

52412

101st REPORT
& FINANCIAL
STATEMENTS

Hardys & Hansons p.l.c.



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COMPANIES HOUSE 22/3/99

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Chairman's Statement

Our profit on ordinary activities before taxation for the 52 weeks ended 2nd October 1998 amounted to £7,785,000 compared with £8,481,000 for the previous year; turnover during the period increased from £35,721,000 to £36,325,000.

I would obviously much prefer to be able to report an increase in our profits but, in considering them, I would remind shareholders that last year we carried out a detailed review of our plans for the future. This review resulted, in particular, in reorganisation costs of £154,000 and a deficit on disposal of fixed assets, amounting to £389,000 following the decision to sell 17 under-performing tenancies. Our profit before taxation if adjusted upwards for these two sums, totalling £543,000, would have amounted to £8,328,000 compared with last years profit before taxation, after excluding a small surplus on disposals, of £8,457,000. In my opinion, these adjusted figures give a much better indication of the company's performance for the period, which was adversely affected by poor trading conditions in the final quarter, as experienced nationally. A reduction of £6,000 in the allocation to the employees' share scheme reflected a difficult trading year, during which we have again enjoyed the support of all our employees, for which the board is most grateful.

Many of the benefits of the review will fall into the current year ending in October 1999 and with this in mind, but also because the company's cash position remains very strong, the board has felt able to propose a final dividend of 7.6p per ordinary share, subject to approval at the annual general meeting to be held on 16th February 1999; it compares with a final dividend last year of 7.2p. With the inclusion of the interim dividend of 4.6p already paid (4.2p in 1997), the total dividends for the year will be 12.2p per ordinary share, or 7% up on last years total of 11.4p.

As indicated last year, I have now ceased to be Managing Director and Mr. T. E. Bonham, who joined the company in 1990 as Retail Director, became Managing Director with effect from 27th October 1998. I am very pleased to welcome Mr. Jonathan Webster to the board as Retail Director; aged 36, he held a variety of positions with Bass P.L.C. for 13 years from 1984 until 1997, including that of regional Retail Director in Bass Taverns. For the immediate 18 months before he joined us, he was Operations Director of Tom Cobleigh p.l.c.; he has, therefore, had extensive retail experience in the running of managed and tenanted public houses and, also, started with a good knowledge of our trading area.

At the last three annual general meetings, shareholders gave authority for the company (or a subsidiary of it) 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, though modest, in the administration of the stock, together with the restrictions which the debenture stock trust deed imposes on the company's flexibility to deal quickly with its properties, outweigh any benefits to shareholders of the stock remaining outstanding. Accordingly the directors are again seeking authority to purchase the stock on the basis that the maximum price which may be paid for £1 nominal of stock is an amount equal to 105 per cent of the average middle market quotations for the stock as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase. The authority for the company to purchase its stock is contained in resolution 7 in the notice of annual general meeting set out on page 22. Shareholders should note that the authority would not then expire until the conclusion of the annual general meeting in 2004, thus avoiding the need to obtain shareholders' approval every year.

In our retail estate, we completed the transfer of 15 low volume managed houses to tenancy, thereby significantly increasing the average turnover of

Directors, Officers and Advisers

Directors

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

Secretary and Registered Office

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

Auditors

Robt. A. Page Kirk Cree Jepson
Chartered Accountants and Registered Auditor
Sherwood House, 7 Gregory Boulevard
Nottingham, NG7 6LB

**Bankers and Trustees for the
Debenture Stockholders**

Lloyds Bank Plc

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Subsidiary Company (wholly owned)

Hansons Limited (non-trading)

Chairman's Statement (continued)

the remainder and improving the overall quality of the managed estate. The quality of tenanted houses has also been improved by this transfer and by the decision to sell 17 under-performing tenancies, as referred to earlier. During the year we opened in June the Goose at Gamston, near Nottingham, a large public house/restaurant with approximately 140 covers, and commenced the development in April of similar premises at Crystal Peaks, east of Sheffield. The latter opened in early December 1998 so did not contribute to the results now being reported. In addition, in October 1998 we commenced the development of another new public house/restaurant at Chellaston, south of Derby, which is planned to open in May 1999. It remains a fundamental part of our policy to continue to develop such outlets, as was underlined by the appointment of a full-time acquisitions manager in February 1998. A number of potential sites are currently under active consideration; we are also looking further afield and beyond our current trading area.

We have continued to update our existing public houses and during the year completed substantial alterations and improvements, including major up-grades to the catering facilities, at three managed houses, the Farmhouse at Coventry, the Harrington Arms at Sawley, on the Nottinghamshire/Derbyshire border, and the White Hart, Nottingham. Other houses improved during the year were the Bridge Inn at Calver and the Devonshire Arms at Fairfield, both in Derbyshire, the Waggon and Horses at Kirkby-in-Ashfield, and the Lord Nelson at Sheffield.

In the brewery, the substantial savings referred to last year, together with other measure taken, have reduced production costs thereby helping us to offer increased discounts in the very competitive free trade market. 'Kimberley Cool' smooth bitter, supported by a significant increase in the marketing budget, has continued to perform well and sales are running ahead of last year but, in line with national trends, the popularity of our cask-conditioned beers has suffered as customers have switched to 'Kimberley Cool'. In May we introduced the first of a series of beers in 500 ml non-returnable bottles from our Cellarman's Cask range of draught beers, and which are currently being marketed nationally by Asda; sales have improved with 'Rocking Rudolph' in the run up to Christmas and, although margins are slim, we hope to build on this relatively small start in 1999.

It is never easy, at such an early stage, to give an indication of our likely progress in the current financial year, particularly as trade in the autumn remained difficult after the disappointing summer and as experienced in retailing generally. Income from amusement with prizes machines has improved since the increase in the maximum cash pay out which came into effect on 1st October 1998. We continue to focus on the development of our community public houses and outlets serving substantial food. Increased trading arising from such new and improved premises together with the benefits arising from the review referred to earlier, should provide significant contributions to our results for the period ending 1st October 1999.

Finally, I would draw the attention of shareholders to a change in the venue of our annual general meeting. For a number of years the accommodation at the brewery has only just been large enough and a significant increase in the number of private shareholders in the last twelve months has meant that we have decided to change the venue to the Nottingham Gateway Hotel, which is about three miles east of the brewery; directions to the new venue are shown on page 22.

R.W.D. HANSON
Chairman



Report of the Directors

The directors have pleasure in submitting the financial statements for the 52 weeks ended 2nd October 1998, which were approved on 11th December 1998, and may be found between pages 10 and 21. The comparative figures for 1997 cover a 52 week period.

Results and Dividends

After the allocation to the employees' share scheme of £161,000 (£167,000 in 1997), the operating profit decreased by 6.6% from £7,375,000 to £6,891,000 and net investment income increased from £1,082,000 to £1,283,000. The profit before tax was £7,785,000 compared with £8,481,000. After providing for corporation tax at the rate of 31%, the profit after tax was £5,265,000 compared with £5,775,000.

Interim dividends were paid on 3rd August 1998, on the ordinary and deferred ordinary shares of 4.6 pence per share and 4.425 pence per share respectively.

The directors recommend a final dividend of 7.6 pence per share on both the ordinary and deferred ordinary shares which, if approved, will be paid on 1st March 1999.

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, except as reflected in the financial statements.

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.

Employee Involvement

The company maintains close communication with employees through the management structure on a day to day basis. This regular contact is supplemented by periodic briefings by the directors separately with their own staff, at which information on matters which concern them as members of staff is presented. At these briefings provision is made for employees themselves to make suggestions or raise matters which are of concern to them.

Financial statements published half-yearly to shareholders are also made available to employees. The well established share scheme for employees provides encouragement to staff to contribute to the success of the business and thereby achieve a direct share of profits which is measured against the overall performance of the company.

Report of the Directors (continued)

Employment of Disabled Persons

The company supports the 'Code of Good Practice on the Employment of Disabled People' and as such is committed to the following actions wherever practicable:

- To ensure that all key employees are aware of the needs of the disabled and of the company's obligations.
- To ensure that disabled persons are not disadvantaged during any recruitment process.
- To ensure that for training, development and promotion, disabled persons are treated the same as other employees.
- To make every effort when an employee becomes disabled to ensure the continuation of his or her employment with the company. In appropriate cases re-training or a transfer may be arranged.
- To review the position annually to check that these commitments are being met and to consider ways of improving on them.

Directors

The directors at the date of this report are named on page 1. With the exception of Mr. J. P. Webster all the directors served throughout the period. Mr. N. J. Forman Hardy and Mr. R. W. D. Hanson are the directors retiring in rotation order and, being eligible, offer themselves for re-election.

Mr. Forman Hardy's appointment extends for a period of one year. He is aged 50 and 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.

Mr. R. W. D. Hanson is entitled to six months notice.

Mr. T. E. Bonham was appointed managing director with effect from 27th October, 1998. His service agreement entitles him to two years notice by the company in accordance with his service agreement when he joined the company in 1990.

Mr. J. P. Webster was appointed an executive director on 5th October 1998. In accordance with the provisions of the Articles of Association, he will retire at the next annual general meeting and, being eligible, offers himself for election by the shareholders. Mr. Webster is entitled to six months notice.

The directors' interests in the shares of the company are set out on page 19 in note 19 to the financial statements. No rights to subscribe for shares in or debentures of the company were granted to or exercised by any director during the year.

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.

Report of the Directors (continued)

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.

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. Trade creditor days of the company, based on the ratio of company trade creditors at the end of the period to the amounts invoiced during the period by trade creditors, were 25 days, being 18 working days.

Auditors

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

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.

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

Year 2000

A steering group has been established consisting of the executive directors and senior management, representing the key areas of the business, whose task is to identify and overcome the potential risks which may arise should computer-based operations fail to react correctly to the date change at the end of the year 1999. The areas to be covered also include evaluation of the impact which may be caused by a failure at suppliers of goods or services. A considerable amount of progress has already been made and it is intended that by the end of 1999 all potential problem areas will have been tested for compliance but, if areas of risk are identified, contingency plans will be in place to ensure business continuity.

So far any cost involved has been mostly absorbed by the normal expansion and replacement of computer-based items and it is not expected that any extra future cost will be significant.

Report of the Directors (continued)

Economic and Monetary Union

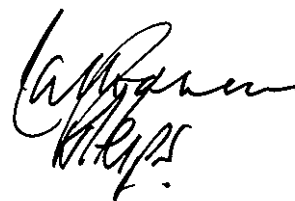
The company has not incurred any material costs in relation to the proposed introduction of the euro, on 1st January, 1999, by several member states of the EU and none are planned for the near future. Should the United Kingdom join the EMU later, the greatest impact would be in the need to replace or adjust vending and amusement machines and, possibly, public house tills. With this country's entry into the system not yet certain, however, it is too early to assess likely costs. A careful check will be maintained on developments within the UK retail sector in order to ensure that, should a movement towards an early acceptance of the euro become apparent, the company's commercial interest would be protected.

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 period of five years, 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
11th December 1998

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.

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, consisted during the year 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 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 above, 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 enough 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.

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. Details of the disclosures required by paragraph 12.43 (x) (iii), (iv) & (v), of the Listing Rules are shown in note 7 on page 16.

All executive directors apart from Mr. J. P. Webster 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 in note 19 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.

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

We have audited the financial statements on pages 10 to 21.

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 2nd October 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Nottingham
11th December 1998



ROBT. A. PAGE KIRK CREE JEPSON
Chartered Accountants
and Registered Auditor

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

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 8 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to undisclosed non-compliance with listing rules 12.43 (j) and 12.43 (v).

Basis of Opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance 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 8, in our opinion the directors have provided the disclosures required by the listing rules 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 page 8 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by the listing rules.

Nottingham
11th December 1998



ROBT. A. PAGE KIRK CREE JEPSON
Chartered Accountants

Profit and Loss Account

for the 52 weeks ended 2nd October 1998

	Notes	1998		1997	
		£000	£000	£000	£000
Turnover	2		36,325		35,721
Change in stocks of finished goods and work-in-progress			(6)		46
Raw materials, consumables and duty			36,319 (13,192)		35,767 (13,230)
Staff costs	3	(7,434)	23,127	(7,178)	22,537
Depreciation		(1,501)		(1,447)	
Other operating costs		(7,301)		(6,537)	
			(16,236)		(15,162)
Operating profit			6,891		7,375
Disposal of fixed assets	4		(389)		24
Income from fixed asset investments		148	6,502	166	7,399
Other interest receivable		1,148		929	
			1,296		1,095
Interest payable	5		(13)		(13)
Profit on ordinary activities before taxation	6		7,785		8,481
Tax on profit on ordinary activities	8		(2,520)		(2,706)
Profit on ordinary activities after taxation			5,265		5,775
Non-equity dividends	9		(16)		(16)
Profit attributable to the equity shareholders			5,249		5,759
Equity dividends	9		(3,041)		(2,841)
Retained profit for the period			2,208		2,918
Retained profit brought forward			102		103
Proposed transfers—General reserve		(1,750)	2,310	(2,895)	3,021
Capital reserve		90		(274)	
Revaluation reserve		(548)		250	
			(2,208)		(2,919)
Retained profit carried forward			102		102
Earnings per share	10				
Ordinary shares of 5p each			21.031p		23.071p
Deferred ordinary shares of 5p each			20.856p		22.896p

Statement of Total Recognised Gains and Losses

for the 52 weeks ended 2nd October 1998

	1998 £000	1997 £000
Profit for the financial period	5,249	5,759
Unrealised deficit on revaluation of properties	(476)	—
Total gains and losses recognised for the period	<u>4,773</u>	<u>5,759</u>

Note of Historical Cost Profits

for the 52 weeks ended 2nd October 1998

	1998 £000	1997 £000
Profit on ordinary activities before taxation	7,785	8,481
Realisation of property revaluation (losses) gains of prior years	(107)	250
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	30	30
Historical cost profit on ordinary activities before taxation	<u>7,708</u>	<u>8,761</u>
Historical cost profit for year retained after taxation and dividends	<u>2,131</u>	<u>3,198</u>

Reconciliation of Movements in Total Shareholders' Funds

for the 52 weeks ended 2nd October 1998

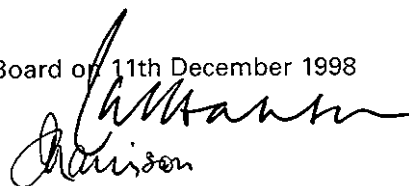
	1998 £000	1997 £000
Profit for the financial period	5,249	5,759
Equity dividends	(3,041)	(2,841)
Unrealised deficit on revaluation of properties	<u>2,208</u> (476)	<u>2,918</u> —
Net additions to shareholders' funds	1,732	2,918
Shareholders' funds at 3rd October 1997	85,420	82,502
Shareholders' funds at 2nd October 1998	<u>87,152</u>	<u>85,420</u>

Balance Sheet

2nd October 1998

	Notes	1998		1997	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11		76,052		73,317
Investments	12		1,906		1,692
Shares in Hansons Limited less amounts due	13		—		—
			<u>77,958</u>		<u>75,009</u>
Current Assets					
Stocks	14	1,037		1,042	
Debtors	15	2,455		2,479	
Cash at bank and in hand		14,487		15,778	
		<u>17,979</u>		<u>19,299</u>	
Creditors					
Amounts falling due within one year	16	(7,957)		(7,993)	
Net current assets			<u>10,022</u>		<u>11,306</u>
Total assets less current liabilities			<u>87,980</u>		<u>86,315</u>
Creditors					
Amounts falling due after more than one year	17	(200)		(200)	
Provisions for liabilities and charges	18	(628)		(695)	
			<u>(828)</u>		<u>(895)</u>
Net assets			<u>87,152</u>		<u>85,420</u>
Capital and reserves					
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>
Equity reserves					
Revaluation reserve	20		41,429		41,387
Other reserves	21		43,946		42,256
Profit and loss account			102		102
Total Shareholders' Funds			<u>87,152</u>		<u>85,420</u>

Approved by the Board on 11th December 1998
R. W. D. HANSON
J. D. HARRISON
Directors



Cash Flow Statement

for the 52 weeks ended 2nd October 1998

	Notes	1998		1997	
		£000	£000	£000	£000
Net cash inflow from operating activities	24		8,465		8,190
Returns on investments and servicing of finance					
Income from fixed asset investments		148		166	
Other interest receivable		1,148		929	
Interest payable		(13)		(13)	
Non-equity dividends paid		(16)		(16)	
			1,267		1,066
Taxation					
Corporation tax paid (including advance corporation tax)			(2,767)		(2,955)
Capital Expenditure					
Payments to acquire tangible fixed assets		(5,566)		(4,245)	
Receipts from sales of tangible fixed assets		450		414	
Payment to acquire investments		(15)		(52)	
Receipts from sales of investments		27		52	
(Increase) decrease in loans to customers and others		(211)		252	
			(5,315)		(3,579)
Equity dividends paid			(2,941)		(2,741)
(Decrease) in net funds			(1,291)		(19)
Management of liquid resources					
Decrease (increase) in short term bank deposits			270		(558)
(Decrease) in cash in the period			(1,021)		(577)
Reconciliation of net cash flow to movement in net funds					
	25				
(Decrease) in cash in the period			(1,021)		(577)
Movement in cash (from)/to liquid resources			(270)		558
(Decrease) in net funds			(1,291)		(19)
Net funds 3rd October 1997			15,778		15,797
Net funds 2nd October 1998			14,487		15,778

Liqud resources comprise term deposits of less than one year.

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 are reflected in the profit and loss account based on the net carrying amount, 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 31% 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.

In accounting for the deferred tax implications of pensions, the full provision basis has been used.

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)

7 Directors	Basic salary/fee ¹		Value of shares allocation ²		Cash value of benefits in kind ³		TOTAL	
	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000
R.W.D. Hanson	85	82	4	4	8	7	97	93
P.T. Helps	65	63	4	4	7	7	76	74
J.D. Harrison	65	63	3	3	7	6	75	72
N.J. Forman Hardy	10	10	—	—	—	—	10	10
T.E. Bonham	65	63	4	3	7	6	76	72
	<u>290</u>	<u>281</u>	<u>15</u>	<u>14</u>	<u>29</u>	<u>26</u>	<u>334</u>	<u>321</u>

Total pension contributions							<u>73</u>	<u>65</u>
Total emoluments							<u>407</u>	<u>386</u>

Pension benefit entitlements of the directors ⁴	Increase in accrued pension during the period ⁵		Transfer value of increase ⁶		Accumulated total accrued pensions	
	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000
R. W. D. Hanson	2	—	19	—	53	—
P. T. Helps	1	—	11	—	31	—
J. D. Harrison	1	—	17	—	33	—
T.E. Bonham	1	—	7	—	9	—

Notes:

- Further information on basic salaries is given on page 8.
- The value of shares allocation results from membership of the employees' share scheme.
- The cash value of benefits in kind mainly reflects the provision of a company car to executive directors.
- The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the period.
- The increase in accrued pension during the year excludes any increase for inflation, based on the October 1998 RPI figure of 3.1% for the year.
- The transfer value has been calculated on the basis of actuarial advice, with reference to the minimum funding requirement basis, and in accordance with Actuarial Guidance Note GNII.

8 Taxation	£000	£000
Corporation tax based on the profits at the rate of 31% (32%)	2,549	2,719
Tax on franked investment income	24	28
Taxation adjustment earlier years	(1)	(1)
Deferred taxation	(52)	(40)
	<u>2,520</u>	<u>2,706</u>

9 Dividends	pence per share		£000	£000
Dividends paid or provided:				
Non-equity				
First preference shares	3.5	3.5	8	8
Second preference shares	4.2	4.2	8	8
			<u>16</u>	<u>16</u>
Equity				
Ordinary shares interim	4.6	4.2	920	840
Ordinary shares proposed final	7.6	7.2	1,520	1,440
Deferred ordinary shares interim	4.425	4.025	221	201
Deferred ordinary shares proposed final	7.6	7.2	380	360
			<u>3,041</u>	<u>2,841</u>

- 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 £5,249,000 (£5,759,000). 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.

Notes to the Financial Statements (continued)

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					
3rd October 1997	64,848	1,640	5,250	13,469	85,207
Additions	3,483	36	119	1,928	5,566
Disposals	(196)	—	(190)	(320)	(706)
Revaluation	(476)	—	—	—	(476)
2nd October 1998	<u>67,659</u>	<u>1,676</u>	<u>5,179</u>	<u>15,077</u>	<u>89,591</u>
At cost	6,775	1,586	5,179	15,077	28,617
At valuation 1994	60,488	90	—	—	60,578
At valuation 1998	396	—	—	—	396
	<u>67,659</u>	<u>1,676</u>	<u>5,179</u>	<u>15,077</u>	<u>89,591</u>
Less depreciation					
3rd October 1997	123	—	3,738	8,029	11,890
Charge for the period	41	—	279	1,186	1,506
Disposals	—	—	(146)	(117)	(263)
Provision	291	26	—	89	406
2nd October 1998	<u>455</u>	<u>26</u>	<u>3,871</u>	<u>9,187</u>	<u>13,539</u>
Net book value					
2nd October 1998	<u>67,204</u>	<u>1,650</u>	<u>1,308</u>	<u>5,890</u>	<u>76,052</u>
3rd October 1997	<u>64,725</u>	<u>1,640</u>	<u>1,512</u>	<u>5,440</u>	<u>73,317</u>
The comparable amounts determined under historical cost accounting are:					
Cost	26,353	1,703	5,179	15,077	48,312
Depreciation	(239)	(1)	(3,871)	(9,187)	(13,298)
Net book value					
2nd October 1998	<u>26,114</u>	<u>1,702</u>	<u>1,308</u>	<u>5,890</u>	<u>35,014</u>
3rd October 1997	<u>22,996</u>	<u>1,666</u>	<u>1,512</u>	<u>5,440</u>	<u>31,614</u>

12 Investments

	Listed £000	Loans to customers and others £000	Total £000
Cost 3rd October 1997	738	954	1,692
Additions	15	450	465
Disposals and repayments	(12)	(239)	(251)
Cost 2nd October 1998	<u>741</u>	<u>1,165</u>	<u>1,906</u>

At 2nd October 1998 the market value of listed investments, which are all dealt with on a recognised stock exchange was £3,082,000 (£3,851,000).

13 Shares in Hansons Limited

	1998 £000	1997 £000
Ordinary shares	175	175
Less amounts due	175	175
	<u>—</u>	<u>—</u>

Hansons Limited is a wholly owned non-trading subsidiary.

Notes to the Financial Statements (continued)

	1998	1997
	£000	£000
14 Stocks		
Raw materials	107	118
Consumable stores	106	94
Beer in process	31	44
Finished products	793	786
	<u>1,037</u>	<u>1,042</u>
15 Debtors		
Trade debtors	1,415	1,397
Other debtors	258	478
Prepayments and accrued income	782	604
	<u>2,455</u>	<u>2,479</u>
16 Creditors: amounts falling due within one year		
Trade creditors	1,882	1,785
Taxation	2,578	2,748
Other taxes and social security costs	694	767
Other creditors	688	626
Accruals	211	263
Ordinary shares proposed final dividend	1,520	1,440
Deferred ordinary shares proposed final dividend	380	360
Preference dividend	4	4
	<u>7,957</u>	<u>7,993</u>
17 Creditors: amounts falling due after more than one year		
4% Irredeemable first mortgage debenture stock secured on certain properties and by a general charge on the undertaking	200	200
	<u>200</u>	<u>200</u>
18 Provisions for liabilities and charges		
Pensions — Balance 3rd October 1997	599	555
Charge for the period	10	44
	<u>609</u>	<u>599</u>
Balance 2nd October 1998	609	599
Deferred taxation	19	96
	<u>628</u>	<u>695</u>
Deferred taxation		
Provided at 31% in respect of:		
Accelerated capital allowances	653	700
Short-term timing differences	(158)	(153)
	<u>495</u>	<u>547</u>
Less advance corporation tax recoverable on dividends proposed, for relief on taxation payable in 1999 and 2000	(476)	(451)
	<u>19</u>	<u>96</u>
Movement in provision		
Balance 3rd October 1997	547	587
(Release) for the period	(52)	(4)
Change of rate	—	(36)
	<u>495</u>	<u>547</u>
If full provision had been made at 31% the amount would have been:		
Accelerated capital allowances	1,364	1,354
Short-term timing differences	(158)	(153)
Tax on gains subject to roll-over relief	464	457
	<u>1,670</u>	<u>1,658</u>

Notes to the Financial Statements (continued)

19 Share capital	Authorised	Allotted, called-up and fully paid	
	1998 and 1997 £000	1998 £000	1997 £000
Non-equity Capital			
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
Equity Capital			
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	2nd October 1998		3rd October 1997	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R. W. D. Hanson				
Second preference	2,923	—	2,923	—
5p Ordinary	180,953	225,165	179,165	225,165
Hardy Hanson Holdings Limited	4,175	2,000	4,175	2,000
P. T. Helps				
First preference	240	40	240	165
Second preference	403	172	403	688
5p Ordinary	62,719	823,898	61,344	1,157,846
Hardy Hanson Holdings Limited	5,737	20,906	5,737	25,249
J. D. Harrison				
First preference	100	—	100	—
Second preference	600	—	600	—
5p Ordinary	19,689	—	18,314	—
Debenture stock	£500	—	£500	—
N. J. Forman Hardy				
5p Ordinary	1,359,520	—	1,359,520	—
Hardy Hanson Holdings Limited	65,513	42,375	65,513	42,375
T.E. Bonham				
First preference	100	—	100	—
5p Ordinary	7,304	—	5,929	—
J.P. Webster				
Nil				

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	2,586,500	12.93%
Prudential Corporation	1,465,500	7.32%
Forman Hardy Holdings Limited (also included in the beneficial interests of Mr. N. J. Forman Hardy)	777,515	3.88%
Tweedie Browne Global Value Fund (Registered holder MSS Nominees Ltd)	1,098,479	5.49%

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. and therefore controls 50% of the equity shareholders' voting rights.

There were no changes in the statements of directors' interests and substantial holdings up to and including 21st December 1998.

20 Revaluation reserve

	1998 £000	1997 £000
Balance 3rd October 1997	41,387	41,667
Profit and loss account: properties sold	107	(250)
properties to be sold	441	—
Transfer to general reserve	(30)	(30)
Revaluation deficit	(476)	—
	<u>41,429</u>	<u>41,387</u>

21 Other reserves

Capital reserve

Balance 3rd October 1997	4,925	4,651
Proposed transfers from profit and loss account:		
Disposal of fixed assets (note 4)	17	24
Revaluation reserve, re properties sold	(107)	250
	<u>(90)</u>	<u>274</u>
	4,835	4,925

General reserve

Balance 3rd October 1997	37,331	34,406
Proposed transfer from profit and loss account	1,750	2,895
Transfer from revaluation reserve	30	30
	<u>39,111</u>	<u>37,331</u>
	<u>43,946</u>	<u>42,256</u>

22 Capital commitments

Outstanding contracts	573	30
	<u>573</u>	<u>30</u>

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 fifteen 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 8.0% and the current regular cost, adjusted for 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 27.7% and the current regular cost, adjusted for spreading variations over the estimated remaining working lives of the members, is 26.9%.

The total pension charge was £216,000 (£194,000). This is net of £53,000 (£43,000) in respect of the amortisation of surpluses that are being recognised over the control periods of the schemes. Prepaid contributions amounted to £102,000 (£102,000).

24 Reconciliation of operating profit to net cash inflow from operating activities	1998 £000	1997 £000
Operating profit	6,891	7,375
Depreciation charge	1,501	1,447
Decrease (increase) in stock	5	(40)
Decrease (increase) in debtors	24	(100)
Increase (decrease) in creditors	44	(492)
Net cash inflow from operating activities	<u>8,465</u>	<u>8,190</u>

25 Analysis of changes in net funds

	At 3rd Oct 1997 £000	Cash flows £000	At 2nd Oct 1998 £000
Cash in hand, at bank	1,130	(1,021)	109
Short term bank deposits	14,648	(270)	14,378
Total	<u>15,778</u>	<u>(1,291)</u>	<u>14,487</u>

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 101st annual general meeting of the company will be held at the Nottingham Gateway Hotel, Nuthall Road, Nottingham NG8 6AZ on Tuesday, the 16th day of February 1999 at 11.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the fifty-two weeks ended 2nd October 1998 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. N. J. Forman Hardy, who is retiring in accordance with the articles of association of the company, as a director.
4. To re-elect Mr. R. W. D. Hanson, who is retiring in accordance with the articles of association of the company, as a director.
5. To elect Mr. J. P. Webster who is retiring in accordance with the articles of association of the company, as a director.
6. To re-appoint Robt. A. Page Kirk Cree Jepson 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:-

7. 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 which may be paid for £1 nominal of Stock purchased is an amount equal to 105 per cent of the average of the middle market quotation for £1 nominal of Stock as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Stock is contracted to be purchased (exclusive of expenses) and the authority hereby granted shall expire at the conclusion of the annual general meeting of the company in 2004, 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.

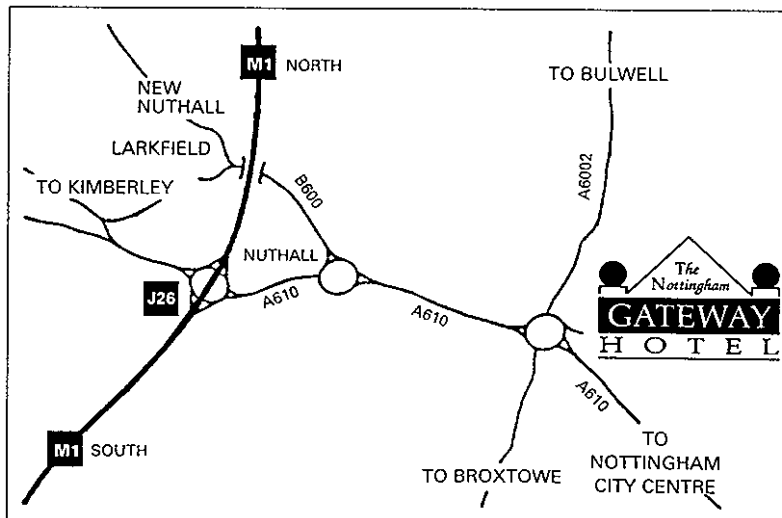
Registered Office
Kimberley Brewery
Nottingham NG16 2NS

21st January 1999

By Order of the Board


J. D. HARRISON
Secretary

DIRECTIONS TO THE ANNUAL GENERAL MEETING VENUE



Financial Calendar

	1999
Annual General Meeting	16th February
Payment of final dividend for 1997/98	1st March
Interim Results for 1998/99:	
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 1998/99	Early August
Full year preliminary announcement of results and proposed final dividend for 1998/99	Mid December