

## Directors, Officers and Advisers

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**Directors**

R. W. D. Hanson, T.D. (*Chairman & Managing Director*)  
P. T. Helps, B.Sc.  
J. D. Harrison, F.C.A.  
N. J. Forman Hardy, D.L.  
T. E. Bonham

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**Secretary and Registered Office**

J. D. Harrison, F.C.A.  
Kimberley Brewery, Nottingham NG16 2NS

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**Auditors**

Robt. A. Page & Co.,  
*Chartered Accountants and Registered Auditor*  
16 Pelham Road, Nottingham NG5 1AR

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**Bankers and Trustees for the  
Debenture Stockholders**

Lloyds Bank Plc

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**Registrars**

Independent Registrars Group Limited  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

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**Subsidiary Company (wholly owned)**

Hansons Limited (non-trading)

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COMPANIES HOUSE 10/04/97

COMPANIES HOUSE 04/04/97

## Chairman's Statement

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I am pleased to report a further increase in our profit on ordinary activities before taxation for the period ending 4th October 1996 to £8,272,000 compared with £8,050,000 last year. Operating profit increased by approximately 1% but the increase of 18.8% in income from investments and net interest receivable, mainly because of an increase in the sums on deposit, resulted in an overall increase for the period of 2.8%. All the improvement came in the second half of the period, albeit helped by an extra week's trading.

These results have enabled the board to propose a final dividend of 6.8p per ordinary share compared with 6.4p last year; with the inclusion of the 3.8p interim dividend already paid (3.7p last year), the total dividend for the period will be 10.6p per ordinary share which is approximately 5% above last year's total of 10.1p. We have also been pleased to increase the allocation to the employees' share scheme from £162,000 to £164,000 and, on behalf of the board, I would like to thank all our employees and licencees for their continued support throughout the period.

At last year's annual general meeting in February 1996, shareholders gave authority for the company to purchase its irredeemable first mortgage debenture stock with a view, in due course, to all the stock being cancelled. Your board continues to believe that the disadvantages of the time and expense involved in the administration of the stock, together with the restrictions which the debenture stock trust deed imposes on the company's flexibility to deal with its properties, outweigh any benefits to shareholders of the stock remaining outstanding. Accordingly, the directors are seeking to renew the authority on the basis that the maximum price which may be paid for £100 of the debenture stock is £58. This compares with the average of the middle-market prices shown in the quotation for the stock in the London Stock Exchange Daily Official List for the five business days ended on the 10th January 1997 of £52. The authority for the company to purchase its stock is contained in resolution 6 in the notice of annual general meeting set out on page 22. Whilst there has been no change in the way that the debenture stock is traded, shareholders may wish to note that the company's ordinary shares and its first and second preference shares entered the CREST system for the electronic settlement of transactions on 25th November 1996.

The European Commission's review of the tie for tenanted public houses which was due in 1997 has, disappointingly, been deferred for two years until 1999. We will continue to campaign for the renewal of the present arrangements on broadly similar terms as, indeed, we will continue to lobby for and support the industry's campaign for a lowering of the U.K. excise duty on beer. Once again the Chancellor of the Exchequer acknowledged the problem in his November 1996 budget but then took no action to reduce the seven to one duty differential in favour of France.

In April last year, we introduced the first beer in our 'Cellarman's Cask' range of seasonal cask conditioned beers. 'Raging Rooster', a dark oak coloured premium bitter of 4.2% abv, was a resounding success and our brewers have continued to produce a succession of interestingly different beers at two monthly intervals thereafter. Whilst not all the sales have been incremental, we have been delighted by the response which has raised awareness and interest in our products and has increased consumer choice in our public houses and for our free trade customers. In the run up to Christmas and the New Year 'Rocking Rudolph', a richly flavoured brew of 5.5% abv, is proving very popular and will be followed by a porter stout in February. By that time we also expect to be trialling in trade a nitro-keg bitter for which there is clearly a large demand. This will be a cool, smooth version of our Kimberley Best Bitter and will be launched as soon as practicable.

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Registered Number 52412

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Chairman's Statement (continued)

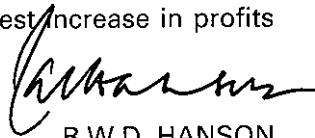
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Elsewhere in the brewery, capital investment was largely in the replacement or updating of existing plant although no major items required attention. Quality continues to be high on the agenda and I am pleased to report that we have had a very good response to our pilot scheme for NVQ's for selected operatives in the brewery as a result of which the scheme will be extended to others during the coming year. With earlier bureaucratic obstacles having been either removed or subsequently overcome by joining a consortium, we believe that NVQ's have much to offer both employer and employee.

During the financial period we commenced work on a new public house site two miles west of Mansfield; named The King & Miller at Sutton, it opened in mid-November 1996 so it did not contribute to the results for the period now being reported. However, it has traded exceptionally well in the period running up to Christmas with the three elements, namely a large bar of 1350 sq.ft., a restaurant with 150 covers and a play-barn (the company's first) of 650 sq.ft., all exceeding our expectations. We continue to improve our existing properties and, in addition to normal maintenance and small works, substantial improvements or alterations were completed during the year at the Broadway, Leicester, the Commercial Inn, Beeston, the Durham Ox, Brinsley, the Peacock Inn, Clifton and the Travellers Rest at Brookhouse.

Where we have provided restaurants at new premises or following conversions of existing premises, they have proved to be very successful; indeed, in such outlets, food sales now account for over 40% of the takings. This has given us the confidence to purchase or exchange contracts in respect of a number of other sites where we intend to build similar outlets. For instance, work will start in February 1997 on part of the old cattle market site, about a mile to the south of Leicester city centre; it will be part of a major leisure and retail development and will involve the conversion of the refectory house and the counting house. Further developments will follow, depending on how soon planning consents and other approvals can be obtained, firstly at Chellaston, about four miles to the south of Derby, just off the new A564 by-pass, and secondly at Gamston, on the A52 and two miles to the south-east of Nottingham; a third may follow, at Blaby, south of Leicester but only if our appeal against a planning refusal is successful. We have also recently purchased the Farmhouse, a managed public house on the southern outskirts of Coventry, and will finally re-open the oldest inn in England, Ye Olde Trip to Jerusalem, in March 1997, approximately seven years after purchasing it and experiencing endless difficulties in obtaining the necessary planning consents.

The pattern of trade since the period end has remained difficult, particularly in the Free Trade where heavy discounting by the national companies has, if anything, become more prevalent as they attempt to re-group into two major players. However, on a very encouraging note, there has been a significant increase in the income from amusement with prizes machines following the increase in the maximum cash payment from £4 to £10 in June 1996. I hope that this, combined with extra contributions from new outlets, an extension of distribution for our Cellarman's Cask range of beers and the introduction of the new cool smooth bitter will enable us to report a further modest increase in profits for the current financial period.

  
R.W.D. HANSON  
Chairman

# Report of the Directors

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The directors have pleasure in submitting the financial statements for the 53 weeks ended 4th October 1996, which were approved on 12th December 1996, and may be found between pages 10 and 21. The comparative figures for 1995 cover a 52 week period.

## Results and Dividends

After the allocation to the employees' share scheme of £164,000 (£162,000 in 1995), the operating profit increased by 0.9% from £7,189,000 to £7,257,000 and net investment income increased from £886,000 to £1,053,000. The profit before tax was £8,272,000 compared with £8,050,000. After providing for corporation tax at the rate of 33%, the profit after tax was £5,499,000 compared with £5,356,000.

Interim dividends were paid on 5th August 1996, on the ordinary and deferred ordinary shares of 3.8 pence per share and 3.625 pence per share respectively.

The directors recommend a final dividend of 6.8 pence per share on both the ordinary and deferred ordinary shares which, if approved, will be paid on 3rd March 1997.

## Review of the Business and Future Developments

Information under this heading is included in the Chairman's statement on pages 2 and 3.

## Activities

The principal activities of the company consist of the brewing of beer, the wholesaling and retailing of beer, wines and spirits and soft drinks, the retailing of food and the ownership and management of public houses.

## Fixed Assets

The company's freehold and leasehold properties were professionally revalued as at 30th September 1994. The directors are of the opinion that there has been no material change in the value since the 1994 revaluation.

There have been no significant changes in the fixed assets during the financial period except in the ordinary course of the business.

A statement of movements in fixed assets during the period is included within the notes to the financial statements.

## Donations and Subscriptions

During the period the company contributed £4,500 for charitable purposes and £1,000 to the East Midlands Industrial Council.

## Employee Involvement

The company recognises the importance of good communications and relations with its employees. Heads of department meet frequently with the directors to exchange views and information on all the company's activities; in addition, the directors hold regular departmental briefing meetings for all employees at Kimberley.

The employees' share scheme helps to promote the involvement of employees with the company's performance. Financial statements are published biannually and copies are made available for anyone who does not automatically receive them as a member of the share scheme.

**Report of the Directors** (continued)

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**Employment of Disabled Persons**

Disabled persons are considered for employment and training according to their aptitudes and abilities providing suitable vacancies exist.

In the event of an employee becoming disabled every effort is made to ensure the continuation of his or her employment with the company. In appropriate cases re-training or a transfer may be arranged.

For training, career development and promotion, disabled persons are, where possible, treated the same as other employees.

**Directors**

The directors are named on page 1 of the annual report.

Mr. T. E. Bonham has a service agreement which entitles him to two years' notice by the company.

Mr. R. W. D. Hanson and Mr. J. D. Harrison, who are each entitled to six months' notice, are the directors retiring in rotation order and, being eligible, offer themselves for re-election.

Mr. N. J. Forman Hardy's appointment extends for a period of one year. Mr. Forman Hardy, who is aged 48, joined the board on 1st March 1987 as a non-executive director. He is also a director of Hardy Hanson Holdings Limited and Forman Hardy Holdings Limited.

The directors' interests in the shares of the company are set out in note 19 to the financial statements.

**Corporate Governance**

The board of directors has considered the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance.

The board, which meets regularly, consists of four full-time executive directors and one independent non-executive director; the latter is also the recognised senior member. There is an agreed procedure for directors to take independent professional advice.

A formal schedule of matters is specifically reserved for the decision of the board; these include the approval of overall company strategy and major capital expenditure, investments, acquisitions, disposals and major alterations and improvements.

The company complied with those provisions of the Code which do not require a minimum of three non-executive directors. Your board doubts the need for as many as three non-executive directors, with the extra costs involved. There is, therefore, no separate remuneration committee but for many years it has been the board's practice to base the remuneration of directors on the recommendations of a wholly independent firm of management consultants, who report annually to the chairman and the non-executive director. For the same reason, there is no separate audit committee; the responsibility for reviewing accounting procedures and controls and for the publication of the company's financial statements is the joint responsibility of all directors. The external auditor attends the board meeting when the annual financial statements are considered and approved and, at a later date, attends a meeting with the directors and senior management, when the financial statements and any matters arising from the audit are discussed in detail. As a result of the situation described above, the company has not complied with paragraphs 1.3, 3.3 and 4.3 of the Code.

**Directors' Remuneration**

As explained under the Corporate Governance heading, there is no remuneration committee and, therefore, the company has not complied with Section A of the best practice provisions annexed to the Stock Exchange Listing Rules.

The policy of the company with regard to directors' remuneration is in line with that applied to all employees, namely, to be competitive in order to attract, retain and motivate people with the required skills and aptitude.

The board has given consideration to and conformed with the provisions of Section B of the best practice provisions annexed to the Stock Exchange Listing Rules.

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**Report of the Directors** (continued)

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The elements of the executive directors' remuneration packages are basic salary, share allocations under the employees' share scheme, benefits in kind of which the value attached to the provision of a company car is by far the largest constituent and contributions to the pension scheme.

All executive directors are members of the employees' share scheme which is open to eligible employees who have achieved at least two years' service. In any year in which an allocation of profit is made to the share scheme the independent scheme trustees acquire ordinary shares of the company in the market. Allocations of shares are made to individual members in proportion to basic salary and such shares are held by the Trustees on behalf of the members. Shares held by the Trustees on behalf of the directors are included in their beneficial holdings shown on page 19.

The company does not grant bonuses or share options or offer any other long term incentives to the directors.

**Internal Control**

The directors have overall responsibility for the company's systems of internal financial control and, having reviewed the related procedures, they consider that the systems in operation provide a reasonable, though not absolute, assurance against material misstatement or loss.

The company has an executive management structure through which day to day control is maintained. Significant expenditure and investment of surplus funds are sanctioned by the board after careful appraisal and consideration of the anticipated rate of return. A regular review of the principal financial controls is carried out to complement the external audit function.

**Going Concern**

Having made appropriate enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**Supplier Payment Policy**

In most instances payment is made by the end of the month following the receipt of an invoice for the supply of goods or services provided the supply has been satisfactorily completed. In the remaining cases payment is made on the basis of terms agreed in advance with individual suppliers.

**Auditors**

The auditors, Robt. A. Page & Co., have signified their willingness to continue in office. A resolution proposing their re-appointment will be put to the annual general meeting.

**Contracts**

None of the directors has, or had during the period, an interest in any contract with the company, other than in connection with service agreements.

**Arrangements**

No arrangement to which the company was a party subsisted at the end of the financial period or at any time during that period whose objects enabled the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any body corporate, other than as participants in the employees' share scheme.

**Close Company**

The board is of the opinion that the company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

Report of the Directors (continued)

Capital Gains Tax

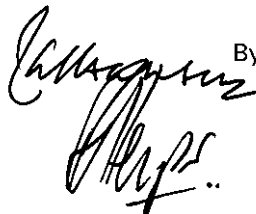
Official Stock Exchange prices:

	6th April 1965	31st March 1982
5p Ordinary shares	£0.11563	£0.726
£1 3.5% net First preference shares	£0.7125	£0.325
£1 4.2% net Second preference shares	£0.8625	£0.345
£100 4% First mortgage debenture stock	£57.50	£26.25

Special Business at the annual general meeting

It will be noted that a special resolution will be proposed at the annual general meeting which seeks to renew, for a further year, the authority given at last year's meeting allowing the company to purchase any of its outstanding irredeemable first mortgage debenture stock. This subject is referred to more fully in the Chairman's Statement.

Kimberley Brewery  
Nottingham  
12th December 1996

  
By Order of the Board  
R. W. D. HANSON  
P. T. HELPS  
Directors

## Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.



# Report of the Auditors to the Shareholders of Hardys & Hansons p.l.c.

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We have audited the financial statements on pages 10 to 21 which have been prepared under the accounting policies set out on page 14.

## Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

## Basis of opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 4th October 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ROBT. A. PAGE & CO.  
*Chartered Accountants  
and Registered Auditor*

Nottingham  
12th December 1996

# Report of the Auditors to Hardys & Hansons p.l.c. on Corporate Governance Matters

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In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 5 and 6 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to undisclosed non-compliance with those paragraphs of the Code.

## **Basis of opinion**

We carried out our review in accordance with Bulletin 1995/1 'Disclosure relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

## **Opinion**

With respect to the directors' statements on internal financial control and going concern on page 6, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 5 and 6 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.



ROBT. A. PAGE & CO.  
*Chartered Accountants*

Nottingham  
12th December 1996

# Profit and Loss Account

for the 53 weeks ended 4th October 1996

	Notes	1996		1995	
		£000	£000	£000	£000
<b>Turnover</b>	2		34,493		34,063
Change in stocks of finished goods and work-in-progress			(42)		92
Raw materials, consumables and duty			34,451 (13,068)		34,155 (13,314)
Staff costs	3	(6,740)	21,383	(6,446)	20,841
Depreciation		(1,269)		(1,226)	
Other operating costs		(6,117)		(5,980)	
			(14,126)		(13,652)
<b>Operating profit</b>			7,257		7,189
Disposal of fixed assets	4		(38)		(25)
Income from fixed asset investments		158	7,219	139	7,164
Other interest receivable		908		760	
			1,066		899
Interest payable	5		8,285 (13)		8,063 (13)
<b>Profit on ordinary activities before taxation</b>	6		8,272		8,050
Tax on profit on ordinary activities	8		(2,773)		(2,694)
<b>Profit on ordinary activities after taxation</b>			5,499		5,356
Non-equity dividends	9		(16)		(16)
<b>Profit attributable to the equity shareholders</b>			5,483		5,340
Equity dividends	9		(2,641)		(2,516)
<b>Retained profit for the period</b>			2,842		2,824
Retained profit brought forward			103		105
Proposed transfers—General reserve		(2,880)	2,945	(2,860)	2,929
Capital reserve		106		(61)	
Revaluation reserve		(68)		95	
			(2,842)		(2,826)
Retained profit carried forward			103		103
<b>Earnings per share</b>	10				
Ordinary shares of 5p each			21.967p		21.395p
Deferred ordinary shares of 5p each			21.792p		21.220p

## Statement of Total Recognised Gains and Losses

for the 53 weeks ended 4th October 1996

There were no recognised gains and losses in 1996 or 1995 other than those recognised in the profit and loss account.

## Note of Historical Cost Profits

for the 53 weeks ended 4th October 1996

	1996 £000	1995 £000
Profit on ordinary activities before taxation	8,272	8,050
Realisation of property revaluation (losses) gains of prior years	(68)	95
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	32	31
Historical cost profit on ordinary activities before taxation	8,236	8,176
Historical cost profit for the year retained after taxation and dividends	2,806	2,950

## Reconciliation of Movements in Total Shareholders' Funds

for the 53 weeks ended 4th October 1996

	1996 £000	1995 £000
Profit for the financial period	5,483	5,340
Equity dividends	(2,641)	(2,516)
Net additions to shareholders' funds	2,842	2,824
Shareholders' funds at 29th September 1995	79,660	76,836
Shareholders' funds at 4th October 1996	82,502	79,660

**Balance Sheet**

4th October 1996

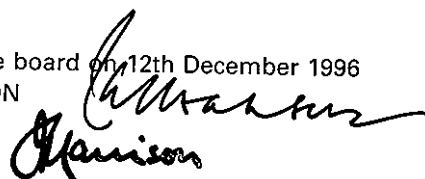
	Notes	1996		1995	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11		70,920		68,601
Investments	12		1,933		1,778
Shares in Hansons Ltd less amounts due	13		—		—
			<u>72,853</u>		<u>70,379</u>
<b>Current assets</b>					
Stocks	14	1,002		1,020	
Debtors	15	2,379		2,043	
Cash at bank and in hand		15,797		14,547	
		<u>19,178</u>		<u>17,610</u>	
Creditors					
Amounts falling due within one year	16	(8,613)		(7,300)	
Net current assets			<u>10,565</u>		<u>10,310</u>
Total assets less current liabilities			83,418		80,689
Creditors					
Amounts falling due after more than one year	17	(200)		(200)	
Provisions for liabilities and charges	18	(716)		(829)	
Net assets			<u>82,502</u>		<u>79,660</u>
<b>Capital and reserves</b>					
Equity share capital			1,250		1,250
Non-equity share capital			425		425
Called-up share capital	19		<u>1,675</u>		<u>1,675</u>
<b>Equity reserves</b>					
Revaluation reserve	20		41,667		41,631
Other reserves	21		39,057		36,251
Profit and loss account			103		103
			<u>82,502</u>		<u>79,660</u>
<b>Total Shareholders' funds</b>					
			<u>82,502</u>		<u>79,660</u>

Approved by the board on 12th December 1996

R. W. D. HANSON

J. D. HARRISON

Directors



# Cash Flow Statement

for the 53 weeks ended 4th October 1996

	Notes	1996		1995	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	24		9,277		7,955
<b>Return on investments and servicing of finance</b>					
Income from fixed asset investments		158		139	
Other interest receivable		908		760	
Interest payable		(13)		(13)	
Dividends paid		(2,561)		(2,432)	
Net cash (outflow) from return on investments and servicing of finance			(1,508)		(1,546)
<b>Taxation</b>					
Corporation tax paid (including advance corporation tax)			(2,738)		(2,408)
<b>Investing activities</b>					
Payments to acquire investments		(47)		—	
Receipts from sales of investments		47		1	
Payments to acquire fixed assets		(3,794)		(1,627)	
Receipts from sales of fixed assets		184		186	
(Increase)/decrease in loans to customers and others		(171)		176	
Net cash (outflow) from investing activities			(3,781)		(1,264)
<b>Increase in cash and cash equivalents</b>	25		1,250		2,737

# Notes to the Financial Statements

## 1 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies adopted are described below.

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of properties and land, and follow the form prescribed by the Companies Act 1985. They are made up to the Friday nearest to 1st October. Periodically this results in a 53 week financial period.

### Valuations

Surpluses arising from the professional valuation of properties are taken direct to the revaluation reserve. Valuation surpluses realised on sale are transferred to the capital reserve. Any deficit arising from the professional valuation of properties is taken direct to the revaluation reserve to the extent that such deficit is regarded as temporary. Where a permanent diminution in value of an individual property is identified, the deficit is firstly eliminated against any revaluation reserve in respect of that property with any excess being charged to the profit and loss account.

### Sales of properties and investments

Profits and losses on the sale of properties and investments, based on the net carrying amount, are reflected in the profit and loss account and are transferred to capital reserve.

### Depreciation

Freehold brewery premises, plant, motors, containers and fixtures are depreciated at varying rates to write off the cost of the assets over their estimated useful lives in equal annual instalments.

The rates used are:

Freehold brewery premises	2%	Computer equipment	14%
Plant—fixed	5%	Motor vehicles	20%
other	10%	Free trade fixtures, bottles	25%
Casks, cases, fixtures	10%		

No depreciation has been provided on the licensed and unlicensed freehold properties as it is the company's policy to maintain such properties in a continual state of sound repair, the cost being written off to profit and loss account as incurred. The directors believe that, as a result of this policy, the lives of the properties are substantial and their depreciation is not significant enough to warrant a provision for depreciation being made against the profits. No depreciation is provided on leaseholds with an unexpired term exceeding 100 years. The cost of other leasehold properties is amortised on a straight line basis over the period of the lease.

### Goodwill

Purchased goodwill is written off against reserves in the year of acquisition.

### Maintenance and improvement of properties

Additions to and major refurbishment of premises are capitalised; minor capital projects are charged against profits.

### Stocks

Stocks are valued as follows:

- (a) Raw materials and bought-in goods at cost plus overheads.
- (b) Work-in-progress and finished stocks at the cost of materials, duty (where applicable) and labour and overheads.

### Deferred taxation

Deferred taxation is provided at 33% using the liability method on those timing differences which are expected to reverse in the future.

No provision has been made for gains "rolled over" on the sale and replacement of licensed properties.

No provision has been made for the potential liability to tax on capital gains which might arise from any possible future disposals of premises at the valuation in the balance sheet, since the directors are of the opinion that the likelihood of any material liability arising in this respect is remote.

### Pensions

The company operates contributory defined benefit pension schemes available to all full-time employees over the age of 20 years. The schemes are funded at rates determined by professionally qualified actuaries every three years. These contributions are invested separately from the company's assets. Contributions are charged against profits so as to spread the cost of providing the expected benefits over the members' anticipated service lives with the company.

Notes to the Financial Statements (continued)

2 Turnover

Turnover represents net sales to outside customers, rents receivable and commission, excluding value added tax. There were no exports during the period. Turnover is attributable to one activity.

3 Staff numbers and costs

	1996	1995
The average number of persons employed by the company (including directors) during the period was as follows:		
Management, administration and sales	60	60
Production and distribution	81	81
Managed houses	970	981
	<u>1,111</u>	<u>1,122</u>

The above totals include 858 (876) part-time staff, mainly employed at managed houses, who were approximately equivalent to 325 (326) full-timers.

	£000	£000
The aggregate payroll costs of the employees were as follows:		
Wages and salaries	6,194	5,893
Social security costs	377	357
Pension schemes	169	196
	<u>6,740</u>	<u>6,446</u>

4 Disposal of fixed assets

(Deficit) on sale of properties	(22)	(25)
(Loss) on sale of investments	(16)	—
	<u>(38)</u>	<u>(25)</u>

5 Interest payable

On deposits repayable within five years	5	5
On debenture stock	8	8
	<u>13</u>	<u>13</u>

6 Profit on ordinary activities before taxation

Profit before taxation is attributable to one activity and is stated after crediting or charging the following:

Income from listed investments	<u>127</u>	<u>103</u>
Directors' remuneration		
Fees	9	9
Managerial services	282	268
Pension premiums	45	29
Past director's pension	6	8
Employees' share scheme allocation	14	15
	<u>356</u>	<u>329</u>
Maintenance and improvement of properties	1,517	1,544
Fees payable to the auditors: as auditors	29	28
for other services	37	42
	<u>1,939</u>	<u>1,943</u>



Notes to the Financial Statements (continued)

7 Directors

	Basic salary/fee		Value of shares allocation		Cash value of benefits in kind		TOTAL	
	1996 £000	1995 £000	1996 £000	1995 £000	1996 £000	1995 £000	1996 £000	1995 £000
R. W. D. Hanson	79	75	4	5	6	5	89	85
P. T. Helps	61	58	4	4	4	4	69	66
J. D. Harrison	61	58	3	3	5	4	69	65
N. J. Forman Hardy	9	9	—	—	—	—	9	9
T. E. Bonham	61	58	3	3	5	6	69	67
	<u>271</u>	<u>258</u>	<u>14</u>	<u>15</u>	<u>20</u>	<u>19</u>	<u>305</u>	<u>292</u>
Total pension contributions							45	29
Total emoluments							<u>350</u>	<u>321</u>

Notes:

- 1) Further information on basic salaries is given below and on pages 5 and 6.
- 2) The value of shares allocation results from membership of the employees' share scheme.
- 3) The cash value of benefits in kind mainly reflects the provision of a company car to executive directors.
- 4) Consultations have taken place between the Institute of Actuaries, the London Stock Exchange and the Faculty of Actuaries concerning the most appropriate method of disclosure of directors' pension entitlements earned during the year. Guidance by the Stock Exchange as to the method to be used to value such entitlements is awaited.

Accordingly the total scheme contributions shown above represent, as in previous years, the amounts contributed in the year by the company to the Directors' Pension Scheme.

The emoluments of the directors (excluding pensions and pension premiums but including the allocation from the employees' share scheme) fall within the following categories:

	1996	1995
£5,001 to £10,000	1	1
£65,001 to £70,000	3	3
£80,001 to £85,000	—	1
£85,001 to £90,000	1	—

Included in the above: Chairman and highest paid director £89,015 (£84,528)

8 Taxation

	£000	£000
Corporation tax based on the profits at the rate of 33% (33%)	2,904	2,689
Tax on franked investment income	26	21
Taxation adjustment earlier years	(1)	(40)
Deferred taxation	(156)	24
	<u>2,773</u>	<u>2,694</u>

9 Dividends

Dividends paid or provided:	pence per share			
<b>Non-equity</b>				
First preference shares	3.5	3.5	8	8
Second preference shares	4.2	4.2	8	8
			<u>16</u>	<u>16</u>
<b>Equity</b>				
Ordinary shares interim	3.8	3.7	760	740
Ordinary shares proposed final	6.8	6.4	1,360	1,280
Deferred ordinary shares interim	3.625	3.525	181	176
Deferred ordinary shares proposed final	6.8	6.4	340	320
			<u>2,641</u>	<u>2,516</u>

Notes to the Financial Statements (continued)

10 Earnings per share

Earnings per share are calculated on 20 million ordinary shares and 5 million deferred ordinary shares, using the profit for the period after taxation, less preference dividends, amounting to £5,483,000 (£5,340,000). The profits resolved to be distributed as ordinary dividends in any year are applied first in the payment of 0.175 pence per share to the ordinary shareholders and the balance rateably among the holders of the ordinary and deferred ordinary shares.

11 Tangible fixed assets

	Properties		Plant, machinery and motor vehicles £000	Containers and fixtures £000	Total £000
	Freehold £000	Long leasehold £000			
Cost or valuation					
29th September 1995	61,976	220	5,054	10,805	78,055
Additions	1,515	859	299	1,121	3,794
Disposals	(82)	—	(194)	(143)	(419)
4th October 1996	63,409	1,079	5,159	11,783	81,430
At cost	1,674	859	5,159	11,783	19,475
At valuation 1994	61,735	220	—	—	61,955
	63,409	1,079	5,159	11,783	81,430
Less depreciation					
29th September 1995	41	2	3,328	6,083	9,454
Charge for the period	41	2	310	955	1,308
Disposals	—	—	(162)	(90)	(252)
4th October 1996	82	4	3,476	6,948	10,510
Net book value					
4th October 1996	63,327	1,075	1,683	4,835	70,920
29th September 1995	61,935	218	1,726	4,722	68,601
The comparable amounts determined under historical cost accounting are:					
Cost	21,587	1,024	5,159	11,783	39,553
Depreciation	(216)	(12)	(3,476)	(6,948)	(10,652)
Net book value					
4th October 1996	21,371	1,012	1,683	4,835	28,901
29th September 1995	20,016	148	1,726	4,722	26,612

12 Investments

	Listed £000	Loans to customers and others £000	Total £000
Cost 29th September 1995	743	1,035	1,778
Additions	47	481	528
Disposals and repayments	(63)	(310)	(373)
Cost 4th October 1996	727	1,206	1,933

At 4th October 1996 the market value of listed investments, which are all dealt with on a recognised stock exchange, was £2,891,000 (£2,536,000).

13 Shares in Hansons Limited

	1996 £000	1995 £000
Ordinary shares	175	175
Less amounts due	175	175
	—	—

Hansons Limited is a wholly owned non-trading subsidiary.

Notes to the Financial Statements (continued)

	1996 £000	1995 £000
<b>14 Stocks</b>		
Raw materials	107	90
Consumable stores	111	104
Beer in process	48	47
Finished products	<u>736</u>	<u>779</u>
	<u>1,002</u>	<u>1,020</u>
<b>15 Debtors</b>		
Trade debtors	1,229	1,279
Other debtors	421	220
Prepayments and accrued income	<u>729</u>	<u>544</u>
	<u>2,379</u>	<u>2,043</u>
<b>16 Creditors: amounts falling due within one year</b>		
Trade creditors	2,277	1,550
Taxation	2,932	2,717
Other taxes and social security costs	634	433
Other creditors	834	741
Accruals	232	251
Ordinary shares proposed final dividend	1,360	1,280
Deferred ordinary shares proposed final dividend	340	320
Preference dividend	<u>4</u>	<u>8</u>
	<u>8,613</u>	<u>7,300</u>
<b>17 Creditors: amounts falling due after more than one year</b>		
4% Irredeemable first mortgage debenture stock secured on certain properties and by a general charge on the undertaking	<u>200</u>	<u>200</u>
<b>18 Provisions for liabilities and charges</b>		
Pensions—Balance 29th September 1995	488	381
Charge for the period	67	107
Balance 4th October 1996	<u>555</u>	<u>488</u>
Deferred taxation	<u>161</u>	<u>341</u>
	<u>716</u>	<u>829</u>
<b>Deferred taxation</b>		
Provided at 33% in respect of:		
Accelerated capital allowances	776	790
Short-term timing differences	<u>(189)</u>	<u>(47)</u>
	587	743
Less advance corporation tax recoverable on dividends proposed, for relief on taxation payable 2nd July 1998	<u>(426)</u>	<u>(402)</u>
	<u>161</u>	<u>341</u>
<b>Movement in provision</b>		
Balance 29th September 1995	743	719
(Release)/charge for the period	<u>(156)</u>	<u>24</u>
Balance 4th October 1996	<u>587</u>	<u>743</u>
If full provision had been made at 33% the amount would have been:		
Accelerated capital allowances	1,413	1,385
Short-term timing differences	<u>(189)</u>	<u>(47)</u>
Tax on gains subject to roll-over relief	<u>468</u>	<u>468</u>
	<u>1,692</u>	<u>1,806</u>

Notes to the Financial Statements (continued)

19 Share capital	Authorised	Allotted, called-up	
	1996 and 1995 £000	1996 £000	and fully paid 1995 £000
<b>Non-equity Capital</b>			
3.5% net First cumulative preference shares of £1 each	225	225	225
4.2% net Second cumulative preference shares of £1 each	250	200	200
<b>Equity Capital</b>			
Ordinary shares of 5p each	1,000	1,000	1,000
Deferred ordinary shares of 5p each	250	250	250
	<u>1,725</u>	<u>1,675</u>	<u>1,675</u>

The 3.5% net first cumulative preference shareholders are entitled to a fixed cumulative preferential dividend at that rate and, subject thereto, the 4.2% net second cumulative preference shareholders are entitled to a fixed preferential dividend at that rate. These shares have, respectively, a first and second entitlement to amounts receivable on a winding-up, not exceeding the amounts paid up on these shares plus any arrears of dividends. Voting rights attach to these shares if dividends are in arrear by more than one month and six months respectively and in certain other circumstances.

After payment of the two cumulative preference dividends above, the profits resolved to be distributed as ordinary dividends in any financial period are applied first in the payment of a non-cumulative 0.175 pence per share to the ordinary shareholders and the balance rateably among the holders of the ordinary and deferred ordinary shares.

Each ordinary share carries one vote and each deferred ordinary share carries four votes.

Directors' interests	4th October 1996		29th September 1995	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
<b>R. W. D. Hanson</b>				
Second preference	2,923	—	2,923	—
5p Ordinary	177,734	36,390	176,176	36,390
Hardy Hanson Holdings Limited	4,175	—	4,175	—
<b>P. T. Helps</b>				
First preference	240	—	240	—
Second preference	403	—	403	—
5p Ordinary	60,243	1,177,171	59,044	1,179,315
Hardy Hanson Holdings Limited	5,737	25,249	5,737	25,249
<b>J. D. Harrison</b>				
First preference	100	—	100	—
Second preference	600	—	600	—
5p Ordinary	17,213	—	16,014	—
Debenture stock	£500	—	£500	—
<b>N. J. Forman Hardy</b>				
5p Ordinary	1,359,520	—	1,359,520	—
Hardy Hanson Holdings Limited	65,513	42,375	65,513	42,375
<b>T. E. Bonham</b>				
First preference	100	—	100	—
5p Ordinary	4,828	—	3,629	—

Notes to the Financial Statements (continued)

19 Share capital (continued)

**Substantial holdings**

The undermentioned members of the company hold, or are interested in, 3% or more of the called-up ordinary share capital:

Britannic Assurance Public Limited Company	2,111,500	10.55%
Prudential Corporation	1,465,500	7.33%
Sun Alliance Group	1,105,000	5.53%
Trustees of the Lloyds Bank Pension Scheme	1,000,000	5.00%
Forman Hardy Holdings Limited (also included in the beneficial interests of Mr. N. J. Forman Hardy)	777,515	3.88%

So far as the directors are aware, there is no other member holding a substantial part of the called-up share capital.

Hardy Hanson Holdings Limited with 300,000 shares in issue owns the whole of the deferred ordinary shares in Hardys & Hansons p.l.c.

There were no changes in the statements of directors' interests and substantial holdings up to and including 23rd December 1996.

20 Revaluation reserve

	1996 £000	1995 £000
Balance 29th September 1995	41,631	41,757
Profit and loss account, re properties sold	68	(95)
Transfer to general reserve	(32)	(31)
	<u>41,667</u>	<u>41,631</u>

21 Other reserves

**Capital reserve**

Balance 29th September 1995	4,757	4,696
Proposed transfers from profit and loss account:		
Disposal of fixed assets (note 4)	(38)	(25)
Taxation	—	(9)
Revaluation reserve, re properties sold	(68)	95
	<u>(106)</u>	<u>61</u>
	<u>4,651</u>	<u>4,757</u>

**General reserve**

Balance 29th September 1995	31,494	28,603
Proposed transfer from profit and loss account	2,880	2,860
Transfer from revaluation reserve	32	31
	<u>34,406</u>	<u>31,494</u>
	<u>39,057</u>	<u>36,251</u>

22 Capital commitments

Outstanding contracts	<u>452</u>	<u>63</u>
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Notes to the Financial Statements (continued)

23 Pension schemes

The company operates two pension schemes, both of which are of the defined benefit type, with assets held in separate insured funds.

The main scheme was valued by the professional actuaries of Prudential Financial Services as at 1st May 1995, using the projected unit credit method with a 15 year control period. The principal actuarial assumption adopted in that valuation was that, over the long-term, the annual rate of return on investments would be 2.5% higher than the annual increase in total pensionable remuneration. The actuarial value of the assets represented 163% of the benefits that had accrued to members, and the market value as at the date of valuation was £5,572,000. The company's current rate of funding is 1.8% and the current regular cost, adjusted for the provision of limited price indexation (to commence in April 1997) and spreading variations over a fifteen year period, is 6.2%.

The subsidiary scheme was valued by the professional actuaries of G. A. Life as at 31st January 1996, using the attained age method. The principal actuarial assumption adopted in that valuation was that, over the long-term, the annual rate of return on investments would be 2% higher than the annual increase in total pensionable remuneration. The actuarial value of the assets represented 110% of the benefits that had accrued to members and the market value as at the date of valuation was £847,000. The company's current rate of funding is 15.3% and the current regular cost, adjusted for spreading variations over the estimated remaining working lives of the members, is 20.4%.

The total pension charge was £169,000 (£196,000). This included £34,000 (£Nil) in respect of the amortisation of surpluses that are being recognised over the control periods of the schemes. Prepaid contributions amounted to £39,000 (£41,000).

24 Reconciliation of operating profit with net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit	7,257	7,189
Depreciation charge	1,269	1,226
Decrease/(increase) in stock	18	(135)
(Increase) in debtors	(336)	(74)
Increase/(decrease) in creditors	1,069	(251)
Net cash inflow from operating activities	<u>9,277</u>	<u>7,955</u>

25 Analysis of changes in cash and cash equivalents during the year

Cash at bank and in hand:		
Balance 29th September 1995	14,547	11,810
Net cash inflow	<u>1,250</u>	<u>2,737</u>
Balance 4th October 1996	<u>15,797</u>	<u>14,547</u>

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the ninety-ninth annual general meeting of the company will be held at the registered office, Kimberley Brewery, Nottingham, on Tuesday, the 18th day of February 1997 at 11.30 a.m., for the following purposes:

## ORDINARY BUSINESS

- 1 To receive and adopt the financial statements for the fifty-three weeks ended 4th October 1996 and the reports of the directors and auditors.
- 2 To declare final dividends on the ordinary shares and the deferred ordinary shares.
- 3 To re-elect Mr. R. W. D. Hanson, who is retiring in accordance with the articles of association of the company, as a director.
- 4 To re-elect Mr. J. D. Harrison, who is retiring in accordance with the articles of association of the company, as a director.
- 5 To re-appoint Robt. A. Page & Co. as auditors and to authorise the directors to set their remuneration.

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution:

- 6 THAT the company (or a subsidiary of it) be and is hereby generally and unconditionally authorised to make purchases (whether market or off-market) of all or any of the outstanding irredeemable first mortgage debenture stock of the company ("Stock") provided that the maximum price that may be paid for any £1 nominal of Stock purchased is £0.58 (exclusive of expenses) and the authority hereby granted shall expire at the conclusion of the annual general meeting of the company in 1998, provided that a contract may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of Stock may be made in pursuance of any such contract.

Registered Office  
Kimberley Brewery  
Nottingham  
NG16 2NS

By Order of the Board  
  
J. D. HARRISON  
Secretary

23rd January 1997

## Financial Calendar

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1997

Annual General Meeting

18th February

Payment of final dividend for 1995/96

3rd March

Interim Results for 1996/97:

Preliminary announcement of results and  
amount of interim dividend

End June

Interim Statement to Shareholders and  
Debentureholders

End June/early July

Payment of interim dividend for 1996/97

Early August

Full year preliminary announcement of results  
and proposed final dividend for 1996/97

Mid December