Registered No 30800

The Heavitree Brewery PLC

Financial Statements

31 October 2021

Annual report and financial statements

Table of contents

Page

Directors

N H P Tucker	Chairman
G J Crocker	Managing and Finance
T Wheatley	Trade
T P Duncan*	
K Pease-Watkin*	
C J Bush*	

*Non-executive

Secretary and registered office

N J McLean
The Heavitree Brewery PLC
Trood Lane
Matford
Exeter EX2 8YP

Bankers

Barclays Bank PLC
High Street
Exeter

National Westminster Bank PLC
St Thomas
Exeter

Solicitors

WBW Solicitors
Exeter

Trowers & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Nominated advisor and broker

Shore Capital and Corporate Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Shore Capital Stockbrokers Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Auditor

PKF Francis Clark
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Shareholders' dedicated telephone number: 0370 707 1063

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the One Hundred and Thirty Second Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 13 April 2022 at 11.30am to transact the following business:

Ordinary business

1. To receive and, if thought fit, adopt the financial statements of the Company for the year ended 31 October 2021 and the strategic report and the report of the Directors thereon.
2. To re-elect N H P Tucker as a Director of the Company.
3. To re-elect C J Bush as a Director of the Company.
4. To re-appoint PKF Francis Clark as auditor of the Company for the period prescribed in section 489 of the Companies Act 2006.
5. To authorise the Directors to determine the remuneration of the auditor.

Special business

To consider and, if thought fit, pass the following Resolution.

6. THAT the Company be hereby authorised to purchase up to an aggregate of 299,204 Ordinary Shares of 5p each and/or 492,371 'A' Limited Voting Ordinary Shares of 5p each in the capital of the Company at a price (exclusive of expenses) which is:

   (i) not more than £15 nor less than 5p per share; and

   (ii) not more than 5% above the arithmetical average of business transacted (as derived from the Daily Official List of The London Stock Exchange) for the ten business days next preceding any such purchase;

   AND THAT the authority conferred by this resolution shall expire on the date of the Company's Annual General Meeting in 2023 (except in relation to the purchase of shares the contract for which was concluded before such date and might be executed wholly or partly after such date).

By Order of the Board

N J MCLEAN
Secretary
11 March 2022

Trood Lane
Matford
Exeter
EX2 8YP

Notice of annual general meeting

Notes:

1. Any member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

2. Only holders of Ordinary Shares and 'A' Limited Voting Ordinary Shares are entitled to attend and vote at the meeting. On a poll the Ordinary Shares carry one vote for every £1 in nominal amount and the 'A' Limited Voting Ordinary Shares carry one vote for every £10 in nominal amount.

3. The Directors' service contracts will be available for inspection at the registered office of the Company during normal business hours on any weekday, and at the place of the Annual General Meeting for fifteen minutes prior to, and during, the meeting.

4. The Directors do not recommend a dividend.

Strategic report

Chairman’s statement

The results reported at the half-year showed that this Company, like most in the hospitality sector, inevitably would be reporting at the year-end numbers that had been detrimentally affected by the ongoing Covid-19 pandemic. At the beginning of the year under review, during November 2020, our pubs were under lockdown. This was followed by trading under restrictions in December until Boxing Day when the Government implemented another lockdown which continued until 12th April. Following this our pubs were permitted to trade with restrictions until 19th July when social distancing measures were eased. As in the previous year, the Board has remained determined to support and protect our Tenants and Leaseholders as best we can during the periods of lockdown and the periods of restricted trading by waiving and discounting rents as appropriate. Consequently, only three months of the year had rents collected at the full rate. This has had an increased impact on turnover against the previous year and revenue for the year under review has decreased by 7.98% to £4,618,000 (2020: £5,019,000). The Group returned a small operating loss of £59,000. Profit before taxation was £1,114,000 (2020: £414,000).

The IFRS 16 Lease Accounting calculation which apportions rental income to each year of the full term of the lease and which I referred to in last year’s statement, has once again skewed the position by causing the inclusion of significant rental income that was not actually collected, nor charged, in the year.

Also, in April 2021, The Jolly Sailor in East Ogwell was destroyed by a devastating fire. Thankfully, and most importantly, our Tenants John Turner and Amanda Bearne and their customers were not harmed, nor any members of the local emergency services who bravely attended the scene and prevented any spread to other properties in the village. At the time of writing, the site has been made secure while we await the decision, following the recommendation of the conservation officer, of a demolition application of the damaged, unstable gable end. Included in the operating loss for the year is the impairment loss £119,000 for The Jolly Sailor, in order to write off the book ‘historical cost’ carrying value.

The Company has continued the programme of selling some non-core assets and this has realised a book profit of £1,318,000 (2020: £293,000) in this respect. This policy is in line with the Board’s decision to reduce the Company’s level of borrowing.

Dividend

At the half-year, I reported that the Directors would not consider the payment of a dividend for the financial year 2020/2021. When trading does return to some sort of normality, the Board will be able to review future dividend payments.

Strategic report

Sale of Property

The properties that were sold during the year are listed as follows:

The Maltsters Arms in Harbertonford, which had been closed since September 2018. The adjacent cottage Bridge house. The garage opposite the pub.

The Castle Inn in Holcombe.

The Toby Jug Inn in Bickington which had been closed since May 2003.

Rose Cottage in Strete.

Two flats at the Old St.Loye's Hotel site.

Land at the rear of the Globe Inn in Chudleigh.

Two garden plots in Abbotskerswell.

Within the financial year, the Company made a reduction in borrowings of £661,000. Early in the new year following the completion of further sales of The Victoria Inn in Ashburton with a small adjoining cottage and the Maltster's Arms site in Clyst St Mary, a prepayment on the term loan of £750,000 was made.

Heavitree Inc.

The final piece of land held by our American subsidiary in Houston has been sold for $45,000 (£33,000). This is a post balance sheet event which will end our involvement in Houston. This started in 1982 with our investment in a company operating an English style pub and restaurant in the city called The Bear and Ragged Staff. The collapse of the oil price and, in turn, the collapse of the Houston economy led to the demise of the operating company and this Company taking direct control of the site in 1983. In 1986 the original site was swapped for a parcel of undeveloped land. Over the years, a series of land sales has distributed cash to the parent Company.

Pension Scheme

In January 2022 the trustees of the Final Salary Pension Scheme and the Company formally gave notice to trigger the wind-up of the Scheme. The Scheme was closed to new members in July 2002, with no future accrual since April 2006 and the last deferred members transferred out in June 2018. Wind-up must be completed within a two-year period. As part of the wind-up, retired members who had annuities purchased on their behalf in the Scheme's name will, in due course, have those annuities transferred into their own names.

Strategic report

Personnel

I am very sad to report that Joan Ballman who was the landlady of our Locomotive Inn in Exeter since 1988 and who held the tenancy of The Mitre in Exeter before that, passed away in December 2021. Joan commanded the utmost respect and affection from all of us at head office during her long time at The Locomotive and the huge number of attendees at her funeral showed how she was held in the highest esteem by the many who visited her pub. We will all miss Joan.

A similarly huge figure from the Exeter licencing trade was Derek Elson who we also sadly lost early in 2022. Derek (with his wife Adrienne) was probably ahead of his time in terms of being a multi pub operator and started as our very first Manager when taking on The Gardeners' Arms in Exeter in 1965. He was then appointed as our Manager at The Upton Vale in Torquay in 1968 and after that held tenancies or leases with us at The St. Loye's Hotel in Exeter, The George in Babbacombe and most famously at The Kings Arms in Exeter, which he took on in 1976. Our Managing Director even managed to persuade him to come out of retirement to help us by taking The Royal Oak in Exeter, for a short period, while a new tenant was being sought. We will always be grateful to Derek for a long, happy and highly respected association with this Company and again, he will be greatly missed by many.

Prospects

The trading environment remains testing; although there was no actual lockdown, Christmas trading was hindered as customers became unsettled by the recent infection rate peak caused by the Omicron variant. Staff shortages and increasing costs are also a continual concern.

However, the success of the vaccination programme has clearly helped in encouraging customers to support pubs and enjoy everything they have to offer and some comfort for the future was drawn from the strong trade during late Summer and Autumn. Also, the houses I visited during the variant affected build up to Christmas and in the early new year showed not only how professional and robust our operators are but also how determined our customers are to enjoy the offer provided by our great pubs.

N H P TUCKER
Chairman
15 February 2022

Strategic report

Strategic review

Business model

The Group's business is the running and development of a Leased and Tenanted Estate in the south west of England. The Group currently operates 65 Leased and Tenanted public houses along with non-core assets and a dormant managed estate. The Group has one trading subsidiary, Heavitree Inc, which owns land in America. The Group continually maintains and evaluates the estate with the intention of maximising the full potential of its public houses, this includes development for alternative use where appropriate. The focus is always on attracting and retaining Tenants for the estate in order to maintain the quality of the portfolio. As the Group operates a Tenanted Estate these are our customers and the main focus of our business. To understand more about our customers and how we interact with them see the section 172 statement section on page 13.

Business review

Throughout the current year, we have worked hard to maintain our business model in what has proved to be another challenging year for the hospitality sector, not only in terms of lockdowns and restrictions but also the effect that the pandemic has had on staffing shortages in our sector. The year started with a lockdown in November 2020 with limited trading in December, followed by a full lockdown until 12 April 2021 which saw restricted trading measures through to mid-July when all restrictions were lifted. To put this in perspective, our Tenanted Estate has only been able to trade with no restrictions for a total of 106 days in this financial year. Our Half year statement of accounts showed the impact of the winter lockdown with turnover being 67.77% down on the previous half years results. As we have gone through the year, we have seen a recovery in our trading during the summer and early autumn trading months ending the year pleased with the results in comparison to our position at Half Year. This has helped us to complete a small refurbishment on The Pewsham near Chippenham Wiltshire which has transformed the trading ability of the Tenancy. For more details on the refurbishment please see section 172 statement on page 13 of this report.

The winter lockdown and continued restrictions in the year have resulted in our wet trade continuing to be below pre pandemic levels, although this has been mitigated slightly by pleasing results over the late summer and early autumn months. Group revenue for the year was £4,618,000, down on last year by 7.98% (£401,000). The Group has reported a small operating loss in the year. While the figures include adjustments as mentioned in the Chairman's Statement for IFRS16 it also includes the impairment loss of £119,000 on the Jolly Sailor due to a fire in April. As the property traded in the year the loss on disposal has been included within other operating charges. With more rental concessions being given in this financial year only three months were charged at 100% this has resulted in our rents before IFRS 16 adjustments being 13.85% less than the previous year.

Unfortunately, in April 2021 the Jolly Sailor at Newton Abbot suffered a fire which caused significant damage to the pub, although neither the Tenants nor their staff were injured in the fire. It has however meant that the pub has remained closed and will continue to be closed until all the insurance and listed building processes have been completed which will then allow the Board to make decisions on the future of the pub. For more details on this please see note 2 accounting policies on page 47 of the report.

The combined result of sales of non-current assets and assets held for sale realised a profit of £1,318,000 (2020: £293,000). The assets which have been sold in the year were not a direct result of the Covid-19 pandemic and were already scheduled for disposal in the business plan agreed by the Board. The property review which has been carried out this year has resulted in no further impairment to property.

Strategic report

Strategic review (continued)

The Group took the decision last year not to take out any further borrowings but instead has concentrated on the sale of non-core assets. In this year the Group has sold 9 of the non-core assets in its programme of disposals. These sales have enabled the Group to not only to reduce its borrowings including overdraft by £661,000 but also to complete the small refurbishment mentioned, preserve cash, and combat the impact that the rental concessions have had on the Group's revenue. For further details on the selling of assets please refer to the going concern section on page 10.

The Group renewed its banking facilities in the previous financial year, and it has in place a waiver of covenant testing until April 2022. Despite a reduced trading year, the Group has successfully managed to reduce its bank borrowings by £661,000 within the year, with a further prepayment to the term loan of £750,000 being paid post year end in line with its strategic plan, part of which is to pay down £2m from the Term Loan before April 2022 (see the going concern section on page 10 for further details).

The Group net assets have increased in the financial year by £766,000 to £13,465,000.

Further information on the assets sold can be found in the Chairman's Statement on pages 5-7 of the strategic review.

In order to mitigate the continued impact of the Covid-19 pandemic the Group has worked closely and engaged with its Tenants on a regular basis to encourage and help them to get any support offered by the Government. Once lockdown lifted, although in the first couple of months there were still restrictions in place, we saw an improvement in trade, and this has helped in reducing the impact of the lockdown. We will continue to help Tenants should further restrictions come into force through the coming winter months.

Since the year end, we are waiting to see if the new Covid variant will have an impact on the winter trading months. As we continue further into the New Year, we will continue to monitor and tightly control the business so that we may return to pre-pandemic trading levels.

For a further review of the business please see the Chairman's Statement on pages 5 and 7 which forms part of this report.

Covid-19- measures to help the business

The measures below were put in place at the beginning of the pandemic in order to minimise the impact on the Estate and to preserve the Group's cash position. As we have gone through the winter lockdown these measures have been reviewed and revised accordingly. The furlough of Head Office staff, the minimising of non-essential spending and no dividend payments were put in place specifically to maintain the Group's cash position. The rental concessions which we have given to Tenants have once again helped them manage their cash and in turn they have continued to settle their accounts. This has helped to preserve and maintain the Group's cashflow.

Strategic report

Strategic review (continued)

Key performance indicators

The Directors measure the development, performance, and position of the Group's business by reference to a number of factors including the following:

Adjusted operating profit before tax

This is the operating profit before tax adjusted to reflect continuing operations only. This provides useful insight into the Group's activities before allowing for finance costs.

Group operating loss before taxation of £59,000 (2020: operating profit of £539,000) down 110.94%

Interest cover

This is the Group's adjusted operating profit before tax, as detailed above, divided by the net finance costs, adjusted to exclude finance costs relating to the valuation of the pension scheme under IAS19. This is a useful tool in determining whether the Group can maintain its current level of debt and its capacity to increase that level. Due to the continued effect of the pandemic the Group has a small operating loss in the year which has resulted in a negative figure on the interest calculation. In 2020 interest was covered 3.88 times.

Dividends and dividend policy

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash, the level of distributable reserves and the level of reserves required to invest in the business to ensure the policy can continue on a long-term basis. Consequently, due to the Covid-19 pandemic no ordinary dividends have been paid through this financial year and a final dividend will not be recommended.

Going concern

With the continued uncertain nature of the pandemic and further lockdowns and restrictions being in place during this financial year, the Directors have considered the Group's financial resources. This had included a further review of the medium-term financial plan, along with a range of cash flow forecasts for 12 months from the date of approval of these financial statements. The Group has positive cash generation from its operations before tax and interest and the gearing remains low. These forecasts include a reduction in trade in the financial year to October 2022 due to an anticipated decrease in footfall and assume that there will be no further lockdown or significant trading restrictions. The mitigation measures which are in place in order to protect the cash position of the business have been incorporated into the forecasts for future cash positions. The forecast for capital receipts in 2022 includes non-core asset sales of £2m of which £880,000 has been received. These forecasts leave the Group with headroom of over £1.4m on an overdraft facility of £3m. The Board will continue to review cashflows as guidance from Government changes.

The Board took the decision last year to accelerate the paying down of its £4.5m term loan by the selling of non-core assets to secure its current position and the long term trading position of the Group. The Board identified up to 15 non-core assets with a value of between £5m and £7m to be realised over a period of 2 to 3 years. These include unlicensed properties and developments with permissions which are already within the Estate. This year the Group has sold 9 of the non-core assets resulting in profits of £1,318,000 being realised from these sales, with a further property completing early in the new financial year this has enabled the Group post year end to make a further prepayment on the term loan of £750,000, meaning that by the 31 December 2021 the Group has paid down £992,000 on the loan.

Strategic report

Strategic review (continued)

The Board has continued to engage with the bank regarding its facilities and forward trading, it has in place a waiver of covenant testing until April 2022 along with the agreement on paying down of loan facilities, projections show that there is a good level of headroom in the debt service cover covenant both to April 2022 and October 2022. However one covenant will fail the April 2022 testing but will have headroom in October 2022. A further waiver has been received from the bank in respect of the April 2022 covenant test. The Directors are satisfied that the Group's forecasts and projections, which take account the anticipated changes which will come about as a direct result of the Covid-19 pandemic and shows that the Group will be able to operate within its facilities. The current trading performance of the Group also shows that it will be able to operate within the level of its facilities for the 12 months from date of approval. With value in the Estate being realised over time and with the support from the bank there are no material uncertainties in relation to going concern. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Principal risks and uncertainties

The Group is exposed to a variety of financial, operational, economic, and regulatory risks and uncertainties. The Group has risk management processes in place which are designed to identify and evaluate these risks and uncertainties based on the probability of them occurring and the impact they may have on the business. The Board has overall responsibility for ensuring that there is a robust assessment of the principal risks facing the group and they are aware that these risks and uncertainties may, either singularly or, collectively, affect the Group's revenue. Some risks may not be known at present or may be considered to be currently immaterial but could develop into material risks in the future. The risk management processes are therefore designed to manage the risks which may have a material impact on our ability to meet our corporate objectives, rather than fully obviate all risks.

The main current risk continues to be the Covid-19 pandemic, and the Board has taken steps to mitigate the impact on the business including rent reductions, no dividend payments and furlough of staff. For more detail, please see the business review on page 8 of this report.

The Directors review the material or emerging risks on an ongoing basis. Other main risks and how we manage them are shown below; however, this is not an exhaustive list of all the risks which we may face.

Operations

We rely on a number of key suppliers to provide our Tenanted Estate with tied products. Supply disruption could affect customer satisfaction, leading to a reduction in our revenue. Although there have been changes in trading with the EU in January 2021, there has been no major disruption to our supply chain. Any issues that have surfaced have been as a result of staff shortages due to Covid and these have had a minimal effect on our supply to Tenants. The contracts for our wet trade are sourced from a number of suppliers and formal contracts are in place. The products and variety across the estate for our Tenants to choose from are regularly evaluated with our suppliers to be able to give the best choice to our Tenants across the estate to maximise revenue from this income stream.

As a Tenanted Pub Operation Estate, we rely on attracting and retaining the best Tenants for our pubs in order to maximise the potential of each of our pubs. Not attracting the right Tenants has a direct impact on the running of the relevant pub and reduces the revenue received and in turn may reduce profits. In order to minimise the risk, the Trade Director works closely with the Tenanted Operation Managers and carefully monitors the candidates who come forward for our Tenanted vacancies.

Strategic report

Principal risks and uncertainties (continued)

Property valuations

The UK property market continues to fluctuate and any variations in valuations due to market conditions could reduce the value of the Group's property portfolio over time. These economic factors could also lead to a reduction in the value realised by the Group on the disposal of pubs and have an impact on the amount of property held as security for the loan facility. However, as the Group's strategy is to retain its better performing and more profitable pubs over the longer term, any such risk would be mitigated accordingly.

The Group continues to realise appropriate returns from disposals by disposing of less sustainable or less profitable pubs where appropriate. Where impairment indicators are identified, the Group carries out an impairment review on an individual pub basis. This year there has been no impairments. The Group carries out regular reviews of the property portfolio and is in regular contact with its debt provider.

General economic conditions

The Group carries out regular reviews of the economic and changing consumer spending patterns within its estate. We have seen a drop in footfall through the pandemic and are anticipating this to continue, with the cost of living on the increase and some consumers continuing to feel nervous about socialising. We have seen some impact on our more wet led Tenancies with some having not returned to pre pandemic levels on their barrelage. As the Group operates a Tenanted and Leased Estate the Trade Director and the Tenanted Operations Managers actively work with our Tenants and Leaseholders on a monthly basis to assess what, if any, impact may occur due to changing economic conditions and consumer trends. The types of pubs and the way in which people visit pubs continues to change for the industry as a whole and being able to work closely with our Tenants in this way provides us with the ability to minimise any negative impact to the estate and the Group's revenue, while still being able to maintain and support the estate as a whole.

Licensing

The Group is committed to ensuring that properties meet all required licensing and other property regulatory requirements. Failure of our Tenants to comply with licensing requirements could result in licenses being revoked which would have a direct impact on the Tenants' ability to trade. This is closely monitored by our Tenanted team overseen by the Trade Director to ensure compliance with licensing and trading regulations. The Group works closely with appropriate local Licensing Authorities to ensure that all licensing requirements are met, and any changes are closely monitored.

Strategic report

Section 172 statement

In accordance with section 172 of the Companies Act 2006, the Board has a duty to promote the success of the Group for the benefit of its members as a whole. Details of the Group's key stakeholders and how we engage with them are set out below. In governing and directing the business the Board considers the interests of all of its members as well as its employees, suppliers, and customers in order to develop and maintain its Tenanted Estate for the long term.

Key decisions

The key decisions that were made during the year have again been in response to the Covid-19 pandemic. The Board has communicated its key decisions to shareholders during the year. This has been done by stock exchange announcements and memorandum information sent out directly to each shareholder when posting the half year results. The Board has focused on protecting the Estate for the long term future. As we have moved through this year the original measures that were in place in 2020 have been reviewed and revised accordingly. This year Head Office staff were placed on flexible furlough in order to minimise payroll costs but to also be able to maintain our services to the Tenants. The minimising of non-essential spending and no dividend payments have been in place through the year to continue to protect and maintain the Group's cash position. The rental concessions which we have given this year during the lockdown have again enabled us to help Tenants manage their cash and in turn the settlement of their sales accounts. This has in turn helped to preserve and maintain the Group's cashflow.

- No rental charges For November 2020, 50% charged in December 2020 and no rental charge from January 2021 to May 2021 with 75% being charged in June and July. Full rental has been charged from August 2021 to October 2021.
- Flexible Furlough for a small number of Head Office staff from November 2020 through to April 2021.
- No ordinary dividend payments throughout the year.
- Minimising of all non-critical costs and the delay of some large capital projects.

The Board took the decision in the year to undertake a small refurbishment at one of its Tenancies based in Wiltshire. It was agreed by all of the Board that despite what would be a difficult year a decision on The Pewsham, nr Chippenham (previously known as Lysley Arms), needed to be made to either sell or complete the refurbishment. The refurbishment is now complete, and it has transformed the ability of the pub to trade successfully as a Tenancy and has exceeded the Board's expectations.

Customers

As the pandemic has continued to disrupt the hospitality sector, not only with extended lockdowns but also from closures due to staff shortages and isolation rules, we have continued to help and support the Tenants, which includes regular newsletters and direct contact with their Tenanted Operation Managers. The decisions which have been taken regarding rental concessions and help for the Tenants have been taken during formal Board meetings and communicated by the Managing Director via email newsletters and telephone calls directly to the Tenants by the Trade Director and his team of Tenanted Operations Managers. The decisions to give rental concessions was taken by the Board in order to keep the Tenants and allow them to keep trading where possible in order to minimise tenancy changes during the Covid-19 pandemic. The feedback that has been received from our Tenants has helped the Board to make these informed decisions on rental charges and specific support for each Tenant which has in turn led to keeping a positive and strong relationship with our Tenants which has in turn meant that we have had only four Tenancy changes with only one being a Covid-19 related Tenancy change.

Strategic report

Section 172 statement (continued)

During normal trading the Board considers on a monthly basis in Board meetings any further support it can offer our Tenants, for example we will be introducing the offer of perfect pour training sessions to our tenants in the coming financial year, along with a winter discount voucher scheme being offered from January 2022. The Tenants also have access to industry support through the Company's corporate BII membership.

The Board continues to concentrate fully on its business model of running and developing its Tenanted Estate. In order to achieve the full potential of the Estate the Board constantly strives to build strong and lasting relationships with the Tenants, as the Board believes that attracting and retaining the best Tenants will maximise the full potential of our pubs. We actively engage with our Tenants on a daily basis along with monthly visits by our Tenanted Operation Managers and the Trade Director. We use these visits and the contact that we have with tenants to make informed decisions to maximise the trade the Tenants can achieve for the business.

Employees

During the winter lockdown staff have worked from home where possible. When this has not been possible, we have operated flexible furlough so that working standards and the operation of the business can continue smoothly. As the regulations surrounding the pandemic have altered during this year we have adapted and updated our COVID-19 procedures at Head Office. The Board has communicated through senior management the changes to be implemented. This has been done through telephone and virtual online meetings where formal meetings have not been able to take place. All staff have been kept up to date on a weekly basis of changes which have affected the business via emails and newsletter.

The Board is committed to providing a working environment that promotes employee wellbeing and safety, whilst facilitating their performance. The Board is committed to training and incentivising its staff. Various training schemes are offered along with different incentive plans including a private healthcare scheme and a share incentive scheme plan, to maximise potential and maintain good practice. It is important to the Board that the company as a whole works as a team and finding the right people to enhance the team is a major factor in the recruitment process. The Board is kept up to date with all employee matters on a regular basis through the management team.

Suppliers

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships so that we may get the best deals in order to supply the Tenanted Estate and maximise business potential. The Board actively promotes the use of local business where possible. Engagement with suppliers is primarily through a series of interactions and formal reviews. The Board agrees multi-year contracts with its wet trade suppliers. The Board recognises that relationships with suppliers are important and is briefed on suppliers' issues and feedback on a regular basis. The regular feedback from our Tenants through the monthly meetings with their Tenanted Operation Managers assists with this process.

Shareholders

We recognise the importance of our shareholders, and their opinions are important to us. We engage with our shareholders openly and any change in the business or any important updates are sent to all our shareholders as well as being published on our website along with stock exchange announcements. The Company responds to shareholder letters and queries individually. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and their views are considered as part of our decision making. Our shareholders are also encouraged to attend the Annual General Meeting, where all shareholders are given the opportunity to ask questions and raise any issues.

Strategic report

Communities

We engage with the communities in which we operate and look to understand the local issues that are important to them. We provide financial support to the Heavitree Brewery Charitable Trust which in turn aims to support local causes. The Board is committed to the responsible retailing of alcohol to and by our Tenants and ensures that any feedback or issues from the communities are dealt with effectively and appropriately.

Government and regulators

We engage with Government and regulators through a range of industry consultations. The Group is registered with the pub sector England and Wales Tenanted Code of Practice, along with the BBPA and corporate membership to the BII, which allows our Tenants to have free access to newsletters and direct industry support.

Because of these memberships, we have continued through this year to receive industry updates quickly and efficiently which has enabled us to inform our Tenants on a regular basis regarding changes or updates from the Government on the pandemic.

The Board is updated monthly through its Board meetings on legal and regulatory developments and takes these into account when considering future actions.

By Order of the Board

N J McLean
Secretary
15 February 2022

Directors' report

The Directors have pleasure in submitting their report for the year ended 31 October 2021.

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £801,000 (2020: £114,000). The total comprehensive income for the year is £806,000 (2020: £98,000).

The Directors do not recommend a dividend (2020: no dividend recommended) on the Ordinary and 'A' Limited Voting Ordinary Shares. An interim dividend was not paid (2020: no dividend paid). The fixed dividend of 11.5p per share was paid on the preference shares in the year.

Financial Instruments

As at 31 October 2021 the Group's total bank borrowings were £5,120,000 (2020: £5,781,000).

The Directors continue to monitor and, where appropriate, take necessary action to minimise the Group's risk to interest rate exposure and to ensure sufficient working capital exists for the Group to operate efficiently. Debt is kept at a manageable level, with gearing no higher than necessary, whilst the Covid-19 pandemic is ongoing the Board has revised its investment strategy in order to maintain its cash position.

For further details of the Group's policy on financial instruments and management of financial risk, please refer to note 25.

The Group's capital management strategy is to maintain gearing as low as possible while still ensuring that borrowing requirements are sufficient to service its needs and allow it to invest in its houses at an appropriate level.

When monitoring gearing, the Group uses the Directors' valuation as the basis of its asset value.

The Group currently has no intention of formally re-valuing its assets and will continue to use the Directors' valuation in monitoring gearing.

Information on borrowings and strategies surrounding managing interest rate risk, liquidity risk, capital risk and credit risk can also be found in note 25.

Future developments

The Group continues to concentrate fully on the running and development of its Tenanted and Leased estate with the intention of maximising the full potential of its houses. This may include development for alternative use where appropriate.

Further information in relation to the business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's Statement on pages 5 and 7.

Directors

The Directors of the Company during the year ended 31 October 2021 were those listed on page 2.

N H P Tucker and C J Bush are the Directors retiring by rotation under Article 14 and, being eligible, offer themselves for re-election.

Directors' report

Directors' interests

The interests of the Directors and their spouses in the Company's shares as at 31 October 2021 were as follows:

	Ordinary Shares		*'A' Limited Voting Ordinary Shares*	
	31 October 2021	*31 October 2020*	*31 October 2021*	*31 October 2020*
N H P Tucker	742,215	742,215	79,385	79,385
G J Crocker	-	-	59,052	52,289
T P Duncan	150,335	150,335	196,992	196,992
K Pease-Watkin	27,088	27,088	50,638	50,638
T Wheatley	-	-	72,619	66,859
C J Bush	-	-	2,223	2,223

All these interests are beneficial, save for the following non-beneficial interests:

(a) N H P Tucker's interest in 53,750 (2020: 53,750) Ordinary Shares.

Included in these interests are the following joint holdings:

(a) 53,750 (2020: 53,750) Ordinary Shares held jointly by W P Tucker and N H P Tucker.

Service contracts exist for each of the Executive Directors and contain either a one-year or a three-year notice period. Non-Executive Directors are appointed by letter for a fixed term of three years.

Substantial interests

At 31 October 2021 the following interests of shareholders in excess of 3% of each class of ordinary share capital, other than Directors, had been notified to the Company:

	Ordinary	*Ordinary %*	*'A'-Limited Voting Ordinary*	*'A' Limited Voting Ordinary %*
P A Benett	135,380	6.7%	270,740	8.2%
R A Duncan	-	-	101,369	3.0%
R H Duncan	151,643	7.6%	177,611	5.4%
J E M Duncan	133,545	6.7%	186,637	5.6%
S T Tucker	-	-	109,000	3.3%
Mrs T C Yule	78,010	3.9%	178,205	5.4%
Mrs T D Tucker	125,840	6.3%	-	-

Directors' report

Corporate governance

The Board of The Heavitree Brewery PLC ("Heavitree") is collectively accountable to the Company's shareholders for good corporate governance. Accordingly, the Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (Code). The information below and the statement on our website set out in broad terms how we comply with the Code. We provide annual updates about our compliance with the Code, any updates are uploaded to our website and dated accordingly. The Board is responsible for ensuring that Heavitree is managed for the long-term benefit of all shareholders, through effective and efficient decision-making. Corporate governance is an important part of the Board's role by providing oversight and control to manage risk and build long-term value.

At Heavitree, the Board has adopted the principles of the 2018 QCA Code to support the Company's governance framework. A full version of this can be found on our website. The Directors acknowledge the importance of the ten principles set out in the QCA Code and the statement in full on our website sets out how we currently comply with the provisions of the QCA Code and the reasons for any departures from it.
A full copy of the QCA Code is available from the QCA's website: www.theqca.com.

Board of Directors
At 31 October 2021, the Board consisted of an Executive Chairman, two Executive Directors and three Non-Executive Directors. The Directors will continue to re-consider the structure of the Board and believe the current structure remains appropriate. The contribution of Directors in terms of relevance and effectiveness of each one is subject to evaluation, overseen by the Executive Chairman along with their commitment and attendance at Board meetings. Since October 2019 the company has in place a formalised framework for Director review which is overseen by the Independent Non-Executive Director.

N H P Tucker is the Executive Chairman; G J Crocker is the Managing Director and is also responsible for the finance function; T Wheatley is the Trade Director and is responsible for the Group's Tenanted Estate. T P Duncan and K Pease-Watkin are Non-Executive Directors, C J Bush is an Independent Non-Executive responsible for corporate governance and audit oversight. The Board is satisfied it has an effective and appropriate balance of skills and experience of Financial, Hospitality Trade, and General industry knowledge to give it the ability to constructively challenge strategy and scrutinise performance. Independent advice along with the appointment of the Independent Non-Executive Director the Board maintains its access to professional advisors and is able to take independent advice in the performance of their duties, at the Company's expense.

The business and management of the Group is the collective responsibility of the Board. At each meeting the Board considers and reviews the Group's financial and trading performance. It has a formal written schedule of matters reserved for its review and approval. The Board meets every month with additional meetings arranged as required. Formal agendas and reports are provided to the Board on a timely basis, along with other information to enable it to discharge its duties.

Directors' report

Corporate governance (*continued)*

Audit Committee

Given the size of the Group, the Board does not consider it appropriate to have a separate audit committee, however an independent Non-Executive Director is in place and part of his role is audit oversight. The Board considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process at the monthly board meetings and meets at least once a year with the auditors in attendance.

The Board is satisfied that the Group's auditors, PKF Francis Clark, have been objective and independent of the Group. The Group's auditors performed non-audit services for the Group as outlined in Note 7, but the Board is satisfied that their objectivity and independence were not impaired by such work.

Remuneration Committee

Given the size of the Group, the Board does not consider it appropriate to have a separate remuneration committee. The Board considers and determines the remuneration of the Executive and Non-Executive Directors. No Director is involved in setting his or her own remuneration.

Details of Directors' Remuneration can be found in Note 10 to the financial statements.

Summary of Directors' Attendance within the financial year

	Board Meetings Entitled to attend	**Attended**
N H P Tucker	11	11
G J Crocker	11	10
T Wheatley	11	11
T P Duncan	11	8
K Pease-Watkin	11	8
C J Bush	11	11

Shareholder Communication

The Company believes in good communication with shareholders and encourages shareholders to attend its Annual General Meeting, any important updates are sent to all our shareholders as well as being published on our website along with stock exchange announcements. The Company responds to shareholder letters and queries individually.

Directors' report

Corporate governance (*continued)*

Internal Financial Control

The Board is responsible for ensuring that the Group maintains a system of internal financial controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is timely and reliable. Any such system can only provide reasonable, but not absolute, assurance against material loss or misstatement.

Given the size of the Group, the Board does not consider it appropriate to have its own internal audit function. However external auditors meet with the MD, Company Secretary, and independent Non-Executive Director in advance of the audit and provide a comprehensive strategy document that is then distributed to the Board and reviewed at the next Board meeting. In addition, a detailed audit completion report is presented by the external auditors to the full Board.

The Board is satisfied that the Groups Auditors are objective and independent of the Group, an independent audit report is shown within the yearly financial statements.

All the day to day operational decisions are taken initially by the Executive Directors, in accordance with the Group's strategy. The Executive Directors are also responsible for initiating commercial transactions and approving payments, save for those relating to their own employment.

The key internal controls include specific levels of delegated authority and the segregation of duties; the review of pertinent commercial, financial, and other information by the Board on a regular basis; the prior approval of all significant strategic decisions; and maintaining a formal strategy for business activities. The Group is committed to the highest standards of corporate social responsibility in its activities these areas are looked at within Board and Management meetings.

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to re-appoint PKF Francis Clark as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

N J McLean
Secretary
15 February 2022

Ten year review of profits and dividends

Year ended 31 October	*Operating profit/(loss) £000*	*Profit before tax £000*	*Earnings per 5p share p*	*Dividends per 5p share p*
2012	1,245	927	12.5	7.0
2013	1,345	1,014	14.8	7.0
2014	1,404	1,642	28.0	7.35
2015	1,412	1,173	18.8	7.35
2016	1,420	1,653	28.0	7.425
2017	1,778	1,554	27.0	7.675
2018	1,632	2,251	39.6	7.925
2019	1,839	1,844	32.0	7.925
2020	539	414	2.4	-
2021	(59)	1,114	16.6	-

Notes:

1. Dividends per 5p share for all years include interim dividends and dividends proposed or subsequently declared in respect of the profits of each year.

2. The earnings per share figures are both basic and diluted.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs as adopted by the United Kingdom have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statement comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Opinion

We have audited the financial statements of The Heavitree Brewery PLC and its subsidiaries for the year ended 31 October 2021, which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company balance sheet, the Group and Parent Company statement of changes in equity, the Group and Parent Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and in accordance with UK adopted International Financial Reporting Standards (IFRS)

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2021 and of the Group's profit for the year then ended;
- The Group and Parent Company financial statements have been properly prepared in accordance with UK adopted IFRS and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprises one trading entity and a dormant subsidiary in the UK, with an immaterial subsidiary in the US. The US subsidiary represents nil% of Group turnover and 0.2% of Group total assets.

Accordingly, our audit work is focussed on the trading entity, The Heavitree Brewery PLC, and the detailed scope in relation to the key audit matters is explained above. We performed a limited amount of work on the US subsidiary, Heavitree Inc, which included agreement of any significant transactions to source documentation

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Risk: Going concern
The Group has been adversely impacted by the Covid-19 pandemic, which continues to present significant challenges to the hospitality industry. The Group's pubs were closed for significant periods of 2020 and 2021 and this, combined with the rent concessions granted by the Group to support its tenants, has had a significant impact on the Group's revenue, operating profit and cash flow in each of the last two years. We therefore assessed going concern as a significant audit risk and a key audit matter for inclusion in our report. The audit engagement partner and senior team members increased their time spent directing and reviewing our audit procedures in relation to going concern, including discussions with the Group's management and the Board of Directors.

Our work centred on management's assessment of going concern, which is detailed in note 2 to the financial statements. In particular we:

- obtained management's cash flow forecasts supporting the Group's ability to trade within current banking facilities for a period of at least twelve months from the date of approval of the financial statements and critically challenged the assumptions used in their preparation, and the timing of planned non-core asset sales;
- Assessed the plans of management to carry out a rationalisation of the property estate to enable the level of gearing to result in a business model that is sustainable both for the period of the going concern review and for the longer term;
- reviewed the outcome of prior year forecasts to determine their forecasting accuracy;
- reviewed correspondence with the Group's bankers confirming the Group's banking facilities and the covenant waiver given for April 2022;
- Performed covenant calculations using budgeted figures to consider if there are indications of possible breaches in covenants.
- considered the level of headroom in bank facilities based on management's cash flow forecasts and the impact of changing assumptions particularly around the impact of the Covid-19 pandemic and the timing of planned non-core asset sales; and
- reviewed the adequacy of the related disclosures in the financial statements.

As a result of the procedures performed, we are satisfied that the directors' use of the going concern basis of preparation is appropriate and the related disclosures adequately describe the risks associated with the Group's ability to continue as a going concern for a period of at least twelve months from the date of our report.

Risk: impairment of property
As detailed in the accounting policies and note 16, the Group has a large portfolio of trading properties with a net book value of £15.6m (2020: £15.9m). Given the age of the portfolio and the Group's policy of holding assets at depreciated historical cost, many of the individual property carrying values are relatively low and therefore there is minimal risk of a material impairment in a moderate proportion of the estate. Notwithstanding this, given the size and value of the portfolio, the nature of the industry and the increased economic uncertainty as a result of the Covid-19 pandemic, a key audit risk is the Group's assessment of whether there is any permanent impairment to the carrying value of trading properties.

Our work focussed on management's assessment of the need for any impairment on an individual property basis. We paid particular attention to any closed houses in the year, being a potential indicator of impairment. We reviewed and challenged the assumptions used by management in making their

Independent auditor's report

To the members of The Heavitree Brewery PLC

Risk: impairment of property (continued)
assessment, as well as comparing their consideration of market value to relevant local market data and post year end sales values realised.

We also performed our own value in use calculation for all properties, setting expectations for future cash flows by reference to both rental income and wet sales. We made prudent assumptions in relation to cash inflows, taking into account expected restrictions on trading during 2022, moderate growth and discount rates and assessed the sensitivity of the calculation to these rates. Where our work highlighted any properties with a value in use lower than carrying value, we challenged management's assertions and sought to understand and corroborate assumptions such as alternate uses for those properties.

As a result of the procedures performed, we are satisfied with the Group's assessment that there is no permanent impairment to the carrying value of the trading properties.

Risk: revenue recognition
The Group's primary revenue streams are outlined in the accounting policies and note 3. The Group derives most of its revenue from wet sales to, and rent receivable from, licenced premises. Sales are routine and no judgement is applied. Based on our understanding of the business and the environment in which it operates, we identified completeness and cut-off as key audit risks for these revenue streams. We also considered other industry relevant areas of potential misstatement such as volume rebates and lease incentives, including lease modifications in the light of the rent concessions granted to tenants during the Covid-19 pandemic.

Our work on completeness and cut-off included substantive analytical procedures on the main revenue streams, a review of post year end credit notes and the use of data analytics software to match all wet purchases to the resulting wet sale. In addition, we performed tests of detail on a sample of transactions, including those around the year end to test cut off. We also reviewed the level of volume rebates and lease incentives and concluded these are not material to the financial statements.

In respect of the rent concessions granted to tenants, we reviewed a sample of agreements to determine whether they fall under the scope of IFRS16. We recalculated the amount of total expected rent due over the remaining lease term and considered whether this had been appropriately recognised on a straight line basis.

As a result of the procedures performed, we are satisfied that revenue has been appropriately recorded.

Risk: accounting for the fire at the Jolly Sailor
The Jolly Sailor, a listed building, was destroyed by fire in April 2021. We identified key audit risks in relation to the carrying value of the asset and recognition of any insurance proceeds.

The pub is no longer capable of generating economic benefit for the Group and an impairment provision of £119k has been made against the carrying value, being a 100% provision. The charge has been included within Other Operating Charges within the Group Income Statement.

The asset was covered by an insurance indemnity policy which will compensate the Group for its losses. At the year end the Group had no legal or constructive obligation to reinstate the asset, as a number of planning issues remaining outstanding. Management have not accounted for any insurance proceeds in the financial statements, nor is there any provision for future costs to rebuild the property.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Risk: accounting for the fire at the Jolly Sailor (continued)
We have reviewed the provisions within IAS 16, property plant and equipment, and IAS 37, provisions, contingent liabilities and contingent assets. We concur with the assessment that there is no liability to recognise at the year end on the basis that there is no legal or constructive obligation to reinstate the asset. In accordance with IAS 37, a reimbursement asset cannot be recognized in excess of any provision and therefore we agree that no insurance proceeds should be recognized in the 2021 financial statements.

We are satisfied that the accounting treatment in respect of the loss event has been appropriately recorded.

Our application of materiality
Misstatements, including omissions, are considered to be material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality is applied in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality group and company: £80k
Performance materiality: £60k
Misstatements considered above triviality: £2.4k

Basis for determination: The basis of determination is reviewed each year taking into account current market conditions and levels set across similar companies in the industry. We also consider whether there are any additional risk factors. In previous years the basis used has been 5% of profit before tax, excluding profits or losses on property disposals. However, in anticipation of the Group's results being impacted by the Covid-19 pandemic we concluded that this would not be appropriate in the current year. We established that the principal reasons for the reduction in turnover and profitability were related to the pandemic and that the underlying business was largely unchanged. Our judgement is that materiality is more appropriately determined using a normalised profit before tax from continuing operations figure based on past results. We therefore concluded that materiality of £80k, being that adopted in 2019, remains appropriate.

During the course of the audit, we reassessed initial materiality and did not consider any changes to materiality necessary based on the final results.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework that is applicable to the group and the industry in which it operates. We identified the principal risks of non-compliance with laws and regulations as relating to breaches around the Licensing Act 2003 (Amended 2007), health and safety and General Data Protection Regulation. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as financial reporting legislation (including the Companies Act 2006), taxation legislation and Coronavirus Job Retention Scheme (CJRS) legislation. We considered the extent to which any non- compliance with these laws and regulations may have a negative impact on the group's ability to continue trading and the risk of a material misstatement in the financial statements.

We discussed with management how the compliance with these laws and regulations in monitored. We also identified the individuals who have responsibility for ensuring that the group complies with laws and regulations and deals with reporting any issues if they arise.

We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks were related to the overstatement of profit, either through incorrect revenue recognition, understating expenditure or management bias in accounting estimates and judgements included in the financial statements.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

• Revenue recognition was assessed as a key audit matter and our work in respect of this is discussed above.

• We made enquiries of management regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud.

• We identified the individuals with responsibility for ensuring compliance with laws and regulations and discussed with them policies and procedures in place.

• We reviewed processes around compliance with the Licensing Act and discussed with those responsible for compliance whether there had been any breaches during the year.

• We reviewed minutes of meetings of Senior Management and those charged with governance.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Auditor's responsibilities for the audit of the financial statements (continued)

• We performed testing on CJRS claims which included substantive testing of management's calculations and review of supporting paperwork.

• Audited the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
• We challenged assumptions and judgements made in the accounts by management.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statement. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken, so that we might state to the Company's shareholders those matters we are required to state to them in an audit 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Hicks BA FCA DChA (Senior Statutory Auditor)

For and on behalf of
PKF Francis Clark
Statutory Auditor
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE
15 February 2022

Group income statement

For the year ended 31 October 2021

	Notes	Total 2021 £'000	Total 2020 £'000
Revenue	3	4,618	5,019
Change in stocks		-	-
Other operating income	5	310	317
Purchase of inventories		(1,909)	(2,065)
Staff costs	10	(1,349)	(1,310)
Depreciation of property, plant and equipment		(177)	(177)
Other operating charges		(1,552)	(1,245)
		(4,677)	(4,480)
Group operating (loss)/profit	6	(59)	539
Profit on sale of property, plant and equipment	8	1,318	293
Impairment of fixed assets	16	-	(279)
Group profit before finance costs and taxation		1,259	553
Finance income		-	2
Finance costs	11	(145)	(141)
Other finance costs – pensions	29	-	-
		(145)	(139)
Profit before taxation		1,114	414
Tax expense	12a	(313)	(300)
Profit for the year attributable to equity holders of the parent		801	114
Basic earnings per share	13	16.6p	2.4p
Diluted earnings per share	13	16.6p	2.4p

Group statement of comprehensive income

for the year ended 31 October 2021

	Notes	2021 £'000	2020 £'000
Profit for the year		801	114
Items that will not be reclassified to profit or loss			
Fair value adjustment on investment in equity	27	5	(12)
		5	(12)
Items that may be reclassified to profit or loss			
Exchange rate differences on translation of subsidiary undertaking		-	(4)
		-	(4)
Other comprehensive income for the year, net of tax		806	98
Total comprehensive income attributable to:			
Equity holders of the parent		806	98

Group balance sheet

at 31 October 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	16	16,436	16,615
Investment property	16	1,490	2,130
Right of use asset	16b	71	-
		17,997	18,745
Financial assets	18	34	30
Deferred tax asset	12c	16	16
		18,047	18,791
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,936	1,277
Cash and cash equivalents	21	52	49
		1,998	1,336
Assets held for sale	17	883	219
Total assets		20,928	20,346
Current liabilities			
Trade and other payables	22	(984)	(666)
Financial liabilities	23	(1,158)	(1,520)
Income tax payable		(108)	(237)
		(2,250)	(2,423)
Non-current liabilities			
Other payables	22	(318)	(274)
Financial liabilities	23	(4,069)	(4,322)
Deferred tax liabilities	12c	(734)	(536)
Defined benefit pension plan deficit	29	(92)	(92)
		(5,213)	(5,224)
Total liabilities		(7,463)	(7,647)
Net assets		13,465	12,699

Group balance sheet

at 31 October 2021

	Notes	*2021* *£'000*	*2020* *£'000*
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,529)	(1,522)
Fair value adjustments reserve	27	10	5
Currency translation	27	13	13
Retained earnings	27	14,034	13,266
Total equity		13,465	12,699

The notes on pages 42 to 77 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 15 February 2022 and were signed on its behalf by

N H P TUCKER)
G J CROCKER) Directors

Group statement of changes in equity

for the year ended 31 October 2021

	Equity share capital £'000	*Capital redemption reserve £'000*	*Treasury shares £'000*	*Fair value adjustment reserve £'000*	*Currency translation £'000*	*Retained earnings £'000*	*Total equity £'000*
At 1 November 2019	264	673	(1,562)	17	17	13,152	12,561
Profit for the year	-	-	-	-	-	114	114
Other comprehensive income for the year, net of income tax	-	-	-	(12)	(4)	-	(16)
Total comprehensive income for the year	-	-	-	(12)	(4)	114	98
Consideration received by EBT on sale of shares	-	-	62	-	-	-	62
Consideration paid by EBT on purchase of shares	-	-	(24)	-	-	-	(24)
Loss by EBT on sale of shares	-	-	2	-	-	-	2
Equity dividends paid	-	-	-	-	-	-	-
At 31 October 2020	264	673	(1,522)	5	13	13,266	12,699

Group statement of changes in equity

for the year ended 31 October 2021

	Equity share capital £'000	*Capital redemption reserve £'000*	*Treasury shares £'000*	*Fair value adjustment reserve £'000*	*Currency translation £'000*	*Retained earnings £'000*	*Total equity £'000*
At 1 November 2020	264	673	(1,522)	5	13	13,266	12,699
Profit for the year	-	-	-	-	-	801	801
Other comprehensive income for the year, net of income tax	-	-	-	5	-	-	5
Total comprehensive income for the year	-	-	-	5	-	801	806
Consideration received by EBT on sale of shares	-	-	41	-	-	-	41
Consideration paid by EBT on purchase of shares	-	-	(81)	-	-	-	(81)
Loss by EBT on sale of shares	-	-	33	-	-	(33)	-
Equity dividends paid	-	-	-	-	-	-	-
At 31 October 2021	264	673	(1,529)	10	13	14,034	13,465

Details of the reserves can be found in note 27.

Group statement of cash flows

For the year ended 31 October 2021

	Notes	2021 £'000	2020 £'000
Operating activities			
Profit for the year		801	114
Tax expense		313	301
Net finance costs		145	139
Profit on disposal of non-current assets and assets held for sale		(1,200)	(293)
Depreciation and impairment of property, plant and equipment		177	177
(Increase)/decrease in trade and other receivables		(442)	220
Increase /(decrease) in trade and other payables		353	(274)
Impairment of fixed assets		-	279
Cash generated from operations		147	663
Income taxes paid		(245)	(151)
Interest paid		(145)	(141)
Net cash(outflow)/ inflow from operating activities		(243)	371
Investing activities			
Interest received		-	2
Proceeds from sale of property, plant and equipment and assets held for sale		1,411	186
Payments to acquire property, plant and equipment		(473)	(315)
Net cash inflow/(outflow) from investing activities		938	(127)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	-	-
Consideration received by EBT on sale of shares		41	62
Consideration paid by EBT on purchase of shares		(81)	(25)
Capital element of finance lease rental payments		(25)	(9)
Loan repayment		(187)	(1,500)
Mortgage receipts received		35	-
Net cash outflow from financing activities		(218)	(1,473)
Increase/(decrease) in cash and cash equivalents		477	(1,229)
Cash and cash equivalents at the beginning of the year	21	(1,232)	(3)
Cash and cash equivalents at the year end	21	(755)	(1,232)

Company balance sheet

at 31 October 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	16	16,394	16,573
Investment property	16	1,490	2,130
Right of use asset	16b	71	-
		17,955	18,703
Financial assets	18	68	64
Deferred tax asset	12c	16	16
		18,039	18,783
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,936	1,277
Cash and cash equivalents	21	52	49
		1,998	1,336
Assets held for sale	17	883	219
Total assets		20,920	20,338
Current liabilities			
Trade and other payables	22	(1,082)	(772)
Financial liabilities	23	(1,158)	(1,520)
Income tax payable		(108)	(237)
		(2,348)	(2,529)
Non-current liabilities			
Other payables	22	(318)	(274)
Financial liabilities	23	(4,069)	(4,322)
Deferred tax liabilities	12c	(734)	(536)
Defined benefit pension plan deficit	29	(92)	(92)
		(5,213)	(5,224)
Total liabilities		(7,561)	(7,753)
Net assets		13,359	12,585

Company balance sheet

at 31 October 2021

	Notes	2021 £'000	2020 £'000
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,529)	(1,522)
Fair value adjustments reserve	27	10	5
Cash flow hedging reserve	27	-	-
Retained earnings	27	13,941	13,165
Total equity		13,359	12,585

The notes on pages 42 to 77 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 15 February 2022 and were signed on its behalf by

N H P TUCKER)
G J CROCKER) Directors

Company statement of changes in equity

for the year ended 31 October 2021

	Equity share capital £'000	*Capital redemption reserve £'000*	*Treasury shares £'000*	*Fair value adjustment reserve £'000*	*Retained earnings £'000*	*Total equity £'000*
At 1 November 2019	264	673	(1,562)	17	13,042	12,434
Profit for the year	-	-	-	-	123	123
Other comprehensive income for the year, net of income tax	-	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	-	(12)	123	111
Consideration received by EBT on sale of shares						
Consideration paid by EBT on purchase of shares	-	-	62	-	-	62
Loss by EBT on sale of shares	-	-	(24)	-	-	(24)
Equity dividends paid	-	-	2	-	-	2
At 31 October 2020	264	673	(1,522)	5	13,165	12,585

Company statement of changes in equity

for the year ended 31 October 2021

	Equity share capital £'000	*Capital redemption reserve £'000*	*Treasury shares £'000*	*Fair value adjustment reserve £'000*	*Retained earnings £'000*	*Total equity £'000*
At 1 November 2020	264	673	(1,522)	5	13,165	12,585
Profit for the year	-	-	-	-	809	809
Other comprehensive income for the year, net of income tax	-	-	-	5	-	5
Total comprehensive income for the year	-	-	-	5	809	814
Consideration received by EBT on sale of shares			41			41
Consideration paid by EBT on purchase of shares	-	-	(81)	-	-	(81)
Loss by EBT on sale of shares	-	-	33	-	(33)	-
Equity dividends paid	-	-	-	-	-	-
At 31 October 2021	264	673	(1,529)	10	13,941	13,359

Details of the reserves can be found in note 27.

Company statement of cash flows

for the year ended 31 October 2021

	Notes	2021 £'000	2020 £'000
Operating activities			
Profit for the year		809	123
Tax expense		313	301
Net finance costs		145	139
Profit on disposal of non-current assets and assets held for sale		(1,200)	(293)
Depreciation and impairment of property, plant and equipment		177	177
Difference between pension contributions paid and amounts recognised in the income statement		-	-
(Increase)/decrease in trade and other receivables		(442)	222
Increase/(decrease) in trade and other payables		345	(285)
Impairment of fixed assets		-	279
Cash generated from operations		147	663
Income taxes paid		(245)	(151)
Interest paid		(145)	(141)
Net cash (outflow)/inflow from operating activities		(243)	371
Investing activities			
Interest received		-	2
Proceeds from sale of property, plant and equipment and assets held for sale		1,411	186
Payments to acquire property, plant and equipment		(473)	(315)
Payments to acquire fixed asset investments		-	-
Receipts from fixed asset investments		-	-
Net cash inflow/(outflow) from investing activities		938	(127)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	-	-
Consideration received by EBT on sale of shares		41	62
Consideration paid by EBT on purchase of shares		(81)	(25)
Capital element of finance lease rental payments		(25)	(9)
Loan repayments		(187)	(1,500)
Mortgage receipts received		35	-
Net cash outflow from financing activities		(218)	(1,473)
Increase/(decrease) in cash and cash equivalents		477	(1,229)
Cash and cash equivalents at the beginning of the year	21	(1,232)	(3)
Cash and cash equivalents at the year end	21	(755)	(1,232)

Notes to the financial statements

for the year ended 31 October 2021

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the "Group") for the year ended 31 October 2021 were authorised for issue by the board of Directors on 15 February 2022. The Heavitree Brewery PLC is a public company incorporated and domiciled in England. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

2. Accounting policies and statement of compliance

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom and as regards the Parent Company financial statements, as applied in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain items that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2021 the financial statements are presented in Sterling. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

No income statement or statement of comprehensive income is prepared by the Company as permitted by Section 408 of the Companies Act 2006. The profit for the year is disclosed in Note 15.

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

With the continued uncertain nature of the pandemic and further lockdowns and restrictions being in place during this financial year, the Directors have considered the Group's financial resources. This had included a further review of the medium-term financial plan, along with a range of cash flow forecasts for 12 months from the date of approval of these financial statements. The Group has positive cash generation from its operations before tax and interest and the gearing remains low. These forecasts include a reduction in trade in the financial year to October 2022 due to an anticipated decrease in footfall and assume that there will be no further lockdown or significant trading restrictions. The mitigation measures which are in place in order to protect the cash position of the business have been incorporated into the forecasts for future cash positions. The forecast for capital receipts in 2022 includes non-core asset sales of £2m of which £880,000 has been received. These forecasts leave the Group with headroom of over £1.4m on an overdraft facility of £3m. The Board will continue to review cashflows as guidance from Government changes.

The Board took the decision last year to accelerate the paying down of its £4.5m term loan by the selling of non-core assets to secure its current position and the long term trading position of the Group. The Board identified up to 15 non-core assets with a value of between £5m and £7m to be realised over a period of 2 to 3 years. These include unlicensed properties and developments with permissions which are already within the Estate. This year the Group has sold 9 of the non-core assets resulting in profits of £1,318,000 being realised from these sales, with a further property completing early in the new financial year this has enabled the Group post year end to make a further prepayment on the term loan of £750,000, meaning that by the 31 December 2021 the Group has paid down £992,000 on the loan.

Notes to the financial statements

for the year ended 31 October 2021

2. Accounting policies (continued)

The Board has continued to engage with the bank regarding its facilities and forward trading, it has in place a waiver of covenant testing until April 2022 along with the agreement on paying down of loan facilities, projections show that there is a good level of headroom in the debt service cover covenant both to April 2022 and October 2022. However one covenant will fail the April 2022 testing but will have headroom in October 2022. A further waiver has been received from the bank in respect of the April 2022 covenant test. The Directors are satisfied that the Group's forecasts and projections, which take account the anticipated changes which will come about as a direct result of the Covid-19 pandemic and shows that the Group will be able to operate within its facilities. The current trading performance of the Group also shows that it will be able to operate within the level of its facilities for the 12 months from date of approval. With value in the Estate being realised over time and with the support from the bank there are no material uncertainties in relation to going concern. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Further information on principal risks and uncertainties and financial instruments can be found in the Strategic Report, Directors' Report and in note 25.

Basis of consolidation

The Group financial statements consolidate the financial statements of The Heavitree Brewery PLC and its subsidiaries drawn up to 31 October each year.

The assets of the Employee Share Option Scheme and the Employee Benefits Trust are fully consolidated within the financial statements.

New standards, interpretations and amendments to existing standards

The Directors have considered all IFRS and IFRIC interpretations issued but not yet in force and have concluded that there is no impact on the financial statements in 2021 and no material impact is expected in respect of the year ended 31 October 2022.

Revenue recognition

Revenue is measured at transaction price when control passes to the customer in respect of goods and services provided, net of discounts and VAT. The following criteria must be met before revenue is recognised:

Drink and food sales (Revenue)

Revenue in respect of drink and food sales is recognised at the point at which the goods are provided, net of any discounts or volume rebates allowed.

Rents receivable from licenced properties (Revenue) and Rents receivable from investment properties (Other operating income)
Rents receivables are recognised on a straight-line basis over the lease term.

As noted in the Chairman's statement on page 5 and the business review on page 8 the Group has again offered substantial rent concessions to its tenants throughout the course of the year in order to support them through the COVID-19 pandemic. In accordance with IFRS16, these rent concessions have been accounted for as a lease modification and subsequently the revised total amount of rent due over the remaining lease term is recognised on a straight line basis. This has resulted in the recognition of £350,000 (2020: £333,000) rental income that has not yet been received from tenants.

Notes to the financial statements

for the year ended 31 October 2021

2. Accounting policies (continued)

Revenue recognition

Government Grants Coronavirus Job Retention Scheme

Under this scheme HMRC reimburses up to 80% of the wages of certain employees who have been furloughed. The scheme is designed to compensate for staff, so amounts are recognised in the income statement over the same period as the costs to which they relate. These have been shown on the Group Income Statement under Other Operating income.

Machine income (Revenue)

The Group's share of net machine income is recognised in the period to which it relates.

Property, plant and equipment

Buildings, furniture and fittings, equipment and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

- Buildings - 2%
- Fixtures and fittings - 10% to 20%
- Computer equipment - 20% to $33^1/_3$%
- Office equipment - 20%
- Motor vehicles - 25%

Freehold land and assets under construction are not depreciated.

An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, book value. Residual values are based on the estimated amount which would be currently obtainable from disposal of the asset net of disposal costs if the asset were already of the age and condition expected at the end of its useful life.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Investment property

Unlicensed property held to earn rental income is classified as investment property and is recorded at cost less accumulated depreciation and any recognised impairment losses. The depreciation policy is consistent with that described for property, plant and equipment.

Non-current assets held for sale

Properties identified for disposal which are classified in the Balance Sheet as non-current assets held for sale are held at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to dispose. The fair value less costs to dispose is based on the net estimated realisable disposal proceeds (ERV) which are provided by third party property agents who have been engaged to sell the properties. Licensed land and buildings are classified as held for sale when they have been identified for disposal by the Group. They must be available for immediate sale in their present condition and the sale should be highly probable. These conditions are met when management are committed to the sale, the property is actively marketed, and the sale is expected to occur within one year. Licensed land and buildings held for sale are not depreciated.

Notes to the financial statements

for the year ended 31 October 2021

2. Accounting policies (continued)

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised immediately in the income statement in those expense categories consistent with the function of the impaired asset.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Mortgages

Where the Group holds a debt instrument for the purpose of collecting contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the instrument is measured at amortised cost net of any write down for impairment.

Trade receivables

Trade receivables are initially recognised at the transaction price less impairment. In measuring the impairment, the group has applied the simplified approach to expected credit losses as permitted by IFRS 9. Expected credit losses are assessed by considering the Group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. Changes in expected credit losses are recognised in the Group income statement.

Preference shares

Preference shares are measured at amortised cost and recognised as a liability in the balance sheet, net of transaction costs. Preference shares are classified as a financial liability measured at amortised cost until they are extinguished on redemption. The corresponding dividends on those shares are charged as finance costs in the income statement.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Fair value measurement

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Notes to the financial statements

for the year ended 31 October 2021

2. Accounting policies (continued)

Leases – lessor accounting

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

Leases – Lessee accounting

Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are depreciated on a straight line basis over the estimated useful life of the asset. The corresponding lease liability is measured at the present value of lease payments to be made over the lease term.

The Group applies the short term lease recognition exemption to its short term leases of property and equipment, where the lease term expires within twelve months of the year end. Lease payments on short term leases are recognised as an expense on a straight line basis over the lease term.

Pensions and other post-retirement benefits

The Group has both defined contribution and defined benefit pension arrangements.

The cost of defined contribution payments is charged to the income statement as incurred.

The Group provides discretionary additional post-retirement benefits to retired employees. The benefits, which are entirely discretionary, are reviewed on an annual basis and charged to the income statement during the year in which they are made available.

As described in note 29, the Group maintains a defined benefit pension scheme that was closed to new members on 18 July 2002 and there has been no future accrual since 5 April 2006.

In respect of the defined benefit pension scheme the amount recognised in the Balance Sheet comprises the difference between the present value of the scheme's liabilities and the fair value of the scheme's assets determined by qualified actuaries using the projected unit credit method. The financing charge is determined by applying the discount rate used to measure the defined benefit obligation to both the scheme liabilities and plan assets and is recognised within net finance costs. Remeasurement gains and losses are recognised in full in the period in which they occur in Other Comprehensive Income.

Income taxes

The tax expense comprises both the tax payable based on taxable profits for the year and deferred tax. Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying value of assets and liabilities for accounting and tax purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Income tax is charged or credited to equity or to other comprehensive income if it relates to items that are charged or credited to equity or to other comprehensive income. Otherwise income tax is recognised in the income statement. Tax is calculated using tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

for the year ended 31 October 2021

2. Accounting policies (continued)

Foreign currency

There are no transactions in currencies other than the individual entity's functional currency.

On consolidation, the financial statements of the overseas subsidiary undertaking are translated at the year end rate of exchange, with the results translated at the average rate. Exchange differences arising on consolidation are dealt with in the currency translation reserve and reported in Other Comprehensive Income.

Treasury shares

The cost of own shares held by The Heavitree Brewery PLC Employee Benefits Trust and Employee Share Option Scheme are deducted from shareholders' equity until the shares are cancelled, re-issued or disposed of. Consideration received for the sale of such shares is also recognised in shareholder's equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of own shares held.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

As discussed in the accounting policies above, the Directors assesses impairment of assets at each reporting date, on a property by property basis. The Directors' take into consideration trade performance during the year and open market value as to whether there is an indication that an asset may be permanently impaired. When necessary external valuations are carried out. There were no impairments identified in the year.

Assumptions used in value in use calculations are as follows:

Industry growth rate of 1%- taking the average growth in the 5 years prior to the Covid pandemic.

Weighted average cost of capital 5.76%-calculated using the Group's beta value.

Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. While the Company continues to operate its Final Salary Pension Scheme, the final three deferred members transferred out of the scheme in 2018. Accordingly, the net liability for the company is now solely the rectification and the more recent GMP equalisation of benefits for all qualifying retired members. These have been estimated by the Scheme's Actuary, as at 31 October 2021 at £92,000. Further details are given in note 29.

Insurance proceeds from Jolly Sailor fire

The Group suffered a fire at the Jolly Sailor East Ogwell in April 2021. The Group is covered by an indemnity insurance policy to cover the losses incurred and reinstate the asset to its original state. As the asset is no longer capable of generating an economic return, an impairment loss has been recognised in the year and had been accounted for under other operating charges within the Group income statement. The Group is currently waiting for Heritage England and Council listing bodies to make decisions regarding the listing of the property. Once decisions are known the Directors may have several options to look at in respect of the property which would result in various different outcomes for the insurance proceeds which range from £nil to £1.2m. There is no obligation to rebuild at the year-end exists, so no liability has been included. No insurance income has been recognised as amounts are uncertain and under IFRS no reimbursement asset can be recognised in excess of the related liability.

Notes to the financial statements

for the year ended 31 October 2021

3. Revenue

Revenue recognised in the income statement is analysed as follows.

	2021	*2020*
	£'000	*£'000*
Sale of goods	3,289	3,502
Machine revenue	26	52
Revenue recognised under contracts with customers	3,315	3,554
Rents from licensed properties	1,303	1,465
Total revenue recognised	4,618	5,019

Sale of goods comprises the invoiced values of beers and ciders supplied by the Group to tenants, together with gaming machine revenue. All revenue is derived in the United Kingdom.

4. Segment information

Primary reporting format – business segments

During the year the Group operated in one business segment - leased estates.

Leased estate represents properties which are leased to tenants to operate independently from the Group, under tied and free of tie tenancies.

Secondary reporting format – geographical segments

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 October 2021 and 2020. Revenue is based on the geographical location of customers and assets are based on the geographical location of the asset.

Secondary reporting format – geographical segments

		United	
Year ended 31 October 2021	*UK*	*States*	*Total*
	£'000	*£'000*	*£'000*
Revenue			
Sales to external customers	4,618	-	4,618
Other segment information			
Segment assets	21,382	42	21,424
Total assets	-	-	-
Capital expenditure			
Property, plant and equipment	473	-	473
Right of use asset	71	-	71

Notes to the financial statements

for the year ended 31 October 2021

4. Segment information (continued)

Year ended 31 October 2020	*UK*	*United States*	*Total*
	£'000	*£'000*	*£'000*
Revenue			
Sales to external customers	5,019	-	5,019
Other segment information			
Segment assets	20,304	42	20,346
Total assets	20,304	42	20,346
Capital expenditure			
Property, plant and equipment	355	-	355

5. Other operating income

	2021	*2020*
	£'000	*£'000*
Rents from unlicensed properties	260	276
Heavitree Inc	-	-
Government Grants (CJRS)	50	41
	310	317

6. Operating (loss)/profit

This is stated after charging:

	2021	*2020*
	£'000	*£'000*
Depreciation of property, plant and equipment	177	178
Repairs and maintenance of properties	885	638
Short term lease expense	29	23
Impairment loss-Jolly Sailor	119	-
Cost of inventories recognised as an expense (included in purchase of inventories)	1,909	2,065

The Group suffered a fire at the Jolly Sailor East Ogwell in April 2021, the Group is covered by an indemnity insurance policy to cover the losses incurred and reinstate the asset to its original state. The Impairment loss of the asset in the year has been accounted for under other charges within the income statement.

Notes to the financial statements

for the year ended 31 October 2021

7. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

		2021 £'000	2020 £'000
Audit of the group financial statements		46	43
Other fees to auditors	- audit of the group pension scheme	2	2
	- tax compliance services	-	6
	- other services	4	4
		6	12
		52	55

Other services relate to a review of the Group's Interim Report of £4,000 (2020: £4,000).

8. Profit on sale of property, plant and equipment

	2021 £'000	2020 £'000
Profits on sale of property, plant and equipment	1,318	293

Profit on disposal of non-current assets represents gains/(losses) on disposal of property, plant and equipment. They are classified as non-operating on the basis that they arise from transactions to dispose of assets other than at the end of their expected useful lives or at values significantly different to their previously assessed residual value.

9. Movements in valuation of estate and related assets

	2021 £'000	2020 £'000
Write down of non-current assets held for sale to fair value less costs to sell (note 17)	-	-

Notes to the financial statements

for the year ended 31 October 2021

10. Staff costs and Directors' emoluments

(a) Staff costs

	2021	*2020*
	£'000	*£'000*
Wages and salaries	1,087	1,088
Social security costs	119	118
Other pension costs	143	104
	1,349	1,310

Included in other pension costs is £64,213 (2020: £62,448) in respect of the defined contribution scheme. Other pension costs include those defined benefit scheme costs included within operating costs and any defined contribution scheme charge.

Coronavirus Job Retention Scheme: under this scheme HMRC reimburses up to 80% of the wages of certain employees who have been furloughed, the amounts received have been recognised in the income statement under other income.

The average monthly number of employees during the year was made up as follows:

	2021	*2020*
	No.	*No.*
Average monthly number of employees	16	16

(b) Directors' emoluments

	Basic salary and fees	*Performance related bonus*	*Benefits*	*Pension contributions*	*Total 2021*	*Total 2020*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
N H P Tucker	178	13	1	-	192	191
G J Crocker	176	-	1	-	177	170
T Wheatley	165	-	12	-	177	170
W P Tucker	-	-	-	-	-	16
T P Duncan	18	-	-	-	18	17
K Pease-Watkin	18	-	-	-	18	17
C J Bush	18	-	-	-	18	17
	573	13	14	-	600	598

Notes to the financial statements

for the year ended 31 October 2021

10. Staff costs and Directors' emoluments (continued)

(b) Directors' emoluments

The performance-related bonuses comprise payments under the Company's bonus scheme and are dependent upon the level of profits.

The emoluments (excluding pension contributions) of the highest paid Director totalled £192,000 (2020: £191,000). The number of Directors accruing pension benefits is nil (2020: nil). The highest paid Director has an accrued pension entitlement of £nil (2020: £nil) arising from past membership of the defined benefit scheme.

11. Finance costs

	2021	*2020*
	£'000	*£'000*
Interest on bank loans and overdrafts	138	133
Interest on other loans (including cumulative preference shares)	7	8
Total finance costs	145	141

12. Taxation

(a) Tax on profit on ordinary activities

Tax expensed in the income statement

	2021	*2020*
	£'000	*£'000*
Current income tax:		
UK corporation tax	111	128
Under/(over) provision of tax in prior years	(13)	18
Tax paid by Employee Benefits Trust	17	12
Total current income tax	115	158
Deferred tax:		
Origination and reversal of temporary differences	30	142
Changes in tax rates	168	-
Total deferred tax	198	142
Tax expense in the income statement	313	300

Notes to the financial statements

for the year ended 31 October 2021

12. Taxation (continued)

	2021 *£'000*	*2020* *£'000*
Tax relating to items expensed or credited to equity		
Deferred tax:		
Deferred tax on defined benefit pensions scheme	-	-
Total deferred tax	-	-
Tax expense in the statement of comprehensive income	-	-

(b) Reconciliation of the total tax expense

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 *£'000*	*2020* *£'000*
Accounting profit before income tax	1,114	414
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2020: 19 %)	212	79
Expenses not deductible for tax purposes	(209)	69
Income not taxable	(7)	-
Adjustment in respect of prior years – current tax	(13)	18
Adjustment in respect of prior years – deferred tax	-	90
Short term timing differences	(4)	3
Tax paid by Employee Benefits Trust	17	13
Chargeable gains	142	-
Change in tax rates	175	28
Total tax expense reported in the income statement	313	300

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2021 *£'000*	*2020* *£'000*
Deferred tax liability		
Accelerated capital allowances	757	394
Short term timing differences	(23)	-
Rolled over gain	-	142
	734	536

Notes to the financial statements

for the year ended 31 October 2021

12. Taxation (continued)

(c) Deferred tax (continued)

	2021	*2020*
	£'000	*£'000*
Deferred tax asset		
Pension plans	16	16

The deferred tax asset has been recognised on the basis that it will be relieved against future profits anticipated to arise in the foreseeable future.

The deferred tax included in the Group income statement is as follows:

	2021	*2020*
	£'000	*£'000*
Deferred tax in the income statement		
Accelerated capital allowances	30	125
Pension plans	-	-
Change in tax rates on opening balances	168	-
Rolled over gains	-	17
Deferred income tax expense	198	142

A potential deferred tax asset of £6,729 (2020: £6,729) in respect of overseas losses incurred by Heavitree Inc has not been recognised as it is not anticipated that these losses will be fully utilised in the foreseeable future.

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to reflect this higher long-term rate, with differences recognised in the current year tax charge.

Notes to the financial statements

for the year ended 31 October 2021

13. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares and ‘A’ Limited Voting Ordinary shares outstanding during the year.

The following reflects the income and shares data used in the basic earnings per share computation:

	2021	*2020*
	£’000	*£’000*
Profit for the year	801	114

	2021	*2020*
	No.	*No.*
	(‘000)	*(‘000)*
Basic weighted average number of shares (excluding treasury shares)	4,824	4,801

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

14. Dividends paid and proposed

	2021	*2020*
	£’000	*£’000*
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2020: nil (2019: nil)	-	-
First dividend for 2021: nil (2020: nil)	-	-
Less: dividends on shares held within employee share schemes	-	-
Dividends paid	-	-
Proposed for approval at AGM (not recognised as a liability as at 31 October)		
Final dividend for 2021: nil (2020: nil)	-	-
Cumulative preference dividends	1	1

15. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £809,000 (2020: £123,000).

Notes to the financial statements

for the year ended 31 October 2021

16. Property, plant and equipment

Group	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost:						
At 31 October 2019	17,135	4,289	474	-	1,485	23,383
Additions	266	48	41	-	-	355
Transfer to assets held for sale	(219)	-	-	-	-	(219)
Transfer to investment properties	(644)	-	-	-	644	-
Impairment	(279)	-	-	-	-	(279)
Disposals	(333)	(1,297)	(166)	-	-	(1,796)
Transfers out	60	(153)	22	-	1	(70)
At 31 October 2020	15,986	2,887	371	-	2,130	21,374
Additions	172	266	34	-	1	473
Transfer to assets held for sale	(254)	-	-	-	(430)	(684)
Transfer to investment properties	(17)	-	-	-	17	-
Impairment	-	-	-	-	-	-
Disposals	(217)	-	-	-	(228)	(445)
Transfers out	-	76	-	-	-	76
At 31 October 2021	15,670	3,229	405	-	1,490	20,794

Notes to the financial statements

for the year ended 31 October 2021

16. Property, plant and equipment (continued)

Group	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Depreciation and impairment:						
At 31 October 2019	427	3,501	278	-	-	4,206
Provided during the year	-	112	66	-	-	178
Transfer from current assets	-	-	-	-	-	-
Disposals	(267)	(1,297)	(123)	-	-	(1,687)
Transfers out	(48)	(15)	(5)	-	-	(68)
At 31 October 2020	112	2,301	216	-	-	2,629
Provided during the year	-	106	59	-	-	165
Transfer from current assets	-	-	-	-	-	-
Disposals	(2)	-	-	-	-	(2)
Transfers out	-	76	-	-	-	76
At 31 October 2021	110	2,483	275	-	-	2,868
Net book value At 31 October 2021	15,560	746	130	-	1,490	17,926
Net book value at 31 October 2020	15,874	586	155	-	2,130	18,745
Net book value at 31 October 2019	16,708	788	196	-	1,485	19,177

In the Directors' opinion the investment properties have a fair value as at 31 October 2021 of £2,080,000 (2020: £3,355,000). The investment properties were valued by the Directors based on current market prices for similar properties within a similar area. The fair value disclosure of investment property is categorised as a level 2 recurring fair value disclosure in accordance with IFRS 13.

Included within land and buildings is £594,000 (2020: £594,000) in relation to owner occupied property. The remainder of this category is subject to operating leases and an analysis of rent receipts is given in note 24.

Notes to the financial statements

for the year ended 31 October 2021

16. Property, plant and equipment (continued)

Company	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	'£000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost:						
At 31 October 2019	17,090	4,289	475	-	1,485	23,339
Additions	266	48	41	-	-	355
Transfer to assets held for sale	(219)	-	-	-	-	(219)
Transfer to investment properties	(644)	-	-	-	644	-
Impairment	(279)	-	-		-	(279)
Disposals	(333)	(1,297)	(166)	-	-	(1,796)
Transfer between categories	60	(153)	23	-	1	(69)
At 31 October 2020	15,941	2,887	373	-	2,130	21,331
Additions	172	266	34	-	1	473
Transfer to assets held for sale	(254)	-	-	-	(430)	(684)
Transfer to investment properties	(17)	-	-	-	17	-
Impairment	-	-	-		-	-
Disposals	(217)	-	-	-	(228)	(445)
Transfer between categories	-	76	-	-	-	76
At 31 October 2021	15,625	3,229	407	-	1,490	20,751
Depreciation and impairment:						
At 31 October 2019	427	3,501	277	-	-	4,205
Provided during the year	-	112	66	-	-	178
Transfer from assets						
Disposals	(267)	(1,297)	(123)	-	-	(1,687)
Transfer between categories	(48)	(15)	(5)	-	-	(68)
At 31 October 2020	112	2,301	215	-	-	2,628
Provided during the year	-	106	59	-	-	165
Transfer from assets						
Disposals	(2)	-	-	-	-	(2)
Transfer between categories	-	76	-	-	-	76
At 31 October 2021	110	2,483	274	-	-	2,867
Net book value at At 31 October 2021	15,515	746	133	-	1,490	17,884
Net book value at 31 October 2020	15,829	586	158	-	2,130	18,703
Net book value at 31 October 2019	16,663	788	198	-	1,485	19,134

Notes to the financial statements

for the year ended 31 October 2021

16. Property, plant and equipment (continued)

In the Directors' opinion the investment properties have a fair value as at 31 October 2021 of £2,080,000 (2020: £3,355,000). The investment properties were valued by the Directors based on current market prices for similar properties within a similar area. The fair value disclosure of investment property is categorised as a level 2 recurring fair value disclosure in accordance with IFRS 13.

Included within land and buildings is £594,000 (2020: £594,000) in relation to owner occupied property. The remainder of this category is subject to operating leases and an analysis of rent receipts is given in note 24.

16b. Right of Use Asset

Group and Company

		Total
	£'000	*£'000*
At 31 October 2020	-	-
Additions	83	83
Disposals	-	-
At 31 October 2021	83	83
Depreciation and impairment		
At 31 October 2020	-	-
Provided during the year	12	12
Disposals	-	-
At 31 October 2021	12	12
NBV at 31 October 2021	71	71

The split in the right of use asset are Motor vehicle cost of £35,000, Motor Vehicle Depreciation of £5,000 and Motor vehicle NBV £30,000; Property cost of £48,000, depreciation on Property of £7,000 and Property NBV £41,000.

Notes to the financial statements

for the year ended 31 October 2021

17. Non-current assets held for sale

Group and Company	*2021*	*2020*
	£'000	*£'000*
At 1 November 2020	219	-
Transfer (to)/from property, plant and equipment (note 16)	684	219
Additions	-	-
Disposals	(20)	-
Impairment	-	-
Transfer (to)/from current assets	-	-
At 31 October 2021	883	219

As at 31 October 2021 six properties were being actively marketed for sale (2020 – two properties).

18. Financial assets

Group	*2021*	*2020*
	£'000	*£'000*
Financial assets – non-current		
Financial assets measured at fair value through Other comprehensive income	34	30

Financial assets, measured at fair value through other comprehensive income consist of an investment in ordinary shares of a company listed on PLUS markets.

Company	*Subsidiary undertakings*	*Investments*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 November 2020	86	55	141
Loan advance	-	-	-
At 31 October 2021	86	55	141
Amounts provided:			
At 1 November 2020	(52)	(25)	(77)
Revaluation	-	4	4
At 31 October 2021	(52)	(21)	(73)
Net book value:			
At 31 October 2021	34	34	68
At 31 October 2020	34	30	64

Notes to the financial statements

for the year ended 31 October 2021

18. Financial assets(continued)

The Company's subsidiary undertakings are as follows:

Name of Company	*Country of registration (or incorporation) and operation*	*Holding*	*Proportion held*	*Nature of business*
Heavitree Inc	USA	Common Stock	100%	Ownership of freehold land
Heavitree Inns Limited	England and Wales	Ordinary shares	100%	Dormant

Each subsidiary undertaking is directly owned by the Company.

Registered office of subsidiary: Trood Lane Matford Exeter Devon EX2 8YP

19. Inventories

	2021	*2020*
Group and Company	*£'000*	*£'000*
Fine wines	6	6
Merchandising inventory	4	4
	10	10

20. Trade and other receivables

	2021	*2020*
Group	*£'000*	*£'000*
Trade receivables	556	425
Prepayments and accrued income	811	442
Other receivables	368	170
Finance leases	201	240
	1,936	1,277

	2021	*2020*
Company	*£'000*	*£'000*
Trade receivables	556	425
Prepayments and accrued income	811	442
Other receivables	368	170
Finance leases	201	240
	1,936	1,277

Notes to the financial statements

for the year ended 31 October 2021

20. Trade and other receivables (continued)

Included within other receivables is an amount of £328,000 (2020: £135,000) in respect of a mortgage, which is due after more than one year.

Trade receivables are all denominated in sterling.

An allowance has been made for estimated irrecoverable amounts of £87,365 (2020: £170,247). The estimated irrecoverable amount is arrived at by considering the historical loss rate and adjusting for current expectations, client base and economic conditions. The Directors have applied a single average rate for expected credit losses to the overall population of trade receivables and accrued income. The single expected loss rate applied is 11% (2020: 22%). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. As at 31 October 2021, trade receivables at nominal value of £87,365 (2020: £170,247) were impaired and fully provided. Movements in the provision for impairment of receivables were as follows:

	2021	*2020*
	£'000	*£'000*
At 1 November	170	159
(Credit)/charge for the year	(9)	11
Amounts written off	(74)	-
At 31 October	87	170

As at 31 October, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	*Neither past due nor impaired*	*Past due but not impaired 0-30 days*	*30-90 days*	*90+ days*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2021	556	501	38	15	2
2020	425	332	27	18	48

Notes to the financial statements

for the year ended 31 October 2021

21. Cash and cash equivalents

Group and Company	*2021* *£'000*	*2020* *£'000*
Cash at bank and in hand	52	49
	52	49

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 October:

	2021 *£'000*	*2020* *£'000*
Cash at bank and in hand	52	49
Bank overdrafts	(807)	(1,281)
	(755)	(1,232)

22. Trade and other payables

Group	*2021* *£'000*	*2020* *£'000*
Current		
Trade payables	371	295
Other taxation and social security	206	203
Accruals	205	108
Other payables	202	60
	984	666

Company	*2021* *£'000*	*2020* *£'000*
Current		
Trade payables	371	295
Other taxation and social security	206	203
Accruals	204	108
Other payables	202	58
Amount owed to subsidiary	99	108
	1,082	772

Non-current		
Other payables - tenants' deposits	318	274

Tenants' deposits mature when the tenant leaves the property or if trading terms are altered at which point they are repaid. Interest is based on the base rate and an appropriate margin.

Notes to the financial statements

for the year ended 31 October 2021

23. Financial liabilities

Group and Company	*2021*	*2020*
	£'000	*£'000*
Current		
Bank overdrafts	807	1,281
Bank loan	322	220
Lease liabilities	29	19
	1,158	1,520

	2021	*2020*
	£'000	*£'000*
Non-current		
11.5% cumulative preference shares (note 26)	11	11
Bank loan	3,991	4,280
Lease liabilities	67	31
	4,069	4,322

The bank loan and overdraft are secured over certain of the Group's freehold properties by a first legal charge to the value of £15,125,000 (2020: £15,125,000). Lease liabilities are secured on the assets to which they relate.

Obligations under lease liabilities	*2021*	*2020*
	£'000	*£'000*
Amounts payable under lease liabilities:		
Within one year	29	19
Within two to five years	67	31
After five years	-	-
Present value of lease obligation	96	50

Included in the obligations under lease liabilities are £25,000 in respect of Motor vehicle HP liability, £30,000 in respect of motor vehicle right of use assets and £41,000 in respect of right of use asset on Property.

Notes to the financial statements

for the year ended 31 October 2021

24. Operating lease agreements where the group is a lessor

Group and Company

The Group is a lessor of licensed properties to tenants. The leases have various terms, escalation clauses and renewal rights.

The maturity of undiscounted lease receipts is as follows:

	2021	*2020*
	£'000	*£'000*
Within one year	1,777	1,283
One to two years	734	786
Two to three years	543	598
Three to four years	425	509
Four to five years	367	421
More than five years	2,537	3,313
	6,383	6,910

As a lessor the Group gave various rent concessions during the year, resulting in a reduction in rents received in the year as shown in the above table. In accordance with IFRS16 the revised total rent receipts are being recognised on a straight line basis over the lease term.

25. Financial instruments and derivatives

Group and Company

The Group's principal financial instruments comprise cash, tenants' deposits, loans, investments and its own non-equity share capital. The principal purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

Short-term trade receivables and trade payables

Short-term trade receivables and trade payables have been excluded from the numerical disclosures on fair values below.

Notes to the financial statements

for the year ended 31 October 2021

25. Financial instruments and derivatives (continued)

Interest rate risk

As the Group has no significant interest-bearing assets, other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Income and cash flows from cash and cash equivalents fluctuate with interest rates.

The Group finances its operations through a mixture of equity shareholders' funds, preference shares and a secured term loan and overdraft.

Cash and borrowings are denominated in sterling and interest is paid on cash and borrowings at a floating rate. The interest rate risk exposure is managed by the use of interest rate swap contracts when considered appropriate, and the Group continually monitors its interest rate risk exposure. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on cash and floating rate borrowings). There is no impact on the Group's equity.

The sensitivity analysis of interest rates on bank borrowings is as follows. 100 basis points has been used as movements are linear.

	Increase/ decrease in basis points	*Effect on profit before tax £000*
2021		
Sterling	+100	(58)
Sterling	-100	58
2020		
Sterling	+100	(57)
Sterling	-100	57

Interest rate risk profile of non-equity shares

The Company has in issue 11,695 £1 cumulative preference shares with a fixed coupon rate of 11.5%. These represent the remaining preference shares in issue following the offer made by the Company in 1996 to repurchase these shares. They are no longer listed on any public market and have no fixed maturity date.

Notes to the financial statements

for the year ended 31 October 2021

25. Financial instruments and derivatives (continued)

Liquidity risk

The Group is primarily financed by equity shareholders' funds and a secured term loan, subject to relevant covenants being met.

Cash flow forecasts are produced to assist management in identifying liquidity requirements and are stress tested for possible scenarios. Cash balances are invested in the short-term such that they are readily available to settle short-term liabilities or fund capital additions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 October 2021 and 2020 based on contractual undiscounted payments.

Year ended 31 October 2021

	On demand	*Less than 3 months*	*3-12 months*	*1-5 years*	*More than 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Bank loan/overdraft	1,129	-	-	3,991	-	5,120
Tenants' deposits	-	-	-	318	-	318
Trade payables	371	-	-	-	-	371
Lease liabilities	29	-	-	67	-	96

Year ended 31 October 2020

	On demand	*Less than 3 months*	*3-12 months*	*1-5 years*	*More than 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Bank loan/overdraft	1,501	-	-	4,280	-	5,781
Tenants' deposits	-	-	-	274	-	274
Trade payables	295	-	-	-	-	295
Lease liabilities	19	-	-	31	-	50

Capital risk

The Group's capital structure is made up of net debt, issued share capital and reserves. These are managed effectively to minimise the Group's cost of capital, to add value to shareholders and to service debt obligations, ultimately ensuring that the Group continues as a going concern.

The securitised debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis. The Group assesses the performance of the business; the level of available funds and the short to medium-term plans concerning capital spend as well as the need to meet financial covenants. Such assessment influences the level of dividends payable.

Notes to the financial statements

for the year ended 31 October 2021

25. Financial instruments and derivatives (continued)

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Trade and other receivables, as shown on the consolidated balance sheet, comprise a large number of individually small amounts from unrelated customers and are shown net of a provision for doubtful debts.

The Group has established procedures to minimise the risk of default on trade receivables including, when considered appropriate, undertaking detailed credit checks before a customer is accepted this includes mortgages owed to the company. The credit quality of counterparts is assessed through the use of credit agencies at the outset of the business relationship.

Monthly checks are made and credit terms altered where appropriate. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors. Debtors are considered on an individual basis each year.

Foreign currency risk

As a result of the investment in operations in the United States of America, the Group's financial statements can be affected by movements in the exchange rate between sterling and the US dollar. This risk has been considered by the Group and is not deemed significant enough to warrant the extra cost of hedging the risk as foreign currency exposure is not material to the Group.

The Group does not face transactional currency exposure as all transactions are denominated in the functional currency.

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets, financial liabilities and non-equity shares as at 31 October:

	Hierarchical classification	*Book value 2021 £'000*	*Fair value 2021 £'000*	*Book value 2020 £'000*	*Fair value 2020 £'000*
Financial assets					
Cash	Level 1	52	52	49	49
Assets held at fair value through other comprehensive income	Level 1	34	34	30	30
Mortgage	Level 2	369	369	155	155
		455	455	234	234
Financial liabilities					
Bank loan/overdraft	Level 2	(5,120)	(5,120)	(5,781)	(5,781)
Interest-bearing loans and borrowings:					
Floating rate borrowings					
Tenants' deposits	Level 3	(318)	(318)	(274)	(274)
Cumulative preference shares	Level 3	(11)	(11)	(11)	(11)
Lease liabilities	Level 2	(96)	(96)	(50)	(50)
		(5,545)	(5,545)	(6,116)	(6,116)

Notes to the financial statements

for the year ended 31 October 2021

25. Financial instruments and derivatives (continued)

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of short-term loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

The carrying value of tenants' deposits and cumulative preference shares are assumed to approximate their fair value.

The fair value of assets held at fair value through other comprehensive income is based on market value (see note 18).

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Hierarchical classification of financial assets and liabilities measured at fair value

IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive fair value.

The classification uses the following three-level hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the years ending 31 October 2021 and 31 October 2020 there were no transfers between level 1, 2 or 3 fair value measurements.

Notes to the financial statements

for the year ended 31 October 2021

26. Authorised and issued share capital

Group and Company

(i) Ordinary shares

Authorised	*2021* £	*2020* £
Ordinary shares of 5p each	99,735	99,735
'A' limited voting Ordinary shares of 5p each	164,124	164,124
Unclassified shares of 5p each	924,446	924,446
	1,188,305	1,188,305

Allotted, called up and fully paid	*2021* No.	*2020* No.	*2021* £	*2020* £
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	-	-	-	-
At 31 October	1,994,699	1,994,699	99,735	99,735

	2021 No.	*2020* No.	*2021* £	*2020* £
'A' Limited Voting Ordinary Shares of 5p each				
At 1 November	3,282,478	3,282,478	164,124	164,124
Purchases	-	-	-	-
At 31 October	3,282,478	3,282,478	164,124	164,124

The Ordinary Shares and 'A' Limited Voting Ordinary Shares are entitled equally to dividends, and rank equally on a winding up, after the Cumulative Preference Shares. The Ordinary Shares carry one vote for every £1 in nominal amount and the 'A' Limited Voting Ordinary Shares carry one vote for every £10 in nominal amount. There are no Unclassified Shares in issue; shares purchased by the Company become authorised (but unissued) Unclassified Shares.

Notes to the financial statements

for the year ended 31 October 2021

26. Authorised and issued share capital (continued)

(ii) Preference shares classified as non-current liability

Authorised	*2021* £	*2020* £
11.5% Cumulative Preference Shares of £1 each	11,695	11,695

Allotted, called up and fully paid

	2021 *No.*	*2020* *No.*	*2021* £	*2020* £
11.5% Cumulative Preference Shares of £1 each	11,695	11,695	11,695	11,695

The Cumulative Preference Shares are entitled to a fixed cumulative preferential dividend at 11.5% per annum. On a return of capital on a winding up, these shares will rank first for their nominal amount and any arrears of dividend. The Cumulative Preference Shares do not normally carry voting rights.

An explanation of the Group's capital management process and objectives is set out in the discussion of financial instruments on page 16 in the Directors' report.

27. Reconciliation of movements in equity

Group and Company

The reconciliations of movements in equity are shown in the group statement of changes in equity and the company statement of changes in equity on pages 34 and 39 respectively.

Equity share capital

The balance classified as share capital includes the total net proceeds (nominal amount only) arising or deemed to arise on the issue of the Company's equity share capital, comprising Ordinary Shares of 5p each and 'A' Limited Voting Ordinary Shares of 5p each.

Capital redemption reserve

The capital redemption reserve arises on the repurchase and cancellation by the Company of Ordinary Shares.

Treasury shares

Treasury shares represent the cost of The Heavitree Brewery PLC shares purchased in the market and held by The Heavitree Brewery PLC Employee Benefits Trust and Employee Share Option Scheme ('EBT').

At 31 October 2021, the Group held 193,053 Ordinary Shares and 238,310 'A' Limited Voting Ordinary Shares (2020: 183,719 Ordinary Shares and 254,153 'A' Limited Voting Ordinary Shares) of its own shares. During the year there were purchases of 9,334 Ordinary Shares and 17,204 'A' Limited Voting Ordinary Shares and sales of 33,147 'A' Limited Voting Ordinary Shares.

Notes to the financial statements

for the year ended 31 October 2021

27. Reconciliation of movements in equity (continued)

Fair value adjustments reserve

The fair value adjustments reserve is used to record differences in the year on year fair value of the investment classified as fair value through comprehensive income.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

28. Capital commitments

Group and Company

At 31 October 2021, amounts contracted for but not provided in the financial statements amounted to £nil (2020: £nil).

29. Pensions and post-retirement benefits

Group and Company

(i) Optional pension payments

During the year the Group made discretionary pension payments of £34,943 (2020: £26,126) directly to past employees.

(ii) Defined contribution schemes

From 1 January 2003, the Company has also operated an employer-sponsored personal pension arrangement. The assets of the arrangement are held separately from those of the Company in an independently administered fund. The pension charge for the period was £62,214 (2020: £62,448).

(iii) Defined benefit scheme

The Company sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for past and present employees. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The scheme was closed to new members on 18 July 2002 and there has been no future accrual since 5 April 2006.

The Trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the Trustees is determined by the scheme's trust documentation. It is policy that one third of all Trustees should be nominated by the members and there must be a minimum of one such trustee.

A full actuarial valuation was carried out as at 31 December 2016 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Company and the Trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

For the purposes of IAS 19 the actuarial valuation as at 31 December 2016, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 October 2021. There have been no changes in the valuation methodology adopted for this period compared to the previous period. Wind-up of the scheme has been entered into from the 17 January 2022.

Notes to the financial statements

for the year ended 31 October 2021

29. Pensions and post-retirement benefits (continued)

Amounts included in the Balance Sheet

	31 October 2021 £'000	*31 October 2020 £'000*	*31 October 2019 £'000*
Fair value of plan assets	18	18	18
Present value of defined benefit obligation	(110)	(110)	(110)
Surplus/(deficit) in scheme	(92)	(92)	(92)

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in other comprehensive income.

Reconciliation of the impact of the asset ceiling

The Company has reviewed the implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding requirement as at 31 October 2021.

Reconciliation of opening and closing present value of the defined benefit obligation

	2021 £'000	*2020 £'000*
As at 1 November	110	110
Current service cost	-	-
Interest cost	-	-
Actuarial losses due to scheme experience	-	-
Actuarial gains due to changes in demographic assumptions	-	-
Actuarial losses due to changes in financial assumptions	-	-
Benefits paid	-	-
Past service costs	-	-
Liabilities extinguished on settlement	-	-
At 31 October	110	110

Notes to the financial statements

for the year ended 31 October 2021

29. Pensions and post-retirement benefits (continued)

There have been no plan amendments, or curtailments in the accounting period.

Reconciliation of opening and closing values of the fair value of plan assets

	2021	*2020*
	£'000	*£'000*
As at 1 November	18	18
Interest	-	-
Return on plan assets (excluding amounts included in interest income)	-	-
Employer contributions	-	-
Assets distributed on settlement	-	-
Benefits paid	-	-
At 31 October	18	18

The actual return on the plan assets over the period ended 31 October 2021 was £nil.

Defined benefit costs recognised in profit or loss

	2021	*2020*
	£'000	*£'000*
Past service costs and loss on settlements	-	-
Net interest cost	-	-
Defined benefit cost recognised in profit or loss	-	-

Defined benefit costs recognised in Other Comprehensive Income

	2021	*2020*
	£'000	*£'000*
Return on plan assets (excluding amounts included in net interest cost) –loss	-	-
Experience losses arising on the defined benefit obligation	-	-
Effects of changes in the demographic assumptions - gain	-	-
Effects of changes in the financial assumptions - loss	-	-
Total amount recognised in other comprehensive income	-	-

Notes to the financial statements

for the year ended 31 October 2021

29. Pensions and post-retirement benefits (continued)

Plan assets

	31 October 2021 £'000	*31 October 2020 £'000*	*31 October 2019 £'000*
Corporate Bonds	-	-	-
Government Bonds	-	-	-
Cash	18	18	18
Insured Contract	-	-	-
Total assets	18	18	18

None of the fair values of the assets shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. The scheme assets consist of the Trustee bank account; therefore, the scheme assets do not have a quoted market price in an active market. There are no additional assets pledged, and no additional arrangements agreed between the company and trustees to secure members benefits under the plan.

It is the policy of the Trustees and the Company to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are illustrated by the allocation as at 31 October 2021.

There are no asset-liability matching strategies in place for the scheme.

Significant Actuarial Assumptions

	31 October 2021 % per annum	*31 October 2020 % per annum*	*31 October 2019 % per annum*
Rate of discount	1.80	1.50	1.90
Allowance for commutation of pension for cash at retirement	N/A	N/A	N/A

It is not considered necessary to disclose details of mortality rates and sensitivity to principal actuarial assumptions given the scheme has only retired members and their dependants at the year end, where the benefits are substantially covered by purchased annuities.

Notes to the financial statements

for the year ended 31 October 2021

30. Related party transactions

Group and Company

During the year the Group entered into transactions, in the ordinary course of business, with other related parties.

A close family member of one of the Directors is a tenant of one of the licensed properties and rents one of the unlicensed properties. Transactions with this related party are as follows:

	Sales to related parties	*Trading amounts owed from related parties*	*Purchases from related parties*
	£'000	*£'000*	*£'000*
31 October 2021	69	6	-
31 October 2020	89	14	-

During the year the company received a loan amount from a close family member of one of the Directors. The loan advanced in the year totalled £50,000 (2020: £nil). The balance outstanding at the year end was £50,707. Interest is accrued on the loans at 1.75% over base rate.

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made on normal commercial terms. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 30 days of month end. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 October 2021, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2020: £nil).

Compensation of key management personnel (including Directors)

The only key management personnel are Directors, and their compensation is disclosed in note 10.

Notes to the financial statements

for the year ended 31 October 2021

31. Notes to the cashflow statement

Changes in liabilities arising from financing activities

Group and Company

	At 1 November 2020 £'000	*Financing cash flows £'000*	*New finance leases £'000*	*Other changes £'000*	*At 31 October 2021 £'000*
Cash	49	3	-	-	52
Bank overdraft	(1,281)	474	-	-	(807)
Cash and cash equivalents	(1,232)	477	-	-	(755)
Bank loans	(4,500)	187	-	-	(4,313)
Lease liabilities	(50)	25	-	(71)	(96)
11.5% cumulative preference shares	(11)	-	-	-	(11)
Liabilities	(4,561)	212	-	(71)	(4,420)
Net debt	(5,793)	689	-	(71)	(5,175)

32. Post balance sheet events

Since the year end Heavitree Inc has sold a material parcel of land and this has resulted in an expected return of £30,000 to the Group.