Profit	7,183	7,395	6,591	8,069	7,609
Investment Income	84	71	63	43	97
Interest Payable	(2,375)	(1,108)	(1,254)	(749)	(579)
Trading Profit before Taxation	4,892	6,358	5,400	7,363	7,127
Profit on Sales of Assets	2,270	1,200	2,139	1,186	202
<b>Profit before Taxation</b>	<b>7,162</b>	<b>7,558</b>	<b>7,539</b>	<b>8,549</b>	<b>7,329</b>
Deduct: Taxation	(1,833)	(2,083)	(2,071)	(2,383)	(2,491)
Preference Dividend	(7)	(7)	(7)	(7)	(7)
Earnings for Ordinary Shareholders	5,322	5,468	5,461	6,159	4,831
Deduct: Ordinary Dividends	(1,188)	(1,104)	(1,020)	(996)	(924)
<b>Transfer to Reserves</b>	<b>4,134</b>	<b>4,364</b>	<b>4,441</b>	<b>5,163</b>	<b>3,907</b>
<b>Earnings per Share</b>	<b>£8.87</b>	<b>£9.11</b>	<b>£9.10</b>	<b>£10.27</b>	<b>£8.05</b>
<b>Dividend per £1 Ordinary Share</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Net dividend paid	198.00	184.00	170.00	166.00	154.00

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**Results at a Glance**

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
TURNOVER	88,873	88,962
GROUP OPERATING PROFIT	7,183	7,395
PROPERTY PROFIT & OTHER INCOME	2,354	1,271
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	9,537	8,666
INTEREST	2,375	1,108
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7,162	7,558
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	5,329	5,475
EARNINGS PER SHARE	£8.87	£9.11
DIVIDEND PER SHARE	£1.98	£1.84

# HALL & WOODHOUSE LIMITED

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## Directors and Advisers

### Directors

The Rt. Hon. the LORD ROCKLEY ( <i>Chairman</i> )	Joined 5 December 2000
P D J GREENSMITH	
T D M HART, BA, CA	Resigned 24 December 2000
A R JEFFERIES, FCA, LLB, MBA	Resigned 11 April 2000
B M LORING	Joined 30 May 2000
R S MACKENZIE	
J M SCOTT, BA, ACMA	Joined 2 April 2001
J G G WILLIAMS	
A W WOODHOUSE, MA	
D H WOODHOUSE, BA, MBA ( <i>Managing</i> )	
J M WOODHOUSE, MBE, MC	Resigned 31 January 2000
M J M WOODHOUSE, MBA	

### Auditors

ERNST & YOUNG  
Wessex House, 19 Threefield Lane, Southampton SO14 3QB

### Bankers

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

### Solicitors

TAYLOR JOYNSON GARRETT  
Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX  
  
TRAILL & CO.  
Greyhound House, Market Place, Blandford Forum, Dorset DT11 7EB

### Secretary

L M CLIVE, LLB, MSc

### Registered Office

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

### Registered No

57696

### Registrars

LLOYDS TSB REGISTRARS  
The Causeway, Worthing, West Sussex BN99 6DA

# HALL & WOODHOUSE LIMITED

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## Notice of Meeting

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND THIRD ANNUAL GENERAL MEETING of the company will be held at The Crown Hotel, Blandford Forum, Dorset on Friday the 18th day of May, 2001 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 27 January 2001.
- 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 directors.
- 5) To re-appoint the auditors.
- 6) To authorise the directors to determine the remuneration of the auditors.
- 7) To transact any other ordinary business of the company.

By order of the Board



L M CLIVE

Secretary

THE BREWERY  
BLANDFORD ST. MARY  
DORSET  
17 April 2001

### 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.

## Chairman's Statement

### RESULTS

I have pleasure in presenting on behalf of the Board the Report & Accounts for the year ended 27th January, 2001. Group operating profit was £7.183m and profit before tax £7.162m. These results include 9 months trading of King & Barnes acquired in April 2000 which is discussed further below. During the year a further 3 pubs were acquired and net borrowings at the year end of £34.7m were well within the anticipated level of debt forecast at the time of the King & Barnes acquisition. The Board recommends a final dividend of 108p per share (2000-98p) which together with the two interim payments already made would bring the total dividend for the year to 198p an increase of 7.6%.

### INDUSTRY STRUCTURE

Our industry is going through a period of radical change. Bass and Whitbread have exited brewing and 50% of UK brewing is now in foreign ownership. The nature of many pubs is changing and each site needs to be tailored to meet local demand in order to achieve a satisfactory return in an increasingly competitive environment. Public house ownership is reconsolidating with the growth of large and powerful pub companies. Nomura, the Japanese financial group, is now the largest pub owner in the United Kingdom. The rate of beer duty in the UK, as compared with the rest of Europe, is a continuing bone of contention within the industry and many representations have been made to the Chancellor on the subject. This year we will need to manage the imposition of the substantially increased minimum wage as well as the working time directive, both of which will undoubtedly affect business.

The proposed reform of licensing offering greater flexibility, reduced red tape and modernisation is to be welcomed, however, the transfer of responsibility from magistrates to local councils would be a retrograde step. Magistrates with their experience and training command both confidence and respect from the community they serve, and their decisions are not open to a potential conflict of interest.

### KING & BARNES

The acquisition of King & Barnes was the first significant strategic move we have made to establish the Company in the new era. King & Barnes' pubs are situated within the eastern part of our current distribution area and there are few competing sites. The pubs are similar in style to those operated successfully by us and are in excellent locations but many will benefit from further investment. The acquisition increases our pub estate by some 25% and gives us further opportunities to build the Badger brand as well as introducing "Sussex" to many of our existing pubs.

In addition to King & Barnes' 55 pubs, the acquisition included the brewery which has now been sold within the anticipated timeframe and the price achieved was in excess of our expectations with the cash received before the end of the financial year. The transition of King & Barnes brewing to Blandford was achieved very smoothly and allowed us to introduce our Badger and Hofbräu brands sensitively into the King & Barnes estate following consultation with licensees and local drinkers. The income from these new pubs gathered momentum as we introduced our own brewed beers and by year end a profit of £1.858m, before interest, was generated, resulting in a positive contribution.

### ON TRADE

Although our Tenancies produced a creditable performance in the year, our managed houses turned in another disappointing result. An increasing cost base has undermined the profitability of some houses where it proved difficult to improve sales and margins. This is being addressed. 10 smaller managed pubs have been transferred to tenancy during the year with a further 6 planned. These transfers have enabled us to reduce the number of managed pubs per area manager and hence seek to improve the control and performance of those outlets retained.

Future performance will be dependent upon focusing on certain groups of customers where we can establish a long-term competitive position.

As a result of the substantial increase in the size of our tenanted estate and the need for greater focus in developing the managed estate, we decided to re-split our pub division. Robert Mackenzie elected to run tenancies and a new retail director, David Hoare, has been appointed to head up the managed side.

Following the ale review and re-launch of the Badger Cask Ale range it is pleasing to report that Cask Ale volumes are up by 15% with Tanglefoot performing particularly well in free trade with a volume up 23%.

## HALL & WOODHOUSE LIMITED

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In response to changing consumers' tastes, lifestyles and trading patterns, we have continued the development of our pub estate by the acquisition of 3 houses and have disposed of 2 under-performing sites. In order to achieve the maximum value when disposing of a non-viable site, it is on occasions necessary to seek planning permission for change of use. This can lead to local concerns which we always seek to minimise. However, it is essential that we do re-balance our estate by exiting non-viable sites to provide funds for reinvestment in areas offering better returns and thus producing long term benefit for the company.

### SMALL PACK

We made progress in our small pack business but not to the extent we had forecast which resulted in a profit shortfall on budget. This was mainly due to one key brand being below expectations and we are looking to make better progress during the coming year. However, on the positive side, we have retained the Glaxo SmithKline contract business against considerable competitive pressure.

Our bottled beers continue to perform well, growing sales by 36% promoting Badger from 8th to 6th in the premium bottled ale league. Tanglefoot and Badger Golden Champion Ale, which is now the fastest growing premium bottled ale in the UK, have led this growth. Further growth is anticipated in this segment helped further by winning this year's Tesco beer challenge with a new beer, Badger Golden Glory, to be sold in at least 400 Tesco stores from early May. On the basis of this success the Board have decided to invest £0.7m in a glass bottling line which will eliminate the need to outsource this facility, and substantially reduce bottling costs. Furthermore it will provide an opportunity to grow our contract business and reduce canning capacity for a market that has excess capacity.

An investment of £0.8m to improve our cask racking facilities has been approved. This project will help to reduce cost and improve quality.

A decision to exit the off-licence business has been made. Each manager has been given the opportunity to buy their business but it is uncertain at present how many will take up the offer. However, in any event the 8 outlets will be sold. This will improve our focus and generate cash to invest in our core businesses. It will also enable substantial savings to be made in the wine and spirit department by reducing the number of lines carried and concentrating on servicing our pub estate. The Brewery Shop will be retained.

### BOARD CHANGES

David Hart retired on 24th December 2000 after 15 years of service and we thank him for his contribution to the successful progress of the company.

Roger Jefferies, who retired last year after 17 years service as Finance Director, has been succeeded by Martin Scott who joined us on 2nd April 2001 from Allied Leisure where he has been finance director for the past 5 years.

David Hoare joins us on 30th April 2001 as Retail Director and will take on responsibility for the managed estate as previously mentioned. He comes with a wealth of retailing experience from United Cinemas where he was director of operations and retail.

### CURRENT OUTLOOK

With the final Board appointments now made, I believe we have a strong team in place to take the company forward in what is a dynamic and fast changing environment.

2000 was a disappointing year in terms of trading results, but it was also one of building for the future. We have made investments for the long term but which I hope will demonstrate their worth in the short term as well.

At the time of writing the eventual impact of Foot and Mouth Disease is unclear. To date it has adversely affected only a few pubs but the impact on Easter and summer trading could be material if people continue to avoid accessing the countryside and the disease spreads to our trading area.

We have set ourselves some demanding targets. It will be a challenging year.

**The Rt. Hon. the LORD ROCKLEY**  
**Chairman**

## Report of the Directors

### PROFITS AND DIVIDEND

The group profit for the year available for appropriation amounts to £5.329m (2000-£5.475m). Ordinary interim dividends of £0.540m have been paid and the directors recommend the payment of a final dividend of £0.648m, which has been incorporated in these accounts. The preference dividend of £0.007m has been paid during the year. The balance of £4.134m (2000-£4.364m) has been added to reserves.

### PRINCIPAL ACTIVITIES

The principal activities of the group consist of the manufacture and packaging of beer and soft drinks, wholesale and retail selling of beer, cider, soft drinks, wines and spirits, and the ownership and management of public houses, hotels and off-licences.

### TRADING REVIEW AND SUBSEQUENT EVENTS

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

### 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 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 £36.968m (2000-£9.898m). 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 group issues a monthly publication entitled 'Badger News' supplying information about employees in the news, new developments, new plant installations and other items of general interest. In addition an annual 'Value Added' statement for employees is prepared showing how the income of the group is divided.

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, with production and transport bonuses published and paid monthly. Profit related bonuses are paid annually when the financial results for the year are known.



## Report of the Directors (continued)

### 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.

### DONATIONS

During the year the group contributed £13,560 (2000-£16,051) for charitable purposes.

### DIRECTORS

The names of directors in office are set out on page 2.

### DIRECTORS' INTERESTS IN SHARES

The directors' interests in shares in the company at the year end were as follows:

	Ordinary Shares of £1 each			
	Beneficial		As Trustee	
	2001	2000	2001	2000
R S Mackenzie	1,616	1,616	-	-
J G G Williams	-	-	50,855	50,855
A W Woodhouse	15,278	30,528	15,631	381
D H Woodhouse	19,026	39,026	47,631	12,381
M J M Woodhouse	34,910	34,910	47,278	47,278

	3.5% Preference Shares of £1 each			
	Beneficial		As Trustee	
	2001	2000	2001	2000
R S Mackenzie	4,303	4,303	-	-
J G G Williams	-	-	4,350	4,350
A W Woodhouse	2,003	2,003	-	-
D H Woodhouse	6,823	6,823	4,350	4,350
M J M Woodhouse	3,543	3,543	12,823	12,823

None of the remaining Directors holds any shares in the company, either as beneficiary or trustee. The inclusion of all joint interests in the names of more than one Director invalidates any significance in the totals. No director holds shares in any subsidiary undertaking other than as nominee of Hall & Woodhouse Limited.

### 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.

## **Report of the Directors (continued)**

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

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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**

A resolution proposing the re-appointment of Ernst & Young as auditors of the company will be put to the members at the Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

**By order of the Board**



L M CLIVE

*Secretary*

17 April 2001

## **Report of the Auditors**

**to the Members of Hall & Woodhouse Limited**

We have audited the accounts set out on pages 10 to 24 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 13.

### **Respective Responsibilities of Directors and Auditors**

As described on page 8 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

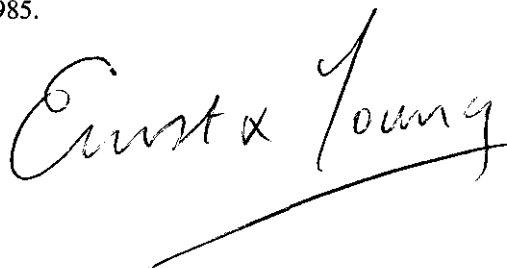
### **Basis of Opinion**

We conducted our audit based on Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 the information in the accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 27 January 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Ernst & Young". The signature is written in dark ink and is positioned above a horizontal line that extends to the right.

**ERNST & YOUNG**

Registered Auditor  
SOUTHAMPTON  
17 April 2001

**Group Profit and Loss Account  
for the year ended 27 January, 2001**

	<i>Note</i>	<i>2001 £000</i>	<i>2000 £000</i>
Continuing operations:-			
<b>Turnover</b>	1	88,873	88,962
Operating costs	3(a)	81,690	81,567
		<hr/>	<hr/>
<b>GROUP OPERATING PROFIT</b>	4	7,183	7,395
Other income	7	84	71
Profit on sales of properties		2,012	1,200
Fundamental Reorganisation	4	258	-
		<hr/>	<hr/>
<b>PROFIT on ordinary activities before interest</b>		9,537	8,666
INTEREST payable and similar charges	8	2,375	1,108
		<hr/>	<hr/>
<b>PROFIT on ordinary activities before taxation</b>		7,162	7,558
<b>TAXATION on profit of ordinary activities</b>	9	1,833	2,083
		<hr/>	<hr/>
<b>PROFIT on ordinary activities after taxation</b>		5,329	5,475
<b>Dividends - Equity &amp; Non Equity</b>	11	1,195	1,111
		<hr/>	<hr/>
<b>RETAINED PROFIT FOR THE YEAR</b>	25	4,134	4,364
		<hr/>	<hr/>

Movements in retained profits are set out in note 25.

A statement of total recognised gains and losses is not presented as all are included in the above profit and loss account.

The notes on pages 14 to 24 form part of these accounts.

# HALL & WOODHOUSE LIMITED

## Balance Sheets as at 27 January, 2001

		Group		Company	
	Notes	2001 £000	2000 £000	2001 £000	2000 £000
<b>Fixed Assets</b>					
Tangible assets	12	103,482	77,120	96,151	69,581
Investments	13	1,302	1,424	1,802	1,559
		<u>104,784</u>	<u>78,544</u>	<u>97,953</u>	<u>71,140</u>
<b>Current Assets</b>					
Stocks	14	5,617	6,353	4,762	5,484
Debtors	15	8,290	6,599	16,850	9,049
Cash at bank and in hand	16	76	57	43	13
		<u>13,983</u>	<u>13,009</u>	<u>21,655</u>	<u>14,546</u>
Creditors: amounts falling due within one year	17	(14,346)	(11,964)	(16,092)	(8,196)
<b>Net Current (Liabilities) Assets</b>		<u>(363)</u>	<u>1,045</u>	<u>5,563</u>	<u>6,350</u>
<b>Total Assets less Current Liabilities</b>		<u>104,421</u>	<u>79,589</u>	<u>103,516</u>	<u>77,490</u>
Creditors: amounts falling due after more than one year	18	(33,642)	(14,680)	(33,642)	(14,680)
<b>Provisions for Liabilities and Charges</b>	21	(5,371)	(3,635)	(4,491)	(2,822)
		<u>65,408</u>	<u>61,274</u>	<u>65,383</u>	<u>59,988</u>
<b>Capital and Reserves</b>					
Called-up share capital	22	800	800	800	800
Revaluation reserve	25	342	449	342	345
Profit and loss account	25	64,266	60,025	64,241	58,843
<b>Total Shareholders' Funds</b>		<u>65,408</u>	<u>61,274</u>	<u>65,383</u>	<u>59,988</u>

Total Shareholders' Funds includes £200,000 of non-equity interest.

The Rt. Hon. the Lord Rockley



J M Scott

17 April 2001

Directors

The notes on pages 14 to 24 form part of these accounts.

**Group Statement of Cash Flows  
for the year ended 27 January, 2001**

	<i>Notes</i>	<b>2001 £000</b>	<b>2001 £000</b>	<b>2000 £000</b>	<b>2000 £000</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITY</b>	3(b)		16,376		13,880
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received	7	84		71	
Interest paid	8	(2,236)		(929)	
Interest element of finance lease rental payments	8	(139)		(179)	
Dividends paid to preference shareholders	11	(7)	(2,298)	(7)	(1,044)
<b>TAXATION</b>			(1,195)		(2,268)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payments to acquire tangible fixed assets		(36,968)		(9,898)	
Receipts from sale of tangible fixed assets		7,595		2,333	
Trade loans advanced		(661)		(609)	
Trade loans repaid		783	(29,251)	218	(7,956)
<b>EQUITY DIVIDENDS PAID</b>	11		(1,128)		(1,104)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>			(17,496)		1,508
<b>FINANCING</b>					
New long term loans		20,859		-	
Repayment of long term loans		(1,190)		(107)	
Repayment of capital element of finance leases and hire purchase contracts		(1,349)	18,320	(1,413)	(1,520)
<b>INCREASE (DECREASE) IN CASH</b>	16		824		(12)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
for the year ended 27 January, 2001**

	<i>Notes</i>	<b>2001 £000</b>	<b>2000 £000</b>
Increase (Decrease) in cash		824	(12)
Cash inflow from increase in loans		(20,859)	-
Repayment of long term loans		1,190	107
Repayment of capital element of finance leases and hire purchase contracts		1,349	1,413
<b>MOVEMENT IN NET DEBT</b>	16	(17,496)	1,508
<b>NET DEBT AT BEGINNING OF YEAR</b>		(17,175)	(18,683)
<b>NET DEBT AT END OF YEAR</b>	16	(34,671)	(17,175)

## 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 in 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 27 January 2001. Intra group sales and profit are eliminated fully on consolidation.

King & Barnes Limited has been included in the group accounts using the acquisition method of accounting. Accordingly, the group profit and loss account and the statement of cashflows include the results and cashflows of King & Barnes Limited for the 9 month period from its acquisition in April 2000. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is capitalised and amortised over its useful life. In certain cases goodwill had previously been 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.

The company has adopted Financial Reporting Standard 15, "Tangible Fixed Assets", for the year ended 27 January 2001. As a result the accounting policy has been amended.

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 Premises	50 years
Short Leasehold Premises	Term of the lease
Fixtures & Fittings at Managed Houses	10 years
Plant & Machinery	5-20 years
Motor Vehicles	3-7 years

The carrying value of fixed assets is 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 in trade 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 excise duties as appropriate.

### Deferred Taxation

Provision is made for deferred taxation using the liability method on all timing differences, including those relating to pensions, to the extent that it is probable that the liability will crystallise.

## Notes on 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 rent received. They are stated after all relevant discounts and commissions and are exclusive of VAT.

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

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

### 3(a) OPERATING COSTS

	2001 £000	2000 £000
Decrease (Increase) in stocks of finished goods and work in progress	608	(131)
Raw material and consumables	5,068	7,182
Other external charges	26,886	28,664
Staff costs - wages and salaries	22,670	21,169
- social security costs	1,722	1,507
- other pension costs	1,017	921
Depreciation and other amounts written off tangible fixed assets	5,322	5,053
Amounts written off current assets	114	154
(Profit) on sales of non-property assets	(40)	(27)
Other operating charges	18,323	17,075
	<u>81,690</u>	<u>81,567</u>

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

	2001 £000	2000 £000
Group operating profit	7,183	7,395
Depreciation of tangible fixed assets	5,322	5,053
Profit on sales of non-property assets	(40)	(27)
Decrease (Increase) in stocks	736	(435)
(Increase) Decrease in debtors	(1,691)	2,335
Increase (Decrease) in creditors	3,620	(460)
Increase (Decrease) in provisions	1,246	19
Net cash flow from operating activities	<u>16,376</u>	<u>13,880</u>

### 3(c) CASH FLOW RELATING TO PURCHASE OF KING & BARNES LIMITED

	£000
Cost of shares	23,875
Associated costs	247
Total Cost of Acquisition	<u>24,122</u>
Funded By:	
Issue of Guaranteed Loan Notes 2010	(15,859)
New Long Term Loans	(8,263)
	<u>(24,122)</u>



## Notes on the Accounts (continued)

### 4 PROFIT ANALYSIS

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Group Operating Profit is after charging:		
Hire of plant and equipment	215	54
Auditors' remuneration - Audit services	42	29

In addition the auditors received remuneration for non audit services totalling £0.023m (2000-£nil).

The profit on Fundamental Reorganisation is stated as the net profit on disposal of the Horsham brewery site after charging the costs of closure, including redundancy.

### 5 EMOLUMENTS OF DIRECTORS

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Emoluments	568	641
Total company contributions to :		
Defined contribution pension scheme	-	8
Company defined benefit pension scheme	104	112

	<b>Number</b>	<b>Number</b>
Members of defined contribution pension scheme	-	1
Members of company defined benefit pension scheme	7	6

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
The amounts in respect of the highest paid director are as follows :-		
Emoluments	134	138
Accrued pension - company defined benefit pension scheme	61	56

### 6 STAFF NUMBERS

The average number of persons employed by the company, including directors, during the year was as follows:-

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
Brewery and soft drinks factory	454	476
Managed houses	1,787	2,273
	<u>2,241</u>	<u>2,749</u>

### 7 OTHER INCOME

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Interest on trade and other loans	52	70
Sundry interest receivable	32	1
	<u>84</u>	<u>71</u>

**Notes on the Accounts (continued)**

**8 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Overdraft	234	55
Bank Loans	1,956	861
Finance leases	139	179
Other	46	13
	<u>2,375</u>	<u>1,108</u>

**9 TAXATION**

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
The charge based on the profit for the year comprises:		
UK corporation tax at 30%	1,354	1,978
Deferred taxation	477	143
Adjustments relating to prior years	2	(38)
	<u>1,833</u>	<u>2,083</u>

**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, £5.395m (2000 - £3.289m) has been dealt with in the accounts of the company.

**11 DIVIDENDS**

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Preference	7	7
Ordinary – first interim 45p per share (2000 - 43p)	270	258
second interim 45p per share (2000 - 43p)	270	258
proposed final 108p per share (2000 - 98p)	648	588
	<u>1,195</u>	<u>1,111</u>

Notes on 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 2000	52,045	2,440	13,164	27,984	18,834	114,467
Additions	31,274	222	1,340	1,438	2,694	36,968
Disposals	(4,790)	-	-	(664)	(1,080)	(6,534)
Re-classification	1,256	(362)	60	4,803	(5,785)	(28)
At 27 January 2001	79,785	2,300	14,564	33,561	14,663	144,873
At valuation 1963	1,457	12	14	-	-	1,483
At cost thereafter	78,328	2,288	14,550	33,561	14,663	143,390
	79,785	2,300	14,564	33,561	14,663	144,873
<b>Depreciation</b>						
At 30 January 2000	5,294	93	3,712	18,882	9,366	37,347
Charge for the year	549	32	701	2,526	1,514	5,322
Disposals	(166)	-	-	(318)	(766)	(1,250)
Re-classification	462	(63)	126	3,460	(4,013)	(28)
At 27 January 2001	6,139	62	4,539	24,550	6,101	41,391
<b>Net book values</b>						
At 27 January 2001	73,646	2,238	10,025	9,011	8,562	103,482
At 30 January 2000	46,751	2,347	9,452	9,102	9,468	77,120
<b>COMPANY</b>						
<b>Cost or valuation</b>						
At 30 January 2000	51,790	2,440	12,870	27,562	7,595	102,257
Additions	3,403	222	1,338	1,031	885	6,879
Group transfers	24,287	-	-	23	970	25,280
Disposals	(997)	-	-	(277)	(238)	(1,512)
Re-classification	1,302	(362)	13	4,804	(5,785)	(28)
At 27 January 2001	79,785	2,300	14,221	33,143	3,427	132,876
At valuation 1963	4,226	77	1,950	13,972	-	20,225
At cost thereafter	75,559	2,223	12,271	19,171	3,427	112,651
	79,785	2,300	14,221	33,143	3,427	132,876
<b>Depreciation</b>						
At 30 January 2000	5,294	93	3,530	18,675	5,084	32,676
Charge for the year	455	32	673	2,449	363	3,972
Group transfers	93	-	-	11	464	568
Disposals	(166)	-	-	(257)	(40)	(463)
Re-classification	463	(63)	125	3,460	(4,013)	(28)
At 27 January 2001	6,139	62	4,328	24,338	1,858	36,725
<b>Net book values</b>						
At 27 January 2001	73,646	2,238	9,893	8,805	1,569	96,151
At 30 January 2000	46,496	2,347	9,340	8,887	2,511	69,581

**Notes on the Accounts (continued)**

**12 TANGIBLE FIXED ASSETS ( continued )**

Fixed assets includes assets held under finance leases with an original cost of £6.724m and a net book value of £3.093m (2000-£4.262m).

Included in additions during the year for both group and company are amounts in respect of assets under construction amounting to £0.209m (2000-£0.629m).

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 freehold property in certain of the subsidiaries is included at directors' valuation. The difference between book value at cost and the revalued amount is not material.

**13 FIXED ASSET INVESTMENTS**

	<b>GROUP</b>		<b>COMPANY</b>		
	<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 2000	1,451	1,451	1,325	234	1,559
Advances \ Additions	661	661	661	500	1,161
Repayments \ Disposals	(783)	(783)	(775)	(143)	(918)
Eliminations	(27)	(27)	-	-	-
At 27 January 2001	<u>1,302</u>	<u>1,302</u>	<u>1,211</u>	<u>591</u>	<u>1,802</u>
<b>PROVISION FOR DIMINUTION IN VALUE</b>					
At 30 January 2000	27	27	-	-	-
Eliminations	(27)	(27)	-	-	-
At 27 January 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET BOOK AMOUNT</b>					
At 27 January 2001	<u>1,302</u>	<u>1,302</u>	<u>1,211</u>	<u>591</u>	<u>1,802</u>
At 30 January 2000	<u>1,424</u>	<u>1,424</u>	<u>1,325</u>	<u>234</u>	<u>1,559</u>

The principal wholly owned trading subsidiary undertaking at 27 January 2001 was Woodhouse Inns Limited, registered in England, and in the business of the management of public houses and hotels.

## Notes on the Accounts (continued)

### 13a ACQUISITION OF BUSINESS

On 27 April 2000, the group purchased the business of King & Barnes Limited. The purchase consideration, including fees and costs of £0.247m associated with the acquisition, amounted to £24.122m. This consideration was paid partly in cash and partly by the issue of Guaranteed Loan Notes to the shareholders of King & Barnes Limited.

No other acquisitions were made in the period.

The provisional values given to the net assets of King & Barnes Limited were as shown in the table below.

In line with FRS 7, if these values are found to be inappropriate before the financial statements for year ended January 2002 are prepared, then adjustments will be made and disclosed in those financial statements.

	Book Value  £000	Revaluation of Assets/Liab's  £000	Fair Value of Assets/Liab's Acquired  £000
Tangible fixed assets	17,929	10,230	28,159
Investments - Trade Loans	9	-	9
Current assets (liabilities)			
- Stock	354	(271)	83
- Debtors	770	(165)	605
- Cash/Bank	254	-	254
- Creditors	(3,385)	(340)	(3,725)
Provisions for liabilities due after more than 1 year	(932)	(331)	(1,263)
	<u>14,999</u>	<u>9,123</u>	<u>24,122</u>

Revaluation of book values was required to accurately reflect the value of assets and liabilities to the Group.

No goodwill was generated in the course of this transaction.

### 14 STOCKS

	<i>Group</i>		<i>Company</i>	
	2001 £000	2000 £000	2001 £000	2000 £000
Raw materials and consumables	1,603	1,908	1,602	1,906
Work in progress	3	43	2	42
Finished goods	1,751	2,320	1,325	1,885
Goods for resale	1,113	1,089	811	794
Other stocks	1,147	993	1,022	857
	<u>5,617</u>	<u>6,353</u>	<u>4,762</u>	<u>5,484</u>

### 15 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2001 £000	2000 £000	2001 £000	2000 £000
Due within one year:				
Trade debtors	5,945	4,980	5,795	4,660
Amounts owed by group undertakings	-	-	9,266	2,874
Prepayments and deferred income	2,345	1,619	1,789	1,097
Taxation	-	-	-	418
	<u>8,290</u>	<u>6,599</u>	<u>16,850</u>	<u>9,049</u>

## Notes on the Accounts (continued)

### 16 ANALYSIS OF NET DEBT

	At 30 January 2000 £000	Group Cash Flow £000	At 27 January 2001 £000
Cash at Bank & In Hand	57	19	76
Bank Overdrafts	(1,202)	805	(397)
Cash	(1,145)	824	(321)
Loans	(12,736)	(19,669)	(32,405)
Finance Leases	(3,294)	1,349	(1,945)
	<u>(17,175)</u>	<u>(17,496)</u>	<u>(34,671)</u>

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

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Bank overdraft (unsecured)	397	1,202	2,482	811
Trade creditors	5,868	2,792	4,694	2,110
Other creditors	150	173	-	41
Social security	540	459	308	276
Taxation	2,961	2,813	783	941
Accruals and deferred income	2,351	2,187	1,757	1,586
Tenants' and other deposits	723	400	723	400
Proposed dividend	648	588	648	588
Obligations under finance lease (note 20)	661	1,306	661	1,306
Bank loan (secured)	47	44	47	44
Amounts owed to group undertakings	-	-	3,989	93
	<u>14,346</u>	<u>11,964</u>	<u>16,092</u>	<u>8,196</u>

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

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Obligations under finance lease (note 20)	1,284	1,988	1,284	1,988
Bank loan (secured)	145	192	145	192
Bank loan (unsecured)	16,500	12,500	16,500	12,500
Floating Rate Guaranteed Loan Notes 2010	15,713	-	15,713	-
	<u>33,642</u>	<u>14,680</u>	<u>33,642</u>	<u>14,680</u>

**Notes on the Accounts (continued)**

19 LOANS	<i>Group &amp; Company</i>	
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
<b>Not wholly repayable within 5 years:</b>		
Floating Rate Guaranteed Loan Notes 2010	15,713	-
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.		
NatWest Bank plc	7,500	7,500
£7.500m bank loan with a fixed interest rate of 7% per annum.		
Repayable at the end of the term of 10 years commencing 25 June 1998.		
	<u>23,213</u>	<u>7,500</u>
<b>Wholly repayable within 5 years:</b>		
NatWest Bank plc	5,000	-
£5.000m bank loan with a fixed interest rate of 7.009% per annum.		
Repayable at the end of the term of 5 years commencing 31 May 2000.		
Fortis Bank plc	4,000	5,000
£5.000m facility under a revolving credit agreement.		
The facility was for a 5 year period commencing 3 December 1997.		
Interest is linked to a fixed margin over LIBOR.		
Capital Bank plc	192	236
£0.319m bank loan with a variable interest rate linked to a fixed margin over the LIBOR. Repayable by quarterly instalments, in advance, over 7 years commencing 31 March 1998.		
	<u>32,405</u>	<u>12,736</u>
<b>Amounts repayable:</b>		
In one year or less, or on demand	47	44
In more than one year but not more than two years	4,047	47
In more than two years but not more than five years	5,098	5,145
	<u>9,192</u>	<u>5,236</u>
In more than five years	23,213	7,500
	<u>32,405</u>	<u>12,736</u>

In addition to the above, there exists an undrawn facility of £8m with Fortis Bank which is committed until 3 August 2005.

The Floating Rate Guaranteed Loan Notes 2010 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 NatWest Bank 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 of loan notes outstanding is below £100,000 the company has the right to redeem all of the outstanding loan notes on any subsequent interest payment date.

NatWest Bank plc have confirmed that they will convert any part of the £16m loan note guarantee into a committed loan for a term not exceeding the remaining term of the loan notes.

In addition to the fixed rate loans, interest rate swaps totalling £15m have been entered as a hedge against adverse movements in interest rates. These mature at selected future dates in line with the forecast reduction in group borrowings.

# Notes on the Accounts (continued)

## 20 OBLIGATIONS UNDER FINANCE LEASES

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable:				
Within 1 year	771	1,465	771	1,465
Within 2 to 5 years	1,405	2,228	1,405	2,228
	<u>2,176</u>	<u>3,693</u>	<u>2,176</u>	<u>3,693</u>
Less:				
Finance charges allocated to future periods	231	399	231	399
	<u>1,945</u>	<u>3,294</u>	<u>1,945</u>	<u>3,294</u>
Finance leases are analysed as follows:				
Current obligations	661	1,306	661	1,306
Non-current obligations	1,284	1,988	1,284	1,988
	<u>1,945</u>	<u>3,294</u>	<u>1,945</u>	<u>3,294</u>

## 21 PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred taxation	3,936	3,446	3,079	2,656
King & Barnes Ltd unfunded pension	1,263	-	1,263	-
Other provisions	172	189	149	166
	<u>5,371</u>	<u>3,635</u>	<u>4,491</u>	<u>2,822</u>

Movement in deferred taxation provision

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
At 30 January 2000	3,446	2,656
Charge (credit) for the year	477	410
Movement in recoverable advance corporation tax	13	13
At 27 January 2001	<u>3,936</u>	<u>3,079</u>

The amounts of deferred tax provided and unprovided in the accounts are:

	<i>Group</i>		<i>Company</i>	
	<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Provided:				
Corporation tax on excess of book value of fixed assets over tax written-down values	3,846	3,247	2,985	2,449
Other timing differences	90	199	94	207
	<u>3,936</u>	<u>3,446</u>	<u>3,079</u>	<u>2,656</u>

The potential deferred tax not provided in the above figures on the excess of book value of fixed assets over tax written down values is £0.665m (2000-£0.600m). The directors expect to retain substantially all of the company's properties and consequently have not estimated the potential taxation liability that would arise if these properties were disposed of at their revalued amounts.



## Notes on the Accounts (continued)

### 22 CALLED-UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called-up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</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.

### 23 FINANCIAL COMMITMENTS

At 27 January, 2001 authorised future capital expenditure amounted to:

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
	995	2,043	995	1,761

### 24 CONTINGENT LIABILITIES

At 27 January, 2001 guarantees were in place with NatWest Bank plc whereby Hall & Woodhouse Limited, Woodhouse Inns Limited and Badger Inns Limited each provided an unlimited guarantee to NatWest Bank 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.

### 25 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 30 January 1999	800	449	55,661	56,910
Retained profit for the period	-	-	4,364	4,364
	<u>800</u>	<u>449</u>	<u>60,025</u>	<u>61,274</u>
Balance at 29 January 2000	-	-	4,134	4,134
Transfer between reserves	-	(107)	107	-
	<u>800</u>	<u>342</u>	<u>64,266</u>	<u>65,408</u>
Balance at 27 January 2001				
<b>COMPANY</b>				
Balance at 30 January 1999	800	345	55,554	56,699
Retained profit for the period	-	-	3,289	3,289
	<u>800</u>	<u>345</u>	<u>58,843</u>	<u>59,988</u>
Balance at 29 January 2000	-	-	5,395	5,395
Transfer between reserves	-	(3)	3	-
	<u>800</u>	<u>342</u>	<u>64,241</u>	<u>65,383</u>
Balance at 27 January 2001				

## Notes on the Accounts (continued)

### 22 CALLED-UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called-up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</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.

### 23 FINANCIAL COMMITMENTS

At 27 January, 2001 authorised future capital expenditure amounted to:

<i>Group</i>		<i>Company</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
995	2,043	995	1,761

### 24 CONTINGENT LIABILITIES

At 27 January, 2001 guarantees were in place with NatWest Bank plc whereby Hall & Woodhouse Limited, Woodhouse Inns Limited and Badger Inns Limited each provided an unlimited guarantee to NatWest Bank 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.

### 25 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 30 January 1999	800	449	55,661	56,910
Retained profit for the period	-	-	4,364	4,364
	<u>800</u>	<u>449</u>	<u>60,025</u>	<u>61,274</u>
Balance at 29 January 2000	-	-	4,134	4,134
Retained profit for the period	-	(107)	107	-
Transfer between reserves	-			
	<u>800</u>	<u>342</u>	<u>64,266</u>	<u>65,408</u>
Balance at 27 January 2001				
<b>COMPANY</b>				
Balance at 30 January 1999	800	345	55,554	56,699
Retained profit for the period	-	-	3,289	3,289
	<u>800</u>	<u>345</u>	<u>58,843</u>	<u>59,988</u>
Balance at 29 January 2000	-	-	5,395	5,395
Retained profit for the period	-	(3)	3	-
Transfer between reserves	-			
	<u>800</u>	<u>342</u>	<u>64,241</u>	<u>65,383</u>
Balance at 27 January 2001				

## Notes on the Accounts (continued)

### 26 PENSION COSTS

#### **Hall & Woodhouse Group Excluding King & Barnes Limited**

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested in separate trustee administered funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pay and pensions. It was assumed that the investment returns would be 8.5% per annum, that pay increases would average 7% per annum and that future pensions would increase at the rate of 4.5% per annum on pensions in excess of guaranteed minimum pensions.

The most recent valuation available was at 1 October 1997. A valuation is being undertaken by the actuary as at 1 October 2000, however the results of this review have not yet been received by the company.

The pension charge for the period was £0.972m (2000-£0.921m). This included £0.146m in respect of the amortisation of a funding shortfall that is being recognised over 14 years (the average of the remaining service lives of the scheme members as determined by the pension scheme actuary) starting in February 1998.

The 1997 actuarial valuation showed the market value of the scheme's assets was £12.657m and that the actuarial value of those assets represented 82% of the benefits that had accrued to members after allowing for expected future increases in earnings. This deficiency is forecast to be eliminated by October 2002 by the company making regular contributions at current rates. A balance of £1.238m (2000-£0.690m) is included under prepayments representing the excess of the amount funded over the accumulated pension cost.

An updated valuation of the pension scheme was due as at October 2000. At the present time the scheme actuary has not presented the results of this valuation to the company.

#### **King & Barnes Limited**

As part of the acquisition of King & Barnes Limited, the group has acquired an obligation in respect of past employees. This scheme was no longer active at the time of the acquisition and the liability relates only to past service. This obligation is not funded by assets held separately from those of the group and as such is shown in the group balance sheet at its full value. The amount provided is £1.263m. This figure is based on information provided to King & Barnes Limited by a qualified actuary. The pension charge for the period was £0.045m. This related to contributions made by the company to Personal Pension Plans of King & Barnes Limited employees. These plans were provided by third party pension providers and there is no continuing liability in respect of these schemes.

### 27 RELATED PARTY DISCLOSURES

There were no transactions with related parties during the year.

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