The Heavitree Brewery PLC

Financial Statements

31 October 2013

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 DL*	
T P Duncan*	
K Pease-Watkin*	

*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
Heavitree
Exeter

Solicitors

Ford Simey LLP
Exeter

Michael Conn Goldsobel
London

Nominated advisor and broker

Shore Capital and Corporate Limited
14 Clifford Street
London
W1S 4JU

Shore Capital Stockbrokers Limited
14 Clifford Street
London
W1S 4JU

Auditor

Francis Clark LLP
Vantage Point
Woodwater Park
Pynes Hill
Exeter EX2 5FD

Registrars

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

Shareholders' dedicated telephone number: 0870 707 1063

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the One Hundred and Twenty Fourth Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 16 April 2014 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 2013 and the strategic report and the report of the directors thereon.
2. To declare final dividends on the Ordinary Shares and the 'A' Limited Voting Ordinary Shares.
3. To re-elect T P Duncan as a Director of the Company.
4. To re-elect T Wheatley as a Director of the Company.
5. To re-appoint Francis Clark LLP as auditor of the Company for the period prescribed in section 489 of the Companies Act 2006.
6. To authorise the directors to determine the remuneration of the auditor.

Special business

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

7. 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 2015 (except in relation to the purchase of shares the contract for which was concluded before such date and might be executed wholly or partly after such date).

By order of the Board

N J MCLEAN
Secretary
13 March 2014

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 dividend, if approved, will be paid on 25 April 2014 to shareholders on the register on 4 April 2014.

Strategic report

Introduction

The Strategic report is designed to replace and enhance reporting previously included in the Business review section of the Directors' report. It incorporates the Chairman's statement on pages 5 & 6 and its purpose is to inform shareholders and help them assess how the Directors have performed their duty to promote the success of the Company during the year under review. There have also been consequential changes to the contents of the remainder of the Directors' report.

Chairman's statement

Despite a small drop in turnover due to a loss in rental income from two houses that were closed and then sold during the year, the Company has returned an increase in profitability for the year under review.

Results

Turnover for the Group decreased by £37,000 (0.51%) to £7,231,000. However, a Group Operating Profit of £1,345,000 after consolidation adjustments was generated which showed an 8.03% increase (£100,000) on the previous year.

Heavitree Inns remained dormant throughout the year.

Heavitree Inc. generated an operating loss of £13,000 (2012 – profit of £10,000).

Key Performance indicators

Adjusted Operating Profit before Taxation £1,345,000 was up 8.03% on last year.

Interest costs were covered 7.27 times.

Details of the key performance indicators used by the Board to measure the performance of the Group's business can be found in the Strategic Review on page 7.

Dividend

The Directors recommend a final dividend of 3.5 p per Ordinary and 'A' Limited Voting Ordinary Share (2012 – 3.5p) making a total for the year of 7p, which is unchanged from last year. The dividend will be paid on 25 April 2014, subject to shareholder approval at the Annual General Meeting on 16 April 2014, to shareholders on the Register at 4 April 2014.

Sale of Property

The Full Quart at Hewish and The Bishop John de Grandisson at Bishopsteignton were sold in the year. This resulted in a net loss of £85,000.

Capital Investments

I reported last year that we had converted the St. Loyes pub in Exeter into six apartments. Four have been marketed for sale and at the time of writing all have buyers who are soon to complete. The other two are being rented out.

A house near one of our pubs in Honiton Clyst near Exeter has been converted into two cottages, and again both have been rented out.

The conversion of the Malsters Arms old skittle alley into a detached house was completed in July 2013.

Work has started on two further closed sites. The Red Lion at Ashburton is being converted into four apartments and a retail unit. The Country House Inn in Exeter has been demolished and tenders are being sought for the building of three houses which have been granted planning approval.

Strategic report

Pension Scheme

The Company continues to meet its funding obligations to its closed final salary Pension Scheme. The next triennial valuation of the scheme fell due on 1 January 2014 and should be completed by the scheme's actuary later in the year.

Repurchase of shares

The Company did not repurchase any of its own shares during the year under review but the Directors intend to seek shareholder approval at the forthcoming Annual General Meeting for the continuing authority to do so.

Outlook

The uncertainty surrounding the imposition of a statutory code of practice remains for Public House companies, with the Government having missed the most recent deadline of 8 January 2014 set by the Business Innovation and Skills Committee (BISC) to reveal its intentions towards intervening in the tenanted pub company model. We have already had our own Code of Practice ratified by the British Beer and Pub Association.

The Company believes that any upturn in the economy will be slow to filter through to boost customer confidence and expects that trading conditions will remain difficult in the coming year. This year's set of results have been buoyed by strong controls of general costs and our good margins. I am very grateful for the dedication of our team at Head Office and the performance of our tenants and leaseholders.

N H P TUCKER
Chairman
14 February 2014

Strategic report

Strategic review

Business review

During the year the Group carried on the business of the lease and operation of public houses. Heavitree Inc is a wholly-owned subsidiary owning land in the United States of America. Heavitree Inns Limited is a dormant wholly-owned subsidiary company.

Group revenue for the year was £7,231,000 (2012: £7,268,000).

The combined result of sales of non-current assets and assets held for sale realised a loss before tax of £85,000 (2012: profit of £123,000).

Parent Company - operating profit after consolidation adjustments £1,356,000 (2012: £1,235,000).

Heavitree Inc. – operating loss £13,000 (2012: profit of £10,000).

Heavitree Inns Limited – dormant throughout the year.

For a further review of the business please see the Chairman's statement on pages 5 and 6 which forms part of this report.

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.

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 or its capacity to increase that level.

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 Directors are aware that these risks and uncertainties may, either singularly or, collectively, affect the Group's revenue, costs, asset value, reputation or ability to meet its business objectives.

Some of the risks the Group faces are external and therefore beyond our control. 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 Directors review the material or emerging risks on an ongoing basis. Our 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.

Strategic report

Strategic review

Principal risks and uncertainties (continued)

General economic conditions

The recent economic conditions have affected both consumer confidence and the levels of consumer spending across our industry. This has negatively impacted the Group's revenues and could continue to do so if these economic conditions persist or worsen.

The Group carries out regular reviews of the impact of economic conditions on its budget.

When economic conditions dictate, we continue to consider and provide necessary support to our estate as a whole, as well as providing support on a house by house basis where appropriate.

Property valuations

Continuing fluctuations in the UK property market as well as the effect of 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.

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. The Group carries out regular reviews of the property portfolio and is in regular contact with its debt provider.

Pensions

The Group operates a defined benefit pension scheme which must be funded to meet required benefit payments. Although closed to new members since 18 July 2002 and also to any future accrual since 5 April 2006, the scheme is nevertheless still subject to risk regarding the relative amount of its assets, which are affected by the value of investments and the returns generated by them, compared with its liabilities, which are affected by changes in life expectancy, actual and expected price inflation, and changes in corporate bond yields. The difference in value between scheme assets and scheme liabilities may vary significantly in the short term, potentially resulting in an increased deficit being recognised on the Group's balance sheet. The Group makes contributions to the scheme which are determined by a qualified actuary to meet its funding obligation; further details can be found in note 31.

Licensing

The Group is committed to ensuring that properties meet all required licensing and other property regulatory requirements. The Group works closely with appropriate local Licensing Authorities to ensure that all licensing requirements are met and any changes are closely monitored.

By Order of the Board

N J McLean
Secretary
14 February 2014

Directors' report

The directors have pleasure in submitting their report for the year ended 31 October 2013.

A number of disclosures previously incorporated in the Directors' Report are now included in the Strategic Report. These include: *Business review; Key performance indicators; and Principal risks and uncertainties.*

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £744,000 (2012: £631,000).

The Directors propose a final dividend of 3.5p per share on the Ordinary and 'A' Limited Voting Ordinary Shares. An interim dividend of 3.5 p (2012: 3.5p) was paid in the year. The fixed dividend of 11.5p per share was paid on the preference shares in the year.

Financial Instruments

As at 31 October 2013 the Group's total borrowings were £6,091,000 (2012: £5,629,000) of which £5,000,000 was secured, and is shown as a non- current liability.

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 still enabling the Group to continue its investment strategy.

During the year ended 31 October 2012 the Group entered into an interest swap in order to manage its exposure to interest rate risks.

For further details of the Group's policy on financial instruments and management of financial risk, please refer to note 26.

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 26.

Future developments

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

Further information in relation to the business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's statement on pages 5 and 6.

Directors

The Directors of the Company during the year ended 31 October 2013 were those listed on page 2.

T P Duncan and T Wheatley 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 2013 were as follows:

	Ordinary Shares		*'A' Limited Voting Ordinary Shares*	
	31 October 2013	*31 October 2012*	*31 October 2013*	*31 October 2012*
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	-	-	49,004	44,115
T P Duncan	150,335	150,335	196,992	196,992
K Pease-Watkin	27,088	27,088	76,638	76,638
T Wheatley	-	-	33,929	29,854

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

(a) W P Tucker's interest in 53,750 (2012: 53,750) Ordinary Shares; and

(b) N H P Tucker's interest in 53,750 (2012: 53,750) Ordinary Shares.

Included in these interests are the following joint holdings:

(a) 53,750 (2012: 53,750) Ordinary Shares held jointly by W P Tucker and N H P Tucker.

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

Substantial interests

At 31 October 2013 the following interests of shareholders in excess of 3% of each class of ordinary share capital, other than directors, had been notified to the Company:

	Ordinary	*'A' Limited Voting Ordinary*
P A Benett	135,380	270,740
R A Duncan	-	101,369
R H Duncan	151,643	177,611
J E M Duncan	133,545	186,637
S T Tucker	-	109,000
Mrs T C Yule	106,706	199,205

Going Concern

The directors have considered the Group's financial resources including a review of the medium-term financial plan, which includes a review of the Group's cash flow forecasts for at least 12 months from the date of approval of these financial statements. The Board is satisfied that the group's forecasts and projections, taking account of reasonably possible changes in the trading performance of the Group, show that the group will be able to operate within the level of its current facilities for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Directors' report

Corporate governance

The Board of The Heavitree Brewery PLC is collectively accountable to the Company's shareholders for good corporate governance. As an AIM-listed company, The Heavitree Brewery PLC is not required to comply with the UK Corporate Governance Code (June 2010) (the "Code") but complies as far as is practicable and appropriate for a public company of its size and nature.

Board of Directors

At 31 October 2013, the Board consisted of an Executive Chairman, two Executive Directors and three Non-Executive Directors. The Directors periodically re-consider the structure of the Board and believe the current structure remains appropriate.

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. W P Tucker, T P Duncan and K Pease-Watkin are Non-Executive Directors and are considered to be independent of management.

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.

Audit Committee

Given the size of the Group, the Board does not consider it appropriate to have a separate audit committee. 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, Francis Clark LLP, 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

	Board Meetings	
	Entitled to attend	**Attended**
N H P Tucker	12	11
G J Crocker	12	9
T Wheatley	12	12
W P Tucker	12	10
T P Duncan	12	11
K Pease-Watkins	12	8

Directors' report

Corporate governance (*continued)*

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.

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 Francis Clark LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

N J McLean
Secretary
14 February 2014

Ten year review of profits and dividends

Year ended 31 October	*Operating profit £000*	*Profit before tax £000*	*Earnings per 5p share p*	*Dividends per 5p share p*
2004	1,944	1,586	20.1	9.50
2005	1,489	1,298	18.4	9.50
2006	1,846	2,195	34.0	11.0
2007 *	1,652	2,653	38.9	11.5
2007 **	1,679	2,680	39.4	11.5
2008	554	1,022	21.9	7.0
2009	1,046	1,253	21.7	7.0
2010	1,427	1,225	16.7	7.0
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

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.

3. For 2006 the diluted earnings per share are 33.9p.

4. For 2007 the diluted earnings per share are 38.7p under UK GAAP and 39.2p under IFRS. For 2008 the diluted earning per share are 21.9p.

5. Figures up to 2006 are stated under UK GAAP, 2007 is stated under UK GAAP (*) and IFRS (**) and 2008 onwards are under IFRS.

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 United Kingdom law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Group and the Company and the financial performance and cash flows of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Company's financial position and financial performance; and

- state that the Group and the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

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

Independent auditor's report

to the members of The Heavitree Brewery PLC

We have audited the financial statements of The Heavitree Brewery PLC for the year ended 31 October 2013 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 cash flows and the related notes. 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 the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor's 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by Directors; and
- the overall presentation of the financial statements.

In addition we read all financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements
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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards 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.

Independent auditor's report

to the members of The Heavitree Brewery PLC

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which We are Required to Report by Exception

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

- adequate accounting records have not been kept by the Parent Company, 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.

CHRISTOPHER HICKS FCA (Senior Statutory Auditor)

For and on behalf of

Francis Clark LLP

Chartered Accountants and Statutory Auditor
Vantage Point
Woodwater Park
Pynes Hill
Exeter
EX2 5FD

14 February 2014

The maintenance and integrity of The Heavitree Brewery PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

for the year ended 31 October 2013

	Notes	*Total 2013 £'000*	*Total 2012 £'000*
Revenue	3	7,231	7,268
Change in stocks		-	-
Other operating income	5	166	144
Purchase of inventories		(3,079)	(3,097)
Staff costs	10	(1,102)	(1,211)
Depreciation of property, plant and equipment		(240)	(293)
Other operating charges		(1,631)	(1,566)
		(5,886)	(6,023)
Group operating profit	6	1,345	1,245
(Loss)/profit on sale of property, plant and equipment	8	(85)	123
Movements in valuation of estate and related assets	9	-	(244)
Group profit before finance costs and taxation		1,260	1,124
Finance income	11	22	26
Finance costs	12	(207)	(168)
Other finance costs – pensions	31	(61)	(55)
		(246)	(197)
Profit before taxation		1,014	927
Tax expense	13a	(270)	(296)
Profit for the year attributable to equity holders of the parent		744	631
Basic earnings per share	14	14.8	12.5p
Diluted earnings per share	14	14.8	12.5p

All amounts in 2013 and 2012 relate to continuing operations.

Group statement of comprehensive income

for the year ended 31 October 2013

	Notes	2013 £000	2012 £000
Profit for the year		744	631
Items that may be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension plans	31	8	(868)
Tax relating to items that will not be reclassified	13a	(2)	208
		6	(660)
Items that may be reclassified to profit or loss			
Cash flow hedges	26	22	(75)
Fair value adjustment	28	-	(26)
Tax relating to items that may be reclassified	13a	(7)	18
		15	(83)
Other comprehensive income for the year, net of tax		765	(112)
Total comprehensive income attributable to:			
Equity holders of the parent		765	(112)

Group balance sheet

at 31 October 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Property, plant and equipment	17	14,717	14,833
Financial assets	19	27	28
Deferred tax asset	13c	265	417
		15,009	15,278
Current assets			
Inventories	20	10	10
Trade and other receivables	21	1,739	1,362
Cash and cash equivalents	22	65	78
		1,814	1,450
Assets held for sale	18	444	525
Total assets		17,267	17,253
Current liabilities			
Trade and other payables	23	(835)	(970)
Financial liabilities	24	(1,144)	(1,454)
Income tax payable		(52)	(102)
		(2,031)	(2,526)
Non-current liabilities			
Other payables	23	(241)	(292)
Financial liabilities	24	(5,011)	(4,261)
Deferred tax liabilities	13c	(212)	(220)
Defined benefit pension plan deficit	31	(1,208)	(1,662)
		(6,672)	(6,435)
Total liabilities		(8,703)	(8,961)
Net assets		8,564	8,292

Group balance sheet

at 31 October 2013

	Notes	2013 £000	2012 £000
Capital and reserves			
Equity share capital	28	264	264
Capital redemption reserve	28	673	673
Treasury shares	28	(1,002)	(875)
Fair value adjustments reserve	28	8	8
Cash flow hedging reserve	28	(42)	(57)
Currency translation	28	6	6
Retained earnings	28	8,657	8,273
Total equity		8,564	8,292

The notes on pages 29 to 64 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 14 February 2014 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 2013

	Equity share capital £000	*Capital redemption reserve £000*	*Treasury shares £000*	*Fair value adjustment reserve £000*	*Currency translation £000*	*Cash flow hedge reserve £000*	*Retained earnings £000*	*Total equity £000*
At 1 November 2011	264	673	(840)	34	6	-	8,679	8,816
Profit for the year	-	-	-	-	-	-	631	631
Other comprehensive income for the year, net of income tax	-	-	-	(26)	-	(57)	(660)	(743)
Total comprehensive income for the year	-	-	-	(26)	-	(57)	(29)	(112)
Consideration received by EBT on sale of shares	-	-	54	-	-	-	-	54
Consideration paid by EBT on purchase of shares	-	-	(112)	-	-	-	-	(112)
Loss by EBT on sale of shares	-	-	23	-	-	-	(23)	-
Equity dividends paid	-	-	-	-	-	-	(354)	(354)
At 31 October 2012	264	673	(875)	8	6	(57)	8,273	8,292

Group statement of changes in equity

for the year ended 31 October 2013

	Equity share capital £000	*Capital redemption reserve £000*	*Treasury shares £000*	*Fair value adjustment reserve £000*	*Currency translation £000*	*Cash flow hedge reserve £000*	*Retained earnings £000*	*Total equity £000*
At 1 November 2012	264	673	(875)	8	6	(57)	8,273	8,292
Profit for the year	-	-	-	-	-	-	744	744
Other comprehensive income for the year, net of income tax	-	-	-	-	-	15	6	21
Total comprehensive income for the year	-	-	-	-	-	15	750	765
Consideration received by EBT on sale of shares	-	-	41	-	-	-	-	41
Consideration paid by EBT on purchase of shares	-	-	(182)	-	-	-	-	(182)
Loss by EBT on sale of shares	-	-	14	-	-	-	(14)	-
Equity dividends paid	-	-	-	-	-	-	(352)	(352)
At 31 October 2013	264	673	(1,002)	8	6	(42)	8,657	8,564

Details of the reserves can be found in note 28.

Group statement of cash flows

For the year ended 31 October 2013

	Notes	2013 £000	2012 £000
Operating activities			
Profit for the year		744	631
Tax expense		270	296
Net finance costs		246	197
Loss/(profit) on disposal of non-current assets and assets held for sale		85	(101)
Depreciation and impairment of property, plant and equipment		240	537
Difference between pension contributions paid and amounts recognised in the income statement		(507)	(507)
(Increase)/decrease in trade and other receivables		(2)	(100)
(Decrease)/increase in trade and other payables		(112)	125
Cash generated from operations		964	1,078
Income taxes paid		(185)	(246)
Interest paid		(207)	(168)
Net cash flow from operating activities		572	664
Investing activities			
Interest received		22	26
Proceeds from sale of property, plant and equipment and assets held for sale		309	534
Payments to acquire property, plant and equipment		(884)	(1,386)
Net cash outflow from investing activities		(553)	(826)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	15	(352)	(354)
Consideration received by EBT on sale of shares		41	54
Consideration paid by EBT on purchase of shares		(182)	(112)
New long-term borrowings		750	250
Net cash flow from financing activities		256	(163)
Decrease in cash and cash equivalents		275	(325)
Cash and cash equivalents at the beginning of the year	22	(1,301)	(976)
Cash and cash equivalents at the year end	22	(1,026)	(1,301)

Company balance sheet

at 31 October 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Property, plant and equipment	17	14,690	14,804
Financial assets	19	78	79
Deferred tax asset	13c	265	417
		15,033	15,300
Current assets			
Inventories	20	10	10
Trade and other receivables	21	1,739	1,362
Cash and cash equivalents	22	47	50
		1,796	1,422
Assets held for sale	18	444	525
Total assets		17,273	17,247
Current liabilities			
Trade and other payables	23	(835)	(970)
Financial liabilities	24	(1,144)	(1,454)
Income tax payable		(52)	(102)
		(2,031)	(2,526)
Non-current liabilities			
Other payables	23	(241)	(292)
Financial liabilities	24	(5,011)	(4,261)
Deferred tax liabilities	13c	(212)	(220)
Defined benefit pension plan deficit	31	(1,208)	(1,662)
		(6,672)	(6,435)
Total liabilities		(8,703)	(8,961)
Net assets		8,570	8,286

Company balance sheet

at 31 October 2013

	Notes	*2013* *£000*	*2012* *£000*
Capital and reserves			
Equity share capital	28	264	264
Capital redemption reserve	28	673	673
Treasury shares	28	(1,002)	(875)
Fair value adjustments reserve	28	8	8
Cash flow hedging reserve	28	(42)	(57)
Retained earnings	28	8,669	8,273
Total equity		8,570	8,286

The notes on pages 29 to 64 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 14 February 2014 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 2013

	Equity share capital £000	*Capital redemption reserve £000*	*Treasury shares £000*	*Fair value adjustment reserve £000*	*Cash flow hedge reserve £000*	*Retained earnings £000*	*Total equity £000*
At 1 November 2011	264	673	(840)	34	-	8,689	8,820
Profit for the year	-	-	-	-	-	621	621
Other comprehensive income for the year, net of income tax	-	-	-	(26)	(57)	(660)	(743)
Total comprehensive income for the year	-	-	-	(26)	(57)	(39)	(122)
Consideration received by EBT on sale of shares	-	-	54	-	-	-	54
Consideration paid by EBT on purchase of shares	-	-	(112)	-	-	-	(112)
Loss by EBT on sale of shares	-	-	23	-	-	(23)	-
Equity dividends paid	-	-	-	-	-	(354)	(354)
At 31 October 2012	264	673	(875)	8	(57)	8,273	8,286

Company statement of changes in equity

for the year ended 31 October 2013

	Equity share capital £000	*Capital redemption reserve £000*	*Treasury shares £000*	*Fair value adjustment reserve £000*	*Cash flow hedge reserve £000*	*Retained earnings £000*	*Total equity £000*
At 1 November 2012	264	673	(875)	8	(57)	8,273	8,286
Profit for the year	-	-	-	-	-	757	757
Other comprehensive income for the year, net of income tax	-	-	-	-	15	5	20
Total comprehensive income for the year	-	-	-	-	15	762	777
Consideration received by EBT on sale of shares	-	-	41	-	-	-	41
Consideration paid by EBT on purchase of shares	-	-	(182)	-	-	-	(182)
Loss by EBT on sale of shares	-	-	14	-	-	(14)	-
Equity dividends paid	-	-	-	-	-	(352)	(352)
At 31 October 2013	264	673	(1,002)	8	(42)	8,669	8,570

Details of the reserves can be found in note 28.

Company statement of cash flows

for the year ended 31 October 2013

	Notes	2013 £000	2012 £000
Operating activities			
Profit for the year		757	621
Tax expense		270	296
Net finance costs		244	197
Loss/(profit) on disposal of non-current assets and assets held for sale		85	(101)
Depreciation and impairment of property, plant and equipment		240	537
Difference between pension contributions paid and amounts recognised in the income statement		(507)	(507)
(Increase)/decrease in trade and other receivables		(2)	(100)
(Decrease)/increase in trade and other payables		(113)	125
Cash generated from operations		974	1,068
Income taxes paid		(185)	(246)
Interest paid		(205)	(168)
Net cash flow from operating activities		584	654
Investing activities			
Interest received		22	26
Proceeds from sale of property, plant and equipment and assets held for sale		307	533
Payments to acquire property, plant and equipment		(884)	(1,386)
Net cash outflow from investing activities		(555)	(827)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	15	(352)	(354)
Consideration received by EBT on sale of shares		41	54
Consideration paid by EBT on purchase of shares		(182)	(112)
New long-term borrowings		750	250
Net cash flow from financing activities		256	(163)
Decrease in cash and cash equivalents			(336)
Cash and cash equivalents at the beginning of the year	22	(1,329)	(993)
Cash and cash equivalents at the year end	22	(1,044)	(1,329)

Notes to the financial statements

for the year ended 31 October 2013

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the "Group") for the year ended 31 October 2013 were authorised for issue by the board of directors on 14 February 2014 and the balance sheet was signed on the board's behalf by N H P Tucker and G J Crocker. 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.

The principal accounting policies adopted by the Group are set out in note 2.

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 as they apply to the financial statements for the year ended 31 October 2013 and as regards the Parent Company financial statements, as applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2013.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

No income statement or statement of comprehensive income is prepared by the Company as permitted by Section 408 of the Companies Act 2006.

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. The Directors are of the opinion that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future, and continue to adopt the going concern basis in preparing this annual report and financial statements.

Further information on principal risks and uncertainties and financial instruments can be found in the Directors' Report on page 9 and note 26.

Change in accounting policy

The group early adopted IAS 19 Employee Benefits (2011) with a date of initial application of 1 November 2012 and changed its basis for determining the income or expense related to defined benefit plans.
As a result of the change, the Group now determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period. It takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability comprises:

- Interest cost on the defined benefit obligation; and
- Interest income on plan assets

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Change in accounting policy *(continued)*

Impact of change in accounting policy

IAS 19 Employee Benefits (2011) requires that the change be applied retrospectively. The implementation of the revised standard has resulted in a decrease to the defined benefit expense recognised in profit or loss and a corresponding increase to the defined benefit re-measurement loss recognised in other comprehensive income by £5,000 for the reporting period ended 31 October 2012.

The change in accounting policy has had no impact on net assets as at 31 October 2012 or 31 October 2013 and had an immaterial impact on income taxes and earning per share for the current and comparative period.

No adjustment has been made to the results in respect of the year ended 31 October 2012 due to the immaterial impact of the adjustments.

Key sources of estimation uncertainty

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

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.

Pension benefits

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 October 2013 was £1,208,000 (2012: £1,662,000). Further details are given in note 31.

Valuation of financial instruments

As described in note 26, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 26 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Basis of consolidation

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

Subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

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

Notes to the financial statements

for the year ended 31 October 2013

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.

Investment in subsidiary

The Company's investment in its US subsidiary is accounted for at the lower of cost and recoverable amount.

Property, plant and equipment

Buildings, furniture and fittings, equipment and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

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.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Investment property

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

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.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Leases – lessor accounting *(continued)*

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. Where the Group determines an arrangement, that does not take the legal form of a lease but conveys a right to use an asset, or contains a lease, that arrangement is accounted for in accordance with IAS 17 Leases.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and completion should be expected within one year from the date of classification.

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. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses are recognised immediately in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized immediately in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets. The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost using the effective interest method. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable economic conditions. In addition contracts which result in the Group delivering a variable number of its own equity instruments are financial liabilities. Equity instruments containing such obligations are classified as financial liabilities.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Financial liabilities *(continued)*

Trade and other payables

Trade payables are recognised and carried at their original invoiced value. Payables are not discounted to take into account the time value of money, as the effect is immaterial.

Preference shares

Preference shares are recognised as a liability in the balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as finance costs in the income statement.

Preference shares are classified as a financial liability measured at amortised cost until they are extinguished on redemption.

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.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Derivative financial instruments

The Group enters into derivative financial instruments such as interest rate swaps to manage its exposure to interest rate risks. Further details of derivative financial instruments are disclosed in the note 26.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The group designates certain hedging instruments, which include derivates in respect of interest rate swaps, as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in 'other gains and losses'.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur the gain or loss accumulated in equity is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the consolidated and company cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset only if a legally enforceable right exists

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Income taxes *(continued)*

to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited directly to equity or in the statement of comprehensive income if it relates to items that are credited or charged to equity or to other comprehensive income. Otherwise income tax is recognised in the income statement.

Pensions and other post-retirement benefits

The Group maintains a defined benefit pension scheme for the funding of retirement benefits for scheme members during their working lives in order to pay benefits to them after retirement and to their dependants after their death. The scheme was closed to new members on 18 July 2002 and there has been no future accrual since 5 April 2006.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA and that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognised gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

Pensions and other post-retirement benefits *(continued)*

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

The Heavitree Brewery PLC operates an employer-sponsored personal pension arrangement. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

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.

Treasury shares

The Heavitree Brewery PLC shares held by The Heavitree Brewery PLC Employee Benefits Trust and Employee Share Option Scheme are classified in equity as “treasury shares” and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Drink and food sales

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

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

Machine income

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

Dividends

Revenue is recognised when the Group’s right to receive payment is established.

Finance income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

New standards and interpretations not applied

There are no material impacts arising from standards and interpretations applicable for the first time to these financial statements.

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)		**Effective date ***
Amendments to IAS 12	Deferred Tax: Recovery of underlying assets	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
Amendments to IFRS 1	Government loans	1 January 2013
Amendments to IFRS 7	Disclosures: Offsetting financial assets and financial liabilities	1 January 2013
Annual improvements 2009-2011	Minor improvements to a number of standards	1 January 2013
Amendments to IAS 32	Offsetting financial assets and financial liabilities	1 January 2014
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate financial statements	1 January 2014
IAS 28	Investments in associates and joint ventures	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2014
Amendments to IFRS 10, IFRS 12, and IAS 27	Investment Entities	1 January 2014
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9	Financial instruments	1 January 2015

International Financial Reporting Interpretations Committee (IFRIC)		**Effective date***
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

* The effective dates stated here are those for EU preparers.

The adoption of IFRS 13, which will be implemented prospectively in the 31 October 2014 financial statements, addresses fair value measurement including specific rules for determining the fair value on non-financial assets and related disclosures. As the Group and Parent Company carry property, plant and equipment at cost less accumulated depreciation, implementation of the standard is not expected to have a

Notes to the financial statements

for the year ended 31 October 2013

2. Accounting policies (continued)

New standards and interpretations not applied *(continued)*

material impact on the financial statements, but is expected to require an increased level of disclosure in the 31 October 2014 financial statements.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

As the Group has elected to prepare its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

3. Revenue

Revenue recognised in the income statement is analysed as follows.

	2013	*2012*
	£000	*£000*
Sale of goods	5,122	5,067
Rents from licensed properties	2,109	2,201
	7,231	7,268

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 from the United Kingdom. No revenue was derived from exchanges of goods or services (2012: £nil).

4. Segment information

Primary reporting format – business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

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 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 2013 and 2012. Revenue is based on the geographical location of customers and assets are based on the geographical location of the asset.

Notes to the financial statements

for the year ended 31 October 2013

4. Segment information (continued)

Secondary reporting format – geographical segments

Year ended 31 October 2013	*UK*	*United States*	*Total*
	£000	*£000*	*£000*
Revenue			
Sales to external customers	7,231	-	7,231
Other segment information			
Segment assets	17,222	45	17,267
Total assets	17,222	45	17,267
Capital expenditure			
Property, plant and equipment	812	-	812

Year ended 31 October 2012	*UK*	*United States*	*Total*
	£000	*£000*	*£000*
Revenue			
Sales to external customers	7,268	-	7,268
Other segment information			
Segment assets	17,196	57	17,253
Total assets	17,196	57	17,253
Capital expenditure			
Property, plant and equipment	1,103	-	1,103

5. Other operating income

	2013	*2012*
	£000	*£000*
Rents from unlicensed properties	166	129
Other	-	15
	166	144

Notes to the financial statements

for the year ended 31 October 2013

6. Operating profit

This is stated after charging:

	2013	*2012*
	£000	*£000*
Depreciation of property, plant and equipment	240	293
Repairs and maintenance of properties	855	826
Cost of inventories recognised as an expense (included in purchase of inventories)	3,079	3,097

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.

		2013	*2012*
		£000	*£000*
Audit of the group financial statements		42	43
Other fees to auditors	- audit of the group pension scheme	2	3
	- tax compliance services	5	5
	- other services	5	4
		12	12
		54	55

Other services relate to a review of the Group's Interim Report.

8. (Loss)/profit on sale of property, plant and equipment

	2013	*2012*
	£000	*£000*
Profits on sale of property, plant and equipment	155	127
Losses on sale of property, plant and equipment	(240)	(4)
	(85)	123

(Loss)/profit on disposal of non-current assets represents(losses)/gains on disposal of property, plant and equipment. They are classified as exceptional 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.

The presentation of these items has been amended from the prior year in order to provide greater clarity in the financial statements.

Notes to the financial statements

for the year ended 31 October 2013

9. Movements in valuation of estate and related assets

	2013 £000	2012 £000
Write down of non-current assets held for sale to fair value less costs to sell (note 17)	-	(244)

The presentation of these items has been amended from the prior year in order to provide greater clarity in the financial statements.

10. Staff costs and directors' emoluments

(a) Staff costs

	2013 £000	2012 £000
Wages and salaries	802	853
Social security costs	80	104
Other pension costs (note 31)	220	254
	1,102	1,211

Included in other pension costs is £174,249 (2012: £196,268) in respect of the defined contribution scheme.

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

	2013 No.	2012 No.
Average monthly number of employees	14	14

(b) Directors' emoluments

	Basic salary and fees £000	Performance related bonus £000	Benefits £000	Pension contributions £000	Total 2013 £000	Total 2012 £000
N H P Tucker	106	22	19	45	192	185
G J Crocker	96	10	23	31	160	152
R J Glanville	-	-	-	-	-	90
T Wheatley	87	9	19	54	169	161
W P Tucker	23	-	2	-	25	24
T P Duncan	15	-	-	-	15	14
K Pease-Watkin	15	-	-	-	15	14
	342	41	63	130	576	640

Notes to the financial statements

for the year ended 31 October 2013

10. Staff costs and directors' emoluments (Continued)

(b) Directors' emoluments

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

The emoluments (excluding pension contributions) of the highest paid director totalled £147,000 (2012: £141,000).

Three of the directors are accruing pension benefits. The highest paid director has an accrued pension entitlement of £87,865 as at 31 October 2013 (2012: £87,865), arising from past membership of the defined benefit scheme which is no longer active.

11. Finance income

	2013	*2012*
	£000	*£000*
Other interest	22	26

12. Finance costs

	2013	*2012*
	£000	*£000*
Interest on bank loans and overdrafts	201	162
Interest on other loans (including cumulative preference shares)	6	6
Total finance costs	207	168

13. Taxation

(a) Tax on profit on ordinary activities

Tax expensed in the income statement

	2013	*2012*
	£000	*£000*
Current income tax:		
UK corporation tax	132	201
Tax paid by Employee Benefits Trust	3	3
Total current income tax	135	204
Deferred tax:		
Origination and reversal of temporary differences	135	92
Total deferred tax	135	92
Tax expense in the income statement	270	296

Notes to the financial statements

for the year ended 31 October 2013

13. **Taxation**(Continued)

(a) Tax on profit on ordinary activities

Tax relating to items expensed or credited to equity		
Deferred tax:		
Deferred tax on defined benefit pensions scheme	2	(208)
Deferred tax on fair value re-measurement of hedging instruments entered into for cash flow hedges	7	(18)
Total deferred tax	9	(226)
Tax (expense)/credit in the statement of comprehensive income	9	(226)

(b) Reconciliation of the total tax expense

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 23.42% (2012: 24.83%). The differences are reconciled below:

	2013	*2012*
	£000	*£000*
Accounting profit before income tax	1,014	927
Accounting profit multiplied by the UK standard rate of corporation tax of 23.42% (2012: 24.83%)	237	230
Expenses not deductible for tax purposes	30	13
Disallowable impairment charge	-	61
Tax overprovided in previous years	-	4
Other	-	(15)
Tax paid by Employee Benefits Trust	3	3
Total tax expense reported in the income statement	270	296

(c) Deferred tax

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

	2013	*2012*
	£000	*£000*
Deferred tax liability		
Accelerated capital allowances	107	98
Gain on financial assets	-	2
Rolled over gain	105	120
	212	220
Deferred tax asset		
Pension plans	254	399
Cash flow hedges	11	18
	265	417

Notes to the financial statements

for the year ended 31 October 2013

13. Taxation(Continued)

(c) Deferred tax

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:

	2013	*2012*
	£000	*£000*
Deferred tax in the income statement		
Accelerated capital allowances	9	(31)
Pension plans	143	133
Rolled over gain	(17)	(10)
Deferred income tax expense	135	92

A potential deferred tax asset of £130,000 (2012: £140,000) 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.

14. 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:

	2013	*2012*
	£000	*£000*
Profit for the year	744	631

	2013	*2012*
	No.	*No.*
	(000)	*(000)*
Basic weighted average number of shares (excluding treasury shares)	5,023	5,061

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 2013

15. Dividends paid and proposed

	2013	*2012*
	£000	*£000*
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2012: 3.5p (2011: 3.5p)	185	185
First dividend for 2013: 3.5p (2012: 3.5p)	185	185
Less: dividends on shares held within employee share schemes	(18)	(16)
Dividends paid	352	354
Proposed for approval at AGM (not recognised as a liability as at 31 October)		
Final dividend for 2013: 3.5p (2012: 3.5p)	180	180
Cumulative preference dividends	1	1

16. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £757,000 (2012: £621,000).

17. Property, plant and equipment

Group	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost:						
At 1 November 2011	13,409	3,688	438	521	-	18,056
Additions	458	96	83	466	-	1,103
Transfer	(77)	-	-	(137)	214	-
Transfer to assets classified as held for sale	(525)	-	-	-	-	(525)
Disposals	(6)	(20)	(129)	(355)	-	(510)
At 31 October 2012	13,259	3,764	392	495	214	18,124
Additions	480	57	127	148	-	812
Transfer	(52)	-	-	(184)	236	-
Transfer to assets classified as held for sale	(37)	-	-	(407)	-	(444)
Disposals	(173)	(104)	(122)	-	-	(399)
At 31 October 2013	13,477	3,717	397	52	450	18,093

Notes to the financial statements

for the year ended 31 October 2013

17. Property, plant and equipment (continued)

Group	*Land and buildings £000*	*Furniture and fittings £000*	*Equipment and vehicles £000*	*Assets under construction £000*	*Investment properties £000*	*Total £000*
Depreciation and impairment:						
At 1 November 2011	136	2,450	245	-	-	2,831
Provided during the year	-	214	79	-	-	293
Impairment	244	-	-	-	-	244
Disposals	-	-	(77)	-	-	(77)
At 31 October 2012	380	2,664	247	-	-	3,291
Provided during the year	-	167	73	-	-	240
Disposals	-	(66)	(89)	-	-	(155)
At 31 October 2013	380	2,765	231	-	-	3,376
Net book value at 31 October 2013	13,097	952	166	52	450	14,717
Net book value at 31 October 2012	12,879	1,100	145	495	214	14,883
Net book value at 1 November 2011	13,273	1,238	193	521	-	15,225

In the directors' opinion the investment properties have a fair value as at 31 October 2013 of £1,083,000 (2012: £730,000).

Company	*Land and buildings £000*	*Furniture and fittings £000*	*Equipment and vehicles £000*	*Assets under construction £000*	*Investment properties £000*	*Total £000*
Cost:						
At 1 November 2011	13,379	3,688	438	521	-	18,026
Additions	458	96	83	466	-	1,103
Transfer	(77)	-	-	(137)	214	-
Transfer to assets classified as held for sale	(525)	-	-	-	-	(525)
Disposals	(5)	(20)	(129)	(355)	-	(509)
At 31 October 2012	13,230	3,764	392	495	214	18,095
Additions	480	57	127	148	-	812
Transfer	(52)	-	-	(184)	236	-
Transfer to assets classified as held for sale	(37)	-	-	(407)	-	(444)
Disposals	(171)	(104)	(122)	-	-	(397)
At 31 October 2013	13,450	3,717	397	52	450	18,066

Notes to the financial statements

for the year ended 31 October 2013

17. Property, plant and equipment (continued)

Company	*Land and buildings £000*	*Furniture and fittings £000*	*Equipment and vehicles £000*	*Assets under construction £000*	*Investment properties £000*	*Total £000*
Depreciation and impairment:						
At 1 November 2011	136	2,450	245	-	-	2,831
Provided during the year	-	214	79	-	-	293
Impairment	244	-	-	-	-	244
Disposals	-	-	(77)	-	-	(77)
At 31 October 2012	380	2,664	247	-	-	3,291
Provided during the year	-	167	73	-	-	240
Disposals	-	(66)	(89)	-	-	(155)
At 31 October 2013	380	2,765	231	-	-	3,376
Net book value at 31 October 2013	13,070	952	166	52	450	14,690
Net book value at 31 October 2012	12,850	1,100	145	495	214	14,804
Net book value at 1 November 2011	13,273	1,238	193	521	-	15,225

In the directors' opinion the investment properties have a fair value as at 31 October 2013 of £1,083,000 (2012: £730,000).

18. Non-current assets held for sale

Group and Company	*2013 £000*	*2012 £000*
At 1 November	525	-
Transfer from property, plant and equipment (note 17)	444	525
Disposals	(525)	-
At 31 October	444	525

As at 31 October 2013 one licensed property and four unlicensed properties were being actively marketed for sale (2012 – one licensed property).

The licensed property held for sale at 31 October 2012 was sold in the year, generating a further loss on disposal of £240,000 (note 8).

Notes to the financial statements

for the year ended 31 October 2013

19. Financial assets

Group	*2013*	*2012*
	£000	*£000*
Financial assets – non-current		
Available-for-sale financial assets	27	28

Available-for-sale financial assets consist of an investment in ordinary shares of a company listed on PLUS markets. The fair value of the ordinary shares is based on observable market prices or rates.

Company	*Subsidiary undertakings*	*Unlisted investments*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 November 2012 and 31 October 2013	69	50	119
Amounts provided:			
At 1 November 2012	(18)	(22)	(40)
Revaluation	-	(1)	(1)
At 31 October 2013	(18)	(23)	(41)
Net book value:			
At 31 October 2013	51	27	78
At 31 October 2012	51	28	79

The Company's subsidiary undertakings are as follows:

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

Each subsidiary undertaking is directly owned by the Company.

20. Inventories

Group and Company	*2013*	*2012*
	£000	*£000*
Fine wines	6	6
Merchandising inventory	4	4
	10	10

Notes to the financial statements

for the year ended 31 October 2013

21. Trade and other receivables

Group and Company	*2013* *£000*	*2012* *£000*
Trade receivables	918	1,082
Prepayments and accrued income	33	48
Other receivables	422	46
Finance leases	366	186
	1,739	1,362

Included within 'Other receivables' is an amount of £375,000 (2012: £Nil) in respect of amounts receivable from the disposal of a property.

Trade receivables are all denominated in sterling.

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 2013, trade receivables at nominal value of £469,000 (2012: £506,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2013 *£000*	*2012* *£000*
At 1 November	506	397
Charge for the year	37	116
Amounts written back	(74)	(7)
At 31 October	469	506

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

	Total	*Neither past due nor impaired*	*Past due but not impaired* *0-30 days*	*30-90 days*	*90+ days*
	£000	*£000*	*£000*	*£000*	*£000*
2013	918	482	147	74	215
2012	1,082	564	148	62	308

Management estimates the provision for doubtful debts based on a review of all individual receivable accounts, experience and known factors at the balance sheet date, taking into account any form of security or collateral held, which is quantified. Receivables are written off against the doubtful debt provision when management deems the debt no longer recoverable.

Notes to the financial statements

for the year ended 31 October 2013

22. Cash and cash equivalents

Group	*2013* *£000*	*2012* *£000*
Cash at bank and in hand	65	78
	65	78

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

	2013 *£000*	*2012* *£000*
Cash at bank and in hand	65	78
Bank overdrafts	(1,091)	(1,379)
Bank loan	(5,000)	(4,250)
	(6,156)	(5,551)

Company	*2013* *£000*	*2012* *£000*
Cash at bank and in hand	47	50

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

	2013 *£000*	*2012* *£000*
Cash at bank and in hand	47	50
Bank overdrafts	(1,091)	(1,379)
Bank loan	(5,000)	(4,250)
	(6,044)	(5,579)

Notes to the financial statements

for the year ended 31 October 2013

23. Trade and other payables

Group and Company	*2013*	*2012*
	£000	*£000*
Current		
Trade payables	420	582
Other taxation and social security	214	163
Accruals	191	217
Other payables	10	8
	835	970
Non-current		
Other payables - tenants' deposits	241	292

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.

24. Financial liabilities

Group and Company	*2013*	*2012*
	£000	*£000*
Current		
Bank overdrafts	1,091	1,379
Bank loan	-	-
Derivatives that are designated and effective as hedging instruments carried at fair value		
Interest rate swaps	53	75
	1,144	1,454

	2013	*2012*
	£000	*£000*
Non-current		
11.5% cumulative preference shares (note 27)	11	11
Bank loan	5,000	4,250
	5,011	4,261

The bank loan is secured over certain of the Group's freehold properties by a first legal charge to the value of £15,125,000.

Notes to the financial statements

for the year ended 31 October 2013

25. 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.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2013	*2012*
	£000	*£000*
Not later than one year	341	341
After one year but not more than five years	1,297	1,330
After five years	1,278	1,586
	2,916	3,257

The above figures are based on current rents which are generally subject to three-yearly reviews. Leases have between one year and fifteen years remaining but are subject to the Landlord and Tenant Act. All figures quoted are for assignable leases. No figures are quoted for non-assignable leases (tenancies) as the complexity of the varying terms of notice under these agreements make it impossible to calculate future life expectancy for these properties.

26. Financial instruments and derivatives

Group and Company

The Group's principal financial instruments comprise cash, tenants' deposits, loans, interest rate swaps, 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. Hedging activities are evaluated regularly to align with the interest rate views, ensuring the most cost-effective hedging strategies are applied.

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.

Notes to the financial statements

for the year ended 31 October 2013

26. Financial instruments and derivatives (continued)

The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost and includes all non-derivative floating rate financial instruments. 100 basis points has been used as movements are linear.

	Increase/ decrease in basis points	*Effect on profit before tax £000*
2013		
Sterling	+100	(60)
Sterling	-100	60
2012		
Sterling	+100	(51)
Sterling	-100	51

Interest rate swap contracts

Under interest swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges outstanding receive floating pay fixed contracts	*Average contracted fixed interest rate*		*Notional principal value*		*Fair Value assets(liabilities)*	
	2013 %	*2012 %*	*2013 £000*	*2012 £000*	*2013 £000*	*2012 £000*
2 to 5 years	1.42	1.42	4,000	4,000	(53)	(75)

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contract exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

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

Notes to the financial statements

for the year ended 31 October 2013

26. Financial instruments and derivatives (continued)

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 2013 and 2012 based on contractual undiscounted payments.

Year ended 31 October 2013

	On demand	*Less than 3 months*	*3-12 months*	*1-5 years*	*More than 5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Bank loan/overdraft	1,091	-	-	5,000	-	6,091
Interest rate swaps	-	-	-	53	-	53
Tenants' deposits	-	-	-	241	-	241
Trade payables	420	-	-	-	-	420

Year ended 31 October 2012

	On demand	*Less than 3 months*	*3-12 months*	*1-5 years*	*More than 5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Bank loan/overdraft	1,379	-	-	4,250	-	5,629
Interest rate swaps	-	-	-	75	-	75
Tenants' deposits	-	-	-	292	-	292
Trade payables	582	-	-	-	-	582

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 2013

26. 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. 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, 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:

	Book value 2013 £000	*Fair value 2013 £000*	*Book value 2012 £000*	*Fair value 2012 £000*
Financial assets				
Cash	65	65	78	78
Available-for-sale investments	27	27	28	28
	92	92	106	106
Financial liabilities				
Bank loan/overdraft	(6,091)	(6,091)	(5,629)	(5,629)
Interest rate swaps	(53)	(53)	(75)	(75)
Interest-bearing loans and borrowings:				
Floating rate borrowings				
Tenants' deposits	(241)	(241)	(292)	(292)
Cumulative preference shares	(11)	(11)	(11)	(11)
	(6,396)	(6,396)	(6,007)	(6,007)

Fair value of available-for-sale investments is based on market value (see note 19).

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

Notes to the financial statements

for the year ended 31 October 2013

26. Financial instruments and derivatives (continued)

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

The fair values of financial assets and financial liabilities are determined as follows:

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.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

27. Authorised and issued share capital

Group and Company

(i) Ordinary shares

Authorised	*2013*	*2012*
	£	£
Ordinary shares of 5p each	99,735	99,735
'A' limited voting ordinary shares of 5p each	164,124	164,124
Unclassified shares of 5p each	924,446	924,446
	1,188,305	1,188,305

Allotted, called up and fully paid	*2013*	*2012*	*2013*	*2012*
	No.	*No.*	£	£
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	-	-	-	-
At 31 October	1,994,699	1,994,699	99,735	99,735

	2013	*2012*	*2013*	*2012*
	No.	*No.*	£	£
'A' Limited Voting Ordinary Shares of 5p each				
At 1 November	3,282,478	3,282,478	164,124	164,124
Purchases	-	-	-	-
At 31 October	3,282478	3,282,478	164,124	164,124

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

Notes to the financial statements

for the year ended 31 October 2013

27. Authorised and issued share capital (continued)

(ii) Preference shares classified as non-current liability

Authorised	*2013* £	*2012* £
11.5% Cumulative Preference Shares of £1 each	11,695	11,695

Allotted, called up and fully paid

	2013 No.	*2012* No.	*2013* £	*2012* £
11.5% Cumulative Preference Shares of £1 each	11,695	11,695	11,695	11,695

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

An explanation of the Group's capital management process and objectives is set out in the discussion of financial instruments on page 9 in the Directors' report.

28. 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 21 and 26 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 2013 the Group held 110,712 Ordinary Shares and 183,263 'A' Limited Voting Ordinary Shares (2012: 82,198 Ordinary Shares and 156,866 'A' Limited Voting Ordinary Shares) of its own shares at an average cost of £3.40 (2012: £3.65). The market value of these shares as at 31 October 2013 was £694,269 (2012: £579,385).

Fair value adjustments reserve

The fair value adjustments reserve is used to record differences in the market value of the available-for-sale investment year on year.

Notes to the financial statements

for the year ended 31 October 2013

28. Reconciliation of movements in equity (continued)

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be re-classified to profit or loss only when the hedged transaction affects the profit or loss.

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.

29. Financial Commitments

Group and Company

At 31 October, the group and company had annual commitments under non-cancellable operating leases that expire as follows:

	Other	*Other*
	2013	*2012*
	£000	*£000*
Within one year	-	-
In two to five years	15	15
	15	15

30. Capital commitments

Group and Company

At 31 October 2013, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2012: £225,000).

31. Pensions and post-retirement benefits

Group and Company

(i) Optional pension payments

During the year the Group made discretionary pension payments of £55,265 (2012: £55,515) 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 £174,249 (2012: £196,269).

(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

Notes to the financial statements

for the year ended 31 October 2013

31. Pensions and post-retirement benefits (continued)

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 2010 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.

This actuarial valuation showed a deficit of £4,627,000. The Company has agreed with the trustees that it will aim to eliminate the deficit over a period of 8 years from 13 April 2012 by the payment of annual contributions of £507,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the Company has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection fund.

For the purposes of IAS 19 the actuarial valuation as at 31 December 2010, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 October 2013.

Amounts included in the Balance Sheet

	31 October 2013 £000	*31 October 2012 £000*	*1 November 2011 £000*
Fair value of plan assets	5,233	4,729	5,310
Present value of defined benefit obligation	(6,441)	(6,391)	(6,556)
Surplus/(deficit) in scheme	(1,208)	(1,662)	(1,246)

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

The valuation method makes allowance for the deferred benefits to increase the Normal Retirement age and while in payment in line with the Scheme Rules. At the balance sheet date the accumulated benefit obligation was £6,441,000.

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

Notes to the financial statements

for the year ended 31 October 2013

31. Pensions and post-retirement benefits (continued)

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 2013.

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

	2013	*2012*
	£000	*£000*
As at 1 November	6,391	6,556
Current service cost	-	-
Interest cost	273	287
Actuarial losses due to scheme experience	1	330
Actuarial (gains)/losses due to changes in financial assumptions	(140)	913
Benefits paid	(84)	(1,695)
At 31 October	6,441	6,391

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

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

	2013	*2012*
	£000	*£000*
As at 1 November	4,729	5,310
Interest income	212	232
Return on plan assets (excluding amounts included in interest income)	(131)	375
Employer contributions	507	507
Benefits paid	(84)	(1,695)
At 31 October	5,233	4,729

The actual return on the plan assets over the period ending 31 October 2013 was £81,000.

The expected return on the assets as at 31 October 2012 was 4.20%. This compares to the discount rate of 4.30% used in the calculation of the interest income for the period ending 31 October 2013.

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for the year ended 31 October 2013

31. Pensions and post-retirement benefits (continued)

Defined benefit costs recognised in profit or loss

	2013	*2012*
	£000	*£000*
Current service cost	-	-
Net interest cost	61	55
Defined benefit cost recognised in profit or loss	61	55

Defined benefit costs recognised in Other Comprehensive Income

	2013	*2012*
	£000	*£000*
Return on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(131)	375
Experience losses arising on the defined benefit obligation	(1)	(330)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	140	(913)
Total amount recognised in other comprehensive income – gain/(loss)	8	(868)

Plan assets

	31 October 2013	*31 October 2012*	*1 November 2011*
	£000	*£000*	*£000*
Corporate Bonds	4,424	3,882	3,002
Government Bonds	483	439	362
Cash	149	236	211
Insured Contract	177	172	1,735
Total assets	5,233	4,729	5,310

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance and the deferred annuity policies.

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 documented in the scheme's Statement of Investment Principles.

The trustees have secured deferred annuities with Zurich for certain members which are secured in the name of the scheme.

Notes to the financial statements

for the year ended 31 October 2013

31. Pensions and post-retirement benefits (continued)

Significant Actuarial Assumptions

	31 October 2013 % per annum	*31 October 2012 % per annum*	*1 November 2011 % per annum*
Rate of discount	4.40	4.30	5.00
Allowance for commutation of pension for cash at retirement	N/A	N/A	N/A

The mortality assumptions adopted as at 31 October 2013 are 100% of the standard tables PCxA00, Year of Birth, no age rating for males and females, projected using Medium Cohort converging to 1.00% p.a. These imply the following life expectancies

	Life expectancy at age 65 (Years)
Male retiring in 2013	22.6
Female retiring in 2013	25.0
Male retiring in 2033	24.5
Female retiring in 2033	26.9

Analysis of the sensitivity to the principal actuarial assumptions of the present value of the defined benefit obligation

	Change in assumption	*Impact on scheme liabilities*
Discount rate	Decrease of 0.25% p.a.	Increase by 5.5%
Rate of mortality	Increase by 1 year	Increase by 2.9%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The average duration of the defined benefit obligation at the period ending 31 October 2013 is 22 years.

The scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields or an increase in life expectancy would result in an increase to scheme liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in profit or loss in future. This effect would be partially offset by an increase in the value of the scheme’s bond holdings.

The best estimate of contributions to be paid by the Company to the plan for the period commencing 1 November 2013 is £507,000.

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for the year ended 31 October 2013

32. Related party transactions

Group and Company

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

Two of the licensed properties are tenanted by close family members of two of the directors. Transactions with these related parties are as follows:

	Sales to related parties	*Trading amounts owed from related parties*	*Advanced to related party during year*	*Loans owed from related parties at year end*
	£000	*£000*	*£000*	*£000*
31 October 2013	331	24	-	-
31 October 2012	328	20	-	-

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 2013, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2012: £nil).

Compensation of key management personnel (including directors)

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