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HARDYS & HANSONS P.L.C.
Annual Report & Accounts 2005

First choice locally.

Amending

Hardys & Hansons are award-winning brewers and pub owners with local heritage, brewing in Nottingham since 1832.

Owning over 250 great pubs with friendly staff providing excellent service, quality drinks and food, their mission is to be first choice locally.

H&H brew and supply their own ales and market a variety of leading brand lagers, wines, spirits and soft drinks to the free trade in addition to their own estate.

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Financial Highlights

- Turnover increased 7% to £81.5m
- Operating profit decreased 1% to £14.3m
- Adjusted profit before tax decreased 3% to £14.8m*
- Adjusted EPS decreased 3% to 40.6p†
- Total dividend per ordinary share increased by 2% to 19.4p
- Capital expenditure of £24.5m in 2005
- Directors' valuation of property assets of £181.5m indicates a £64.6m excess over book value

* see note 10 † see note 11

TURNOVER (£m)

01	02	03	04	05
54.3	64.8	70.9	76.2	

ADJUSTED OPERATING PROFIT (£m)

01	02	03	04	05
10.2	12.3	13.7	14.5	

ADJUSTED EARNINGS PER SHARE (pence)

01	02	03	04	05
30.2	34.6	39.2	42.0	

NET ASSETS (£m)

01	02	03	04	05
95	104	113	120	

Chairman's Statement

After five years of sustained sales and profit growth, trading was more difficult in 2005, with results for the financial year ended 30 September 2005 marginally below the previous year. As forecast in the trading statement dated 7 October 2005, a combination of cost increases and a deterioration in like for like trading in the second half led to a 1% reduction in operating profit to £14.3m (2004: £14.5m). Driven by acquisitions of additional public houses, sales were 7% higher at £81.5m (2004: £76.2m). Adjusted profit before tax at £14.8m (2004: £15.2m) was 3% below last year and adjusted EPS fell from 42.0p to 40.6p.

The Company remains highly cash generative with net cash flow from operating activities of £17.8m compared to £16.6m in the prior year. Capital expenditure was £24.5m (2004: £6.7m), of which £18.4m represented investment in additional properties (2004: £1.5m). The long standing equity portfolio was sold during the year raising £3.6m. The Company remains cash positive with net funds of £6.0m (2004: £16.9m).

DIVIDEND

For the year ended 30 September 2005 the board proposes a final dividend of 12.1p per ordinary share (2004: 11.9p) payable on 6 March 2006 to shareholders on the register on 10 February 2006 subject to approval at the AGM on 2 February 2006. If approved this would give a total dividend for the year of 19.4p (2004: 19.1p) representing an increase of 2%.

OPERATIONAL OVERVIEW

Increased costs and competitor activity, together with the upfront revenue costs relating to the substantial investment programme achieved in 2005, have inhibited profit growth.

In the managed house estate, the Company achieved a 0.8% increase in like for like sales, and an improvement of 0.6% in gross margins. This was, however insufficient to cover the substantial increases in costs. Our tenanted and free trade businesses traded well with sales and profit growth achieved across each channel.

Consistent with our strategy of developing the business to deliver long term shareholder value, we have invested £24.5m in the year. This included the acquisition of two greenfield sites, eight managed houses (five of which incorporate lodge accommodation with a total of 194 bedrooms), and three tenanted houses. Six of the new managed houses are pub restaurants, bringing our total number of pub restaurants to 27. All the new properties will contribute to profits in 2006.

Investment increased in the Hardys & Hansons brand through corporate, retail and beer brand activity. Significant progress has been made including corporate sponsorship of the Nottingham Arena (the entertainment venue), the development of a consumer database and the relaunch of 'Olde Trip' and the Cellarman's Cask range.

The Company has made a smooth transition to the new licensing system. All our pubs have protected their existing conditions and most have gained extra trading hours, generally one hour on weekdays and two hours at weekends across the estate.

The campaign in parts of the media with regard to the new licensing laws and binge drinking has been unhelpful to the industry. The Company's public houses are operating to the highest standards and fully comply with the British Beer & Pub Association's Code on Social Responsibility Standards for the Production and Sale of Alcoholic Drinks in the UK. Moreover binge drinking does not represent a major issue since our estate is predominantly made up of community and rural pubs.

The Government's position on smoking in public houses remains far from clear. Under the present provisions of the bill now in Parliament, smoking will continue to be permitted in members' clubs and in public houses not offering food, but will be banned in those which do offer food. This compromise appears unlikely to be sustainable.

Within our estate almost half of our managed house turnover is derived from our pub restaurants which already have significant no smoking areas, and most of our pubs, managed and tenanted, have external areas where smoking can continue.

MANAGED HOUSES

Market conditions became more difficult for managed houses. Full year un-invested like for like turnover increased by 0.8%, compared with 3.6% (adjusted for Easter) for the 26 weeks to the end of March 2005. Increased competitive activity and a slowing of consumer expenditure led to a 1.6% like for like decline in the second half. The impact of this weaker sales performance, combined with an 8% increase in the minimum wage, a substantial increase in the cost of utilities and the six month effect of the five yearly business rates revaluation, was a reduction in profits in like for like houses. In addition, with no new properties having been acquired in 2004, the Company did not have the benefit of incremental profit from acquisitions in 2005.

Chairman's Statement Continued

However, the Company continued to grow its wet and dry margins whilst delivering good value to its customers, in spite of aggressive pricing by some competitors. Average weekly turnover was maintained in excess of £13K net per week. 62 managed houses now provide food which accounts for 38% of managed house turnover, a further 1% rise since the half year. We continue to review the content and positioning of our menus to ensure customers have a wide choice both in content and price whilst still enjoying good value for money.

Investment in our managed house operation totalled £20.0m, of which £16.9m represented the cost of acquisition of new properties. The major part of this was the acquisition in March 2005 of a package of five pubs situated in the North West and Yorkshire, together with associated lodge bedrooms operating under the Premier Travel Inn franchise. These properties cost £12.0m and required further substantial investment of £2.7m. This began in July 2005, and will be completed by May 2006. Strategically, this is an important acquisition providing an additional income stream in the form of letting accommodation. Operating under the Premier Travel Inn franchise allows us access to the Premier Travel Inn brand, its central booking system and its brand management expertise.

Three other public houses were acquired during the year, namely the Thatch & Thistle at Nelson, Lancashire, the Fox & Hounds, outside Grantham, Lincolnshire and the White Cow, Ilkeston, Derbyshire. The first two have been closed for refurbishment following acquisition, but will contribute fully to profits in the current year.

At the start of the financial year we acquired a greenfield site outside Shrewsbury on which we have built a 180 cover pub restaurant, named the Two Henrys, which opened in early December.

In addition to the expenditure on acquisitions, major refurbishments and alterations were carried out to nine houses at a cost of £1.4m. During the year a further 960 covers were added to our food operations bringing the total number of covers to over 6,000.

Two houses were transferred to tenancy in the year.

We have also increased our revenue investment in marketing, allowing us to build on its success through better understanding consumer needs. Initial research has shown that the offer in our managed houses is well received and shows positive progress towards our 'first choice locally' goal. Direct marketing trials are now being extended and ongoing research undertaken to ascertain customer preference and motivation by segment from our growing database. The establishment of a large customer database, combined with the segmentation of our estate, now enables better targeting of retail tactical marketing and promotions initiatives across our business and will generate incremental footfall.

Finally, our managed house team were awarded Highly Commended in the Pub Operator of the Year category at the Publican Awards for the second year running. This is a great achievement and reflects the professional standards within our managed house operation.

TENANTED

Tenanted performance was positive during the year with un-invested like for like sales up 1.5%. We continue to avoid a 'one size fits all' approach and to attract high quality entrepreneurs impressed with the support and flexibility provided by the Company. Our personal letting plans reflect the individual circumstances and aspirations of each tenant, taking into account differences in length of tenure, discounts and rents.

Training support for our tenants is of particular importance. As well as the advice and encouragement of our Business Development Managers, a wide variety of courses are available to ensure that they can acquire the necessary skills.

Three tenanted public houses were acquired during the period at a total cost of £1.4m: the Fox Inn at Kirton, the Plough Inn at Ashbourne and the Saracens Head at Shirley. Since the period end we have acquired the Brickmakers Arms at Newton Solney and the Swan & Salmon at Derby. These pubs add to the quality of our estate and will contribute to profits in the current year. In addition, seven investment projects were completed in our tenanted estate at a cost to the Company of £1.0m in addition to the tenants' own investment.

Three public houses were sold in the period as part of our ongoing policy of improving the overall quality of the estate. At the end of the year there were 182 public houses in the tenanted estate.

BRANDS AND BREWING

During the year, we raised our brand profile through supply to high profile accounts, the most notable of which is the Nottingham Arena, one of the largest entertainment venues in the East Midlands. Our association with the Nottingham Arena not only gives our brands positive profile but also enables us to undertake cross-marketing activities to our mutual benefit.

Sales of our own brewed draught beers declined by 1% against a market decline of 5.6% as calculated by market research consultants ACNielsen. Our Cool, Olde Trip and Cellarman's Cask brands have performed well. Cool won a silver medal in the International Brewing Industry Awards in a category which included keg beers from around the world. The strong performance of our Free Trade continues with good profit growth resulting from an 18% increase in sales. This combined with our commitment to a first-class 'one stop shop' service has resulted in another successful year.

Chairman's Statement Continued

Within the brewery an eight lane keg line became fully operational in October, allowing greater efficiencies and more flexible manning. We increased the capacity of delivery vehicles to improve load potential and efficiency and extended our Navision information systems into the brewery. We have also conducted a review of our contract brewing operations and are withdrawing from certain contracts where profitability is inadequate.

PROPERTY REVALUATION

The Company's policy is to own the freehold or long leasehold interest in its properties. During the year the board undertook a valuation of the Company's land and buildings assets, which were last valued in 1994, based on a sample valuation undertaken by Fleurets on behalf of the Company. This valuation demonstrates a total value of freehold and leasehold property assets of £181.5m, £64.6m in excess of the balance sheet net book value of £116.9m. This indicative value has not been incorporated into the 2005 balance sheet pending the board's review of accounting policy on conversion to International Financial Reporting Standards in 2006.

AIM

The Company has reviewed its market listing and believes that there are significant advantages to shareholders from transferring the Company's ordinary and preference shares to trading on the Alternative Investment Market of the London Stock Exchange (AIM).

The board believes that AIM is a more appropriate market for the Company that should lead to a simplification of administration requirements and will enable the Company to agree and execute transactions more quickly should any acquisition or other development opportunities arise in the future. The board also believes there may be tax advantages to many private shareholders arising from the transfer to AIM.

The board therefore proposes to delist the Company's ordinary shares from the Official List of the UK Listing Authority and to apply for them to be admitted to trading on AIM. This change is subject to shareholders' approval which will be sought at the Annual General Meeting. Subject to such approval being granted, the Company will delist the Company's ordinary and preference shares, and apply for their admission to trading on AIM.

The Company also intends to delist the 4% Irredeemable first mortgage debenture stock and, subject to shareholders' approval at the Annual General Meeting, Hansons Limited, a wholly owned subsidiary of the Company, intends to offer to purchase all of the outstanding debenture stock at par. Application will not be made to admit the debenture stock to trading on AIM.

No request is being made to admit the unlisted deferred ordinary shares of 5 pence each, which in aggregate carry voting rights over 50 per cent of the Company's equity share capital, to trading on AIM.

PEOPLE

Tim Bonham, Managing Director, has decided to leave the Company and resigned from the board on 6 December 2005. He will leave the Company at the end of the year. Tim joined the Company as Retail Director in 1990 and became Managing Director in 1998. On behalf of the board and the shareholders, I thank him for his valuable contribution and wish him well for the future.

Jonathan Webster, Retail Director and board member since 1998, was appointed Managing Director on 6 December 2005. He has been with the Company for seven years, having formerly been at Tom Cobleigh plc and Bass PLC.

I would also like to thank all those who have worked in the Company together with our tenants for their hard work and support. Once again the Company has been able to allocate shares to the Employee Share Incentive Plan in the sum of £0.3m.

In addition to regular funding of the pension scheme, a special contribution of £0.5m (2004: £0.4m) was made to the scheme during the year, whose FRS 17 funding level has increased to 89% (2004: 87%). The Company has continued to account for pensions under SSAP 24. The net deficit after tax disclosed on an FRS 17 basis is £1.2m (2004: £1.1m).

PROSPECTS

The relative weakness in managed house like for like sales in the second half of last year has continued into the current financial year. The business is focused on tailoring a competitive response at outlet level and operational efficiencies, and on delivering profits from the new properties acquired in 2005. Tenanted and free trade performance continues to be strong. Overall, trading in the current year is in line with expectations.

The Company is financially strong and very cash generative, and remains confident that through selective investment and local market initiatives it will continue to compete and develop successfully.

James Kerr-Muir
Chairman

Marketing

MARKETING

Our strategy is to make Hardys & Hansons first choice locally by building Company profile and achieving higher awareness in the region, increasing customer visits and spend, promoting own beer brands and providing activity that will incite passion about our brands, internally and externally with both customers and consumers.

The following main activities took place in the year:

- **PROFILE & AWARENESS**

  The Company sponsors the Nottingham Arena, which houses the National Ice Stadium and is the biggest concert venue in the East Midlands, with a full plan of marketing support in place to drive traffic between the two businesses. It also sponsors a number of other regional events, all aimed at raising its profile and community presence.

  The new web site was launched in August: **www.hardysandhansons.co.uk**

- **INCREASING CUSTOMER VISITS**

  The relationship marketing programme has recruited over 100,000 consumers to our database in the year. Food and drink offer mailings have received above industry average response rates and delivered incremental profit.

  The Good Ideas Guide, aimed at increasing traffic and frequency of visits, was launched across the estate giving advice on the running of events, theme nights and entertainment.

- **PROMOTING BEER BRANDS**

  Olde Trip was relaunched in February with a new design, promotion and PR activity. Sales grew by 49% during the activity and the brand volumes were up by 4.3% at the end of the year.

  COOL is still the top selling beer in our portfolio and marketing activity has been aimed at defining the target audience and opportunities to strengthen the brand and broaden its appeal for 2005/06.

  The guest ales portfolio was relaunched in April with new beers to create interest in the range and reinforce the message that Hardys & Hansons is an award-winning brewer. Guest ales volumes grew by 30% in the year.

HARDYS & HANSONS IN THE COMMUNITY

The Company is committed to being an active and positive contributor to the communities it serves, particularly as our employees and customers often live and work in the same area.

Each year our head office and managed house staff and our tenants help to raise significant amounts of money for many different local and national charitable causes.

In addition to providing practical and administrative support for these charitable activities, the Company contributes directly to charities, principally to those nominated by our employees.

The total amount distributed to charities in 2005 exceeded £50,000.

Members of the Hardys & Hansons in the Community committee (centre) celebrate reaching the £50,000 hurdle of charitable donations, together with some of the many participants in fund-raising events during the year.

Directors and Advisers

Pictured from left:
Jonathan Webster, David Smith, Iain Masson

EXECUTIVE DIRECTORS

JONATHAN WEBSTER
Managing Director
Jonathan Webster (43) joined the Company as Retail Director in 1998 and became Managing Director in December 2005. He has extensive experience in the operation of both managed and tenanted public houses, having spent two years with Tom Cobleigh plc as Operations Director and 13 years with Bass PLC including the roles of regional Retail Director of Bass Taverns and Commercial and Development Director of Gala Leisure.

DAVID SMITH
Finance Director and Company Secretary
David Smith (49) joined the Company in 1999. Prior to his appointment he spent three years as Group Finance Director of Blacks Leisure Group plc and five years with Pentland Group plc, finally as Senior Vice-President of Speedo International Limited. He has extensive financial and general management experience in branded businesses.

IAIN MASSON
Production Director
Iain Masson (48) joined the Company in 2001. He is responsible for production, distribution and cellar services. Prior to his appointment he spent two years as Head Brewer of Greene King plc, nine years with Greenalls plc and nine years with Bass PLC. He has wide-ranging experience of beer production, trade technical and customer services.

Pictured from left:
James Kerr-Muir, Patrick Helps, Nicholas Forman Hardy, John Barnes

NON-EXECUTIVE DIRECTORS

JAMES KERR-MUIR
Non-Executive Chairman
James Kerr-Muir (64), Non-Executive Chairman since 2004, has a wide breadth of business and commercial experience and is currently Non-Executive Chairman of Senior plc and Davenham Group Holdings Limited and Non-Executive Director of Gartmore Fledgling Trust plc. He was previously Group Finance Director at Kingfisher plc, Managing Director UK at Tate & Lyle plc and a non-executive director of a number of companies including Yates Group plc, Boddington Group plc and the Outdoor Group Limited.

PATRICK HELPS
Vice-Chairman and Non-Executive Director
Patrick Helps (60) served with the Company for 32 years becoming Production Director in 1973 and Vice-Chairman in 1998. In 2001 he resigned as an executive director and became a non-executive director.

NICHOLAS FORMAN HARDY
Non-Executive Director
Nicholas Forman Hardy (57) joined the Company in 1987. He is Chairman of Forman Hardy Holdings Limited. Formerly the Chairman of the Nottingham-based media group T. Bailey Forman Limited, he is now Chairman of T. Bailey Fund Managers Limited and T. Bailey Asset Management Limited and holds other chairmanships in agriculture.

JOHN BARNES
Senior Independent Director
John Barnes (56) joined the Company in 2004 as a non-executive director and became Senior Independent Director in October 2005. He has substantial consumer brand and leisure industry experience having led the development of Harry Ramsden's plc as Executive Chairman. He is currently Non-Executive Chairman of La Tasca Group plc (formally Restaurant People Group), is also Non-Executive Chairman of Zoo Digital Group plc and a Non-Executive Director of Caffé Nero Group plc, Interior Services Group plc and Sportech plc. He previously served as a Non-Executive Director of Yates Group plc and Arena Leisure plc.

AUDITORS
KPMG Audit Plc, St Nicholas House,
Park Row, Nottingham,
NG1 6FQ

BANKERS
Lloyds TSB Bank plc, PO Box 908,
125 Colmore Row, Birmingham, B3 2DS

CORPORATE ADVISERS AND STOCKBROKERS
Arbuthnot Securities, 20 Ropemaker Street,
London, EC2Y 9AR

SOLICITORS
Browne Jacobson, 44 Castle Gate,
Nottingham, NG1 7BJ

Corporate Ethical and Social Responsibility

The policy of the Company is to enhance shareholder value whilst recognising the importance of operating in an ethical and socially responsible manner, which helps to preserve health, safety and the environment.

The Company recognises that its social, environmental and ethical conduct has an impact on its reputation. It takes its corporate ethical and social responsibility (CESR) seriously and is committed to implementing its Corporate Ethical and Social Responsibilities Policy across the Company. This includes good ethical behaviour, concern for employee heath and safety, care for the environment and community involvement.

The Company aims to maintain a productive and open dialogue with all interested parties in its business including shareholders, customers, suppliers and employees. It has established customer relations, conducts customer satisfaction surveys, monitors and develops supplier performance and undertakes regular employee dialogue. It maintains its recently relaunched web site as one of the main routes for providing information to interested parties and for investor contact.

The board takes ultimate responsibility for CESR and is committed to developing and implementing appropriate policies to create and maintain long-term value for shareholders. Sound company ethics makes business sense by helping to minimise risk, ensuring legal compliance, enhancing company efficiency and building reputation amongst stakeholders.

The Company expects all of its business activities to be conducted in accordance with high standards of ethical conduct and full compliance with all applicable laws. As a minimum, the Company's operations must meet their legal and regulatory obligations and it, in turn, applies these standards to all dealings with customers, suppliers, employees and other stakeholders.

It debates and coordinates its approach on national issues through the British Beer & Pub Association and company representatives play significant roles within this body.

SMOKING

The Government has now published its Health Bill containing proposals on smoking in public places. The Company will be taking an active role, as part of the British Beer & Pub Association, to seek amendments to the current proposals which it does not believe are soundly based. In the meantime, it is working towards the BBPA code, which is no smoking at the bar and within back office areas by the end of 2005 and no smoking in 80% of the trading area by the end of 2009. The Company is encouraging its tenants to achieve these targets and provides information and promotional material to assist them.

NATIONAL ALCOHOL HARM REDUCTION STRATEGY

The Company has incorporated its approach to sensible drinking into the "Right Fit" training programme, which is compulsory for all managed house staff. A course has been developed for presentation to children at school outlining the issues surrounding alcohol, aimed at establishing a responsible attitude to alcohol and encouraging them to socialise in a safe and considerate manner. The Company abides by the British Beer & Pub Association code of practice on promotions.

The Company, in partnership with Nottinghamshire Police, provides training for the British Institute of Innkeeping Drugs Awareness certificate. This has been successfully delivered not only to our own licensees but also to licensees of other pub companies.

GAMING MACHINES

The Company complies with the legislation surrounding amusements with prizes machines in public houses and all machines are clearly marked that play is permitted to those of 18 years or over. The Company continues to contribute to the Responsibility in Gambling Trust, a charity for addicted machine gamblers.

DISABILITY DISCRIMINATION ACT

The Company is committed to fulfilling its obligations under the Disability Discrimination Act. Part III of the Act became operative at the beginning of the reporting year in October 2004 and the Company has engaged expert consultants to ensure that its approach to this part of the Act is appropriate. In addition, the Company's tenants have been informed of their responsibilities.

It is the policy of the Company to give full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment. The Company provides the same opportunities for training, career development and promotion for disabled employees as for other employees.

EMPLOYEES

The Company aims for fair reward and recognition for all employees. It is policy to provide training that develops skills and helps to achieve corporate objectives. The Company is committed to an active Equal Opportunities Policy which means people are assessed for employment, development, appraisal or promotion without regard to age, gender, race, ethnic origin, religion or disability.

The Company aims to ensure that staff are well informed and consulted where appropriate and conforms with the Information and Consultation of Employees (ICE) Regulations 2004. This involves, among a number of initiatives, a two-way "cascade" briefing and consultation process throughout the whole Company. This is in addition to any meetings held by directors and departmental managers with their own staff in the normal course of business.

The Company has in place a "whistle-blowing" policy, whereby employees may report, in confidence, suspected wrongdoings. All employees are made aware of this policy through its publication on the Company's web site.

Financial statements published half-yearly to shareholders are also made available and briefed to employees. An approved share incentive plan has operated for a number of years and provides recognition to staff for their contribution to the success of the business and thereby achieves a direct share of profits which reflects the Company's overall performance.

The Company publishes "Hale & Hearty", a regular newsletter which is sent to all managers, employees and tenants. It is designed to report what is happening within the Company and the various activities that have taken place at the brewery and throughout its estate.

CHARITIES

The Company contributed £10,000 to charities during the year. These contributions were principally to charities nominated by our employees.

LOCAL AUTHORITY PARTNERSHIPS

Partnerships with local authorities are becoming of increasing importance, particularly with regard to crime and disorder and the implementation of the new Licensing Act. The Company represents itself and plays an active role on a number of these partnerships.

LEARNING

The Company encourages participation by employees as school governors in schools in our trading area in the belief that schools can benefit from the experience of individuals in companies such as ours.

The Company is also actively involved with local schools in promoting healthy eating, work experience schemes and in the Young Enterprise scheme, which is aimed at developing team building and communication skills and the business and economic understanding of pupils. Working with Nottingham Trent University, the Company provided graduate work placement experience and also employs young people under a Modern Apprenticeship scheme run in conjunction with Nottingham Chamber of Commerce.

The Company is actively involved on the Nottinghamshire STARS project, which is aimed at developing skills that will enable it to remain effective and competitive by the provision of quality training that will encourage positive attitudes, thereby enabling it to retain good quality staff and provide a good service to its customers.

ENVIRONMENT

The Company complies with all relevant environmental legislation and seeks to minimise the risk of all forms of pollution and nuisance. It operates in an environmentally responsible way to protect its staff, brands and communities and, in so doing, it is committed to supporting environmental sustainability and bio-diversity. It achieves these commitments by meeting measurable standards of performance on those key aspects of its operations that have environmental impacts.

Brewing beer involves the use of natural products, primarily malted barley, hops, yeast and water. Co-products of brewing are, where possible recycled, e.g. spent grains as cattle feed.

Environmental issues are covered in the company's Corporate Ethical and Social Responsibilities Policy, which is published on the company's web site.

Regular environmental audits are conducted in the brewery with the resulting action points being addressed throughout the year. A new environmental action plan has been devised for the current year.

Energy used within the brewing and packaging processes is recycled as far as practicable. The Company's aim is to minimise energy consumption by its continued use of measuring and monitoring techniques and by setting Best Practice targets for energy reduction to ensure continuous improvement in environmental performance. The Company is committed to compliance with the climate change levy as part of the brewing sector agreement with the British Beer & Pub Association. Whilst the Company is on track to meet its agreed energy efficiency quotient targets up to 2010, it continues to target further reductions in energy use both through operational changes and targeted capital investment.

The Company uses significant amounts of water as part of the brewing process. It collates water consumption levels against Best Practice targets and undertakes detailed surveys at its main sites with a view to reducing usage. It works closely with Severn Trent Water to meet stringent standards for the disposal of its effluent.

The Company meets its packaging waste responsibilities through membership of the nationwide compliance scheme "Valpak".

Glass is collected for recycling from the majority of the Company's managed houses. Waste cooking oil is collected and disposed of by a waste contractor under strict compliance control by the Company.

Printer cartridges are recycled with a donation for each one being made by the recycling company to Nottingham City Hospital.

Directors' Report

The directors present their report for the 52 weeks ended 30 September 2005. The comparative figures also cover a 52 week period.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The Company's business operations are vertically integrated with its principal activities consisting 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.

A review of the period's activities and future developments is contained in the Chairman's Statement on pages 2 to 7.

RESULTS & DIVIDENDS
The Company profit for the period is shown on page 24.

Operating profit of £14.3m and adjusted profit before tax of £14.8m decreased by 1% and 3% respectively (see note 10). Profit before tax in the year was £18.3m compared to £16.2m in 2004. Profit before tax included £3.6m profit on the disposal of fixed assets in the period compared to £1.0m in 2004.

Earnings per ordinary share in the period were 51.09 pence whilst adjusted earnings per share decreased by 3% from 42.02 pence to 40.58 pence (see note 11).

Interim dividends were paid on 1 August 2005 on the ordinary and deferred ordinary shares of 7.30 pence per share and 7.05 pence per share respectively. The directors recommend a final dividend of 12.1 pence per share on both the ordinary and deferred ordinary shares which, if approved, will be paid on 6 March 2006 to shareholders on the Register at the close of business on 10 February 2006. This represents a total ordinary dividend for the period of 19.4 pence per share, an increase of 2%.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL
As at 6 December 2005 the directors are aware of the following substantial interests holding, or with interest in, 3% or more of the ordinary called-up share capital of the company:

Forman Hardy Investments (also included in the beneficial interests of N.J. Forman Hardy)	777,515	3.88%
AEGON Asset Management	638,123	3.19%
Legal & General Investment Management	631,022	3.15%

Hardy Hanson Holdings Limited owns the whole of the deferred ordinary shares in the Company, which carry four votes per share, and therefore controls 50% of the equity shareholders' voting rights.

DIRECTORS
The names of the current directors of the Company and their biographical details are set out on pages 10 and 11. All directors served throughout the period with the exception of M.J. Barnes who was appointed as a director on 1 November 2004. P.T. Helps, N.J. Forman Hardy and D.A.G. Smith retire by rotation and offer themselves for re-election.

DIRECTORS' INTERESTS
The interests of directors in office at 30 September 2005 were:

	30 September 2005		1 October 2004	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J.R. Kerr-Muir				
5p Ordinary	**2,000**	—	—	—
P.T. Helps				
First preference	**240**	**20**	240	30
Second preference	**403**	**86**	403	129
5p Ordinary	**125,399**	**439,815**	125,399	445,295
Hardy Hanson Holdings Limited	**7,184**	**12,220**	7,184	12,220
T.E. Bonham (resigned 6.12.05)				
First preference	**100**	—	100	—
5p Ordinary	**18,459**	—	17,628	—
N.J. Forman Hardy				
First preference	**1,500**	—	1,500	—
Second preference	**2,598**	—	2,598	—
5p Ordinary	**1,359,520**	—	1,359,520	—
Hardy Hanson Holdings Limited	**65,513**	**42,375**	65,513	42,375
J.P. Webster				
5p Ordinary	**9,830**	—	8,999	—
D.A.G. Smith				
5p Ordinary	**6,850**	—	6,019	—
I.S. Masson				
5p Ordinary	**4,187**	—	3,356	—
M.J. Barnes				
5p Ordinary	—	—	—	—

No arrangements to which the Company was a party existed at the end of the financial period or at any time during that period whose objects enable 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 share incentive plan or long-term incentive plan (LTIP).

Following the year end T.E. Bonham, J.P. Webster, D.A.G. Smith and I.S. Masson have each acquired 36 shares under the share incentive plan. There have been no other movements in directors' interests, whether beneficial or non-beneficial, between 30 September 2005 and 6 December 2005.

FIXED ASSETS

The Company's freehold and leasehold properties were professionally revalued as at 30 September 1994. Since the adoption of FRS 15 the Company's accounting policy has been not to revalue properties. The directors are, however, of the opinion that the market values of the Company's properties are in excess of the book value and have decided to provide a memorandum valuation of properties for 2005, which is appended to note 12 to the financial statements. This indicative value has not been incorporated into the 2005 balance sheet pending the board's review of accounting policy on conversion to IFRS in 2006.
Furthermore, the board regularly reviews property values for impairment under the provisions of FRS 11.

During the period, the Company disposed of its equity portfolio with net proceeds of £3.6m. There have been no other 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 shown in note 12 to the financial statements.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Details of the Company's financial instruments are disclosed in note 28 to the financial statements, which have been prepared in accordance with FRS13. The Company's only financial liabilities as defined by the standard are the 4% irredeemable first mortgage debenture stock and the first and second cumulative preference shares.

It is the Company's policy to invest the majority of cash reserves in short-term interest bearing deposit accounts. The Company does not use financial derivatives and its business does not involve material exposure to foreign exchange transactions.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company will adopt International Financial Reporting Standards (IFRS) when preparing the interim and final accounts for the year ending 29 September 2006. The comparative figures for the year ending 30 September 2005 will be restated and there will be changes to the Company's accounting policies. For prudence it is likely that the Company will file interim accounts 30 days later than normal, which is the maximum period allowable.

The conversion is progressing well with the detailed impact assessment completed and new accounting policies drafted. The Company is in the process of finalising the opening balance sheet as at 1 October 2004 together with the restated comparatives. The areas of significant change will be excise duty, interest attributable to loans to customers, property valuation, pensions, share option schemes (LTIP), segmental reporting, financial instruments (trade investments and preference shares), deferred tax, leases and dividends.

SUPPLIER PAYMENT POLICY

In most instances suppliers are paid by the end of the month following 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 39, being 28 working days.

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.

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 and explained 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.

The directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with company law. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the UK Listing Authority.

The maintenance and integrity of the web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of items published on the web site and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements, since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legalisation in other jurisdictions, including those who may have access to the Internet.

The responsibilities of the Company's auditors in connection with the annual report and financial statements are set out in their report on page 23.

Directors' Report Continued

ALTERNATIVE INVESTMENT MARKET
Shareholders will have received, with the Report & Accounts, a document explaining the proposed application to the London Stock Exchange for the admission of the Company's Ordinary Shares and Preference Shares to the Alternative Investment Market (AIM).

AIM was launched in 1995 as the London Stock Exchange's market specifically designed for smaller companies, with a more flexible regulatory regime.

The board believes that AIM is a more appropriate market for the Company, which should lead to lower ongoing costs associated with being a public quoted company and a simplification of administrative requirements. It will also enable the Company to agree and execute transactions more quickly should any acquisition or other development opportunities arise in the future.

The board envisages no alteration in the overall standards of reporting and governance that the Company has always achieved. Accordingly, the board believes that the Company's Ordinary Shares will continue to be attractive to institutional investors, while the AIM tax regime, referred to in the Circular enclosed with this document, will also make the Company's Ordinary Shares attractive to AIM-specific funds as well as the retail investor.

A special resolution proposing that the Company gives notice of its intention to cancel the listing of the Ordinary Shares and the Preference Shares on the Official List and applying to the London Stock Exchange for their admission to AIM is summarised below and is included in the Notice of this meeting.

AUDITORS
Following the resignation of Page Kirk as the Company's auditors and subsequent appointment of KPMG Audit Plc, they have expressed their willingness to continue in office as auditors and an ordinary resolution proposing their reappointment will be submitted at the annual general meeting.

ANNUAL GENERAL MEETING
The annual general meeting of the Company will be held on Thursday 2 February 2006 for the purpose of transacting the following business:

ORDINARY BUSINESS

Resolution 1
is the usual resolution to receive and adopt the Directors' Report and Financial Statements for 2005.

Resolution 2
is a resolution to approve the Directors' Remuneration Report, which can be found on pages 19 to 22.

Resolution 3
is to declare a final dividend on the ordinary and deferred ordinary shares of 12.1 pence per share, which will be paid on 6 March 2006 to shareholders on the register at the close of business on 10 February 2006.

Resolutions 4 to 6
are for the reappointment of directors. The Company's articles of association require that one-third of directors that are required to retire by rotation must retire and offer themselves for election. Separate resolutions will be proposed on each of these appointments.

SPECIAL BUSINESS

Resolution 7
is an ordinary resolution to reappoint KPMG Audit Plc as auditors and to authorise the directors to set their remuneration. The board appointed KPMG Audit PLC as auditors to replace Page Kirk who had resigned. Pursuant to section 383(3)(b) of the Companies Act 1985 special notice of the resolution is required.

Resolution 8
is a special resolution for the variation of the Company's articles of association in relation to Article 87.1 to provide that fees payable to directors (not including contractual remuneration of executive directors) should be determined by the directors.

Article 87.1 regulates only fees payable to directors and requires the Company to obtain shareholder approval for the payment of directors' fees to individual directors in excess of £25,000 per annum. It does not regulate contractual remuneration (salary, bonus or otherwise) paid to executive directors, which is subject to review by the Remuneration Committee. It has been the practice of the Company to pay directors' fees to non-executive directors only and there are no current intentions to change this practice.

Having regard to current market practice, the board considers that the inflexibility of Article 87 in its current form puts the company at a competitive disadvantage, particularly in relation to the recruitment of non-executive directors. The board recommends that Article 87 be modified so that fees payable to directors should be fixed by the board and that in aggregate such fees payable to all of the directors shall not exceed the sum of £200,000 per annum.

Resolution 9
is a special resolution that the Ordinary Shares listed on the Official List are delisted and the Company be authorised and instructed to obtain listing of these shares on the Alternative Investment Market. Shareholders are referred to the circular which accompanies the Annual Report & Accounts for a detailed explanation as to why the directors consider the resolution in the best interests of the Company and its shareholders.

Resolution 10
is a special resolution that provides for the renewal of shareholder approval for the Company (or a subsidiary of it) to purchase outstanding irredeemable first mortgage debenture stock. The maximum price paid for £1 nominal of Stock will be £1, as set out in the resolution. The total nominal value of this debenture stock is £200,000 and the authority to purchase is sought in order to simplify administration.

REPORT & ACCOUNTS
The Annual Report & Accounts are also available on the Company's web site (www.hardysandhansons.co.uk).

The Brewery
Kimberley
Nottingham
6 December 2005

By Order of the Board
D.A.G. Smith
Secretary

Corporate Governance

STATEMENT ON COMPLIANCE
The Financial Reporting Council issued a revised Combined Code on Corporate Governance in July 2003 ("the Code"), which is effective for financial years beginning on or after November 2003. The board has reviewed and applied the additional requirements of the Code.

The Company applies the principles of the Code through its own behaviour, by monitoring developments and best practice in corporate governance and, where appropriate, adopting relevant recommendations and best practice from a number of sources.

In the opinion of the board, the Company has complied throughout the year with Section 1 of the Code applicable to smaller companies, apart from minor instances referred to below.

THE BOARD
The board consists of a non-executive chairman, a managing director, two executive directors and three non-executive directors. Biographies of the board members appear on pages 10 and 11 of this report.

James Kerr-Muir, Chairman and a non-executive director, and John Barnes, who has been appointed as the Senior Independent Director, are considered by the board to be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.

Nicholas Forman Hardy and Patrick Helps are not considered independent by the board due to their shareholdings and length of service. Both hold interests in the Company and in Hardy Hanson Holdings as listed on page 14.

All four non-executive directors are appointed for specific terms and these are shown in the Directors' Remuneration Report on page 20. The terms and conditions of appointment of the non-executive directors are available during normal business hours at the Company's Registered Office.

New appointments to the board receive an appropriate induction to gain an understanding of the Company's business, which includes meetings with senior management.

There is an agreed procedure for the directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access that every director has to the company secretary. Board members are provided with access to appropriate external training courses.The board met formally on twelve occasions during the period and there was full attendance by directors eligible to attend these meetings except for one meeting each by Patrick Helps and David Smith. There is a schedule of matters reserved for the board which includes; approval of overall company strategy, material capital commitments, business acquisitions and disposals, major litigation matters and board appointments. The secretary is responsible to the board for ensuring that board procedures are followed.

The Company also purchases appropriate insurance cover in respect of legal action against its directors and officers.

The Chairman meets regularly with the non-executive directors without the presence of executive directors.

BOARD COMMITTEES
The board delegates its authority for certain matters to its Remuneration, Audit and Nominations Committees. The board approves the terms of reference of each of the committees and these are available on written request from the Company Secretary and are published in the Investor Relations section of the Company's web site.

All members of the board have the right to attend any committee meeting, whether or not they are a member of the committee, other than where they have an interest in the subject matter being discussed. This is, however, subject to the right of any committee, with the prior consent of the Chairman of the board, to bar any director or directors from a meeting if the committee considers the interests of the company so require.

Members of the board attending a meeting of a committee of which they are not members are not included in the quorum. The board believes that the current board committee structure and membership enables the Company to comply with all provisions of the Code applicable to smaller companies except for the membership of board committees. Whilst there are two independent non-executive directors on each board committee, their constitution does not fully meet the requirements of the Code due to the inclusion of non-independent non-executive directors as members of each committee. The board does, however, consider that the board membership and committee structures now in place, which are outlined below, are appropriate for and compatible with the size and share structure of the Company.

REMUNERATION COMMITTEE
The composition of the remuneration committee is as follows:
J.R. Kerr-Muir, Chairman
M.J. Barnes (from November 2004)
N.J. Forman Hardy
P.T. Helps

The board recognises that it does not comply with section B.2.1. of the Code, in that not all of the members of the remuneration committee are independent non-executive directors. The committee has the breadth of experience and knowledge required to fulfil its duties.

The committee is required to meet not less than twice each year. During the financial period it met on three occasions to discuss remuneration matters including awards under the directors' Performance Share Plan and directors' benefits in kind.

The main responsibilities of the committee are to:
- Review all aspects of executive directors' remuneration and remuneration policy
- Design appropriate packages to attract, retain and motivate management of the quality required
- Judge where to position the Company's remuneration policy relative to other companies
- Prepare a report on remuneration policies applicable to the executive directors for shareholders

The report of the committee is set out on pages 19 to 22.

AUDIT COMMITTEE
The composition of the audit committee is as follows:

J.R. Kerr-Muir, Chairman
M.J. Barnes (from November 2004)
P.T. Helps

The board recognises that it does not comply with section C.3.1. of the Code, in that not all of the members of the audit committee are independent non-executive directors. The Chairman has considerable financial experience and the committee is considered adequately qualified.

The committee is required to meet not less than three times each year, and during the financial period met on four occasions. The meetings may be attended, by invitation, by senior executives and the Company's auditors.

The main responsibilities of the committee are to:

- Review half year and annual financial statements prior to submission to the board, including accounting policies, practices and standards and matters of good governance
- Discuss with the external auditor problems and reservations arising from its work
- Review the effectiveness of internal control systems
- Review the effectiveness of the risk management process
- Consider the appointment of the external auditor together with its performance, independence, scope of duties and fees

The Company has an audit policy that establishes guidelines for the appointment, responsibilities and remuneration of the external auditor and governs the mix of audit and non-audit work undertaken by the external auditor, determines the internal audit requirements of the Company and outlines the control processes necessary to ensure compliance with the policy.

The Company uses the auditors for non-audit services such as taxation advice, taxation planning and corporate activity. When appointing advisers for non-audit work the Company considers the value for money, experience and objectivity required and in this respect it has used other accounting firms for non-audit work.

The audit committee is satisfied that where the Company's auditors are used for non-audit services their objectivity and independence is not compromised.

During the year the audit committee carried out a formal selection process that included a number of auditors presenting tenders and a detailed review and interview process by the audit committee. KPMG Audit Plc was appointed as the Company's auditor for the year ended 30 September 2005 following the resignation of Page Kirk.

NOMINATIONS COMMITTEE

The composition of the nominations committee is as follows:

N.J. Forman Hardy, Chairman
J.R. Kerr-Muir
M.J. Barnes (from November 2004)
P.T. Helps

The board recognises that it does not comply with section A.4.1. of the Code in that there is not a majority of the members of the nominations committee who are independent non-executive directors. The committee has the breadth of experience and knowledge required to fulfil its duties. The Chairman of the nominations committee is not considered independent under the Code.

The committee is responsible for making recommendations to the board regarding all board appointments and reappointments as dictated by circumstances.

The main responsibilities of the committee are:

- To fill executive and non-executive board vacancies
- The appointment of the Chairman of the Company
- To consider the reappointment of directors retiring

The committee met once during the year to consider and approve the proposal to reappoint the directors retiring at the annual general meeting.

SHARE CAPITAL

The Company's issued share capital is equal to the amount that is authorised and it has no plans to authorise or issue any shares in the foreseeable future. Any additional funding requirements will be met by the management of cash and working capital resources, including debt if necessary.

INTERNAL CONTROL

The board has overall responsibility for the Company's systems of internal control. It has reviewed the procedures relating to internal control guidance for directors in the Code. The systems in operation are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide a reasonable, though not absolute, assurance against material misstatement or loss.

The board has delegated responsibility for reviewing the Company's system of internal control and its effectiveness to the Audit Committee. An executive management board maintains day-to-day control of the business and the key procedures that have been established to provide effective internal control. These procedures which comply with the requirements of the Internal Control: Guidance for Directors on the Combined Code include:

- Well-structured reporting lines to the board. There is a formal schedule of matters specifically reserved for decisions by the board.
- A formalised reporting structure which includes the setting of comprehensive annual profit and cash budgets and key performance indicators which are updated on a regular basis to form forecasts which are reviewed at executive meetings.
- A board review of actual monthly results against budget and previous years, together with commentary on significant variances.
- Defined authorisation levels for the placing of orders and contracts and payments thereof.
- Clear authorisation levels and segregation of accounting duties to control major financial risks.
- Daily cash movements are reconciled and the Company's cash flow is monitored monthly in comparison with budget and forecast.
- A detailed investment approval process requiring either executive or board authorisation of all major projects, depending on the value.
- Detailed post-implementation appraisals of major capital expenditure projects.

The Company employs internal retail business auditors within its managed house operations. In addition, the Head of Secretarial and Treasury, a qualified accountant, has undertaken a programme of internal audit and control systems reviews, as agreed with the audit committee. A report on each area of review is presented to the audit committee and to the executive management committee upon completion. The audit committee and board are of the opinion that this approach is effective and appropriate to the size of the Company.

The Company has undertaken a business impact analysis and risk assessment and is highlighting potential risk exposures to its operations. A multi-disciplined review group has identified the critical risks and is developing a crisis management and business recovery plan that will come into effect in the event of a disaster affecting a business critical area. This process has involved the group in identifying critical risks, forming an opinion on the likelihood of these risks materialising, putting in hand plans to reduce the incidence and impact of these critical events and considering the costs of control relative to the benefits obtained in managing the risk.

RELATIONS WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interest in its strategy, performance, board membership and quality of management.

The AGM is used to communicate with all shareholders and they are encouraged to participate. The Chairmen of the remuneration, audit and nominations committees are available to answer questions. Separate resolutions are proposed on each matter so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and indicates the level of proxies lodged on each resolution, after it has been dealt with by a show of hands. All Combined Code provisions regarding constructive use of the AGM are complied with.

The Company's web site (www.hardysandhansons.co.uk) is also used to communicate with existing and potential shareholders. The Investor Relations section of the web site contains details of annual and interim report and accounts, corporate governance, an events calendar and latest investor news. It also has links to the web sites of the London Stock Exchange and the Company's Registrar, Capita Registrars.

GOING CONCERN

Having made the appropriate enquiries and taking account of the Company's net cash resources, the directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Remuneration Report

INTRODUCTION

This report has been approved and adopted by the board. It has been prepared by the remuneration committee in accordance with the Directors' Remuneration Report Regulations 2002 and the relevant requirements of the Listing Rules of the Financial Services Authority.

The Regulations require the auditors to report to the Company's members on the 'audited information' within the directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985. The report has, therefore, been divided into separate sections for audited and unaudited information.

An ordinary resolution will be put to the shareholders at the Annual General Meeting on 2 February inviting them to approve this report.

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

The remuneration committee comprises the four non-executive directors, James Kerr-Muir (chairman), John Barnes, Patrick Helps and Nicholas Forman Hardy. It makes recommendations to the board on all aspects of executive directors' remuneration packages including bonuses and other benefits.

James Kerr-Muir is the independent Non-Executive Chairman of the Company and John Barnes, Patrick Helps and Nicholas Forman Hardy are non-executive directors. None of the committee has any personal financial interest (other than as a shareholder) or conflicts of interest arising from cross-directorships. No executive director plays any part in any discussion about his own remuneration.

John Barnes became a member of the committee on 24 November 2004.

It is recognised that membership of this committee has not fully complied with the Combined Code throughout the year and this is referred to further in the statement on Corporate Governance.

In determining aspects of the directors' remuneration in the year the committee consulted Monks Partnership.

REMUNERATION POLICY

The committee's overall policy is to provide competitive remuneration packages for the executive directors having regard to pay, conditions and performance. Remuneration packages are designed to attract, motivate, and retain high quality executives to develop the Company and achieve its strategic objectives. The performance measurement of the executive directors and the determination of their annual remuneration packages are the responsibility of the committee.

The various elements of the remuneration package for executive directors are:

- Base annual salary and benefits
- Annual bonus payments linked to performance
- Long-term incentive plan (LTIP) awards
- Pension arrangements

The Company's policy is that a proportion of the executive directors' pay should be performance related. In 2005 the company established a long-term incentive plan (LTIP) for directors which is designed to reward long-term business performance and facilitate retention. This scheme was developed, using external advice, in line with current industry practice.

BASE SALARY AND BENEFITS

Executive directors' base salaries reflect their responsibilities, competitive market value and performance. Base salary is reviewed by the committee each year giving due consideration to up-to-date advice, information and any individual changes in responsibility. Taxable benefits include private healthcare, fully expensed company car (or cash equivalent) and product allowance. Each director also participates in the share incentive plan which is available to all qualifying employees, subject to a present HM Revenue & Customs maximum payment of £3,000.

ANNUAL BONUS PAYMENTS

Executive directors are eligible to participate in an annual bonus scheme. The maximum potential bonus is 70% based on year-on-year Company profit performance, adjusted for retail price movements.

The bonus for 2005 was payable on achievement of the following performance criteria:

% of salary payable	PBT growth above inflation target
20%	2.0%
30%	3.0%
40%	5.5%
50%	8.0%
60%	10.5%
70%	13.0%

As these performance targets were not met no bonus was paid in 2005.

LONG TERM INCENTIVE PLAN

During the year the company introduced a Long Term Incentive Plan (LTIP) following shareholder approval at the annual general meeting on 9 February 2005. Under the plan, in any one year directors will either be granted nil-cost options or be given contingent share awards. The remuneration committee will determine the options to be granted and the performance conditions to be met to allow vesting of options or shares. Total Shareholder Return (TSR) achieved by the Company over the three year performance period when compared to the percentage increase in the FTSE All-Share Index:

— is less than the percentage increase in the index, the option will lapse and will cease to be exercisable;

— is equal to the percentage increase in the index, the option will become exercisable as to 25% of the shares the subject of the option;

— exceeds the percentage increase in the index by at least 9% per annum compounded, the option will become exercisable as to 100% of the shares the subject of the option;

— exceeds a value which is equal to the percentage increase in the index but is less than 9% per annum compounded above the percentage increase in the index, a proportionate amount of the option will become exercisable between 25% and 100% of the shares the subject of the option.

Directors' Remuneration Report Continued

LONG TERM INCENTIVE PLAN Continued

In 2005 the remuneration committee awarded share options equivalent to 50% of salary to executive directors. The vesting of these share options is contingent on the performance of the Company's total shareholder return (TSR) compared with that of the FTSE All-Share Index. This comparator group was selected as it provides a more consistent benchmark than sector specific indices and is considered most representative for the broad equity market investor. In 2005 the sum of £39,000 was charged to the profit and loss account to provide for the cost of these share options.

During the first year of operation of the plan the TSR achieved an 11% incremental performance over the FTSE All-Share Index.

A summary of directors' interests in nil cost options granted under the LTIP is shown below. The plan was introduced during the period and accordingly none have yet vested.

	1 October 2004	Granted during the year	Exercised during the year	30 September 2005	Exercise price	Price at date of award p	Date from which exercisable	Expiry date
T.E. Bonham (resigned 6.12.05)	—	12,056	—	12,056	Nil	676	21 March 2008	21 March 2015
J.P. Webster	—	10,355	—	10,355	Nil	676	21 March 2008	21 March 2015
D.A.G. Smith	—	8,654	—	8,654	Nil	676	21 March 2008	21 March 2015
I.S. Masson	—	7,544	—	7,544	Nil	676	21 March 2008	21 March 2015

The mid-market ordinary share price on 30 September 2005 was 682.5p.
The highest price of ordinary shares in the year was 712.5p and the lowest price was 502.5p.

PENSION ARRANGEMENTS

Each executive director is a member of the Company's defined benefit pension scheme and contributes 6.5% of salary up to HMRC earnings cap to the scheme. They are entitled to receive a pension of up to two-thirds of annual base salary on retirement subject to their length of service and Inland Revenue limits. The pension entitlement is calculated at 1/45th of final pensionable salary for every year of pensionable service and the normal retirement age is 65 years.

No element of remuneration other than base salary is pensionable. Jonathan Webster and David Smith are subject to the HMRC earnings cap. Executive directors have death in service cover which provides a lump sum on death and the provision of a spouse's pension.

DIRECTORS' SERVICE AGREEMENTS

In accordance with the Combined Code, the Company policy on executive directors' service agreements is that appointees to the board are offered notice periods of one year, following an initial twelve month service period.

A summary of the service agreements of current executive directors is as follows:

	Date of commencement of agreement	Notice period
T.E. Bonham (resigned 6.12.05)	2 December 1999	12 months
J.P. Webster	30 October 1998	12 months
D.A.G. Smith	2 February 2000	12 months
I.S. Masson	15 January 2001	12 months

Directors' service agreements do not provide for compensation for early termination.

NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

The remuneration of the non-executive directors is set by the executive directors, based on established market levels, and consists of fees for services in connection with board, board committee and other advisory meetings. They do not have service contracts, do not participate in the share incentive plan and are not eligible for pension scheme membership.

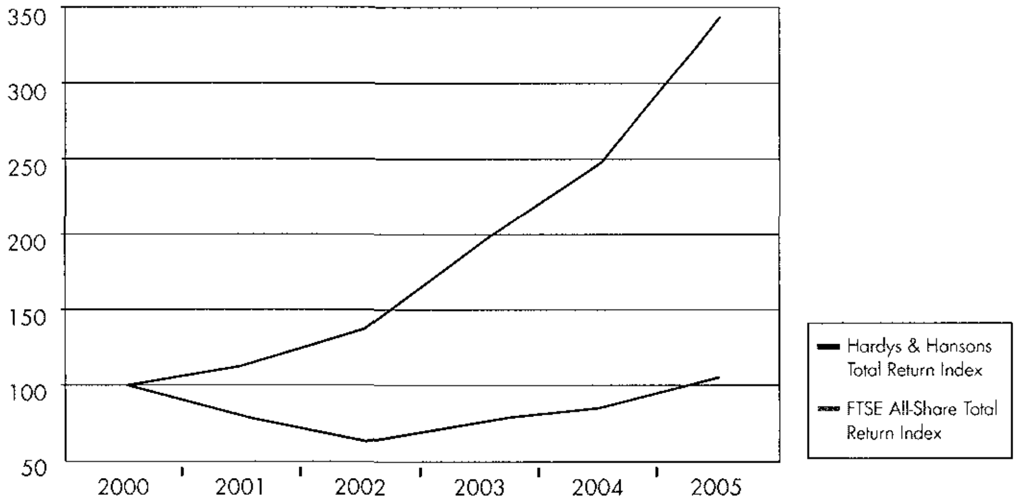
Non-executive directors' appointment terms expire as follows:

	Term expires
J.R. Kerr-Muir	22 April 2007
P.T. Helps	31 July 2006
N.J. Forman Hardy	1 November 2006
M.J. Barnes	31 October 2006

PERFORMANCE GRAPH OF HARDYS & HANSONS P.L.C.

The Company's total shareholder return, assuming dividends were reinvested, is shown compared with the return achieved by the FTSE All-Share Index. There are practical difficulties in establishing a consistent and meaningful sector comparator group and consequently the FTSE All-Share Index was selected as it represents a broad equity market index.

TOTAL SHAREHOLDER RETURN



AUDITED INFORMATION

DIRECTORS' EMOLUMENTS

	Basic salary/fee[1]		Bonus		Value of contingent share options awards and shares allocation		Cash value of benefits in kind		Total	
	2005 £000	2004 £000	**2005 £000**	2004 £000	**2005 £000**	2004 £000	**2005 £000**	2004 £000	**2005 £000**	2004 £000
J.R. Kerr-Muir	**70**	31	—	—	—	—	—	—	**70**	31
R.W.D. Hanson (retired 22.4.04)	—	40	—	—	—	—	—	3	—	43
M.J. Barnes (appointed 1.11.04)	**22**	—	—	—	—	—	—	—	**22**	—
P.T. Helps	**24**	14	—	—	—	—	**1**	1	**25**	15
T.E. Bonham (resigned 6.12.05)	**161**	153	—	52	**15**	3	**10**	10	**186**	218
N.J. Forman Hardy	**23**	12	—	—	—	—	—	—	**23**	12
J.P. Webster	**138**	131	—	46	**13**	3	**13**	14	**164**	194
D.A.G. Smith	**126**	120	—	38	**12**	3	**4**	3	**142**	164
I.S. Masson	**111**	100	—	29	**11**	3	**1**	6	**123**	138
	675	601	—	165	**51**	12	**29**	37	**755**	815
Total pension and death in service contributions									**61**	64
Total emoluments									**816**	879

Note:

[1] The fee of £31,000 earned by James Kerr-Muir during the 2004 period differs from the amount paid of £25,000 which was the maximum payable at that time in accordance with the Articles of Association.

A resolution was passed at the 2004 Annual General Meeting which ratified the fees payable under the terms of the contract between the Company and the Chairman. A separate resolution is being proposed at the 2005 Annual General Meeting to change the Articles of Association in order to enable the directors to determine the fees payable to directors, subject to an aggregate cap.

Directors' Remuneration Report Continued

PENSIONS

	Transfer value at period end of increase in pension over period[8] £000	Increase in accrued pension during the period[1] £000	Total accrued pension at period end[2] £000	Transfer value of accrued pension at 1 October 2004 £000	**Transfer value of accrued pension at 30 September 2005 £000**	Increase in transfer value over the period[6] £000
T.E. Bonham (resigned 6.12.05)	16	4	35	226	**279**	46
J.P. Webster	11	3	16	66	**92**	20
D.A.G. Smith	13	3	13	68	**96**	22
I.S. Masson	13	3	10	45	**70**	19

Notes:

[1] The increase in accrued pension during the period includes a reduction to allow for increases due to inflation.

[2] The pension entitlement shown is that which would be payable on retirement based on service to the end of the financial period.

[3] The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

[4] Normal retirement age is 65.

[5] Details of the Company's pension scheme, of which the executive directors are members, are contained in Note 25.

[6] Members of the Scheme have the option to pay Additional Voluntary Contributions. Any such contributions and the resulting benefits are excluded from the figures above.

[7] The pension has been calculated based on 45ths accrual.

[8] The amount of director contributions paid at 6.5% of salary from 1 November 2004 has been deducted from the transfer values.

The Brewery, Kimberley
Nottingham
6 December 2005

J.R. Kerr-Muir
Chairman of the Remuneration Committee

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

We have audited the financial statements of Hardys & Hansons p.l.c. for the 52 weeks ended 30 September 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds, Balance Sheet, Statement of Cash Flow and the related notes 1 to 28. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Managing Director's review, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2005 and of its profit for the period then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Nottingham
6 December 2005

KPMG Audit Plc

KPMG Audit PLC
Chartered Accountants and Registered Auditor

Profit and Loss Account

for the 52 weeks ended 30 September 2005

	Notes	2005 £000	2005 £000	2004 £000	2004 £000
Turnover	3		**81,514**		76,166
Change in stocks of finished goods and work-in-progress			**(155)**		(9)
			81,359		76,157
Raw materials, consumables and duty			**(27,545)**		(26,139)
			53,814		50,018
Staff costs	4	**(19,368)**		(17,585)	
Depreciation		**(3,174)**		(3,073)	
Other operating costs		**(16,942)**		(14,909)	
			(39,484)		(35,567)
Operating profit			**14,330**		14,451
Disposal of fixed assets	5		**3,579**		1,046
			17,909		15,497
Income from fixed asset investments		**23**		138	
Other interest receivable		**421**		579	
			444		717
			18,353		16,214
Interest payable	6		**(13)**		(17)
Profit on ordinary activities before taxation	7		**18,340**		16,197
Tax on profit on ordinary activities	8		**(5,558)**		(4,635)
Profit on ordinary activities after taxation			**12,782**		11,562
Non-equity dividends	9		**(23)**		(23)
Profit attributable to the equity shareholders			**12,759**		11,539
Equity dividends	9		**(4,838)**		(4,763)
Retained profit for the period			**7,921**		6,776

	Notes	2005	2004
Earnings per share	11		
Ordinary shares of 5p each		**51.09p**	46.20p
Deferred ordinary shares of 5p each		**50.84p**	45.95p
Adjusted earnings per share	11		
Ordinary shares of 5p each		**40.58p**	42.02p
Deferred ordinary shares of 5p each		**40.33p**	41.77p
Diluted basic earnings per share	11		
Ordinary shares of 5p each		**51.04p**	46.20p
Deferred ordinary shares of 5p each		**50.79p**	45.95p
Diluted adjusted earnings per share	11		
Ordinary shares of 5p each		**40.54p**	42.02p
Deferred ordinary shares of 5p each		**40.29p**	41.77p

All activities are continuing.

Statement of Total Recognised Gains and Losses

for the 52 weeks ended 30 September 2005

There were no recognised gains and losses in 2005 or 2004 other than those declared within the profit and loss account.

Note of Historical Cost Profits

for the 52 weeks ended 30 September 2005

	2005 £000	2004 £000
Profit on ordinary activities before taxation	**18,340**	16,197
Realisation of property revaluation gains of prior periods	**162**	704
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	**30**	30
Historical cost profit on ordinary activities before taxation	**18,532**	16,931
Historical cost profit for the period retained after taxation and dividends	**8,113**	7,510

Reconciliation of Movements in Total Shareholders' Funds

for the 52 weeks ended 30 September 2005

	2005 £000	2004 £000
Profit for the financial period	**12,759**	11,539
Equity dividends	**(4,838)**	(4,763)
Credit in respect of share options granted under long term incentive plan	**39**	—
Credit in respect of shares allocated under employee share scheme	**250**	—
Shares purchased to satisfy allocation under share incentive plan	**(250)**	—
Net additions to shareholders' funds	**7,960**	6,776
Shareholders' funds at 1 October 2004	**120,196**	113,420
Shareholders' funds at 30 September 2005	**128,156**	120,196

Balance Sheet

30 September 2005

	Notes	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Tangible assets	12		**133,046**		112,172
Investments	13		**1,039**		1,741
Shares in Hansons Limited less amounts due	14		**110**		110
			134,195		114,023
Current assets					
Stocks	15	**1,665**		1,800	
Debtors	16	**5,543**		5,221	
Cash at bank and in hand		**6,009**		16,924	
		13,217		23,945	
Creditors: Amounts falling due within one year	17	**(15,933)**		(14,553)	
Net current (liabilities)/assets			**(2,716)**		9,392
Total assets less current liabilities			**131,479**		123,415
Creditors: Amounts falling due after more than one year	18	**(272)**		(200)	
Provisions for liabilities and charges	19	**(3,051)**		(3,019)	
			(3,323)		(3,219)
Net assets			**128,156**		120,196
Capital and reserves					
Called-up share capital	20		**1,675**		1,675
Equity reserves					
Revaluation reserve	21		**37,804**		37,996
Profit and loss account	22		**88,677**		80,525
Total Shareholders' funds			**128,156**		120,196

Approved by the Board on 6 December 2005

J.R. Kerr-Muir

D.A.G. Smith
Directors

Cash Flow Statement

for the 52 weeks ended 30 September 2005

	Notes	2005 £000	2005 £000	2004 £000	2004 £000
Net cash inflow from operating activities	26		**17,837**		16,584
Returns on investments and servicing of finance					
Income from fixed asset investments		**23**		138	
Other interest received		**421**		579	
Interest paid		**(13)**		(17)	
Non-equity dividends paid		**(23)**		(23)	
			408		677
Taxation					
Corporation tax paid			**(4,355)**		(4,547)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**(24,504)**		(6,718)	
Receipts from sales of tangible fixed assets		**1,069**		2,137	
Purchase of own shares for employee share incentive plan		**(250)**		—	
Receipts from sales of investments		**3,633**		16	
Decrease in loans to customers and others		**35**		12	
			(20,017)		(4,553)
Equity dividends paid			**(4,788)**		(4,663)
(Decrease)/increase in net funds			**(10,915)**		3,498
Management of liquid resources					
Decrease/(increase) in short-term bank deposits			**11,629**		(3,289)
Increase in cash in the period			**714**		209
Reconciliation of net cash flow to movement in net funds	27				
Increase in cash in the period			**714**		209
Movement in cash (from)/to liquid resources			**(11,629)**		3,289
(Decrease)/increase in net funds			**(10,915)**		3,498
Net funds at 1 October 2004			**16,924**		13,426
Net funds at 30 September 2005			**6,009**		16,924

Liquid 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 1 October. Periodically, this results in a 53 week financial period.

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.

Consolidation

In the opinion of the board, the subsidiary undertaking, Hansons Limited, is not material for the purpose of the financial statements giving a true and fair view. Accordingly, consolidated accounts have not been prepared as permitted by section 229 of the Companies Act 1985. These financial statements therefore present information about Hardys & Hansons p.l.c. as an individual entity. Details about Hansons Limited are given in note 14.

Valuations

Surpluses arising from professional valuations of properties that are applied to the financial statements are taken direct to the revaluation reserve. Valuation surpluses realised on sale are transferred to the profit and loss account. Any deficit arising from the professional valuation of properties is taken direct to the revaluation reserve to the extent that such deficit leaves the carrying value above historic cost. Any further diminution in value of an individual property is charged to the profit and loss account.

Tangible fixed assets

Prior to the adoption of FRS 15 in the 2000 financial period, properties were revalued on a cyclical basis. Since the adoption of FRS 15, the policy has been not to revalue properties. Consequently, the valuations have not been updated. Details of the last revaluation are given in note 12. Other fixed assets are stated at cost.

Tangible fixed assets are written off on a straight-line basis over their estimated useful lives, as follows:

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years.
- Leasehold properties are depreciated to their estimated residual values over the shortest of either 50 years or their estimated useful lives or their remaining lease period.
- Computer equipment is depreciated over 4 to 7 years.
- Retail furniture, fixtures and equipment are depreciated over 4 to 10 years.
- Vehicles are depreciated over 4 to 5 years.
- Manufacturing plant and vessels are depreciated over 10 to 20 years.

The carrying values of tangible fixed assets are reviewed for impairment in accordance with FRS 11 if there are indications that the carrying value may not be fully recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account. Profits and losses on disposal of fixed assets reflect the difference between net selling price and book value at the date of disposal.

Goodwill

Goodwill arising on acquisitions is capitalised and amortised, on a straight-line basis, over its estimated useful life up to a maximum of 20 years. Goodwill written off against reserves in previous periods has not been reinstated.

Maintenance and improvement of properties

Additions to and major refurbishments 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.

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

Investment in Own Shares

The investment in own shares represents shares held by the Hardys & Hansons Share Incentive Plan Trust, which are recorded at cost as a deduction from shareholders' funds. The costs of administering the fund are charged to the profit and loss account as incurred.

Deferred taxation

Deferred tax is recognised on all timing differences which have originated, but not reversed, at the balance sheet date, except as otherwise required by FRS 19. Timing differences represent accumulated differences between the Company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. Deferred tax liabilities and assets are not discounted.

LTIP

The long term incentive plan has been accounted for in accordance with UITF 17 (amended December 2003) so as to spread the anticipated cost to the Company over the associated performance period. The cost is included within administration expenses.

Pensions

The Company operates a contributory defined benefit pension scheme which closed to new members with effect from 1 July 2003. The scheme is 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.

The defined benefit pension scheme has been replaced by a defined contribution scheme which is available to new employees joining the Company after 1 July 2003. The Company charges contributions it makes to the defined contribution scheme to the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Derivatives and other financial instruments

The Company's policy is to state all financial liabilities at their nominal value. Interest is dealt with in the period in which it arises. For further information, see note 28.

2 CHANGES TO ACCOUNTING POLICIES

The disclosures required under the transitional period of FRS 17 (Pensions) are included in note 25. Apart from this, there is no other impact upon the financial statements from changes in accounting policies.

International Financial Reporting Standards (IFRS) become mandatory for the consolidated financial statements reported by all EU listed companies from 2005 onwards. Although the Company does not prepare consolidated financial statements, it intends to adopt IFRS for the period ending 29 September 2006. Details of the impact of IFRS on the Company are provided in the Directors' Report.

3 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. The turnover and operating profit generated from acquisitions in the year were £3.4m and £0.2m respectively.

4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the period was as follows:

	2005	2004
Management, administration and sales	**83**	74
Production and distribution	**76**	75
Managed houses	**1,809**	1,686
	1,968	1,835

The above totals include 1,571 (1,457) part-time staff, mainly employed at managed houses, who were approximately equivalent to 854 (780) full-timers.

The aggregate payroll costs of the employees were as follows:

	£000	£000
Wages and salaries	**17,366**	15,869
Social security costs	**1,236**	1,034
Pension schemes	**766**	682
	19,368	17,585

Details of directors' remuneration and pension entitlements are set out on pages 20 to 22.

Notes to the Financial Statements Continued

5 DISPOSAL OF FIXED ASSETS

	2005 £000	2004 £000
Surplus on sale of properties	**613**	1,046
Profit on sale of investments	**2,966**	—
	3,579	1,046

6 INTEREST PAYABLE

	2005 £000	2004 £000
On deposits repayable within five years	**5**	4
On debenture stock	**8**	8
Other interest payable	**—**	5
	13	17

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2005 £000	2004 £000
Income from listed investments	**(23)**	(138)
Directors' remuneration:		
Fees	**140**	58
Managerial services	**564**	745
Pension and death in service contributions	**61**	64
Share incentive plan	**12**	12
Long-term incentive plan	**39**	—
	816	879
Maintenance and improvement of properties	**2,889**	2,912
Fees payable to the auditors: as auditors	**50**	46
for other services including taxation	**18**	11
Hire of plant, machinery and motor vehicles	**172**	164
	3,945	4,012

8 TAXATION

Analysis of charge for the period	2005 £000	2004 £000
Current tax:		
Corporation tax based on the profits	**4,897**	4,352
Under/(over) provision in prior year	**468**	(50)
Utilisation of tax losses	**(331)**	—
Total current tax	**5,034**	4,302
Deferred tax:		
Origination and reversal of timing differences	**512**	294
Under provision in prior year	**12**	39
Tax on profit on ordinary activities	**5,558**	4,635
Effective rate on profits	**30.3%**	28.6%

8 TAXATION Continued

	2005 £000	2004 £000
Factors affecting the tax charge for the period:		
Profit on ordinary activities before taxation	**18,340**	16,197
Corporation tax at standard rate of 30%	**5,502**	4,861
Effects of:		
Expenses not deductible for tax purposes	**173**	137
Income from listed investments	**(7)**	(38)
Capital allowances for period in excess of depreciation	**(373)**	(234)
Pension accruals	**(139)**	(60)
Utilisation of tax losses	**(331)**	(10)
Rollover relief on profit on property disposals	**(184)**	(304)
Indexation allowance on profit on investment disposals	**(75)**	—
Adjustment to tax charge for prior periods	**468**	(50)
Current tax charge for the period	**5,034**	4,302

Factors that may affect future tax charges

Based on current capital investment plans, the Company expects to be able to claim capital allowances in excess of depreciation in future periods at a slightly higher level than in the current period.

No provision has been made for deferred tax on gains recognised on past revaluations of property or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £3,857,000 (£4,181,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The Company had capital losses brought forward of £1,097,000 which have been utilised in the period. No deferred tax assets had been recognised in respect of these losses because it was unclear whether suitable gains would arise in the foreseeable future to utilise these losses.

9 DIVIDENDS

	2005	2004	2005	2004
	pence per share		£000	£000
Dividends paid or proposed:				
Non-equity				
First preference shares	**5.00**	5.00	**11**	11
Second preference shares	**6.00**	6.00	**12**	12
			23	23
Equity				
Ordinary shares interim	**7.30**	7.20	**1,460**	1,440
Ordinary shares proposed final	**12.10**	11.90	**2,420**	2,380
Deferred ordinary shares interim	**7.05**	6.95	**353**	348
Deferred ordinary shares proposed final	**12.10**	11.90	**605**	595
			4,838	4,763

10 ADJUSTED PROFIT BEFORE TAX

Adjusted profit before tax is presented to demonstrate more clearly the underlying performance of the Company and is calculated as follows:

		2005 £000	2004 £000
Profit before tax	(+ 13%)	**18,340**	16,197
Profit on disposal of fixed assets		**(3,579)**	(1,046)
Adjusted profit before tax	(– 3%)	**14,761**	15,151

11 EARNINGS PER SHARE

Earnings per share are calculated on 20 million ordinary shares and 5 million deferred ordinary shares, using the profit attributable to the equity shareholders amounting to £12,759,000 (£11,539,000). The profits resolved to be distributed as ordinary dividends in any year are applied first in the payment of 0.25 pence per share to the ordinary shareholders and the balance rateably among the holders of the ordinary and deferred ordinary shares.

Adjusted earnings per share is presented to demonstrate more clearly the underlying performance of the Company and is calculated as follows:

		Profits £000		Earnings per share pence			
		2005	2004	**2005**		2004	
				Ord.	**Def Ord.**	Ord.	Def Ord.
Profit attributable to equity shareholders and earnings per share	(+ 11%)	**12,759**	11,539	**51.09**	**50.84**	46.20	45.95
Disposal of fixed assets after tax		**(3,096)**	(1,046)	**(12.38)**	**(12.38)**	(4.18)	(4.18)
Tax charge in respect of prior year disposals		**468**	—	**1.87**	**1.87**	—	—
Adjusted profits and earnings per share	(– 3%)	**10,131**	10,493	**40.58**	**40.33**	42.02	41.77

Diluted earnings per share has been calculated on a similar basis taking account of a weighted average number of 20,020,471 ordinary shares and 5,000,000 deferred ordinary shares. The dilutive effect relates to options under the long term incentive plan.

12 TANGIBLE FIXED ASSETS

	Freehold properties £000	Long leasehold properties £000	Short leasehold properties £000	Plant machinery and motor vehicles £000	Containers and fixtures £000	Total £000
Cost or valuation						
1 October 2004	93,744	5,212	515	3,900	25,777	129,148
Additions	19,760	—	—	584	4,160	24,504
Disposals	(361)	—	—	(35)	(440)	(836)
30 September 2005	**113,143**	**5,212**	**515**	**4,449**	**29,497**	**152,816**
At cost	59,913	5,202	515	4,449	29,497	99,576
At valuation 1994	53,230	10	—	—	—	53,240
	113,143	**5,212**	**515**	**4,449**	**29,497**	**152,816**
Less depreciation						
1 October 2004	1,061	400	320	2,261	12,934	16,976
Charge for the period	212	8	21	265	2,668	3,174
Disposals	(16)	—	—	(35)	(329)	(380)
30 September 2005	**1,257**	**408**	**341**	**2,491**	**15,273**	**19,770**
Net book value 30 September 2005	**111,886**	**4,804**	**174**	**1,958**	**14,224**	**133,046**
1 October 2004	92,683	4,812	195	1,639	12,843	112,172
The comparable amounts determined under historical cost accounting are:						
Cost	76,579	5,212	515	4,449	29,497	116,252
Depreciation	(816)	(408)	(341)	(2,491)	(15,273)	(19,329)
Net book value 30 September 2005	**75,763**	**4,804**	**174**	**1,958**	**14,224**	**96,923**
1 October 2004	56,328	4,812	195	1,639	12,843	75,817

The 1994 valuation was carried out by Chesterton International p.l.c. The bases of the valuation were, for the public houses and development sites, open market value in accordance with the Statements of Asset Valuations and Guidance Notes of the Royal Institution of Chartered Surveyors. The 1994 valuation disclosed a surplus of £30.9m which was credited to the revaluation reserve.

The directors have undertaken a review of the valuation of all properties as at 30 September 2005. The purpose of the review is to provide as a memorandum to the accounts the directors' view of the current value of these assets.

The review valued properties on an individual fair maintainable trading basis, assuming sitting tenants, where applicable and excluded fixtures and fittings with a net book value of c.£10m. All valuations assumed existing use and therefore exclude any potential alternative use value.

Of the 258 licensed properties in the estate, 56 were subject to detailed professional valuation (50% by Fleurets, Chartered Surveyors and 50% by the Company's estates manager, who is a qualified chartered surveyor). These properties constitute 29% of the licensed estate by value. All other property values were assessed by a committee comprised of two directors and the Company's estates manager.

The overall valuation of freehold and leaseholds properties as a result of the revaluation process is as follows:

	Freehold properties £000	Long leasehold properties £000	Short leasehold properties £000	Total £000
Net book value at 30 September 2005	111,886	4,804	174	116,864
Revaluation	63,324	1,190	86	64,600
Revalued amount at 30 September 2005	**175,210**	**5,994**	**260**	**181,464**

Included within the additions of freehold property is the acquisition for £12.0m cash of a package of five pubs together with associated lodges. The fair value of the tangible fixed assets equated to the amount paid and as a result there is no goodwill arising on this acquisition.

The opening cost and depreciation balances of plant, machinery and motor vehicles and containers and fixtures have been adjusted by £9.1m to take account of items fully written off in previous years. This has no effect on the opening net book value.

Notes to the Financial Statements Continued

13 INVESTMENTS

	Listed £000	Loans to customers and others £000	Total £000
Cost 1 October 2004	667	1,074	1,741
Additions	—	363	363
Disposals and repayments	(667)	(398)	(1,065)
Cost 30 September 2005	**—**	**1,039**	**1,039**

At 30 September 2005 the market value of listed investments, which are all dealt with on a recognised stock exchange, was £Nil (£3,533,000). All listed investments were disposed of during the period.

14 RELATED PARTY TRANSACTIONS — HANSONS LIMITED (A WHOLLY OWNED SUBSIDIARY)

	2005 £000	2004 £000
Shares in Hansons Limited at cost	**175**	175
Balance due to Hansons Limited	**(65)**	(65)
	110	110
Nominal value of 4% Irredeemable Debenture Stock held in Hardys & Hansons p.l.c.	**132**	132

The aggregate capital and reserves of Hansons Limited at 30 September 2005 was £175,000 (£175,000), and its profit for the period ended 30 September 2005 was £nil (£nil).

During the period, Hansons Limited received £5,000 gross interest on the debenture stock from the Company and an equivalent charge was made. This was the Company's only activity.

15 STOCKS

	2005 £000	2004 £000
Raw materials	**105**	50
Consumable stores	**83**	118
Beer in process	**49**	120
Finished products	**1,428**	1,512
	1,665	1,800

16 DEBTORS

	2005 £000	2004 £000
Trade debtors	**3,234**	3,187
Other debtors	**562**	698
Prepayments and accrued income	**1,747**	1,336
	5,543	5,221

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000	2004 £000
Trade creditors	**5,119**	4,184
Taxation	**2,637**	1,958
Other taxes and social security costs	**1,952**	1,810
Other creditors	**1,710**	2,241
Accruals	**1,484**	1,379
Ordinary shares proposed final dividend	**2,420**	2,380
Deferred ordinary shares proposed final dividend	**605**	595
Preference dividend	**6**	6
	15,933	14,553

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £000	2004 £000
4% Irredeemable first mortgage debenture stock secured on certain properties and by a general charge on the undertaking	**200**	200
Other creditors	**72**	—
	272	200

19 PROVISIONS FOR LIABILITIES AND CHARGES

	2005 £000	2004 £000
Pensions — Balance 1 October 2004	**492**	592
Utilised during the year	**(492)**	(100)
Balance 30 September 2005	**—**	492
Deferred taxation	**3,051**	2,527
	3,051	3,019
Deferred taxation		
Provided at 30% in respect of:		
Accelerated capital allowances	**3,075**	2,690
Short-term timing differences	**(24)**	(163)
	3,051	2,527
Movement in provision		
Balance 1 October 2004	**2,527**	2,194
Charge for the period	**512**	294
Under provision in prior year	**12**	39
Balance 30 September 2005	**3,051**	2,527

20 SHARE CAPITAL

	Authorised 2005 and 2004 £000	Allotted, called-up and fully paid 2005 £000	2004 £000
Non-equity capital			
5% First cumulative preference shares of £1 each	225	**225**	225
6% 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
	1,725	**1,675**	1,675

The 5% first cumulative preference shareholders are entitled to a fixed cumulative preferential dividend at that rate and, subject thereto, the 6% second cumulative preference shareholders are entitled to a fixed cumulative 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 arrears 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 0.25 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.

Notes to the Financial Statements Continued

21 REVALUATION RESERVE

	2005		2004	
	£000	**£000**	£000	£000
Balance 1 October 2004		**37,996**		38,730
Profit and loss account: properties sold	**(162)**		(704)	
Transfer to profit and loss account	**(30)**		(30)	
		(192)		(734)
		37,804		37,996

22 PROFIT AND LOSS ACCOUNT

	2005	2004
	£000	£000
Balance 1 October 2004	**80,525**	73,015
Retained profit for the period	**7,921**	6,776
Proposed transfers — Revaluation reserve	**192**	734
Credit in respect of share options granted under long term incentive plan	**39**	—
Credit in respect of shares allocated under employee share scheme	**250**	—
Shares purchased to satisfy allocation under employee share scheme	**(250)**	—
	88,677	80,525

At the year end the Hardys & Hansons Share Incentive Plan Trust held 37,134 ordinary shares which cost £250,000.

23 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

HM Revenue and Customs have challenged the treatment of gains in respect of £2.9m of tax arising on the disposal of watershed land in prior years. After taking professional advice, additional tax of £468,000 has been prudently provided for within the 2005 tax charge. The directors believe the parcels of land were business assets and as such entitled to the rollover relief claimed and will continue to robustly defend this position with the authorities.

	2005	2004
	£000	£000
Capital commitments	**991**	50

24 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 30 September 2005 the Company had annual commitments under non-cancellable operating leases as set out below:

	2005		2004	
	Land & buildings £000	**Other £000**	Land & buildings £000	Other £000
Operating leases which expire:				
Within one year	**—**	**—**	—	—
In the second to fifth years inclusive	**—**	**—**	—	—
Over five years	**184**	**—**	184	—
	184	**—**	184	—

25 PENSION SCHEMES

The Company operates a defined benefit scheme which was closed to new members on 1 July 2003 (as disclosed in note 1). The assets are held in separate insured funds. The ongoing scheme was valued by independent actuaries, Jardine Lloyd Thompson, on 30 April 2004, using the projected unit credit method with a one year control period. This demonstrated a total market value of scheme assets of £9.5m, representing a funding level of 87%.

The pension scheme and death in service charges are now separate. The total pension charge is £766,000 (£682,000), of which £56,000 (£2,000) relates to contributions to the Company's defined contribution scheme.

	2005 **£000**	2004 £000
Accrued contributions amounted to	**80**	53

The key assumptions used for the valuation for accounting under FRS 17 and the resulting funding level are as follows:

	2005 **% p.a.**	2004 % p.a.	2003 % p.a.
Inflation	**2.8**	2.8	2.5
Pension in payment increases	**2.5**	2.5	2.3
General pay increases	**3.8**	3.8	3.5
Rate used to discount scheme liabilities	**5.1**	5.8	5.5
Revaluation rate for deferred pensioners	**2.8**	2.8	2.5

Excluding death in service costs and administrative and auditing services, the regular cost is 13.4%.

The assets and liabilities of the scheme were as follows:

	2005 **£000**	2004 £000	2003 £000
Equities	**7,819**	5,369	4,372
Bonds	**1,771**	1,248	1,284
Property	**1,235**	900	902
Cash	**1,030**	1,411	514
With-profit arrangement	**1,832**	1,529	1,018
Market value of assets	**13,687**	10,457	8,090
Value of accrued liabilities	**(15,349)**	(12,060)	(7,928)
Scheme (liability)/asset	**(1,662)**	(1,603)	162
Funding level	**89%**	87%	102%

The assumed long-term rate of return is:

	2005 **% p.a.**	2004 % p.a	2003 % p.a
Equities	**8.0**	8.0	8.0
Bonds	**5.0**	5.5	5.0
Property	**7.0**	7.0	5.5
Cash	**4.5**	4.5	4.0
With-profit arrangement	**5.5**	3.0	3.0

If the above amounts had been recognised in the financial statements, the Company's net assets at 30 September 2005 would be as follows:

	2005 **£000**	2004 £000	2003 £000
Net assets excluding pension asset	**128,156**	120,196	113,420
Pension (liability)/asset	**(1,662)**	(1,603)	162
Deferred tax asset/(liability) on pension (liability)/asset	**499**	481	(49)
Net assets including pension (liability)/asset	**126,993**	119,074	113,533

Notes to the Financial Statements Continued

25 PENSION SCHEMES Continued

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the profit and loss account and statement of total recognised gains and losses for the period ended 30 September 2005:

	2005		2004	
	£000	**£000**	£000	£000
Analysis of amounts chargeable to profit and loss account:				
Current service cost	**(681)**		(646)	
Past service cost	**—**		(120)	
Less employee contributions	**241**		161	
		(440)		(605)
Financing:				
Expected return on pension scheme assets	**707**		532	
Interest on expected scheme liabilities	**(715)**		(451)	
Net (cost)/return		**(8)**		81
		(448)		(524)
Analysis of amounts recognisable in the statement of total recognised gains and losses:				
Actual return less expected return on pension scheme assets		**1,370**		953
Experience gains/(losses) arising on scheme liabilities		**262**		(900)
Changes in assumptions underlying the present value of scheme liabilities		**(2,277)**		(2,121)
Total actuarial (loss) recognised		**(645)**		(2,068)

The total movement in the Company's share of the scheme's deficit during the period is made up as follows:

	2005	2004
	£000	£000
(Deficit)/surplus on the scheme at the beginning of the period	**(1,603)**	162
Movement in period:		
Current service cost	**(681)**	(646)
Contributions	**1,275**	988
Past service cost	**—**	(120)
Other finance income	**(8)**	81
Actuarial (loss) recognised above	**(645)**	(2,068)
(Deficit) in scheme at the end of the period	**(1,662)**	(1,603)

The experience gains and losses for the year ended 30 September 2005 were as follows:

	2005	2004	2003
	£000	£000	£000
Difference between the expected and actual return on scheme assets:			
Investment gain	**1,370**	953	227
Percentage of scheme assets	**10%**	9%	3%
Experience gains and losses on scheme liabilities:			
Experience gain/(loss)	**262**	(900)	(152)
Percentage of the present value of scheme liabilities	**2%**	(7%)	(2%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:			
Amount (£'000)	**(2,277)**	(2,121)	—
Percentage of scheme liabilities	**(15%)**	(18%)	0%
Total amount recognised in the statement of total recognised gains and losses:			
Actuarial (loss)/gain	**(645)**	(2,068)	75
Percentage of the present value of scheme liabilities	**(4%)**	(17%)	1%

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 **£000**	2004 £000
Operating profit	**14,330**	14,451
Depreciation charge	**3,174**	3,073
Decrease/(increase) in stocks	**135**	(76)
(Increase) in debtors	**(322)**	(1,097)
Increase in creditors	**231**	233
Charge in respect of share options granted under the LTIP	**39**	—
Charge in respect of shares allocated under the employee share incentive plan	**250**	—
Net cash inflow from operating activities	**17,837**	16,584

27 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Oct 2004 £000	Cash flows £000	**At 30 Sept 2005 £000**
Cash in hand, at bank	915	714	**1,629**
Short-term bank deposits	16,009	(11,629)	**4,380**
Total	16,924	(10,915)	**6,009**

Short-term deposits are included within cash at bank and in hand in the balance sheet.

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise debenture stock, preference shares, fixed asset investments and cash. Short-term debtors and creditors have been excluded from the disclosures in this note.

The financial liabilities of the Company as at 30 September 2005 were all denominated in pounds sterling and held at fixed rates as disclosed in notes 18 and 20.

The comparisons by category of book values and fair values of the Company's financial liabilities were as follows:

	2005		2004	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
4% Irredeemable first mortgage debenture stock	**200**	**147**	200	136
5% First cumulative preference shares	**225**	**142**	225	142
6% Second cumulative preference shares	**200**	**182**	200	182
	625	**471**	625	460

The interest rate profile of the financial assets of the Company were as follows:

Investments in interest bearing assets

	2005 **£000**	2004 £000
Held at fixed interest rates	**4,380**	16,009
Non-interest earning amounts	**1,629**	915
Cash at bank and in hand	**6,009**	16,924

Investments in interest bearing assets comprise short-term deposits with a maturity date not exceeding one year.

Five Year Record

Profit and loss account	**2005** **£m**	2004 £m	2003 £m	2002 (53 weeks) £m	2001 £m
Turnover	**81.5**	76.2	70.9	64.8	54.3
Adjusted operating profit	**14.3**	14.5	13.7	12.3	10.2
Profit before taxation	**18.3**	16.2	18.3	16.7	10.0
Adjusted profit before taxation	**14.8**	15.2	14.1	12.5	10.8
Basic earnings per ordinary share	**51.1p**	46.2p	55.8p	51.4p	27.2p
Adjusted earnings per ordinary share	**40.6p**	42.0p	39.2p	34.6p	30.2p
Dividends per share	**19.4p**	19.1p	18.1p	16.4p	14.8p
Adjusted operating profit/turnover	**17.6%**	19.0%	19.3%	19.0%	18.8%
Adjusted dividend cover (times)	**2.1**	2.2	2.2	2.1	2.0
Balance sheet	**£m**	£m	£m	£m	£m
Fixed assets	**134.2**	114.0	111.5	108.2	101.0
Working capital (excluding cash)	**(8.7)**	(7.5)	(8.5)	(6.4)	(7.0)
Net cash	**6.0**	16.9	13.4	5.0	3.5
Creditors more than 1 year and provisions	**(3.3)**	(3.2)	(3.0)	(2.8)	(2.3)
Net assets	**128.2**	120.2	113.4	104.0	95.2
Net assets per equity share	**511p**	479p	452p	414p	379p
Cash flow and investment	**£m**	£m	£m	£m	£m
Cash inflow from operations	**17.8**	16.6	17.8	14.1	14.5
Interest, tax and dividends	**(8.8)**	(8.5)	(7.5)	(6.9)	(6.0)
Fixed asset purchases	**(24.5)**	(6.7)	(7.6)	(11.4)	(20.6)
Fixed asset sales	**1.1**	2.1	5.6	6.0	0.5
Purchase of own shares for employee share incentive plan	**(0.2)**	—	—	—	—
Trade loans and investments	**3.7**	—	0.1	(0.3)	(0.2)
(Decrease)/increase in funds	**(10.9)**	3.5	8.4	1.5	(11.8)

Adjusted earnings per share, operating profit, taxation, profit before tax and dividend cover exclude the effect of exceptional items.

The 2001 figures have been restated to comply with FRS 19 (Deferred Tax).

Net assets per equity share is based on the total 25,000,000 ordinary and deferred ordinary shares in issue.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 108th annual general meeting of the Company will be held at the Nottingham Gateway Hotel, Nuthall Road, Nottingham on Thursday, 2 February 2006 at 11:30 a.m. for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the financial statements for the fifty-two weeks ended 30 September 2005 and the reports of the directors, the auditors and the auditable part of the directors' remuneration report.
2. To approve the directors' remuneration report for the financial period ended 30 September 2005.
3. To declare final dividends on the ordinary shares and the deferred ordinary shares.
4. To re-elect P.T. Helps, who is retiring in accordance with the articles of association of the Company, as a director.
5. To re-elect N.J. Forman Hardy, who is retiring in accordance with the articles of association of the Company, as a director.
6. To re-elect D.A.G. Smith, who is retiring in accordance with the articles of association of the Company, as a director.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution, and resolutions 8, 9 and 10 will be proposed as special resolutions:

ORDINARY RESOLUTION

7. To reappoint KPMG Audit Plc as auditors and to authorise the directors to set their remuneration.

SPECIAL RESOLUTIONS

8. That Article 87.1 of the Articles of Association of the Company be deleted and replaced with the following:

   "87 Payments to Directors (including expenses):

   87.1 The directors shall be paid out of funds of the Company by way of fees for their services as directors such sums (if any) as the directors may from time to time determine. Any fees pursuant to this Article 87.1 shall be exclusive of any salary, remuneration or other amounts payable to executive directors pursuant to any contract or arrangement between the Company and that director, provided that in aggregate such fees payable to all of the directors shall not exceed the sum of £200,000 for each accounting reference period of the Company ".

9. That the Ordinary Shares listed on the Official List are delisted and the Company be authorised and instructed to obtain admission of these shares to trading on the Alternative Investment Market.

10. 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 £1 and the authority hereby granted shall expire at the conclusion of the annual general meeting of the company in 2011, provided that a contract may be made before the expiry which will or may be executed wholly or partly thereafter and a purchase of Stock may be made in pursuance of such contract.

Registered Office
The Brewery
Kimberley
Nottingham
NG16 2NS
21 December 2005

By Order of the Board

D.A.G. SMITH
Secretary

Note: Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company.

To be effective, forms of proxy must be lodged at the registered office of the Company's Registrars, Capita Registrars, not less than 48 hours before the time fixed for the meeting.

Shareholder Information

FINANCIAL CALENDAR 2006

Annual General Meeting	2 February
Payment of final dividend for 2004/2005	6 March
Announcement of interim results and dividend for 2005/2006 and publication of Interim Statement	Late May
Payment of interim dividend for 2005/2006	Early August
Full year preliminary announcement of results and proposed final dividend for 2005/2006	Early December

REGISTERED OFFICE

The Brewery, Kimberley, Nottingham, NG16 2NS
Registered in England, company registration number: 52412
Telephone 0115 938 3611

REGISTRARS

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

TRUSTEES FOR DEBENTURE STOCKHOLDERS

Lloyds TSB Private Banking Ltd
UK Trust Centre, The Clock House, 22/26 Ock Street, Abingdon, Oxford, OX14 5SW

CAPITAL GAINS TAX

Official Stock Exchange prices:

		31 March 1982
5p	Ordinary shares	£0.726
£1	5% First preference shares	£0.325
£1	6% Second preference shares	£0.345
£100	4% First mortgage debenture stock	£26.25

Annual General Meeting

The 108th annual general meeting of Hardys & Hansons p.l.c. will be held at the Nottingham Gateway Hotel, Nuthall Road, Nottingham on Thursday, 2 February 2006 at 11.30 a.m.

Hardys & Hansons Estate

CHESHIRE

Governor's House, Cheadle Hulme
King's Ransom, Sale
Waterside, Warrington (PTI)

DERBYSHIRE

Anglers Arms, Spondon
Bateman Arms, Stanley Common
Bell Inn, Cromford
Black Horse, Somercotes
Black Swan, Crich
Blacks Head, Wirksworth
Blue Bell, South Normanton
Blue Bell, Tissington
Boat House, Matlock
Bonnie Prince, Chellaston
Boythorpe Inn, Chesterfield
Brickmakers Arms, Newton Solney
Bridge Inn, Calver
Bridge Inn, Cotmanhay
Britannia Inn, Kegworth
Bulls Head, Ilkeston
Bulls Head, Openwoodgate
Butchers Arms, Heanor
Butchers Arms, Oakerthorpe
Canal Inn, Bullbridge
Cat & Fiddle, Ilkeston
Cheshire Cheese, Buxton
Church Inn, Darley Dale
Cliff Inn, Crich
Coach & Horses, Loscoe
Cricketers, Kilburn
Cross Keys, Heanor
Crown & Arrows, Derby
Derwent Hotel, Whatstandwell
Devonshire Arms, Fairfield
Duke of Clarence, Derby
Duke of Wellington, Matlock
Farmyard Inn, Youlgreave
Foresters Arms, Scropton
French Horn, Codnor
Furnace Inn, Derby
Generous Briton, Ripley
George Hotel, Derby
George Hotel, Tideswell
George Inn, Lower Hartshay
Greyhound Hotel, Cromford
Grouse Inn, Darley Dale
Hill Top Inn, Belper
Homesford Cottage, Whatstandwell
Hop Flower, Inkersall
Jovial Dutchman, Crich
Laburnum Inn, Matlock
Live & Let Live, Ilkeston
Market Hotel, Heanor
Masons Arms, Brampton
Miners Arms, Ilkeston
Moulders Arms, Riddings
Mundy Arms, Marlpool
Navigation, Overseal
New Inn, Milford
New Inn, Riddings
Old Black Horse, Mapperley
Paddock, Derby
Pear Tree Inn, Ripley
Plough Inn, Ashbourne
Queens Head, Little Eaton
Railway Hotel, Buxton
Railway Hotel, Matlock
Red Lion, Fritchley
Red Lion, Riddings
Robin Hood, Alfreton
Rose & Crown, Barlborough
Royal Forester, Buxton
Royal Oak, Tansley
Royal Tiger, Somercotes
Saracens Head, Shirley
Seven Wells, Etwall
Silver Ghost, Alvaston
Sir John Warren, Ilkeston
Spinning Wheel, Chaddesden
Sun Inn, Derby
Swan & Salmon, Derby
Three Horse Shoes, Ilkeston
Three Horse Shoes, Wessington
Three Stags Heads, Darley Bridge
Welbeck Inn, Chesterfield
Wheatsheaf Hotel, Tibshelf
White Hart, Bargate
White Hart, Bradwell
White Swan, Bolsover
Woodman, Ripley
Yarn Spinner, Spondon

GREATER MANCHESTER

John Gilbert, Worsley

LANCASHIRE

Inn on the Wharf, Burnley
Lea Gate, Preston (PTI)
Priory Wood, Wigan (PTI)
Royal Oak, Wirral (PTI)
Thatch & Thistle, Nelson
Waterside Inn, Leigh

LEICESTERSHIRE

Britannia Inn, Shepshed
Broadway Hotel, Leicester
Counting House, Leicester
Crown & Cushion, Loughborough
Dew Drop, Hathern
Hat & Beaver, Leicester
Kings Arms, Scalford
Old Pack Horse, Loughborough
Ox Lea, Loughborough

LINCOLNSHIRE

Cherry Tree, Ingoldmells
Fleece Inn, Burgh-le-Marsh
Fox & Hounds, Old Somerby
Fox Inn, Kirton
Golden Lion, Boston
Jolly Scotchman, Sleaford
Lincolnshire Poacher, Louth
Lumley Hotel, Skegness
Manvers Arms, Lincoln
Peacock Inn, Lincoln
Plough Inn, Tetney
Ship Inn, Ingoldmells
Steamhammer Inn, Lincoln
White Bull, Coningsby
White Hart, Spilsby

NORTHAMPTONSHIRE

'Ock 'n' Dough, Wellingborough

NOTTINGHAMSHIRE

Angel Inn, Blyth
Badger Box, Kirkby-in-Ashfield
Beacon, Aspley
Beechdale, Bilborough
Beekeeper, Chilwell
Bell Inn, Nottingham

Hardys & Hansons Estate Continued

NOTTINGHAMSHIRE Continued

Black Swan, Edwinstowe
Black Swan, Mansfield
Boat Inn, Retford
Broad Oak, Strelley
Bromley Arms, Fiskerton
Carnarvon Arms, Teversal
Carpenters Arms, Boughton
Commercial Inn, Beeston
Corn Mill, Chilwell
Cricketers Rest, Kimberley
Cross Keys, Epperstone
Crown & Anchor, Mansfield
Crown Inn, Beeston
Crown Inn, Selston
Crusader, Clifton
Dog & Topper, Lenton
Druids Tavern, Arnold
Duke of Sussex, Fulwood
Durham Ox, Brinsley
Flying Bedstead, Hucknall
Foresters Arms, Newthorpe
Fox & Hounds, Blidworth
Gardeners Inn, Awsworth
Gate Inn, Awsworth
Gate Inn, Kimberley
Gate Inn, Westwood
Golden Guinea, Kimberley
Goose, Gamston
Greasley Castle, Eastwood
Great Northern, Langley Mill
Great Northern Inn, Newark
Griffin Inn, Plumtree
Half Crown, Long Eaton
Happy Man, Stapleford
Hare & Hounds, Warsop
Harrier, Hucknall
Harrington Arms, Sawley
Horse & Groom, Moorgreen
Jug & Glass, Nether Langwith
King & Miller, Sutton-in-Ashfield
Lady Bay, West Bridgford
Larks Nest, Nuthall
Lion & Dragon, Long Eaton
Lion Revived, Bulwell
Lord Clyde, Kimberley
Lord Nelson, Basford
Lord Nelson, Sneinton
Lord Raglan, Newthorpe
Lurcher, Rainworth
Magna Charta, Lowdham
Man in Space, Eastwood
Man of Iron, Stapleford
Meadow Covert, Edwalton
Moon & Stars, Eastwood
Moot House, Bingham
Nabb Inn, Hucknall
Nags Head, Pleasley
Nags Head, Woodborough
Nags Head & Plough, Stapleford
Nelson & Railway, Kimberley
Nevile Arms, Kinoulton
New Inn, Long Eaton
New White Bull, Giltbrook
Nurseryman, Beeston
Old Volunteer, Caythorpe
Palmerston Arms, Eastwood
Park Tavern, Cinderhill
Peacock, Clifton
Plainsman, Mapperley
Plough & Harrow, Hucknall
Portland Arms, Nottingham
Queen Adelaide, Kimberley
Queens Head, Kimberley
Queens Hotel, Long Eaton
Ram Inn, Newthorpe
Red Gate, Mansfield
Red Lion, Bottesford
Red Lion, Sandiacre
Robin Hood, Brinsley
Rose Grower, Beeston
Royal Oak, Watnall
Saracens Head, Nottingham
Sherwood Manor, Sherwood
Sherwood Ranger, Ravenshead
Sir Charles Napier, Langley Mill
Snipe, Sutton-in-Ashfield
Sun Inn, Eastwood
Sun Inn, Pinxton
Test Match Hotel, West Bridgford
Three Horse Shoes, Pinxton
Three Ponds, Nuthall
Tree Tops, Mapperley
Victoria Inn, Long Eaton
Waggon & Horses, Brinsley
Waggon & Horses, Kirkby-in-Ashfield
Wellington Inn, Eastwood
Wheelhouse, Wollaton
White Cow, Ilkeston
White Hart, Lenton
White Hart, Nottingham
White Lion, Bramcote
Wild Orchid, Kirkby-in-Ashfield
Windsor Castle, Carlton
Ye Olde Trip to Jerusalem, Nottingham
Yew Tree Inn, Brinsley

SHROPSHIRE

Two Henrys, Shrewsbury

STAFFORDSHIRE

Swan Hotel, Burton upon Trent

WARWICKSHIRE

Farm House, Coventry

WEST MIDLANDS

Oldswinford, Stourbridge
Wylde Green, Sutton Coldfield

YORKSHIRE

Albert Inn, Darnall
Bull & Badger, Killamarsh
Chartist, Skelmanthorpe
Chestnut Tree, Barnsley
Gypsy Queen, Sheffield
Hay Nook, Maltby
High Park, Huddersfield
Holmfield Arms, Wakefield (PTI)
Lord Darcy, Leeds
Lord Nelson, Sheffield
Nags Head, Loxley
Old Hall Inn, Great Houghton
Old Heavygate Inn, Sheffield
Outpost, Barnsley
Ring O'Bells, Silkstone
Rose & Crown, Penistone
Shepley Spitfire, Totley
Ship Inn, Sheffield
Sir Colin Campbell, Rotherham
Springfield Tavern, Sheffield
Travellers Rest, Brookhouse
Travellers Rest, Tickhill

Managed Houses with substantial food offers are shown in bold

PTI = Premier Travel Inn attached

HARDYS & HANSONS P.L.C.
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