

THE HEAVITREE BREWERY PLC

Report and Accounts

31 October 2000

 ERNST & YOUNG



A48  
COMPANIES HOUSE

\*AYZORYSP\*

0639  
14/02/01

## ANNUAL REPORT AND ACCOUNTS

## TABLE OF CONTENTS

	<i>Page</i>
Directors and Other Information	3
Notice of Meeting	4
Chairman's Statement	6
Directors' Report	8
Review of Profit and Dividends	12
Statement of Directors' Responsibilities in Respect of the Accounts	13
Auditors' Report	14
Group Profit and Loss Account	15
Group Statement of Total Recognised Gains and Losses	16
Group Balance Sheet	17
Company Balance Sheet	18
Group Statement of Cash Flows	19
Notes to the Accounts	20

**DIRECTORS**

W P Tucker DL\* - Chairman  
L Wood - Managing  
G J Crocker - Finance  
N H P Tucker - Estate  
Mrs S M Duncan\*  
M S Evans\*  
M C Pease-Watkin\*

\*Non-executive

**SECRETARY AND REGISTERED OFFICE**

G J Crocker  
The Heavitree Brewery PLC  
Trood Lane  
Matford  
Exeter  
EX2 8YP

**BANKERS**

National Westminster Bank PLC  
Heavitree  
Exeter

Barclays Bank PLC  
High Street  
Exeter

**SOLICITORS**

Hugh James Ford Simey  
Exeter

S J Berwin & Co  
London

**NOMINATED BROKERS AND ADVISERS**

Credit Lyonnais Securities  
5 Appold Street  
London  
EC2A 2DA

**AUDITORS**

Ernst & Young  
Exeter

**REGISTRARS**

Computershare Services plc  
P O Box No 82  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 7NH

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Eleventh Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford on 4 April 2001 at 11.30am to transact the following business:

## Ordinary Business

1. To receive and, if thought fit, adopt the Accounts of the Company for the year ended 31 October 2000 and the Report of the Directors thereon.
2. To declare final dividends on the Ordinary Shares and the 'A' Limited Voting Ordinary Shares.
3. To re-elect the following as Directors of the Company:
  - (a) W P Tucker;
  - (b) L Wood; and
  - (c) M S Evans.
4. To re-appoint Ernst & Young as auditors of the Company for the period prescribed in Section 385(2) of the Companies Act 1985.
5. To authorise the Directors to determine the remuneration of the auditors.

## Special Business

To consider and, if thought fit, pass the following Resolutions:

6. THAT the Company be hereby authorised to purchase up to an aggregate of 326,439 Ordinary Shares of 5p each and/or 569,109 'A' Limited Voting Ordinary Shares of 5p each in the capital of the Company at a price (exclusive of expenses) which is:
  - (a) not more than £5 nor less than 5p per share; and
  - (b) not more than 5% of 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 2002 (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).

7. THAT the Company be hereby authorised to purchase up to an aggregate of 11,695 11.5 per cent Cumulative Preference Shares of £1 each in the capital of the Company at a price (exclusive of expenses) which is:
  - (a) not more than £1.60p nor less than £1 per share; and
  - (b) 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;

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the authority conferred by this Resolution shall expire on the date of the Company's Annual General Meeting in 2002 (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



G J CROCKER

Secretary

5 March 2001

Trood Lane  
Matford  
Exeter  
EX2 8YP

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 dividend, if approved, will be paid on 6 April 2001 to shareholders on the Register on 2 March 2001.

## CHAIRMAN'S STATEMENT

**RESULTS**

Profit before tax has fallen by 18.9% to £1,623,000 (1999 - £2,004,000). There are three main contributory factors:-

1. A loss of £189,000 (1999 - £40,000 loss) from our managed house subsidiary, Heavitree Inns.
2. A mixture of extra costs and lost rents amounting to £137,000 as a direct result of the continuing problems with a small number of our tenanted houses which have been operating under temporary arrangements.
3. Additional costs of £120,000 relating to our Staff Pension Scheme.

In the case of the first two, radical changes have been put in place. In the case of the third, the problem comes from a change in the way in which Government Regulations and Insurance Actuaries assess the adequacy of pension funds. The story is long and complicated but, in a nutshell, the Government's minimum funding requirement and the increased cost of buying annuities when employees retire means that pension schemes such as our present Staff Pension Scheme cost significantly more to operate than in the past. Full details can be found in Note 23.

The Directors, as notified in the Trading Announcement issued on 5 January 2001, recommend an unchanged final dividend per Ordinary and 'A' Limited Voting Ordinary Share of 5.25p, giving a total dividend of 8.75p for the year (1999 - 8.75p).

**HEAVITREE INNS**

Losses here were £331,000 worse than budget, as well as being £149,000 worse than last year as noted above. Our arrangements with Hall & Woodhouse have now been terminated by mutual consent and, as of 1 November 2000, a new system of management has been installed with pub management specialists Albion Pub Contracts. This new arrangement will give us considerably greater input into the running of these houses.

**HEAVITREE INC**

Despite plenty of encouraging noises from our agents, no further land sales appear imminent. A loss of £17,000 is due to ongoing land clearance and marketing costs, together with the usual professional and accountancy fees.

**PROPERTY**

During the year we disposed of the Gardeners Arms, Exeter and the Clarence Inn, Exmouth. Both pubs had seen better days and were sold de-licensed.

In June 2000, we purchased the locally renowned Old Rydon Inn, Kingsteignton. It has an excellent reputation for food and, in accordance with your Board's policy, further enhances the growing quality of the estate.

In continuation of this policy, the intention is to sell a further small number of houses in the current year.

**CURRENT YEAR**

The changes put in place for the problem houses and the managed ones cannot be expected to produce instant results and no dramatic improvement is being budgeted for the current year.

The necessity of honouring our commitments under the Company Pension Scheme is going to prove expensive over the next three or four years. We are taking advice as to the best way of honouring our commitments to existing employees whilst at the same time providing satisfactory pensions for new employees.

---

CHAIRMAN'S STATEMENT

**PERSONNEL**

My thanks go to all our Staff, Tenants and Managers for their continued efforts in what has been a year beset with problems.



W P TUCKER  
Chairman  
9 February 2001

---

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report for the year ended 31 October 2000.

**PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS DEVELOPMENTS, SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS**

The Group carries on the business of the operation of public houses.

The Chairman's Statement gives a review of business developments, subsequent events and future developments and therefore forms part of this report for the purposes of Section 234 of the Companies Act 1985.

**RESULTS AND DIVIDENDS**

The Directors submit the audited accounts for the year ended 31 October 2000. The profit for the year, after taxation, attributable to shareholders amounts to £1,205,000 (1999 - £1,447,000) and is dealt with as shown in the Group profit and loss account.

The Directors propose a final dividend of 5.25p per share on the Ordinary and 'A' Limited Voting Ordinary Shares. This together with the interim dividend of 3.5p per share makes a total of 8.75p per share (1999 - 8.75p) for the year. The fixed dividend of 11.5p per share was paid on the Preference Shares in the year.

**FIXED ASSETS**

The Directors' open market valuation for existing use basis of the portfolio of public houses at 31 October 2000 was £29m (1999 £28.4m).

**DIRECTORS**

The Directors of the Company during the year ended 31 October 2000 were those listed on page 3.

W P Tucker, L Wood and M S Evans are the Directors retiring by rotation under Article 14 and, being eligible, offer themselves for re-election.

**SHARE CAPITAL**

During the year the Company purchased 84,702 5p Ordinary Shares and 98,304 5p 'A' Limited Voting Ordinary Shares at a total cost of £566,954. The purchases accounted for 3% of the issued ordinary share capital. The Company considers that the purchase of these shares will be beneficial to shareholders generally.

**SPECIAL BUSINESS AT ANNUAL GENERAL MEETING**

The Directors seek the renewal, until the 2002 Annual General Meeting, of the authorities conferred upon the Company at the last Annual General Meeting to purchase its own shares. They will utilise these authorities if and when they consider it beneficial to shareholders generally to do so.

## DIRECTORS' REPORT

## DIRECTORS' INTERESTS

The interests of the Directors and their spouses in the Company's shares as at 31 October 2000 were as follows:

	<i>Ordinary Shares</i>		<i>'A' Limited Voting Ordinary Shares</i>	
	<i>31 October 2000</i>	<i>1 November 1999</i>	<i>31 October 2000</i>	<i>1 November 1999</i>
W P Tucker	390,557	390,557	75,480	75,480
L Wood	5,000	5,000	46,330	42,523
G J Crocker	57,392	57,392	183,741	180,478
N H P Tucker	768,258	768,258	386,385	386,385
Mrs S M Duncan	65,996	65,996	188,030	190,134
M S Evans	-	-	10,000	10,000
M C Pease-Watkin	17,064	17,064	103,383	103,383

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

- (a) W P Tucker's interest in 390,557 (1999 - 390,557) Ordinary Shares;
- (b) L Wood's interest in 17,894 (1999 - 16,651) 'A' Limited Voting Ordinary Shares;
- (c) G J Crocker's interest in 57,392 (1999 - 57,392) Ordinary Shares and 171,219 (1999 - 169,591) 'A' Limited Voting Ordinary Shares; and
- (d) N H P Tucker's interest in 111,142 (1999 - 111,142) Ordinary Shares and 307,000 (1999 - 307,000) 'A' Limited Voting Ordinary Shares.

Included in these interests are the following joint holdings:

- (a) 53,750 (1999 - 53,750) Ordinary Shares held jointly by W P Tucker and N H P Tucker;
- (b) 57,392 (1999 - 57,392) Ordinary Shares and 151,000 (1999 - 151,000) 'A' Limited Voting Ordinary Shares held jointly by G J Crocker and N H P Tucker;
- (c) 336,807 (1999 - 336,807) Ordinary Shares held jointly by W P Tucker and N H P Tucker, but in which only W P Tucker has a non beneficial interest; and
- (d) 24,908 (1999 - 22,849) 'A' Limited Voting Ordinary Shares held jointly by L Wood and G J Crocker.

## DIRECTORS' REPORT

**DIRECTORS' INTERESTS (continued)**

At 31 October 2000, the following Directors held options to subscribe 'A' Limited Voting Ordinary Shares of the Company:

	<i>2000</i>	<i>1999</i>
	<i>No.</i>	<i>No.</i>
L Wood	11,148	11,148
G J Crocker	10,828	10,828

During the period from the end of the financial year to 8 February 2001 the interests of the Directors were unchanged.

Service contracts exist for each of the executive Directors and contain a three-year notice period. Non-executive Directors have three-year contracts.

**SUBSTANTIAL INTERESTS**

At 31 October 2000 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:

	<i>Ordinary</i>	<i>'A' Limited Voting Ordinary</i>
P A Benett	135,380	270,740
Mrs B E Calrow	101,563	-
R A Duncan	65,996	188,030
R H Duncan	138,098	-
T P Duncan	136,790	125,237
Mrs T C Harley	78,010	178,205
N H Rowlinson	99,392	393,400
J E Pease-Watkin	89,621	184,514
Mrs E M A Pease-Watkin	130,205	-
J F H Pease-Watkin	130,205	-

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Group has made charitable donations during the year totalling £14,247.

**DISABLED PERSONS**

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for employees of the Group who become disabled to continue in their employment, or to be found other positions in the Group's employment.

DIRECTORS' REPORT

**SUPPLIER PAYMENT POLICY AND PRACTICE**

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

The number of days' purchases represented by trade creditors for the Company at 31 October 2000 is 32.

**AUDITORS**

A Resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



G J CROCKER  
Secretary  
9 February 2001

## TEN YEAR REVIEW OF PROFITS AND DIVIDENDS

<i>Year ended 31 October</i>	<i>Profit before tax £000</i>	<i>Earnings per 5p share (note 11) p</i>	<i>Dividends per 5p share p</i>
1991	910	8.0	3.05
1992	496	3.3	3.05
1993	1,319	11.2	3.60
1994	1,384	12.3	4.50
1995	1,718	16.1	5.75
1996	1,867	18.9	7.00
1997	1,870	19.0	7.50
1998	2,213	25.4	8.50
1999	2,004	24.2	8.75
2000	1,623	20.4	8.75

## Notes

1. Pre-tax profits and earnings per share for the seven years ended 31 October 1997 have not been amended for any increase in profits arising from the 1999 adjustment to restate freehold property to historical cost. The 1998 figures have been restated for this adjustment.
2. From 1998 onwards the earnings per share figures are both basic and diluted.

---

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF THE HEAVITREE BREWERY PLC**

We have audited the accounts on pages 15 to 36, which have been prepared under the historical cost convention as modified by the revaluation of the US subsidiary and on the basis of the accounting policies set out on pages 20 and 21.

**Respective responsibilities of directors and auditors**

The Directors are responsible for preparing the Annual Report. As described on page 13, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

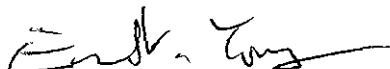
**Basis of audit opinion**

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

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

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 October 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
Exeter  
9 February 2001

**GROUP PROFIT AND LOSS ACCOUNT**  
for the year ended 31 October 2000

	<i>Notes</i>	<i>2000</i> £000	<i>1999</i> £000
<b>TURNOVER</b>	2	9,867	9,941
Change in stocks and finished goods		12	(31)
		<u>9,879</u>	<u>9,910</u>
Other operating income	3	40	37
		<u>9,919</u>	<u>9,947</u>
Purchase of stock		4,132	4,100
		<u>5,787</u>	<u>5,847</u>
Staff costs	5	2,105	1,742
Depreciation of tangible fixed assets		325	279
Other operating charges		1,849	1,727
		<u>4,279</u>	<u>3,748</u>
<b>OPERATING PROFIT</b>	4	1,508	2,099
Profit on sale of fixed assets		251	2
Income from other fixed asset investments		45	14
		<u>1,804</u>	<u>2,115</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		1,804	2,115
Other interest receivable	6	11	16
Interest payable	7	(192)	(127)
		<u>1,623</u>	<u>2,004</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	1,623	2,004
Taxation on profit on ordinary activities	9	(418)	(557)
		<u>1,205</u>	<u>1,447</u>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		1,205	1,447
Dividends - equity and non-equity	10	(521)	(525)
		<u>684</u>	<u>922</u>
<b>PROFIT RETAINED FOR THE FINANCIAL YEAR</b>	22	684	922
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	11	20.4p	24.2p

Movements on reserves are set out in note 22.

The notes on pages 20 to 36 form part of the Accounts.

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 October 2000

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Profit attributable to shareholders	1,205	1,447
Exchange difference on retranslation of net assets of subsidiary undertaking	68	11
Total gains and losses recognised since last report and accounts	<u>1,273</u>	<u>1,458</u>

**RECONCILIATION OF SHAREHOLDERS' FUNDS**

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Total recognised gains and losses relating to the year	1,273	1,458
Dividends	(521)	(525)
Other movements - purchase of own shares	(567)	-
Total movement during the year	<u>185</u>	<u>933</u>
Shareholders' funds at 1 November	6,943	6,010
Shareholders' funds at 31 October	<u>7,128</u>	<u>6,943</u>

## GROUP BALANCE SHEET

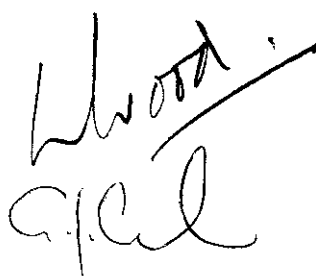
at 31 October 2000

	<i>Notes</i>	<i>2000</i> £000	<i>1999</i> £000
<b>FIXED ASSETS</b>			
Tangible assets	12	10,982	10,020
Investments	13	499	477
		<u>11,481</u>	<u>10,497</u>
<b>CURRENT ASSETS</b>			
Stocks	14	91	79
Debtors	15	1,096	1,005
Cash at bank and in hand		308	400
		<u>1,495</u>	<u>1,484</u>
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(5,387)</u>	<u>(4,628)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(3,892)</u>	<u>(3,144)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,589</u>	<u>7,353</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	(262)	(240)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	20	(199)	(170)
		<u>7,128</u>	<u>6,943</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	310	319
Capital redemption reserve	22	639	630
Other reserves	22	128	60
Profit and loss account	22	6,051	5,934
		<u>7,128</u>	<u>6,943</u>
Attributable to non-equity interests		12	12
Attributable to equity interests		<u>7,116</u>	<u>6,931</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>7,128</u>	<u>6,943</u>

The notes on pages 20 to 36 form part of the Accounts.

On behalf of the Board

L WOOD )  
 G J CROCKER ) Directors  
 9 February 2001



## COMPANY BALANCE SHEET

at 31 October 2000

	Notes	2000 £000	1999 £000
<b>FIXED ASSETS</b>			
Tangible assets	12	10,026	9,141
Investments	13	1,073	1,000
		<u>11,099</u>	<u>10,141</u>
<b>CURRENT ASSETS</b>			
Stocks	14	4	5
Debtors	15	1,383	1,165
Cash at bank and in hand		37	5
		<u>1,424</u>	<u>1,175</u>
<b>CREDITORS: amounts falling due within one year</b>	18	(5,080)	(4,297)
<b>NET CURRENT LIABILITIES</b>		<u>(3,656)</u>	<u>(3,122)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,443</u>	<u>7,019</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	(262)	(240)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	20	(143)	(118)
		<u>7,038</u>	<u>6,661</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	310	319
Capital redemption reserve	22	639	630
Profit and loss account	22	6,089	5,712
		<u>7,038</u>	<u>6,661</u>
Attributable to non-equity interests		12	12
Attributable to equity interests		7,026	6,649
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>7,038</u>	<u>6,661</u>

The notes on pages 20 to 36 form part of the Accounts.

On behalf of the Board

L WOOD            )  
 G J CROCKER    ) Directors  
 9 February 2001

*L. Wood.*  
*G. J. Crocker*

**GROUP STATEMENT OF CASHFLOWS**  
for the year ended 31 October 2000

	<i>Notes</i>	<i>2000</i> £000	<i>1999</i> £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	4(b)	<u>1,884</u>	<u>2,350</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid		(182)	(127)
Interest received		45	16
Dividends received		10	6
Preference dividend paid		(1)	(1)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>(128)</u>	<u>(106)</u>
<b>TAXATION</b>			
Corporation tax paid		(576)	(560)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(1,472)	(1,523)
Cash flows in respect of loans		-	6
Receipts from sales of fixed assets		497	264
Purchase of investments		(417)	(190)
Receipts from repayment of fixed asset investments		401	-
		<u>(991)</u>	<u>(1,443)</u>
<b>EQUITY DIVIDENDS PAID</b>		<u>(526)</u>	<u>(515)</u>
<b>FINANCING</b>			
Purchase of own shares		(567)	-
Repayment of short term borrowings	16	(34)	(35)
<b>DECREASE IN CASH</b>	16	<u>(938)</u>	<u>(309)</u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

1 ACCOUNTING POLICIES

*Accounting convention*

The accounts are prepared under the historical cost convention, as modified by the revaluation of the Company's investment in its US subsidiary, and in accordance with applicable accounting standards.

*Basis of consolidation*

The Group accounts incorporate the accounts of the Company and its subsidiary undertakings for the year ended 31 October 2000.

In accordance with Urgent Issues Task Force Abstract 13 Accounting for Employee Share Option Plan Trusts the Company has consolidated certain assets and liabilities of the Employee Share Option Scheme from the year ended 31 October 1998 and The Heavitree Brewery PLC Employee Benefits Trust from 31 October 1999.

*Stocks*

Stocks have been consistently valued at the lower of cost and net realisable value. Purchase cost is calculated on a first-in, first-out basis.

*Deferred taxation*

Provision is made for deferred taxation, using the liability method, on short term timing differences and all other timing differences to the extent that it is probable that the liability will crystallise.

*Tangible fixed assets*

All assets are recorded at cost.

*Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Licensed properties	-	2%
Vehicles	-	25%
Office equipment	-	20%
Fixtures and fittings	-	10% to 20%
Computer equipment	-	30%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

*Foreign currency translation*

On consolidation, the accounts of the overseas subsidiary undertaking are translated at the year end rate of exchange. Exchange differences arising on consolidation are dealt with in other reserves.

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

**1 ACCOUNTING POLICIES (continued)**

*Pension scheme*

The Company operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Heavitree Inns Limited operates an employer-sponsored personal pension arrangement. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

*Post Retirement Benefits other than Pensions*

The Company provides optional additional post-retirement benefits to retired employees. The benefits, which are entirely discretionary, are reviewed on an annual basis and charged to the profit and loss account during the year.

*Leasing income*

Any rental received in respect of operating leases are recognised in the profit and loss account on a straight line basis over the lease term.

*Investment in subsidiary*

The Company's investment in its US subsidiary is revalued annually to take account of movements in exchange rates and in its underlying net assets.

**2 TURNOVER**

Turnover is shown exclusive of VAT and comprises the invoiced value of beers, wines, spirits, ciders and minerals supplied by the Group to tenants, together with gaming machine revenue. It also includes rents from licensed properties totalling £2,031,000 (1999 - £2,112,000) together with managed houses retail sales and accommodation receipts of £3,403,000 (1999 - £3,421,000). All turnover is derived from the United Kingdom.

**3 OTHER OPERATING INCOME**

	2000	1999
	£000	£000
Rents from unlicensed properties	40	37
	<u>          </u>	<u>          </u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

4 OPERATING PROFIT

(a) This is stated after charging:

	2000	1999
	£000	£000
Auditors' remuneration - audit services †	30	30
- non-audit services	19	16
Depreciation of owned fixed assets	325	279
Repairs and maintenance of properties	714	657
	<u>714</u>	<u>657</u>

† £25,000 (1999 - £25,000) of this relates to the Company

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	2000	1999
	£000	£000
Operating profit	1,508	2,099
Depreciation	325	279
(Increase)/decrease in stocks	(12)	30
Increase in operating debtors	(91)	(89)
Increase in operating creditors	154	31
	<u>1,884</u>	<u>2,350</u>

(c) Directors' remuneration

	2000	1999
	£000	£000
Fees	72	64
Other emoluments:		
salaries	172	161
performance-related bonuses	24	28
benefits	33	33
	<u>301</u>	<u>286</u>

	2000	1999
	No	No
Members of defined benefit pension scheme	5	5
	<u>5</u>	<u>5</u>



NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

**4 OPERATING PROFIT (continued)**

The performance-related bonuses comprise payments under the Company's profit related pay scheme or an equivalent amount for those Directors who are not eligible to join the scheme and is dependent upon the level of profits in the year.

The emoluments of the highest paid Director totalled £88,455 (1999 - £82,021).

The highest paid Director has an accrued pension entitlement of £60,069 (1999 - £53,841) as at 31 October 2000.

**5 STAFF COSTS**

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	1,652	1,420
Social security costs	120	107
Other pension costs	333	215
	<u>2,105</u>	<u>1,742</u>

Staff costs include Directors' salaries, social security and pension costs as detailed in Note 4(c).

	<i>No.</i>	<i>No.</i>
Average monthly number of employees	<u>168</u>	<u>158</u>

**6 OTHER INTEREST RECEIVABLE**

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Loan interest receivable	9	11
Other interest	2	5
	<u>11</u>	<u>16</u>

**7 INTEREST PAYABLE**

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Bank interest on loans and overdrafts	183	117
Other interest	9	10
	<u>192</u>	<u>127</u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

**8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

All the profit on ordinary activities is derived from the wholesaling and retailing of beers, wines, spirits, ciders, minerals and food sales, and the administration of owned public houses in the United Kingdom, with the exception of the profit or loss from the US subsidiary as detailed below. The profit, before taxation, from Group undertakings is as follows:

	2000	1999
	£000	£000
UK:		
The Heavitree Brewery PLC	1,829	2,074
Heavitree Inns Limited	(189)	(40)
USA:		
Heavitree Inc	(17)	(30)
	<u>1,623</u>	<u>2,004</u>

The net assets attributable to Heavitree Inc are £573,000 (1999 - £522,000).

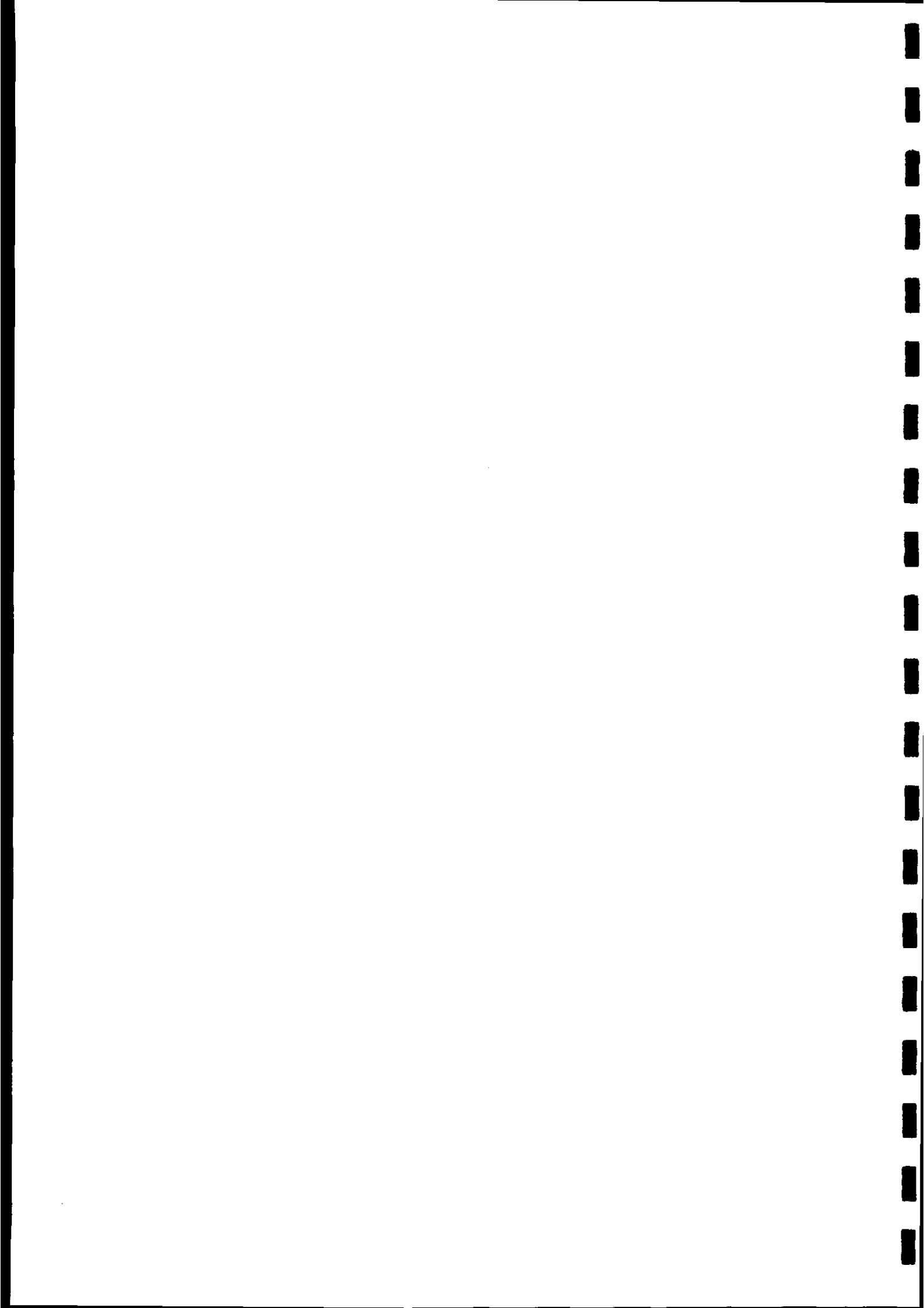
**9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2000	1999
	£000	£000
Corporation tax	421	600
Prior year adjustments	(32)	(61)
	<u>389</u>	<u>539</u>
Deferred tax movement	29	18
	<u>418</u>	<u>557</u>

There was no tax effect in the profit and loss account relating to the sale of fixed assets recognised below operating profit in both years.

**10 DIVIDENDS**

	2000	1999
	£000	£000
Non-equity interests:		
£1 11.5% Preference	1	1
Equity interests:		
Interim 3.5p per Ordinary and 'A' Limited Voting		
Ordinary share (1999 - 3.5p)	214	214
Proposed final 5.25p per Ordinary and 'A' Limited Voting		
Ordinary share (1999 - 5.25p)	313	322
Less dividends on shares held within employee share schemes	(7)	(12)
	<u>520</u>	<u>524</u>
	<u>521</u>	<u>525</u>



NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

**11 BASIC AND DILUTED EARNINGS PER SHARE**

The calculation of basic earnings per ordinary share is based on earnings of £1,204,000 (1999 - £1,446,000), being profit after taxation for the year of £1,205,000 (1999 - £1,447,000) less preference dividends of £1,000 (1999 - £1,000), and on 5,914,346 (1999 - 5,975,401) shares being the weighted average number of Ordinary and 'A' Limited Voting Ordinary Shares in issue during the year after excluding the shares owned by The Heavitree Brewery PLC Employee Benefits Trust and those shares under option pursuant to the Employee Share Option Scheme.

The diluted earnings per share is equal to the basic earnings per share because the share options within the Employee Share Option Scheme are considered to be non-dilutive potential ordinary shares.

The Ordinary Shares and the 'A' Limited Voting Ordinary Shares have equal dividend rights and therefore no separate calculation of earnings per share for the different classes has been given.

**12 TANGIBLE FIXED ASSETS**

<i>Group</i>	<i>Freehold land and buildings and fixtures and fittings £000</i>	<i>Equipment and vehicles £000</i>	<i>Total £000</i>
Cost and valuation:			
At 1 November 1999	11,247	282	11,529
Exchange adjustment	61	0	61
Additions	1,327	145	1,472
Disposals	(237)	(91)	(328)
At 31 October 2000	12,398	336	12,734
Depreciation:			
At 1 November 1999	1,403	106	1,509
Provided during the year	249	76	325
Disposals	(30)	(52)	(82)
At 31 October 2000	1,622	130	1,752
Net book value			
At 31 October 2000	10,776	206	10,982
At 31 October 1999	9,844	176	10,020

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

## 12 TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Freehold land and buildings and fixtures and fittings £000</i>	<i>Equipment and vehicles £000</i>	<i>Total £000</i>
Cost and valuation:			
At 1 November 1999	9,636	282	9,918
Additions	1,180	145	1,325
Disposals	(162)	(91)	(253)
At 31 October 2000	<u>10,654</u>	<u>336</u>	<u>10,990</u>
Depreciation:			
At 1 November 1999	671	106	777
Provided during the year	178	76	254
Disposals	(15)	(52)	(67)
At 31 October 2000	<u>834</u>	<u>130</u>	<u>964</u>
Net book value:			
At 31 October 2000	<u>9,820</u>	<u>206</u>	<u>10,026</u>
At 31 October 1999	<u>8,965</u>	<u>176</u>	<u>9,141</u>

Included within freehold land and buildings for both the Group and Company is an aggregate cost of £98,000 relating to licensed property with short leases granted to tenants.

Future capital expenditure  
*Group and Company*

	<i>2000 £000</i>	<i>1999 £000</i>
Contracted	<u>50</u>	<u>30</u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

## 13 FIXED ASSET INVESTMENTS

<i>Group</i>	<i>Unlisted Investments £000</i>	<i>Other Loans £000</i>	<i>Own Shares £000</i>	<i>Total £000</i>	
Cost:					
At 1 November 1999	237	357	368	962	
Additions	100	-	323	423	
Disposals	(142)	(356)	(388)	(886)	
At 31 October 2000	195	1	303	499	
Amounts provided:					
At 1 November 1999	142	343	-	485	
Disposals	(142)	(343)	-	(485)	
At 31 October 2000	-	-	-	-	
Net book value:					
At 31 October 2000	195	1	303	499	
At 31 October 1999	95	14	368	477	
<i>Company</i>	<i>Subsidiary Undertakings £000</i>	<i>Unlisted Investments £000</i>	<i>Other Loans £000</i>	<i>Own Shares £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 November 1999	523	237	357	368	1,485
Revaluation	51	-	-	-	51
Additions	-	100	-	323	423
Disposals	-	(142)	(356)	(388)	(886)
At 31 October 2000	574	195	1	303	1,073
Amounts provided:					
At 1 November 1999	-	142	343	-	485
Disposals	-	(142)	(343)	-	(485)
At 31 October 2000	-	-	-	-	-
Net book value:					
At 31 October 2000	574	195	1	303	1,073
At 31 October 1999	523	95	14	368	1,000

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

**13 FIXED ASSETS INVESTMENTS (continued)**

Own shares represent shares held by The Heavitree Brewery PLC Employee Benefits Trust and under option pursuant to the Employee Share Option Scheme.

The Company's subsidiary undertakings are as follows:

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

Each subsidiary undertaking is directly owned by the Company.

**14 STOCKS**

	<i>Group</i>		<i>Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fine wines	4	5	4	5
Stocks in managed houses	87	74	-	-
	<u>91</u>	<u>79</u>	<u>4</u>	<u>5</u>

**15 DEBTORS**

	<i>Group</i>		<i>Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Due within one year:				
Trade debtors	985	837	1,097	913
Amounts owed by subsidiary company	-	-	227	152
Other debtors	11	40	6	37
Prepayments and accrued income	100	128	53	63
	<u>1,096</u>	<u>1,005</u>	<u>1,383</u>	<u>1,165</u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 17)

	<i>Group</i>	
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Decrease in cash in the year	(938)	(309)
Cashflow on loans from directors (note 24)	34	35
	<u>(904)</u>	<u>(274)</u>
Net debt at 1 November	(2,409)	(2,135)
Net debt at 31 October	<u>(3,313)</u>	<u>(2,409)</u>

17 ANALYSIS OF CHANGES IN NET DEBT

	<i>Group</i>		
	<i>2000</i>	<i>Cashflows</i>	<i>1999</i>
	<i>£000</i>	<i>in year</i>	<i>£000</i>
		<i>£000</i>	
Cash	308	(92)	400
Overdraft	(3,620)	(846)	(2,774)
Loans from directors	(1)	34	(35)
	<u>(3,313)</u>	<u>(904)</u>	<u>(2,409)</u>

18 CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdrafts (unsecured)	3,620	2,774	3,620	2,774
Trade creditors	535	598	394	418
Other taxation and social security	136	114	22	20
Other creditors	99	194	80	167
Accruals	423	180	390	149
Proposed dividend	311	317	311	317
Corporation tax	263	451	263	452
	<u>5,387</u>	<u>4,628</u>	<u>5,080</u>	<u>4,297</u>

19 CREDITORS: amounts falling due after more than one year

	<i>Group and Company</i>	
	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Tenants' and managers' deposits	<u>262</u>	<u>240</u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

## 20 DEFERRED TAXATION

<i>Provided</i>	<i>Group</i> £000	<i>Company</i> £000
At 1 November 1999	170	118
Arising during the year	29	25
At 31 October 2000	<u>199</u>	<u>143</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided</i>		<i>Not provided</i>	
	2000 £000	1999 £000	2000 £000	1999 £000
Capital allowances in advance of depreciation	<u>199</u>	<u>170</u>	<u>-</u>	<u>-</u>

<i>Company</i>	<i>Provided</i>		<i>Not provided</i>	
	2000 £000	1999 £000	2000 £000	1999 £000
Capital allowances in advance of depreciation	<u>143</u>	<u>118</u>	<u>-</u>	<u>-</u>

## 21 SHARE CAPITAL

<i>Authorised</i>	2000 £	1999 £
Non-equity interests:		
11.5% Cumulative Preference Shares of £1 each	<u>11,695</u>	<u>11,695</u>
Equity interests:		
Ordinary Shares of 5p each	108,813	113,048
'A' Limited Voting Ordinary Shares of 5p each	189,703	194,618
Unclassified Shares of 5p each	889,789	880,639
	<u>1,188,305</u>	<u>1,188,305</u>
	<u>1,200,000</u>	<u>1,200,000</u>

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

## 21 SHARE CAPITAL (continued)

	2000	1999	2000	1999
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Non-equity interests:				
11.5% Cumulative Preference Shares of £1 each	11,695	11,695	11,695	11,695
Equity interests:				
Ordinary Shares of 5p each	2,176,262	2,260,964	108,813	113,048
'A' Limited Voting Ordinary Shares of 5p each	3,794,061	3,892,365	189,703	194,618
			298,516	307,666
			310,211	319,361

During the year the company purchased 84,702 (1999 – Nil) 5p Ordinary Shares at a cost of £282,000 and 98,304 (1999 – Nil) 5p 'A' Limited Voting Ordinary Shares at a cost of £280,000 under an authority granted at an Extraordinary General Meeting held on 13 June 1985 and renewed at the Annual General Meeting in 2000.

The 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 Preference Shares do not normally carry voting rights.

The Ordinary Shares and 'A' Limited Voting Ordinary Shares are entitled equally to dividends, and rank equally on a winding up, after the 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.

## 22 RESERVES

<i>Group</i>	<i>Capital redemption reserve</i>	<i>Other reserves</i>	<i>Profit and loss account</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 October 1999	630	60	5,934
Arising on purchase of own shares	9	-	(567)
Exchange differences on retranslation of net assets of subsidiary undertaking	-	68	-
Retained profit for year	-	-	684
At 31 October 2000	639	128	6,051

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

## 22 RESERVES (continued)

<i>Company</i>	<i>Capital Redemption reserve £000</i>	<i>Profit and loss account £000</i>
At 31 October 1999	630	5,712
Arising on purchase of own shares	9	(567)
Retained profit for year	-	944
At 31 October 2000	<u>639</u>	<u>6,089</u>

In accordance with the exemption allowed by Section 230(3) of the Companies Act 1985 the Company has not separately presented its own profit and loss account. The profit for the financial year dealt with in the accounts of the Company was £1,465,000 (1999 - £1,490,000). This includes sales to group undertakings of £890,000 (1999 - £982,000).

Included in the Group and Company profit and loss account are reserves of £153,508 (1999 - £23,070) which belong to The Heavitree Brewery PLC Employee Benefits Trust.

## 23 PENSION SCHEME

The Company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the Company, this fund being administered by Eagle Star Life Assurance Company Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations by discounting projected future income and benefits using the projected unit method modified by the use of a control period of 20 years. The most recent valuation was at 1 January 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 7% per annum, pre retirement, and 6% per annum, post retirement; that salary increases would average 5% per annum; and that pensions would increase at the rate of 5% per annum.

The pension charge for the year was £334,753 (1999 - £214,308). This includes £100,846 (1999 - £90,210) of optional pension payments paid directly to past employees by the Company.

The most recent actuarial valuation stated that the market value of the scheme's assets were £1,577,000 and would be sufficient to cover 59% of the liabilities arising. This amounts to a deficit of £1,117,000. The deficit has arisen as a result of assumptions which were made at the time of the previous valuation not being fully borne out by subsequent experience. The actuary has recommended that the Company eliminate the deficit by making contributions of 71.5% of pensionable earnings for 34 months followed by contributions of 41.4% for 48 months. After that the standard contribution would be 26.2% of pensionable earnings. The average remaining service life of employees is thirteen years.

The spreading of the contributions results in an accrual of £91,232 (1999 - £nil).

The subsidiary company, Heavitree Inns Limited, operates an employer-sponsored personal pension arrangement. The assets of the arrangement are held separately from those of the subsidiary in an independently administered fund. The pension charge for the period was £1,268 (1999 - £1,334).

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

**24 PARTICULARS OF TRANSACTIONS INVOLVING DIRECTORS**

One Director has made a loan to the Company. It is repayable on demand and carries an interest rate of ¾% over the base rate.

	2000	<i>Movement</i> in year	1999
	£000	£000	£000
W P Tucker	1	(34)	35

The balance is included in creditors falling due within one year. There were no other transactions during the year which require disclosure under Part II of Schedule 6 to the Companies Act 1985.

**25 EMPLOYEE SHARE OPTION SCHEME**

In 1998, the Company set up a discretionary Employee Share Option Scheme. The scheme was approved by the Inland Revenue on 24 July 1998. The value of shares over which options are granted is limited to £30,000 per employee. The scheme's rules allow that qualifying employees may exercise their options between the third and tenth anniversary of the option being granted.

On 21 August 1998, options were granted under the scheme over 62,301 'A' Limited Voting Ordinary Shares with an exercise price of £2.85. These shares had an aggregate nominal amount of £3,115. The mid-market value was £2.85 per share at 31 October 2000 giving a total market value of £177,558 for the shares under option.

The Heavitree Brewery PLC Employee Benefits Trust is a vehicle set up for the benefit of the employees. The Trust will terminate on 31 October 2062. If any funds remain on the termination date, the funds will be distributed equally between the employees on that date. Any distribution to the employees of the Trust funds before the termination date is at the discretion of the Trustees.

All the costs and expenses of the Trust are borne by the company and expensed within the profit and loss account. The shares within the Trust received dividends during the year and, at 31 October 2000, the Trust held the following shares which are not under option to the employees:

	<i>Number</i>	<i>Nominal</i> <i>Amount</i>	<i>Market</i> <i>Value</i>
		£	£'000
5p Ordinary Shares	16,740	837	54,405
5p 'A' Limited Voting Ordinary Shares	25,393	1,270	72,370

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

26 FINANCIAL INSTRUMENTS AND DERIVATIVES

The Group's principal financial instruments comprise bank overdrafts, cash, 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 debtors and trade creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk and structural foreign exchange risk. The board reviews and agrees the policies for managing each of these risks and they are summarised below. These policies have remained unchanged over the two reported years. The Group does not have any derivative financial instruments nor does it undertake any hedging.

*Interest rate risk*

The Group operates with borrowings denominated in sterling. Interest is paid on these borrowings at a floating rate.

*Foreign currency risk*

As a result of the investment in operations in the United States, 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.

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

*Short term debtors and creditors*

Short term debtors and creditors have been excluded from the numerical disclosures below.

*Interest rate risk profile of financial liabilities*

The interest rate profile of the financial liabilities of the Group as at 31 October was as follows:

	<i>Floating rate financial liabilities</i>	<i>Financial liabilities on which no interest is paid</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
2000			
Sterling	3,882	-	3,882
	=====	=====	=====
1999			
Sterling	3,014	-	3,014
	=====	=====	=====

The floating rate is based on the base rate. The floating rate financial liabilities consist of both the overdraft and the tenants' deposits.

All the financial liabilities mature within one year with the exception of the tenants' deposits of £262,000 (1999 - £240,000) which mature when the tenant leaves or if trading terms are altered.

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

26 FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

*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 The London Stock Exchange and have no fixed maturity date.

*Interest rate risk profile of financial assets*

The interest rate risk profile of the financial assets of the Group as at 31 October was as follows:

	<i>Fixed rate financial assets £000</i>	<i>Floating rate financial assets £000</i>	<i>Financial assets on which no interest is earned £000</i>	<i>Total £000</i>
2000				
Sterling	-	283	195	478
Dollar	-	26	-	26
	-	309	195	504
1999				
Sterling	29	361	95	485
Dollar	-	53	-	53
	29	414	95	538

The assets attracting a fixed rate of interest achieve a return of 12% per annum and this rate is fixed for the duration of the loan which matured on 1 January 2000.

The assets attracting a floating rate of interest have their return based on the base rate.

The assets attracting no interest are equity investments, having no fixed date of maturity which can be converted into cash after approval of the Board.

NOTES TO THE ACCOUNTS  
for the year ended 31 October 2000

26 FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

*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:

	<i>Book value 2000 £000</i>	<i>Fair value 2000 £000</i>	<i>Book value 1999 £000</i>	<i>Fair value 1999 £000</i>
Financial assets:				
Unlisted fixed asset investments	195	342	95	238
Fixed asset loans	1	1	14	14
Current asset loan	-	-	29	29
Cash	308	308	400	400
	<u>504</u>	<u>651</u>	<u>538</u>	<u>681</u>
Financial liabilities:				
Overdraft	(3,620)	(3,620)	(2,774)	(2,774)
Long term liabilities	(262)	(262)	(240)	(240)
Non equity shares	(12)	(12)	(12)	(12)
	<u>(3,894)</u>	<u>(3,894)</u>	<u>(3,026)</u>	<u>(3,026)</u>

