

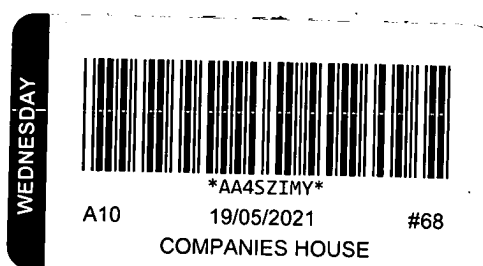
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Registered No 30800

The Heavitree Brewery PLC

Financial Statements

31 October 2020



Annual report and financial statements

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Directors

N H P Tucker Chairman
G J Crocker Managing and Finance
T Wheatley Trade
W P Tucker * (resigned 1 August 2020)
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 & Hamlin
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 First Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 15 April 2021 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 2020 and the strategic report and the report of the Directors thereon.
2. To re-elect G J Crocker as a Director of the Company.
3. To re-elect K Pease-Watkin 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 Resolutions.

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 2022 (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 authority conferred upon the Directors by Article 3.3 of the Company's Articles of Association (authority to allot, and to make offers or agreements to allot, relevant securities) be hereby extended for the five-year period ending on the date of the Company's Annual General Meeting in 2026 (or, if earlier, on 14 April 2026): AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £87,953.

Notice of annual general meeting

- 8 THAT the power conferred upon the directors by Article 3.4 of the Company's Articles of Association (power to allot, or make offers or agreements to allot, equity securities as if Section 561 of the Companies Act 2006 did not apply to any such allotment) be hereby renewed for the five-year period ending on the date of the Company's Annual General Meeting in 2026 (or, if earlier, on 14 April 2026): PROVIDED THAT the aggregate nominal amount of equity securities allotted or agreed to be allotted wholly for cash during such period (otherwise than in connection with a rights issue) shall not exceed £13,192.

By Order of the Board

N J MCLEAN
Secretary
12 March 2021



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

At the half-year I reported a 61% reduction in operating profit as the fallout from the restrictions in trading and the first lockdown started to impact our financial results. That impact has been felt over the second half of the year under review with a significant decrease in turnover, and obviously it will be felt moving into the next financial year as the Company continues to support all our tenants and leaseholders with rent concessions to help them to endure long periods of tier restrictions and full lockdowns. Although the summer months allowed some level of trade the Board was under no illusions that a possible second wave of infection would inevitably bring further restrictions on the sector and we would need to do all that we could to support our pubs. At the time of writing, it is now obvious that our concerns during the summer have become the reality.

The consequence is that turnover for the year under review has decreased by 33.32% from the previous year to £5,019,000. In turn, the Group has returned an operating profit of £539,000, a decrease of 70.69% on the previous year. The operating profit has been distorted by the IFRS 16 Lease Accounting calculation which has been applied to the rent concessions given to our tenants. The accounting standards setters consider these waivers, rather peculiarly, to be 'incentives' and as a result the total rent over the full term of the tenancy has to be apportioned. Accordingly, we are required to recognise a write back of rents totalling £333,000, money which we have not actually received or even charged during the period. This has also attracted a corporation tax charge of £63,000.

The Group results are also affected by an impairment cost of £279,000 relating to the Lysley Arms in Pewsham and the George and Dragon in Dartmouth.

DIVIDEND

The Directors do not recommend the payment of a dividend at the year-end. When trading is back on a more even keel after restrictions are eased, the Board will be able to review future dividends.

SALE OF PROPERTY

I reported at the half-year that a small parcel of land had been sold in Christow realising a book profit of £15,000. Further sales were achieved in the second half of the year. Two further parcels of land, one in Strete and the other adjacent to our Kings Arms in Kingsteignton were sold realising book profits of £15,156 and £56,244 respectively. Also, an outbuilding adjacent to the Sandygate Inn near Newton Abbot was sold realising £60,738. Finally, the Bell Inn in Cullompton was sold realising £178,507.

After the end of the financial year, sales have been completed at The Maltster's Arms and the adjacent Bridge House in Harbertonford. These properties were held for sale throughout the year under review. Further properties are the subject of offers and/or are being marketed for sale and I shall report further on these at the half-year.

Strategic report

Chairman's statement

W P TUCKER

After a period of ill health which started at the end of 2019 and which made it difficult for him to attend Board meetings, my father Bill Tucker offered to resign from the Board in August. With obvious mixed feelings I accepted his resignation. He joined the Company in 1954 and was appointed to the Board in 1955. He became Managing Director in 1970 and oversaw, in the same year, the ceasing of our brewing operations. In 1974 he took over as Chairman from my Grandfather and, from then, he was instrumental in shaping the future of the Company as an operator of an estate of quality pubs. He remains a shareholder with a keen interest in the Company, our pubs and especially our people. His wealth of knowledge about our business will always be only a phone call away. I am sure you all will want to join me in wishing him the happiest of (full) retirements.

PROSPECTS

In this third lockdown the strain on our hospitals and health system is being reported daily with harrowing and distressing images. This is in spite of the restrictions to our normal daily lives that we have been and are currently living under. Confronting this health crisis in the best way possible has also placed an incredible stress on the hospitality sector. The situation remains fluid; there is hope following the fast rollout of the vaccination programme but also concerns about the various variant strains of Covid-19 that are appearing around the world. With this backdrop, I am proud and grateful for the resilience and patience shown by our landlords and landladies and of the determination and morale shown by every one of our staff at head office. It is a commendable achievement that since March 2020 we have had only three vacancies to fill. One now has new tenants and the other two have approved interested parties working with our tenancy team to formalise agreements. We have continued to attract good candidates even while the industry is unable to trade.

Even though our cashflow forecasts have shown that we are able to trade within our banking facility, I am most grateful for the understanding shown by Barclays Bank. The bank has formally agreed to waive the testing of our banking covenants until April 2022. As referred to in the Strategic Review, we have accelerated our programme of selling non-core assets to keep us well within our facility.

Since the first lockdown in March of last year, the one constant our tenants and leaseholders have been able to rely on is the consistent support from this Company. We have cancelled rents during the lockdown periods and made fair concessions during the incredibly difficult trading environment that arose with the tier systems. The detail of this was reported in our trading update released to the Stock Exchange on 22 December 2020. The Board are also determined to look after our head office staff and to use the Government's Job Retention Scheme to help us retain and protect all jobs. We continue to conserve cash within the business and I feel the Company is as best placed as it can be to resume trading when permitted.



N H P TUCKER
Chairman
15 February 2021

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 66 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 at maintaining our business model. While we had a good start in the first couple of months of the financial year with management results showing us to be 9.9% above our budget and 8.6% above last year on operating profit, our half year results showed the impact of the March and April trading loss and rent concessions being down 23% on revenue at the end of April 2020 and 61% down on operating profit.

The continued lockdowns and tier restrictions through the year for significant periods in order to combat the spread of the virus has resulted in further material differences in the second half of the financial year, although this has been mitigated by slightly better than expected trading over the summer months. Group revenue for the year was £5,019,000, down on last year by 33.32% (£2,509,000). The operating profit for the year was £539,000, down on last year by 70.69% (£1,300,000). The reduction in turnover in the year has come from rental income being down 39% as a result of the concessions which have been given to the Tenants and a reduction of 33% in the wet trade, however the impact on the cash receipts has been greater.

The combined result of sales of non-current assets and assets held for sale realised a profit before tax of £293,000 (2019: £185,000). Further information on the assets sold can be found in the Chairman's Statement on pages 6-7 of the strategic review. 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 for the year.

During the year the Group renewed its banking facilities for a further five years, the renewal of facilities meant that the Group now has a reduced term loan of £4.5m from £6m rolling credit, with an overdraft of £2.5m currently extended due to the pandemic to £3m. This can be seen on the balance sheet as a reduction in the current liabilities within the year. The property review which has been carried out this year has resulted in two property impairments which total £279,000. These were not a direct result of the Covid-19 pandemic, they were due to changes in trading conditions.

As the Group runs a Tenanted and Leased Estate, limited direct Government assistance was available by way of support. The Group has therefore taken the decision not to take out any further borrowings but instead look at the selling of non-core assets in the new financial year, in order to maintain and improve its cash position for the long-term future of the Group. This will help us to preserve cash and combat the impact that the rental decisions 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.

Strategic report

Strategic review (continued)

In order to mitigate the 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 all of the available grants and support offered by the Government. Trade improved over the summer months and this went some way to reducing the impact of the pandemic on revenue for the Group. However, moving into the winter months and the Tier levels under which our tenants were trading proved difficult. We are continuing to help tenants with rental reductions, regular updates and contact with our Trade Director and Tenanted Operation Managers.

Since the year end with new lockdown measures introduced, the Group is continuing to support the Tenants with further concessions on rent. No rent has been charged in November 2020, with a 50% charge for December 2020 and no charge for January 2021. As we continue further into the New Year, we will continue to monitor and tightly control the business so that we may return to the strong financial position we started the 2019/20 financial year in.

For a further review of the business please see the Chairman's Statement on pages 6 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 year these measures have been reviewed and revised accordingly. The furlough of Head Office staff, pay reductions and the minimising of non-essential spending and no dividend payments have been put in place specifically to maintain the company's position. The rental concessions which we have given to Tenants have helped them manage their cash and in turn the settlement of their sales accounts. This has in turn helped to preserve and maintain the Company's cashflow.

- No rental charges from April through to the end of July with rental concessions from August to October 2020.
- Furlough of Head Office staff
- The Board taking a 20% pay reduction
- No ordinary dividend payments throughout the year
- Removal of all non-critical costs and the suspension of capital projects.

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 profit before Taxation of £539,000 was down 70.69 %.

Strategic report

Strategic review (continued)

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.

Interest costs were covered 3.88 times. (2019: 10.21 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 uncertain nature of the current Covid-19 pandemic the Directors have considered the Group's financial resources including a 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 and the gearing remains low. These forecasts include continued rent concessions for Tenants and factoring in a possible lockdown until the end of May 2021 and the tier restrictions still being in place over the summer trading months. The mitigation measures which were put in place in March 2020 and are detailed on page 9 are still in place in order to protect the cash position of the business and these have been incorporated into the forecasts for future cash positions. The forecast for capital receipts in 2021 include non-core asset sales of £2m. These forecasts leave the Group with headroom of over £1.1m on an overdraft facility of £3m. The Board has looked at the ability to sustain cashflow if lockdown continued into the summer and will continue to review cashflows as guidance from Government changes.

Since the year end, the Board also made the decision to accelerate the paying down of its current £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 has 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.

The Board has engaged with the bank regarding its current facilities and forward trading, this has included the securing of the overdraft facilities and the waiving of covenant testing until April 2022 along with the agreement on paying down of loan facilities. The bank is satisfied that the Group's forecasts and projections, which take account of 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 foreseeable future. With the value in the Estate being realised over time and with the support from the bank there are no material uncertainties. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Strategic report

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 is 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 is no anticipation for this to have a disruption in our supply chain. 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.

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 it has identified two properties resulting in an impairment of £279,000 being shown on the income statement. The Group carries out regular reviews of the property portfolio and is in regular contact with its debt provider.

Strategic report

Principal risks and uncertainties (continued)

General economic conditions

The Group carries out regular reviews of the economic and changing consumer spending patterns within its estate. 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 Groups 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 been in response to the Covid-19 pandemic. The Board has communicated all of its key decisions to shareholders at regular intervals 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. 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 moved through the year these measures have been reviewed and revised accordingly. The furlough of Head Office staff pay reductions and the minimising of non-essential spending and no dividend payments have been put in place specifically to maintain the Company's position. The rental concessions which we have given to Tenants have helped them manage their cash and in turn the settlement of their sales accounts. This has in turn helped to preserve and maintain the company's cashflow.

- No rental charges from April through to the end of July with rental concessions from August to October 2020.
- Furlough of Head Office staff
- The Board taking a 20% pay reduction
- No ordinary dividend payments throughout the year
- Removal of all non-critical costs and the suspension of capital projects.

Customers

During what has been a difficult and trying time for the hospitality industry we have and are continuing to send the Tenants regular newsletters giving them all of the Government guidance on claiming grant money, business rate exemptions etc. and all the required Covid-19 measures so that they remain compliant. The decisions which have been taken regarding rental concessions and help for the Tenants has been done 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 Manager. The decisions taken to give rental concessions was taken by the Board in order to assist in the retention of 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 three tenancy changes with only one being possibly Covid-19 related.

During normal trading the Board considers on a monthly basis in Board meetings any further support it can offer our tenants, for example this has included perfect pour training seminars and access to industry support through the Company's corporate BII membership.

Strategic report

Section 172 statement (continued)

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 current Covid-19 pandemic staff have worked from home where possible. When this has not been possible staff have been furloughed and rotas and flexible hours have been introduced along with strict Covid-19 measures in place to ensure the safety and wellbeing of our staff. 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 changes which have affected the business via emails and newsletter, this includes stock exchange announcements regarding concessions for our Tenants and Director pay cuts.

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. During the year we have enhanced our performance appraisal system and increased internal meetings with a view to improving communication and teamwork.

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 being published on our website along with stock exchange announcements. The Company responds to shareholder letters and queries individually when possible. 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.

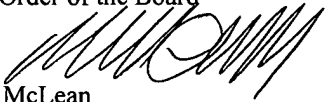
Government and regulators

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, during the current Covid-19 pandemic we have received 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 2021

Directors' report

The Directors have pleasure in submitting their report for the year ended 31 October 2020.

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £114,000 (2019: £1,531,000). The total comprehensive income for the year is £98,000 (2019: £1,527,000).

The Directors do not recommend a dividend per share (2019: 4.25p) on the Ordinary and 'A' Limited Voting Ordinary Shares. An interim dividend was not paid (2019: 3.675p). The fixed dividend of 11.5p per share was paid on the preference shares in the year.

Financial Instruments

As at 31 October 2020 the Group's total bank borrowings were £5,781,000 (2019: £6,054,000).

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 6 and 7.

Directors

The Directors of the Company during the year ended 31 October 2020 were those listed on page 2. W P Tucker resigned as a Director on 1 August 2020

G J Crocker and K Pease-Watkin 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 2020 were as follows:

	<i>Ordinary Shares</i>		<i>'A' Limited Voting Ordinary Shares</i>	
	<i>31 October 2020</i>	<i>31 October 2019</i>	<i>31 October 2020</i>	<i>31 October 2019</i>
W P Tucker	53,750	53,750	184,480	184,480
N H P Tucker	742,215	742,215	79,385	79,385
G J Crocker	-	-	52,289	43,853
T P Duncan	150,335	150,335	196,992	196,992
K Pease-Watkin	27,088	27,088	50,638	50,638
T Wheatley	-	-	66,859	59,656
C J Bush	-	-	2,223	2,223

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

(a) W P Tucker's interest in 53,750 (2019: 53,750) Ordinary Shares; and

(b) N H P Tucker's interest in 53,750 (2019: 53,750) Ordinary Shares.

Included in these interests are the following joint holdings:

(a) 53,750 (2019: 53,750) Ordinary Shares held jointly by W P Tucker and N H P Tucker.

In the case of W P Tucker's holdings these are up to the date of his resignation as a Director on 1 August 2020.

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 2020 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>	
	<i>Ordinary</i>	<i>Ordinary %</i>	<i>Ordinary</i>	<i>Ordinary %</i>
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 sets 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. During the year the code has been updated and 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.

Board of Directors

At 31 October 2020, 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. In order to assess the Board yearly appraisals are carried out for Directors.

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 Estates Director and is responsible for the Group's 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.

A full copy of the QCA Code is available from the QCA's website: www.theqca.com.

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 has now been appointed 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	9	9
G J Crocker	9	8
T Wheatley	9	9
T P Duncan	9	8
K Pease-Watkins	9	5
C J Bush	9	9

Shareholder Communication

The Company believes in good communication with shareholders and encourages shareholders to attend its Annual General Meeting.

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.

Directors' report

Corporate governance (*continued*)

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.

Directors' statement as to disclosure of information to auditor

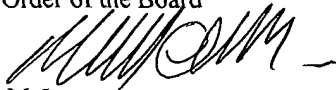
The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- 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 2021

Ten year review of profits and dividends

<i>Year ended 31 October</i>	<i>Operating profit £000</i>	<i>Profit before tax £000</i>	<i>Earnings per 5p share p</i>	<i>Dividends per 5p share p</i>
2011	1,408	1,232	16.4	7.0
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	-

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 EU. 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 EU 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 2020, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 company 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for at least twelve months from the date when the financial statements are authorised for issue.

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 during the first lockdown period between March and July 2020 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. There is continued uncertainty in the early months of 2021 over the extent and duration of the current lockdown restrictions. 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 1 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, including the extent of the current lockdown restrictions 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 waiver of covenant tests until April 2022;
- considered the level of headroom in bank facilities based on management's cash flow forecasts and the impact of changing assumptions particularly around the extent of current lockdown restrictions 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 £15.9m (2019: £16.7m). Given the age of the portfolio and the Group's policy of holding them at depreciated historical cost, many of the individual property carrying values are relatively low and therefore the risk of a material impairment in a moderate proportion of the estate is considered low. 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 assessment, as well as comparing their consideration of market value to relevant local market data and post year end sales values realised.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Risk: impairment of property (continued)

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 2021, 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 additional permanent impairment to the carrying value of the trading properties, other than the £279,000 charge recognised in the financial statements.

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.

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

Independent auditor's report

To the members of The Heavitree Brewery PLC

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.

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.

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.

Opinions on other matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditor's report

To the members of The Heavitree Brewery PLC

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [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 the 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.

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.

A further description of our responsibilities for the audit of the financial statements is located 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.

PKF Francis Clark

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 2021

Group income statement

For the year ended 31 October 2020

	<i>Notes</i>	<i>Total 2020 £'000</i>	<i>Total 2019 £'000</i>
Revenue	3	5,019	7,528
Change in stocks		-	-
Other operating income	5	317	302
Purchase of inventories		(2,065)	(3,100)
Staff costs	10	(1,310)	(1,385)
Depreciation of property, plant and equipment		(177)	(222)
Other operating charges		(1,245)	(1,284)
		<u>(4,480)</u>	<u>(5,689)</u>
Group operating profit	6	539	1,839
Profit on sale of property, plant and equipment	8	293	185
Impairment of fixed assets	16	(279)	-
Group profit before finance costs and taxation		<u>553</u>	<u>2,024</u>
Finance income		2	4
Finance costs	11	(141)	(184)
Other finance costs – pensions	29	-	-
		<u>(139)</u>	<u>(180)</u>
Profit before taxation		414	1,844
Tax expense	12a	(300)	(313)
Profit for the year attributable to equity holders of the parent		<u>114</u>	<u>1,531</u>
Basic earnings per share	13	<u>2.4p</u>	<u>32.0p</u>
Diluted earnings per share	13	<u>2.4p</u>	<u>32.0p</u>

Group statement of comprehensive income

for the year ended 31 October 2020

	Notes	2020 £'000	2019 £'000
Profit for the year		114	1,531
Items that will not be reclassified to profit or loss			
Fair value adjustment on investment in equity	27	(12)	(6)
Actuarial (losses) on defined benefit scheme on defined benefit pension plans	29	-	-
Tax relating to items that will not be reclassified	12a	-	-
		(12)	(6)
Items that may be reclassified to profit or loss			
Exchange rate differences on translation of subsidiary undertaking		(4)	2
		(4)	2
Other comprehensive income for the year, net of tax		98	1,527
Total comprehensive income attributable to:			
Equity holders of the parent		98	1,527

Group balance sheet

at 31 October 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment		16,615	17,692
Investment property		2,130	1,485
	16	18,745	19,177
Financial assets	18	30	41
Deferred tax asset	12c	16	16
		18,791	19,234
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,277	1,344
Cash and cash equivalents	21	49	51
		1,336	1,405
Assets held for sale	17	219	-
Total assets		20,346	20,639
Current liabilities			
Trade and other payables	22	(666)	(953)
Financial liabilities	23	(1,520)	(6,087)
Income tax payable		(237)	(231)
		(2,423)	(7,271)
Non-current liabilities			
Other payables	22	(274)	(284)
Financial liabilities	23	(4,322)	(37)
Deferred tax liabilities	12c	(536)	(394)
Defined benefit pension plan deficit	29	(92)	(92)
		(5,224)	(807)
Total liabilities		(7,647)	(8,078)
Net assets		12,699	12,561

Group balance sheet

at 31 October 2020

	Notes	2020 £'000	2019 £'000
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,522)	(1,562)
Fair value adjustments reserve	27	5	17
Currency translation	27	13	17
Retained earnings	27	13,266	13,152
Total equity		12,699	12,561

The notes on pages 40 to 73 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 15 February 2021 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 2020**

	<i>Equity share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Treasury shares £'000</i>	<i>Fair value adjustment reserve £'000</i>	<i>Currency translation £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
At 1 November 2018	264	673	(1,317)	23	15	11,997	11,655
Profit for the year	-	-	-	-	-	1,531	1,531
Other comprehensive income for the year, net of income tax	-	-	-	(6)	2	-	(4)
Total comprehensive income for the year	-	-	-	(6)	2	1,531	1,527
Consideration received by EBT on sale of shares	-	-	56	-	-	-	56
Consideration paid by EBT on purchase of shares	-	-	(298)	-	-	-	(298)
Loss by EBT on sale of shares	-	-	(3)	-	-	3	-
Equity dividends paid	-	-	-	-	-	(379)	(379)
At 31 October 2019	264	673	(1,562)	17	17	13,152	12,561

Group statement of changes in equity

for the year ended 31 October 2020

	<i>Equity share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Treasury shares £'000</i>	<i>Fair value adjustment reserve £'000</i>	<i>Currency translation £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
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

Details of the reserves can be found in note 27.

Group statement of cash flows

For the year ended 31 October 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
Profit for the year		114	1,531
Tax expense		301	313
Net finance costs		139	180
Profit on disposal of non-current assets and assets held for sale		(293)	(185)
Depreciation and impairment of property, plant and equipment		177	222
Exchange gain on cash, liquid resources and loans		-	-
Difference between pension contributions paid and amounts recognised in the income statement		-	52
Decrease in trade and other receivables		220	(72)
Decrease in trade and other payables		(274)	(145)
Impairment of fixed assets		279	-
Cash generated from operations		663	1,896
Income taxes paid		(151)	(97)
Interest paid		(141)	(184)
Net cash inflow from operating activities		371	1,615
Investing activities			
Interest received		2	4
Proceeds from sale of property, plant and equipment and assets held for sale		186	278
Payments to acquire property, plant and equipment		(315)	(506)
Net cash (outflow)/inflow from investing activities		(127)	(224)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	-	(379)
Consideration received by EBT on sale of shares		62	56
Consideration paid by EBT on purchase of shares		(25)	(298)
Capital element of finance lease rental payments		(9)	(15)
Loan repayment		(1,500)	-
Net cash outflow from financing activities		(1,473)	(637)
(Decrease)/increase in cash and cash equivalents		(1,229)	754
Cash and cash equivalents at the beginning of the year	21	(3)	(757)
Cash and cash equivalents at the year end	21	(1,232)	(3)

Company balance sheet

at 31 October 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment		16,573	17,649
Investment property		2,130	1,485
	16	18,703	19,134
Financial assets	18	64	75
Deferred tax asset	12c	16	16
		18,783	19,225
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,277	1,344
Cash and cash equivalents	21	49	51
		1,336	1,405
Assets held for sale	17	219	-
Total assets		20,338	20,630
Current liabilities			
Trade and other payables	22	(772)	(1,071)
Financial liabilities	23	(1,520)	(6,087)
Income tax payable		(237)	(231)
		(2,529)	(7,389)
Non-current liabilities			
Other payables	22	(274)	(284)
Financial liabilities	23	(4,322)	(37)
Deferred tax liabilities	12c	(536)	(394)
Defined benefit pension plan deficit	29	(92)	(92)
		(5,224)	(807)
Total liabilities		(7,753)	(8,196)
Net assets		12,585	12,434

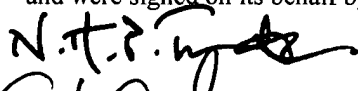
Company balance sheet

at 31 October 2020

	Notes	2020 £'000	2019 £'000
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,522)	(1,562)
Fair value adjustments reserve	27	5	17
Cash flow hedging reserve	27	-	-
Retained earnings	27	13,165	13,042
Total equity		<u>12,585</u>	<u>12,434</u>

The notes on pages 40 to 73 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 15 February 2021 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 2020

	<i>Equity share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Treasury shares £'000</i>	<i>Fair value adjustment reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
At 1 November 2018	264	673	(1,317)	23	11,917	11,560
Profit for the year	-	-	-	-	1,501	1,501
Other comprehensive income for the year, net of income tax	-	-	-	(6)	-	(6)
Total comprehensive income for the year	-	-	-	(6)	1,501	1,495
Consideration received by EBT on sale of shares	-	-	56	-	-	56
Consideration paid by EBT on purchase of shares	-	-	(298)	-	-	(298)
Loss by EBT on sale of shares	-	-	(3)	-	3	-
Equity dividends paid	-	-	-	-	(379)	(379)
At 31 October 2019	264	673	(1,562)	17	13,042	12,434

Company statement of changes in equity

for the year ended 31 October 2020

	<i>Equity share capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Treasury shares £'000</i>	<i>Fair value adjustment reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
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

Details of the reserves can be found in note 27.

Company statement of cash flows

for the year ended 31 October 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
Profit for the year		123	1,501
Tax expense		301	313
Net finance costs		139	180
Profit on disposal of non-current assets and assets held for sale		(293)	(185)
Depreciation and impairment of property, plant and equipment		177	222
Difference between pension contributions paid and amounts recognised in the income statement		-	52
(Increase)/decrease in trade and other receivables		222	(72)
Increase/(decrease) in trade and other payables		(285)	(115)
Impairment of fixed assets		279	-
Cash generated from operations		663	1,896
Income taxes paid		(151)	(97)
Interest paid		(141)	(184)
Net cash inflow from operating activities		371	1,615
Investing activities			
Interest received		2	4
Proceeds from sale of property, plant and equipment and assets held for sale		186	278
Payments to acquire property, plant and equipment		(315)	(506)
Payments to acquire fixed asset investments		-	-
Receipts from fixed asset investments		-	-
Net cash (outflow)/inflow from investing activities		(127)	(224)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	-	(379)
Consideration received by EBT on sale of shares		62	56
Consideration paid by EBT on purchase of shares		(25)	(298)
Capital element of finance lease rental payments		(9)	(15)
Net movement in long-term borrowings		(1,500)	-
Net cash outflow from financing activities		(1,473)	(637)
(Decrease)/increase in cash and cash equivalents		(1,229)	754
Cash and cash equivalents at the beginning of the year	21	(3)	(757)
Cash and cash equivalents at the year end	21	(1,232)	(3)

Notes to the financial statements

for the year ended 31 October 2020

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the "Group") for the year ended 31 October 2020 were authorised for issue by the board of Directors on 15 February 2021. 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 European Union 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 2020 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 uncertain nature of the current Covid-19 pandemic the Directors have considered the Group's financial resources including a 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 and the gearing remains low. These forecasts include continued rent concessions for tenants and factoring in a possible lockdown until the end of May 2021 and the tier restrictions still being in place over the summer trading months. The mitigation measures which were put in place in March 2020 and are detailed on page 9 are still in place in order to protect the cash position of the business and this has also been put into the forecasts for future cash positions. The forecast for capital receipts in 2021 include non-core asset sales of £2m. These forecasts leave the Group with headroom of over £1.1m on an overdraft facility of £3m. The Board has looked at the ability to sustain cashflow if lockdown continued into the summer and will continue to review cashflows as guidance from government changes.

Since the year end, the Board also made the decision to accelerate the paying down of its current £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 has 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.

The Board has engaged with the bank regarding its current facilities and forward trading, this has included the securing of the overdraft facilities and the waiving of covenant testing until April 2022 along with the agreement on paying down of loan facilities. The bank is satisfied that the Group's forecasts and projections, which take account of the anticipated changes which will come about as a direct result of the 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 foreseeable future. With the value in the estate being realised over time and with the support from the bank are no material uncertainties For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Notes to the financial statements

for the year ended 31 October 2020

2. Accounting policies (continued)

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 Group has adopted IFRS16: Leases from 1 November 2019 and as permitted under the specific transition provisions, has not restated the comparatives. In applying IFRS16 for the first time, the Group has determined that it has in place three leasing arrangements as a lessee, all of which expire within twelve months of the year end. Consequently, any lease liability and right-of-use asset as calculated under IFRS16 is considered immaterial to the financial statements and therefore the Group has elected to account for these as a short term lease, with lease payments continuing to be recognised as an expense in the profit and loss account.

As noted in the Chairman's statement on page 5 and the business review on page 8 the Group has 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 £333,000 rental income that has not yet been received from tenants.

The Directors have considered all IFRS and IFRIC interpretations issued but not yet in force.

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 receivable are recognised on a straight-line basis over the lease term.

Notes to the financial statements

for the year ended 31 October 2020

3. Accounting policies (continued)

Revenue recognition

Government Grants Furlough 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 income statement under other 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 2020

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 2020

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 end 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 2020

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.

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 2020 at £92,000. Further details are given in note 29.

Notes to the financial statements

for the year ended 31 October 2020

3. Revenue

Revenue recognised in the income statement is analysed as follows.

	2020	2019
	£'000	£'000
Sale of goods	3,502	5,273
Machine revenue	52	90
Revenue recognised under contracts with customers	3,554	5,363
Rents from licensed properties	1,465	2,165
Total revenue recognised	5,019	7,528

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 2020 and 2019. 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

Year ended 31 October 2020	<i>UK</i>	<i>United States</i>	<i>Total</i>
	£'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

Notes to the financial statements

for the year ended 31 October 2020

4. Segment information (continued)

<i>Year ended 31 October 2019</i>	<i>UK</i>	<i>United</i>	
	<i>£'000</i>	<i>States</i>	<i>Total</i>
		<i>£'000</i>	<i>£'000</i>
Revenue			
Sales to external customers	7,528	-	7,528
	<u> </u>	<u> </u>	<u> </u>
Other segment information			
Segment assets	20,596	43	20,639
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>20,596</u>	<u>43</u>	<u>20,639</u>
Capital expenditure			
Property, plant and equipment	505	-	505
	<u> </u>	<u> </u>	<u> </u>

5. Other operating income

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Rents from unlicensed properties	276	262
Heavitree Inc	-	40
Government Grant (furlough)	41	-
	<u> </u>	<u> </u>
	317	302
	<u> </u>	<u> </u>

6. Operating profit

This is stated after charging:

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Depreciation of property, plant and equipment	178	222
Repairs and maintenance of properties	638	713
Short term lease expense	23	26
	<u> </u>	<u> </u>
Cost of inventories recognised as an expense (included in purchase of inventories)	2,065	3,100
	<u> </u>	<u> </u>

Notes to the financial statements

for the year ended 31 October 2020

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.

	2020 £'000	2019 £'000
Audit of the group financial statements	43	43
Other fees to auditors		
- audit of the group pension scheme	2	2
- tax compliance services	6	6
- other services	4	4
	12	12
	55	55

Other services relate to a review of the Group's Interim Report of £4,000 (2019: £4,000).

8. Profit on sale of property, plant and equipment

	2020 £'000	2019 £'000
Profits on sale of property, plant and equipment	293	185

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

	2020 £'000	2019 £'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 2020

10. Staff costs and Directors' emoluments

(a) Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	1,088	1,149
Social security costs	118	129
Other pension costs	104	107
	<u>1,310</u>	<u>1,385</u>

Included in other pension costs is £62,448 (2019: £57,802) 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:

	2020	2019
	No.	No.
Average monthly number of employees	<u>16</u>	<u>16</u>

(b) Directors' emoluments

	Basic salary and fees £'000	Performance related bonus £'000	Benefits £'000	Pension contributions £'000	Total 2020 £'000	Total 2019 £'000
N H P Tucker	172	13	6	-	191	215
G J Crocker	169	-	1	-	170	187
T Wheatley	158	-	12	-	170	183
W P Tucker	14	-	2	-	16	30
T P Duncan	17	-	-	-	17	18
K Pease-Watkin	17	-	-	-	17	18
C J Bush	17	-	-	-	17	3
	<u>564</u>	<u>13</u>	<u>21</u>	<u>-</u>	<u>598</u>	<u>654</u>

Notes to the financial statements

for the year ended 31 October 2020

(b) Directors' emoluments (continued)

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 £191,000 (2019: £215,000). The number of Directors accruing pension benefits is nil (2019: nil). The highest paid Director has an accrued pension entitlement of £nil (2019: £nil) arising from past membership of the defined benefit scheme.

11. Finance costs

	2020 £'000	2019 £'000
Interest on bank loans and overdrafts	133	181
Interest on other loans (including cumulative preference shares)	8	3
Total finance costs	<u>141</u>	<u>184</u>

12. Taxation

(a) Tax on profit on ordinary activities

Tax expensed in the income statement

	2020 £'000	2019 £'000
<i>Current income tax:</i>		
UK corporation tax	128	231
Under/(over) provision of tax in prior years	18	(45)
Tax paid by Employee Benefits Trust	12	11
Total current income tax	<u>158</u>	<u>197</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	142	116
Total deferred tax	<u>142</u>	<u>116</u>
Tax expense in the income statement	<u>300</u>	<u>313</u>

Notes to the financial statements

for the year ended 31 October 2020

12. Taxation (continued)

	2020	2019
	£'000	£'000
<i>Tax relating to items expensed or credited to equity</i>		
<i>Deferred tax:</i>		
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 lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020	2019
	£'000	£'000
Accounting profit before income tax	414	1,844
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2019: 19 %)	79	350
Expenses not deductible for tax purposes	69	33
Adjustment in respect of prior years – current tax	18	(43)
Adjustment in respect of prior years – deferred tax	90	-
Short term timing differences	3	(34)
Tax paid by Employee Benefits Trust	13	11
Capital gain rebasing/indexation	-	(4)
Change in tax rates	28	-
Total tax expense reported in the income statement	300	313

(c) Deferred tax

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

The deferred tax has been calculated using the changed rate of 19% from the previous year of 17%

	2020	2019
	£'000	£'000
<i>Deferred tax liability</i>		
Accelerated capital allowances	394	269
Short term timing differences	-	-
Rolled over gain	142	125
	536	394
<i>Deferred tax asset</i>		
Pension plans	16	16

Notes to the financial statements

for the year ended 31 October 2020

12. Taxation (continued)

(c) *Deferred tax (continued)*

The deferred tax asset has been provided for 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:

	2020	2019
	£'000	£'000
Deferred tax in the income statement		
Accelerated capital allowances	125	55
Pension plans	-	61
Rolled over gain	17	-
	<u>142</u>	<u>116</u>
Deferred income tax expense		

A potential deferred tax asset of £6,729 (2019: £6,112) 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.

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:

	2020	2019
	£'000	£'000
Profit for the year	114	1,531
	<u>114</u>	<u>1,531</u>
	2020	2019
	No.	No.
	('000)	('000)
Basic weighted average number of shares (excluding treasury shares)	4,801	4,786
	<u>4,801</u>	<u>4,786</u>

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

Notes to the financial statements

for the year ended 31 October 2020

14. Dividends paid and proposed

	2020 £'000	2019 £'000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Final dividend for 2019: nil (2018: 3.675p)	-	224
First dividend for 2020: nil (2019: 3.675p)	-	194
Less: dividends on shares held within employee share schemes	-	(39)
Dividends paid	-	379
<i>Proposed for approval at AGM (not recognised as a liability as at 31 October)</i>		
Final dividend for 2020: nil (2019: 4.25p)	-	224
Cumulative preference dividends	1	1

The proposed final dividend for 2019 of 4.25p was not approved at the 2020 AGM and was not paid.

15. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £123,000 (2019: £1,501,000).

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
<i>Cost:</i>						
At 1 November 2018	17,111	4,135	544	-	1,094	22,884
Additions	415	66	24	-	-	505
Transfer to assets held for sale	-	-	-	-	-	-
Transfers to investment properties(391)	-	-	-	-	391	-
Transfer from current assets	-	88	-	-	-	88
Disposals	-	-	(94)	-	-	(94)
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

Notes to the financial statements

for the year ended 31 October 2020

16. Property, plant and equipment (continued)

<i>Group</i>	<i>Land and buildings</i>	<i>Furniture and fittings</i>	<i>Equipment and vehicles</i>	<i>Assets under construction</i>	<i>Investment properties</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Depreciation and impairment:</i>						
At 1 November 2018	427	3,286	265	-	-	3,978
Provided during the year	-	146	76	-	-	222
Transfer from current assets	-	69	-	-	-	69
Disposals	-	-	(63)	-	-	(63)
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
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
Net book value at 1 November 2018	16,684	849	279	-	1,094	18,906

In performing the annual review of property values, the Directors considered that ongoing changes in trading circumstances at two of the Estates' licenced properties resulted in an impairment adjustment of £279,000.

In the Directors' opinion the investment properties have a fair value as at 31 October 2020 of £3,355,000 (2019: £3,070,000). 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 (2019: £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.

Included within equipment and vehicles is £60,000 (2019: £116,000) in relation to right-of-use assets and the depreciation charge for the year on such assets was £13,000 (2019: £17,000).

Notes to the financial statements

for the year ended 31 October 2020

16. Property, plant and equipment (continued)

<i>Company</i>	<i>Land and buildings</i>	<i>Furniture and fittings</i>	<i>Equipment and vehicles</i>	<i>Assets under construction</i>	<i>Investment properties</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>						
At 1 November 2018	17,066	4,135	544	-	1,094	22,839
Additions	415	66	24	-	-	505
Transfer to assets held for sale	-	-	-	-	-	-
Transfer to investment properties (391)	-	-	-	-	391	-
Transfer from current assets-	-	88	-	-	-	88
Disposals	-	-	(93)	-	-	(93)
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
<i>Depreciation and impairment:</i>						
At 1 November 2018	427	3,286	265	-	-	3,978
Provided during the year	-	146	76	-	-	222
Transfer from assets	-	69	-	-	-	69
Disposals	-	-	(64)	-	-	(64)
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
Net book value at						
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
Net book value at						
1 November 2018	16,639	849	279	-	1,094	18,861

Notes to the financial statements

for the year ended 31 October 2020

16. Property, plant and equipment (continued)

In performing the annual review of property values, the Directors considered that ongoing changes in trading circumstances at two of the Estates' licenced properties resulted in an impairment adjustment of £279,000.

In the Directors' opinion the investment properties have a fair value as at 31 October 2020 of £3,355,000 (2019: £3,070,000). 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 (2019: £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.

Included within equipment and vehicles is £60,000 (2019: £116,000) in relation to right-of-use assets and the depreciation charge for the year on such assets was £13,000 (2019: £17,000).

17. Non-current assets held for sale

<i>Group and Company</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
At 1 November 2019	-	62
Transfer (to)/from property, plant and equipment (note 16)	219	-
Additions	-	-
Disposals	-	(62)
Impairment	-	-
Transfer (to)/from current assets	-	-
At 31 October 2020	219	-

As at 31 October 2020 two properties were being actively marketed for sale (2019 – no property).

Notes to the financial statements

for the year ended 31 October 2020

18. Financial assets

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Financial assets – non-current		
Financial assets measured at fair value through		
Other comprehensive income	30	41

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

<i>Company</i>	<i>Subsidiary undertakings</i>	<i>Investments</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:			
At 1 November 2019	86	55	141
Loan advance	-	-	-
At 31 October 2020	86	55	141
Amounts provided:			
At 1 November 2019	(52)	(14)	(66)
Revaluation	-	(11)	(11)
At 31 October 2020	(52)	(25)	(77)
Net book value:			
At 31 October 2020	34	30	64
At 31 October 2019	34	41	75

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%	Dormant

Each subsidiary undertaking is directly owned by the Company.

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

Notes to the financial statements

for the year ended 31 October 2020

19. Inventories

	2020	2019
<i>Group and Company</i>	<i>£'000</i>	<i>£'000</i>
Fine wines	6	6
Merchandising inventory	4	4
	<u>10</u>	<u>10</u>

20. Trade and other receivables

	2020	2019
<i>Group</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	425	735
Prepayments and accrued income	442	230
Other receivables	170	15
Finance leases	240	364
	<u>1,277</u>	<u>1,344</u>

	2020	2019
<i>Company</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	425	735
Prepayments and accrued income	442	230
Other receivables	170	15
Finance leases	240	364
	<u>1,277</u>	<u>1,344</u>

Included within other receivables is an amount of £135,000 (2019: £nil) 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 £170,247 (2019: £159,067). 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 22% (2019: 22%). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the financial statements

for the year ended 31 October 2020

20. Trade and other receivables (continued)

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 2020, trade receivables at nominal value of £170,247 (2019: £159,067) were impaired and fully provided. Movements in the provision for impairment of receivables were as follows:

	2020	2019
	£'000	£'000
At 1 November	159	227
(Credit)/charge for the year	11	(68)
Amounts written off	-	-
At 31 October	170	159

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	0-30 days	Past due but not impaired	90+ days
	£'000	£'000	£'000	30-90 days £'000	£'000
2020	425	332	27	18	48
2019	735	555	66	19	95

21. Cash and cash equivalents

	2020	2019
	£'000	£'000
<i>Group and Company</i>		
Cash at bank and in hand	49	51
	49	51

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

	2020	2019
	£'000	£'000
Cash at bank and in hand	49	51
Bank overdrafts	(1,281)	(54)
	(1,232)	(3)

Notes to the financial statements

for the year ended 31 October 2020

22. Trade and other payables

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Current		
Trade payables	295	394
Other taxation and social security	203	181
Accruals	108	218
Other payables	60	160
	<u>666</u>	<u>953</u>
	<u><u>666</u></u>	<u><u>953</u></u>
 <i>Company</i>	 <i>2020</i>	 <i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Current		
Trade payables	295	394
Other taxation and social security	203	181
Accruals	108	218
Other payables	58	160
Amount owed to subsidiary	108	118
	<u>772</u>	<u>1,071</u>
	<u><u>772</u></u>	<u><u>1,071</u></u>
 Non-current		
Other payables - tenants' deposits	274	284
	<u>274</u>	<u>284</u>
	<u><u>274</u></u>	<u><u>284</u></u>

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.

23. Financial liabilities

<i>Group and Company</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Current		
Bank overdrafts	1,281	54
Bank loan	220	6,000
Lease liabilities	19	33
	<u>1,520</u>	<u>6,087</u>
	<u><u>1,520</u></u>	<u><u>6,087</u></u>

Notes to the financial statements

for the year ended 31 October 2020

23. Financial liabilities (continued)

	2020 £'000	2019 £'000
Non-current		
11.5% cumulative preference shares (note 26)	11	11
Bank loan	4,280	-
Lease liabilities	31	26
	<u>4,322</u>	<u>37</u>

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 (2019: £15,125,000). Lease liabilities are secured on the assets to which they relate.

Obligations under lease liabilities	2020 £'000	2019 £'000
Amounts payable under lease liabilities:		
Within one year	19	33
Within two to five years	31	26
After five years	-	-
	<u>50</u>	<u>59</u>

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:

	2020 £'000	2019 £'000
Within one year	1,283	2,174
One to two years	786	1,218
Two to three years	598	828
Three to four years	509	623
Four to five years	421	506
More than five years	3,313	3,679
	<u>6,910</u>	<u>9,028</u>

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.

Notes to the financial statements

for the year ended 31 October 2020

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.

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.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit before tax £000</i>
2020		
Sterling	+100	(57)
Sterling	-100	57
2019		
Sterling	+100	(66)
Sterling	-100	66

Notes to the financial statements

for the year ended 31 October 2020

25. 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 any public market and have no fixed maturity date.

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 2020 and 2019 based on contractual undiscounted payments.

Year ended 31 October 2020

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

Year ended 31 October 2019

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loan/overdraft	54	-	6,000	-	-	6,054
Tenants' deposits	-	-	-	284	-	284
Trade payables	394	-	-	-	-	394
Lease liabilities	33	-	-	26	-	59

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 2020

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.

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:

	<i>Hierarchical classification</i>	<i>Book value 2020 £'000</i>	<i>Fair value 2020 £'000</i>	<i>Book value 2019 £'000</i>	<i>Fair value 2019 £'000</i>
Financial assets					
Cash	Level 1	49	49	51	51
Assets held at fair value through other comprehensive income	Level 1	30	30	41	41
Mortgage	Level 2	155	155	-	-
		<u>234</u>	<u>234</u>	<u>92</u>	<u>92</u>
Financial liabilities					
Bank loan/overdraft	Level 2	(5,781)	(5,781)	(6,054)	(6,054)
Interest-bearing loans and borrowings:					
Floating rate borrowings					
Tenants' deposits	Level 3	(274)	(274)	(284)	(284)
Cumulative preference shares	Level 3	(11)	(11)	(11)	(11)
Lease liabilities	Level 2	(50)	(50)	(59)	(59)
		<u>(6,116)</u>	<u>(6,116)</u>	<u>(6,408)</u>	<u>(6,408)</u>

Notes to the financial statements

for the year ended 31 October 2020

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 2020 and 31 October 2019 there were no transfers between level 1, 2 or 3 fair value measurements.

Notes to the financial statements

for the year ended 31 October 2020

26. Authorised and issued share capital

Group and Company

(i) Ordinary shares

Authorised

	2020 £	2019 £
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
	<u>1,188,305</u>	<u>1,188,305</u>

Allotted, called up and fully paid

	2020 No.	2019 No.	2020 £	2019 £
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	-	-	-	-
At 31 October	<u>1,994,699</u>	<u>1,994,699</u>	<u>99,735</u>	<u>99,735</u>

	2020 No.	2019 No.	2020 £	2019 £
'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	<u>3,282,478</u>	<u>3,282,478</u>	<u>164,124</u>	<u>164,124</u>

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 2020

26. Authorised and issued share capital (continued)

(ii) Preference shares classified as non-current liability

	2020		2019	
	£		£	
<i>Authorised</i>				
11.5% Cumulative Preference Shares of £1 each	11,695		11,695	
	<u> </u>		<u> </u>	
<i>Allotted, called up and fully paid</i>				
	2020	2019	2020	2019
	No.	No.	£	£
11.5% Cumulative Preference Shares of £1 each	11,695	11,695	11,695	11,695
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 13 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 29 and 34 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 2020, the Group held 183,719 Ordinary Shares and 254,153 'A' Limited Voting Ordinary Shares (2019: 179,053 Ordinary Shares and 300,002 'A' Limited Voting Ordinary Shares) of its own shares. During the year there were purchases of 4,666 Ordinary Shares and 2,500 'A' Limited Voting Ordinary Shares and sales of 48,349 'A' Limited Voting Ordinary Shares.

Notes to the financial statements

for the year ended 31 October 2020

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 2020, amounts contracted for but not provided in the financial statements amounted to £nil (2019: £nil).

29. Pensions and post-retirement benefits

Group and Company

(i) Optional pension payments

During the year the Group made discretionary pension payments of £26,126 (2019: £35,226) 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 £62,448 (2019: £57,802).

(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 2020. There have been no changes in the valuation methodology adopted for this period compared to the previous period.

Notes to the financial statements

for the year ended 31 October 2020

29. Pensions and post-retirement benefits (continued)

Amounts included in the Balance Sheet

	<i>31 October 2020 £'000</i>	<i>31 October 2019 £'000</i>	<i>31 October 2018 £'000</i>
Fair value of plan assets	18	18	59
Present value of defined benefit obligation	(110)	(110)	(98)
Surplus/(deficit) in scheme	(92)	(92)	(39)

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 2020.

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

	<i>2020 £'000</i>	<i>2019 £'000</i>
As at 1 November	110	98
Current service cost	-	-
Interest cost	-	2
Actuarial losses due to scheme experience	-	-
Actuarial gains due to changes in demographic assumptions	-	-
Actuarial losses due to changes in financial assumptions	-	-
Benefits paid	-	(4)
Past service costs	-	52
Liabilities extinguished on settlement	-	(38)
At 31 October	110	110

The past service costs represent best estimate of GMP equalisation.

Notes to the financial statements

for the year ended 31 October 2020

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

	2020	2019
	£'000	£'000
As at 1 November	18	59
Interest	-	(3)
Return on plan assets (excluding amounts included in interest income)	-	-
Employer contributions	-	4
Assets distributed on settlement	-	(38)
Benefits paid	-	(4)
At 31 October	18	18

The actual return on the plan assets over the period ended 31 October 2020 was £nil.

Defined benefit costs recognised in profit or loss

	2020	2019
	£'000	£'000
Past service costs and loss on settlements	-	52
Net interest cost	-	-
Defined benefit cost recognised in profit or loss	-	52

Defined benefit costs recognised in Other Comprehensive Income

	2020	2019
	£'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 2020

29. Pensions and post-retirement benefits (continued)

Plan assets

	31 October 2020 £'000	31 October 2019 £'000	31 October 2018 £'000
Corporate Bonds	-	-	-
Government Bonds	-	-	-
Cash	18	18	21
Insured Contract	-	-	38
Total assets	18	18	59

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 2020.

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

Significant Actuarial Assumptions

	31 October 2020 % per annum	31 October 2019 % per annum	31 October 2018 % per annum
Rate of discount	1.50	1.90	2.50
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 2020

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:

	<i>Sales to related parties</i>	<i>Trading amounts owed from related parties</i>	<i>Purchases from related parties</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
31 October 2020	89	14	-
31 October 2019	152	23	-

During the year the company received a loan amount from a Director of the company and a close family member of one of the Directors. The loan advanced in the year totalled £nil (2019: £30,000). Repayments were made of £30,000 (2019: £80,720). The balance outstanding at the year end was £53,198 (2019: £81,736). 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 2020, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2019: £nil).

Compensation of key management personnel (including Directors)

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

31. Notes to the cashflow statement

Changes in liabilities arising from financing activities

Group and Company

	<i>At 1 November 2019</i>	<i>Financing cash flows</i>	<i>New finance leases</i>	<i>Other changes</i>	<i>At 31 October 2020</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans	6,000	(1,500)	-	-	4,500
Lease liabilities	59	(9)	-	-	50
11.5% cumulative preference shares	11	-	-	-	11
Total liabilities	6,070	(1,509)	-	-	4,561

Notes to the financial statements

for the year ended 31 October 2020

32. Post balance sheet events

Following the third national Covid-19 lockdown announced in January 2021, all our pubs remain closed. As noted in the Strategic Report, we continue to support our Tenants with rent concessions and minimise our non-essential spending. Since the year end the Directors have also taken the decision to realise cash from the sale of non-core property assets, of which £385k has been received to date from two properties. It is anticipated that the roll out of the vaccine may enable easing of restrictions in the Spring and our latest working assumption is that our pubs will remain closed until May 2021. The situation remains fluid and the Directors will continue to review and revise measures accordingly.