The Heavitree Brewery PLC

Financial Statements

31 October 2014

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 Fifth Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 15 April 2015 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 2014 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 W P Tucker as a Director of the Company.
4. To re-elect G J Crocker 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 Resolutions, of which Resolution 9 will be proposed as a Special 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 2016 (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).

8. THAT the authority conferred upon the Directors by Article 3.3 of the Company's Articles of Association (authority to allot, and make offers or agreements to allot, relevant securities) be hereby extended for the five-year period ending on the Company's Annual General Meeting in 2020 (or, if earlier, on 14 April 2020): AND THAT such authority shall for that period relate to relevant securities up to an aggregate nominal amount of £87,953.

Notice of annual general meeting

9. THAT the power conferred upon the Directors by Article 3.4 of the Company's Articles of association (power to allot, or make offers or agreements to allot, equity securities as if Section 561 of the Companies Act 2006 did not apply to any such allotment) be hereby renewed for the five-year period ending on the date of the Company's Annual General Meeting in 2020 (or, if earlier, on 14 April 2020): PROVIDED THAT the aggregate nominal amount of equity securities allotted or agreed wholly for cash during such period (otherwise than in connection with a rights issues) shall not exceed £13,192.

By Order of the Board

N J MCLEAN
Secretary
12 March 2015

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 17 April 2015 to shareholders on the register on 20 March 2015.

Strategic report

Chairman's statement

Profitability (operating profit) for the year under review has increased by 4.39% despite a small drop in turnover.

Results

Turnover for the Group decreased by £33,000 (0.46%) to £7,198,000. Group Operating Profit increased by 4.39% (£59,000) on the previous year.

Heavitree Inns remained dormant throughout the year.

Heavitree Inc. generated an operating profit of £6,000 (2013 – loss of £13,000).

Key Performance indicators

Adjusted Operating Profit before Taxation £1,404,000 was up 4.39% on last year.

Interest costs were covered 7.54 times.

Dividend

The Directors recommend a final dividend of 3.675p per Ordinary and 'A' Limited Voting Ordinary Share (2013 – 3.5p) making a total for the year of 7.35p, which is up 5% on last year. The dividend will be paid on 17 April 2015, subject to shareholder approval at the Annual General Meeting on 15 April 2015, to shareholders on the Register at 20 March 2015.

Sale of Property

The Artichoke Inn in Christow and The Vestry in Newton Abbot were sold in the year under review. This resulted in a net profit of £322,000. Also, four flats at the Old St. Loyes site were sold, resulting in a net profit of £129,000.

Capital Investments

I reported last year that planning permission had been granted for the conversion of the Red Lion in Ashburton and the Country House Inn in Exeter. Work is still ongoing at these two sites.

Upgrade work has started at The Heavitree in Exmouth and The George and Dragon in Dartmouth and I shall report further at the half-year about the exciting developments at these two houses.

The Dartmoor Halfway in Bickington is currently closed but we are close to approving a scheme to develop and improve this great site. Again, I shall report further at the half-year.

The Pen Inn has been leased to Mitchells and Butler who have closed the pub for a six-month redevelopment under their Toby Carvery brand.

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. There has been a delay in the issue of the valuation due to the Scheme's actuary being away from work because of a long illness. He is now back and the valuation is due to be completed by 31 March 2015.

Strategic report

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.

Personnel

Judy Grundy retired from the Accounts department in August of this year. She joined the Company in June 1975. I am sure that all of our shareholders will join the Board in thanking her for her years of dedication to the Company, and also wishing her a long and healthy retirement.

It is with great sadness that I have to report the loss in the year of two friends of the Company with whom we have enjoyed a long and happy association.

Ray Price died on 27 September 2014. Ray retired from the Company in 1985. He had joined as Company Secretary in 1957 and was invited to the Board in 1966. His long service was a huge support to my Father, and in particular, he helped guide the Company through the transitional period after we ceased brewing in 1970.

It was also a very sad day for everyone at Head Office when we heard of the passing of Wally Protheroe. Wally was our tenant at the Teignmouth Inn in Dawlish in January 1979 before he and his wife June took the tenancy of the Mount Pleasant Inn at Dawlish Warren in February 1985. As a result of their vision and hard work, Wally and his family enjoyed consistent success and made the Mount Pleasant one of the Company's flagship operations.

Outlook

In November MPs voted in favour of the Small Business, Enterprise and Employment Bill. Subject to approval in the House of Lords the Bill should become law later in 2015. Clause 2 of the Bill requires all tenanted and leased pub operators with over 500 houses to offer 'Market Rent Only' agreements with no tie on beer or cider products. Due to the size of our estate we will not be legislatively bound to offer MRO agreements; and we will continue to operate with a tie albeit with a large choice of permanently listed products and an even larger list of seasonal ales and ciders for our tenants to choose from. So in practical terms we are not directly affected. However, this potential change will, at the very least, cast a shadow of uncertainty across the industry; and we will have to adapt to the commercial realities that accompany it.

N H P TUCKER
Chairman
13 February 2015

Strategic report

Strategic review

Business review

During the year the Group carried on the business of the lease and operation of public houses. Throughout this period we have worked hard at maintaining our business model through continuing support for our estate, investment in the estate to maintain its quality, prudent management of its capital structure and investment in overhead to improve services to our estate.

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 £7,198,000 (2013: £7,231,000).

The combined result of sales of non-current assets and assets held for sale realised a profit before tax of £466,000 (2013: loss of £85,000).

Parent Company - operating profit after consolidation adjustments £1,398,000 (2013: £1,356,000).

Heavitree Inc. – operating profit £6,000 (2013: loss of £13,000).

Heavitree Inns Limited – dormant throughout the year.

For a further review of the business please see the Chairman's statement on pages 6 and 7 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 and 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 30.

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
13 February 2015

Directors' report

The directors have pleasure in submitting their report for the year ended 31 October 2014.

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £1,381,000 (2013: £744,000).

The Directors propose a final dividend of 3.675p per share on the Ordinary and 'A' Limited Voting Ordinary Shares. An interim dividend of 3.675p (2013: 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 2014 the Group's total borrowings were £4,834,000 (2013: £6,091,000) of which £4,750,000 was secured, and is shown as a 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 25.

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

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

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

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

Future developments

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

Further information in relation to the business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's statement on pages 6 and 7.

Directors

The Directors of the Company during the year ended 31 October 2014 were those listed on page 2.

W P Tucker and G J Crocker 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 2014 were as follows:

	Ordinary Shares		*'A' Limited Voting Ordinary Shares*	
	31 October 2014	*31 October 2013*	*31 October 2014*	*31 October 2013*
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	-	-	43,240	49,004
T P Duncan	150,335	150,335	196,992	196,992
K Pease-Watkin	27,088	27,088	57,138	76,638
T Wheatley	-	-	37,989	33,929

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

(a) W P Tucker's interest in 53,750 (2013: 53,750) Ordinary Shares; and

(b) N H P Tucker's interest in 53,750 (2013: 53,750) Ordinary Shares.

Included in these interests are the following joint holdings:

(a) 53,750 (2013: 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 2014 the following interests of shareholders in excess of 3% of each class of ordinary share capital, other than directors, had been notified to the Company:

	Ordinary	*Ordinary %*	*'A'-Limited Voting Ordinary*	*'A' Limited Voting Ordinary %*
P A Benett	135,380	6.7%	270,740	8.2%
R A Duncan	-	-	101,369	3.0%
R H Duncan	151,643	7.6%	177,611	5.4%
J E M Duncan	133,545	6.6%	186,637	5.6%
S T Tucker	-	-	109,000	3.3%
Mrs T C Yule	78,010	3.9%	178,205	5.4%

Going Concern

The directors have considered the Group's financial resources including a review of the medium-term financial plan, and 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 anticipatable 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), but complies as far as is practicable and appropriate for a public company of its size and nature.

Board of Directors
At 31 October 2014, 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 9 to the financial statements.
Summary of Directors' Attendance

	Board Meetings	
	Entitled to attend	**Attended**
N H P Tucker	12	11
G J Crocker	12	11
T Wheatley	12	10
W P Tucker	12	9
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
13 February 2015

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*
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
2014	1,404	1,642	28.0	7.35

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 2014 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company balance sheet, the Group and Parent Company statement of changes in equity, the Group and Parent Company statement of cash flows and 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 15, 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 and express an opinion on 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 Parent 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 the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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

Independent auditor's report

to the members of The Heavitree Brewery PLC

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

GLENN NICOL (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

13 February 2015

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 2014

	Notes	Total 2014 £'000	Total 2013 £'000
Revenue	3	7,198	7,231
Change in stocks		-	-
Other operating income	5	230	166
Purchase of inventories		(3,127)	(3,079)
Staff costs	9	(1,144)	(1,102)
Depreciation of property, plant and equipment		(227)	(240)
Other operating charges		(1,526)	(1,631)
		(5,794)	(5,886)
Group operating profit	6	1,404	1,345
Profit/(loss) on sale of property, plant and equipment	8	466	(85)
Group profit before finance costs and taxation		1,870	1,260
Finance income	10	17	22
Finance costs	11	(203)	(207)
Other finance costs – pensions	30	(42)	(61)
		(228)	(246)
Profit before taxation		1,642	1,014
Tax expense	12a	(261)	(270)
Profit for the year attributable to equity holders of the parent		1,381	744
Basic earnings per share	13	28.0p	14.8p
Diluted earnings per share	13	28.0p	14.8p

All amounts in 2014 and 2013 relate to continuing operations.

Group statement of comprehensive income

for the year ended 31 October 2014

	Notes	2014 £000	2013 £000
Profit for the year		1,381	744
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension plans	30	(415)	8
Tax relating to items that will not be reclassified	12a	84	(2)
		(331)	6
Items that may be reclassified to profit or loss			
Cash flow hedges	25	28	22
Fair value adjustment	27	8	-
Exchange rate differences on translation of subsidiary undertaking		1	-
Tax relating to items that may be reclassified	12a	(6)	(7)
		31	15
Other comprehensive income for the year, net of tax		1,081	765
Total comprehensive income attributable to:			
Equity holders of the parent		1,081	765

Group balance sheet

at 31 October 2014

	Notes	*2014* *£000*	*2013* *£000*
Non-current assets			
Property, plant and equipment	16	15,043	14,717
Financial assets	18	35	27
Deferred tax asset	12c	237	265
		15,315	15,009
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,245	1,739
Cash and cash equivalents	21	112	65
		1,367	1,814
Assets held for sale	17	-	444
Total assets		16,682	17,267
Current liabilities			
Trade and other payables	22	(954)	(835)
Financial liabilities	23	(4,858)	(1,144)
Income tax payable		(184)	(52)
		(5,996)	(2,031)
Non-current liabilities			
Other payables	22	(234)	(241)
Financial liabilities	23	(11)	(5,011)
Deferred tax liabilities	12c	(200)	(212)
Defined benefit pension plan deficit	30	(1,158)	(1,208)
		(1,603)	(6,672)
Total liabilities		(7,599)	(8,703)
Net assets		9,083	8,564

Group balance sheet

at 31 October 2014

	Notes	*2014* *£000*	*2013* *£000*
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,202)	(1,002)
Fair value adjustments reserve	27	16	8
Cash flow hedging reserve	27	(20)	(42)
Currency translation	27	7	6
Retained earnings	27	9,345	8,657
Total equity		9,083	8,564

The notes on pages 30 to 65 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 13 February 2015 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 2014

	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

Group statement of changes in equity

for the year ended 31 October 2014

	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 2013	264	673	(1,002)	8	6	(42)	8,657	8,564
Profit for the year	-	-	-	-	-	-	1,381	1,381
Other comprehensive income for the year, net of income tax	-	-	-	8	1	22	(331)	(300)
Total comprehensive income for the year	-	-	-	8	1	22	1,050	1,081
Consideration received by EBT on sale of shares	-	-	37	-	-	-	-	37
Consideration paid by EBT on purchase of shares	-	-	(245)	-	-	-	-	(245)
Loss by EBT on sale of shares	-	-	8	-	-	-	(8)	-
Equity dividends paid	-	-	-	-	-	-	(354)	(354)
At 31 October 2014	264	673	(1,202)	16	7	(20)	9,345	9,083

Details of the reserves can be found in note 27.

Group statement of cash flows

For the year ended 31 October 2014

	Notes	2014 £000	2013 £000
Operating activities			
Profit for the year		1,381	744
Tax expense		261	270
Net finance costs		228	246
(Profit)/loss on disposal of non-current assets and assets held for sale		(466)	85
Depreciation and impairment of property, plant and equipment		227	240
Difference between pension contributions paid and amounts recognised in the income statement		(507)	(507)
Decrease/(increase) in trade and other receivables		120	(2)
Increase/(decrease) in trade and other payables		113	(112)
Cash generated from operations		1,357	964
Income taxes paid		(36)	(185)
Interest paid		(203)	(207)
Net cash flow from operating activities		1,118	572
Investing activities			
Interest received		17	22
Proceeds from sale of property, plant and equipment and assets held for sale		1,381	309
Payments to acquire property, plant and equipment		(649)	(884)
Net cash inflow/(outflow) from investing activities		749	(553)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	(354)	(352)
Consideration received by EBT on sale of shares		37	41
Consideration paid by EBT on purchase of shares		(245)	(182)
Net movement in long-term borrowings		(250)	750
Net cash flow from financing activities		(813)	256
Increase in cash and cash equivalents		1,054	275
Cash and cash equivalents at the beginning of the year	21	(1,026)	(1,301)
Cash and cash equivalents at the year end	21	28	(1,026)

Company balance sheet

at 31 October 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	16	15,016	14,690
Financial assets	18	92	78
Deferred tax asset	12c	237	265
		15,345	15,033
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,245	1,739
Cash and cash equivalents	21	81	47
		1,336	1,796
Assets held for sale	17	-	444
Total assets		16,681	17,273
Current liabilities			
Trade and other payables	22	(954)	(835)
Financial liabilities	23	(4,858)	(1,144)
Income tax payable		(184)	(52)
		(5,996)	(2,031)
Non-current liabilities			
Other payables	22	(234)	(241)
Financial liabilities	23	(11)	(5,011)
Deferred tax liabilities	12c	(200)	(212)
Defined benefit pension plan deficit	30	(1,158)	(1,208)
		(1,603)	(6,672)
Total liabilities		(7,599)	(8,703)
Net assets		9,082	8,570

Company balance sheet
at 31 October 2014

	Notes	*2014* *£000*	*2013* *£000*
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,202)	(1,002)
Fair value adjustments reserve	27	16	8
Cash flow hedging reserve	27	(20)	(42)
Retained earnings	27	9,351	8,669
Total equity		9,082	8,570

The notes on pages 30 to 65 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 13 February 2015 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 2014

	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

Company statement of changes in equity

for the year ended 31 October 2014

	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 2013	264	673	(1,002)	8	(42)	8,669	8,570
Profit for the year	-	-	-	-	-	1,375	1,375
Other comprehensive income for the year, net of income tax	-	-	-	8	22	(331)	(301)
Total comprehensive income for the year	-	-	-	8	22	1,044	1,074
Consideration received by EBT on sale of shares	-	-	37	-	-	-	37
Consideration paid by EBT on purchase of shares	-	-	(245)	-	-	-	(245)
Loss by EBT on sale of shares	-	-	8	-	-	(8)	-
Equity dividends paid	-	-	-	-	-	(354)	(354)
At 31 October 2014	264	673	(1,202)	16	(20)	9,351	9,082

Details of the reserves can be found in note 27.

Company statement of cash flows

for the year ended 31 October 2014

	Notes	2014 £000	2013 £000
Operating activities			
Profit for the year		1,375	757
Tax expense		261	270
Net finance costs		228	244
(Profit)/loss on disposal of non-current assets and assets held for sale		(466)	85
Depreciation and impairment of property, plant and equipment		227	240
Difference between pension contributions paid and amounts recognised in the income statement		(507)	(507)
(Decrease)/increase in trade and other receivables		119	(2)
Increase/(decrease) in trade and other payables		113	(113)
Cash generated from operations		1,350	974
Income taxes paid		(36)	(185)
Interest paid		(203)	(205)
Net cash flow from operating activities		1,111	584
Investing activities			
Interest received		17	22
Proceeds from sale of property, plant and equipment and assets held for sale		1,381	307
Payments to acquire property, plant and equipment		(649)	(884)
Payments to acquire fixed asset investments		(6)	-
Net cash inflow/(outflow) from investing activities		743	(555)
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	(354)	(352)
Consideration received by EBT on sale of shares		37	41
Consideration paid by EBT on purchase of shares		(245)	(182)
Net movement in long-term borrowings		(250)	750
Net cash flow from financing activities		(813)	256
Increase in cash and cash equivalents		1,041	285
Cash and cash equivalents at the beginning of the year	21	(1,044)	(1,329)
Cash and cash equivalents at the year end	21	(3)	(1,044)

Notes to the financial statements

for the year ended 31 October 2014

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the "Group") for the year ended 31 October 2014 were authorised for issue by the board of directors on 13 February 2015 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 2014 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 2014.

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

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 10 and note 25.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous fianancial year, apart from the changes arising from the adoption of new accounting standards set out below:

IFRS 13 Fair Value Measurement

IFRS 13 applies prospectively for financial periods that began on or after 1 January 2013 and establishes a single source of guidance under IFRS for all fair value measurement. IFRS13 does not change when an entity is required to use fair values, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted and extends the disclosures required in respect of fair value measurement. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The default risk, i.e. the entities own credit risk must also be reflected in the fair value of a liability.

Notes to the financial statements

for the year ended 31 October 2014

2. Accounting policies (continued)

***Change in accounting policy** (continued)*

The implementation of IFRS 13 has not resulted in an adjustment to the results for the years ended 31 October 2013 and 31 October 2014, but has extended the disclosure requirements in respect of fair values.

Key sources of estimation uncertainty

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

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 2014 was £1,158,000 (2013: £1,208,000). Further details are given in note 30.

Valuation of financial instruments

As described in note 25, 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 25 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 2014

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 2014

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 2014

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 2014

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 25.

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 25 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 2014

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 2014

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 2014

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)

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

Rents receivable from licenced properties (Revenue) and Rents receivable from investment properties (Other operating income)

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

Machine income (Revenue)

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

Interest (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 2014

2. Accounting policies (continued)

New standards, interpretations and amendments to existing standards

There are no material impacts arising from standards and interpretations applicable for the first time to these financial statements, as detailed in the prior year financial statements.

The following IFRS and IFRIC interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early. None of these Standards and Interpretations is anticipated to have a significant impact on the Group.

Annual periods beginning on/after 1 January 2014

- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- Investment Entities Amendments to:
  - IFRS 10
  - IFRS 12
  - IAS 27
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
- IFRIC 21 Levies

Annual periods beginning on/after 1 July 2014

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*
- Annual Improvements to IFRSs 2010-2012 cycle
  - IFRS 2 Share-Based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IFRS 13 Fair Value Measurement
  - IAS 16 Property, Plant and Equipment
  - IAS 24 Related Party Disclosures
  - IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2011-2013 cycle
  - IFRS 1 First-time Adoption of IFRSs
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property

Annual periods beginning on/after 1 January 2015

- IFRS 9 Financial Instruments*
- IFRS 14 Regulatory Deferral Accounts*
- Equity Method in Separate Financial Statements – Amendments to IAS 27*
- Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28*
- Disclosure Initiative – Amendments to IAS 1*
- IFRS 15 Revenue from Contracts with Customers*
- Accounting for Acquisitions of Interest in Joint Operations – Amendments to IFRS 11*
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38*
- Bearer Plants – Amendments to IAS 16 and IAS 41*
- Sale or Contribution of Assets between an Investor and it's Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*

Notes to the financial statements

for the year ended 31 October 2014

2. Accounting policies (continued)

Annual periods beginning on/after 1 January 2015(continued)

- Annual Improvements to IFRSs 2012 – 2014 cycle*

*The above standards have not yet been adopted by the European Union and therefore do not form part of IFRS as adopted by the European Union.

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.

3. Revenue

Revenue recognised in the income statement is analysed as follows.

	2014	*2013*
	£000	*£000*
Sale of goods	5,199	5,122
Rents from licensed properties	1,999	2,109
	7,198	7,231

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 (2013: £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 2014 and 2013. 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 2014

4. Segment information (continued)

Secondary reporting format – geographical segments

Year ended 31 October 2014	*UK*	*United States*	*Total*
	£000	*£000*	*£000*
Revenue			
Sales to external customers	7,198	-	7,198
Other segment information			
Segment assets	16,624	58	16,682
Total assets	16,624	58	16,682
Capital expenditure			
Property, plant and equipment	649	-	649

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

5. Other operating income

	2014	*2013*
	£000	*£000*
Rents from unlicensed properties	218	166
Other	12	-
	230	166

Notes to the financial statements

for the year ended 31 October 2014

6. Operating profit

This is stated after charging:

	2014	*2013*
	£000	*£000*
Depreciation of property, plant and equipment	227	240
Repairs and maintenance of properties	744	855
Cost of inventories recognised as an expense (included in purchase of inventories)	3,127	3,079

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.

		2014	*2013*
		£000	*£000*
Audit of the group financial statements		42	42
Other fees to auditors	- audit of the group pension scheme	2	2
	- tax compliance services	5	5
	- other services	6	5
		13	12
		55	54

Other services relate to a review of the Group's Interim Report of £5,000 (2013:£5,000) and sundry matters of £1,000 (2013:£Nil)

8. Profit /(loss) on sale of property, plant and equipment

	2014	*2013*
	£000	*£000*
Profits on sale of property, plant and equipment	466	155
Losses on sale of property, plant and equipment	-	(240)
	466	(85)

Profit/(loss) on disposal of non-current assets represents gains/(losses) 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.

Notes to the financial statements

for the year ended 31 October 2014

9. Staff costs and directors' emoluments

(a) Staff costs

	2014	*2013*
	£000	*£000*
Wages and salaries	909	802
Social security costs	95	80
Other pension costs (note 30)	140	220
	1,144	1,102

Included in other pension costs is £93,583 (2013: £174,249) in respect of the defined contribution scheme.

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

	2014	*2013*
	No.	*No.*
Average monthly number of employees	13	14

(b) Directors' emoluments

	Basic salary and fees	*Performance related bonus*	*Benefits*	*Pension contributions*	*Total 2014*	*Total 2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
N H P Tucker	144	22	21	8	195	192
G J Crocker	128	10	22	3	163	160
T Wheatley	104	9	20	41	174	169
W P Tucker	24	-	2	-	26	25
T P Duncan	15	-	-	-	15	15
K Pease-Watkin	15	-	-	-	15	15
	430	41	65	52	588	576

Notes to the financial statements

for the year ended 31 October 2014

9. Staff costs and directors' emoluments (Continued)

(b) Directors' emoluments (continued)

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 £187,000 (2013: £147,000).

Three of the directors are accruing pension benefits. The highest paid director has an accrued pension entitlement of £87,865 as at 31 October 2014 (2013: £87,865), arising from past membership of the defined benefit scheme which is no longer active.

10. Finance income

	2014	*2013*
	£000	*£000*
Other interest	17	22

11. Finance costs

	2014	*2013*
	£000	*£000*
Interest on bank loans and overdrafts	198	201
Interest on other loans (including cumulative preference shares)	5	6
Total finance costs	203	207

12. Taxation

(a) Tax on profit on ordinary activities

Tax expensed in the income statement

	2014	*2013*
	£000	*£000*
Current income tax:		
UK corporation tax	161	132
Tax paid by Employee Benefits Trust	7	3
Total current income tax	168	135
Deferred tax:		
Origination and reversal of temporary differences	93	135
Total deferred tax	93	135
Tax expense in the income statement	261	270

Notes to the financial statements

for the year ended 31 October 2014

12. Taxation (Continued)

	2014	2013
(a) Tax on profit on ordinary activities (continued)	*£000*	*£000*
Tax relating to items expensed or credited to equity		
Deferred tax:		
Deferred tax on defined benefit pensions scheme	(84)	2
Deferred tax on fair value re-measurement of hedging instruments entered into for cash flow hedges	6	7
Total deferred tax	(78)	9
Tax (expense)/credit in the statement of comprehensive income	(78)	9

(b) Reconciliation of the total tax expense

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 21.83% (2013: 23.42%). The differences are reconciled below:

	2014	2013
	£000	*£000*
Accounting profit before income tax	1,642	1,014
Accounting profit multiplied by the UK standard rate of corporation tax of 21.83% (2013: 23.42%)	358	237
Expenses not deductible for tax purposes	4	30
Other	(13)	-
Tax paid by Employee Benefits Trust	7	3
Capital gain rebasing/indexation	(95)	-
Total tax expense reported in the income statement	261	270

(c) Deferred tax

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

	2014	2013
	£000	*£000*
Deferred tax liability		
Accelerated capital allowances	99	107
Rolled over gain	101	105
	200	212
Deferred tax asset		
Pension plans	232	254
Cash flow hedges	5	11
	237	265

Notes to the financial statements

for the year ended 31 October 2014

12. Taxation(Continued)

(c) Deferred tax (continued)

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

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

	2014	*2013*
	£000	*£000*
Deferred tax in the income statement		
Accelerated capital allowances	(8)	9
Pension plans	105	143
Rolled over gain	(4)	(17)
Deferred income tax expense	93	135

A potential deferred tax asset of £117,000 (2013: £130,000) 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.

13. Earnings per share

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

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

	2014	*2013*
	£000	*£000*
Profit for the year	1,381	744

	2014	*2013*
	No.	*No.*
	(000)	*(000)*
Basic weighted average number of shares (excluding treasury shares)	4,939	5,023

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 2014

14. Dividends paid and proposed

	2014 £000	2013 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2013: 3.5p (2012: 3.5p)	185	185
First dividend for 2014: 3.675p (2013: 3.5p)	194	185
Less: dividends on shares held within employee share schemes	(25)	(18)
Dividends paid	354	352
Proposed for approval at AGM (not recognised as a liability as at 31 October)		
Final dividend for 2014: 3.675p (2013: 3.5p)	194	180
Cumulative preference dividends	1	1

15. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £1,375,000 (2013: £757,000).

16. Property, plant and equipment

Group	*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 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
Additions	375	51	134	76	13	649
Transfer	(111)	-	-	111	-	-
Disposals	(34)	(150)	(109)	-	-	(293)
At 31 October 2014	13,707	3,618	422	239	463	18,449

Notes to the financial statements

for the year ended 31 October 2014

16. Property, plant and equipment (continued)

Group	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Depreciation and impairment:						
At 1 November 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
Provided during the year	-	148	79	-	-	227
Disposals	-	(131)	(66)	-	-	(197)
At 31 October 2014	380	2,782	244	-	-	3,406
Net book value at 31 October 2014	13,327	836	178	239	463	15,043
Net book value at 31 October 2013	13,097	952	166	52	450	14,717
Net book value at 1 November 2012	12,879	1,100	145	495	214	14,883

In the directors' opinion the investment properties have a fair value as at 31 October 2014 of £1,108,000 (2013: £1,083,000). The investment properties were valued by the Directors based on current market prices for similar properties within a similar area. The fair value disclosure of investment property is categorised as a level 2 recurring fair value disclosure in accordance with IFRS 13.

Company	*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 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
Additions	375	51	134	76	13	649
Transfer	(111)	-	-	111	-	-
Disposals	(34)	(150)	(109)	-	-	(293)
At 31 October 2014	13,680	3,618	422	239	463	18,422

Notes to the financial statements

for the year ended 31 October 2014

16. Property, plant and equipment (continued)

Company	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Depreciation and impairment:						
At 1 November 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
Provided during the year	-	148	79	-	-	227
Disposals	-	(131)	(66)	-	-	(197)
At 31 October 2014	380	2782	244	-	-	3,406
Net book value at 31 October 2014	13,300	836	178	239	463	15,016
Net book value at 31 October 2013	13,070	952	166	52	450	14,690
Net book value at 1 November 2012	12,850	1,100	145	495	214	14,804

In the directors' opinion the investment properties have a fair value as at 31 October 2014 of £1,108,000 (2013: £1,083,000). The investment properties were valued by the Directors based on current market prices for similar properties within a similar area. The fair value disclosure of investment property is categorised as a level 2 recurring fair value disclosure in accordance with IFRS 13.

17. Non-current assets held for sale

Group and Company	*2014*	*2013*
	£000	*£000*
At 1 November	-	525
Transfer from property, plant and equipment (note 16)	-	444
Disposals	-	(525)
At 31 October	-	444

As at 31 October 2014 no properties were being actively marketed for sale (2013 – one licensed property and four unlicensed properties).

The licensed and four unlicensed properties property held for sale at 31 October 2013 were sold in the year, generating a profit on disposal of £327,000 (note 8).

Notes to the financial statements

for the year ended 31 October 2014

18. Financial assets

Group	*2014*	*2013*
	£000	*£000*
Financial assets – non-current		
Available-for-sale financial assets	35	27

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 2013 and 31 October 2014	69	50	119
Additions	6	-	6
	75	50	125
Amounts provided:			
At 1 November 2013	(18)	(23)	(41)
Revaluation	-	8	8
At 31 October 2014	(18)	(15)	(33)
Net book value:			
At 31 October 2014	57	35	92
At 31 October 2013	51	27	78

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.

19. Inventories

	2014	*2013*
Group and Company	*£000*	*£000*
Fine wines	6	6
Merchandising inventory	4	4
	10	10

Notes to the financial statements

for the year ended 31 October 2014

20. Trade and other receivables

Group and Company	*2014 £000*	*2013 £000*
Trade receivables	878	918
Prepayments and accrued income	30	33
Other receivables	46	422
Finance leases	291	366
	1,245	1,739

Included within 'Other receivables' is an amount of £nil (2013: £375,000) 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 2014, trade receivables at nominal value of £598,000 (2013: £469,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2014 £000	*2013 £000*
At 1 November	469	506
Charge for the year	129	37
Amounts written back	-	(74)
At 31 October	598	469

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

		Neither past due nor		*Past due but not impaired*	
	Total	*impaired*	*0-30 days*	*30-90 days*	*90+ days*
	£000	*£000*	*£000*	*£000*	*£000*
2014	878	542	137	25	174
2013	918	482	147	74	215

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 2014

21. Cash and cash equivalents

Group	*2014* *£000*	*2013* *£000*
Cash at bank and in hand	112	65
	112	65

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

	2014 *£000*	*2013* *£000*
Cash at bank and in hand	112	65
Bank overdrafts	(84)	(1,091)
	28	(1,026)

Company	*2014* *£000*	*2013* *£000*
Cash at bank and in hand	81	47

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

	2014 *£000*	*2013* *£000*
Cash at bank and in hand	81	47
Bank overdrafts	(84)	(1,091)
	(3)	(1,044)

Notes to the financial statements

for the year ended 31 October 2014

22. Trade and other payables

Group and Company	*2014*	*2013*
	£000	*£000*
Current		
Trade payables	480	420
Other taxation and social security	305	214
Accruals	158	191
Other payables	11	10
	954	835
Non-current		
Other payables - tenants' deposits	234	241

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

23. Financial liabilities

Group and Company	*2014*	*2013*
	£000	*£000*
Current		
Bank overdrafts	84	1,091
Bank loan	4,750	-
Derivatives that are designated and effective as hedging instruments carried at fair value		
Interest rate swaps	24	53
	4,858	1,144

	2014	*2013*
	£000	*£000*
Non-current		
11.5% cumulative preference shares (note 26)	11	11
Bank loan	-	5,000
	11	5,011

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 (2013:£15,125,000).

The current facility of £4,750,000 expires on 31 January 2015 and has been reclassified as a current liability. Since the year end the facility has been refinanced for a term of five years and therefore will revert to a non-current liability in 2015.

Notes to the financial statements

for the year ended 31 October 2014

24. Operating lease agreements where the group is a lessor

Group and Company

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

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

	2014	*2013*
	£000	*£000*
Not later than one year	299	341
After one year but not more than five years	1,024	1,297
After five years	1,086	1,278
	2,409	2,916

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.

25. 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 2014

25. 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*
2014		
Sterling	+100	(55)
Sterling	-100	55
2013		
Sterling	+100	(60)
Sterling	-100	60

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)*	
	2014 %	*2013 %*	*2014 £000*	*2013 £000*	*2014 £000*	*2013 £000*
2 to 5 years	1.63	1.42	4,000	4,000	(24)	(53)

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.

Notes to the financial statements

for the year ended 31 October 2014

25. Financial instruments and derivatives (continued)

Interest rate risk profile of non-equity shares

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

Liquidity risk

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

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 October 2014 and 2013 based on contractual undiscounted payments.

Year ended 31 October 2014

	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	84	4,750	-	-	-	4,834
Interest rate swaps	-	24	-	-	-	24
Tenants' deposits	-	-	-	234	-	234
Trade payables	480	-	-	-	-	480

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

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 2014

25. Financial instruments and derivatives (continued)

Credit risk

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

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

The Group has established procedures to minimise the risk of default on trade receivables including, when considered appropriate, undertaking detailed credit checks before a customer is accepted. 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:

	Hierarchical classification	*Book value 2014 £000*	*Fair value 2014 £000*	*Book value 2013 £000*	*Fair value 2013 £000*
Financial assets					
Cash	Level 2	112	112	65	65
Available-for-sale investments	Level 1	35	35	27	27
		147	147	92	92
Financial liabilities					
Bank loan/overdraft	Level 2	(4,834)	(4,834)	(6,091)	(6,091)
Interest rate swaps	Level 2	(24)	(24)	(53)	(53)
Interest-bearing loans and borrowings:					
Floating rate borrowings					
Tenants' deposits	Level 3	(234)	(234)	(241)	(241)
Cumulative preference shares	Level 3	(11)	(11)	(11)	(11)
		(5,103)	(5,103)	(6,396)	(6,396)

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

Notes to the financial statements

for the year ended 31 October 2014

25. Financial instruments and derivatives (continued)

Fair values of financial assets and liabilities(continued)

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

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

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

The fair value of available-for-sale investments is based on market value (see note 18).

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

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

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.

Hierarchical classification of financial assets and liabilities measured at fair value

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

The classification uses the following three-level hierarchy:

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

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

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

During the years ending 31 October 2014 and 31 October 2013 there were no transfers between level 1,2 or 3 fair value measurements.

26. Authorised and issued share capital

Group and Company

(i) Ordinary shares

Authorised	*2014*	*2013*
	£	£
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

Notes to the financial statements

for the year ended 31 October 2014

26. Authorised and issued share capital (continued)

Allotted, called up and fully paid	*2014 No.*	*2013 No.*	*2014 £*	*2013 £*
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	-	-	-	-
At 31 October	1,994,669	1,994,699	99,735	99,735

	2014 No.	*2013 No.*	*2014 £*	*2013 £*
'A' Limited Voting Ordinary Shares of 5p each				
At 1 November	3,282,478	3,282,478	164,124	164,124
Purchases	-	-	-	-
At 31 October	3,282,478	3,282478	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.

(ii) Preference shares classified as non-current liability

Authorised	*2014 £*	*2013 £*
11.5% Cumulative Preference Shares of £1 each	11,695	11,695

Allotted, called up and fully paid

	2014 No.	*2013 No.*	*2014 £*	*2013 £*
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 10 in the Directors' report.

Notes to the financial statements

for the year ended 31 October 2014

27. Reconciliation of movements in equity

Group and Company

The reconciliations of movements in equity are shown in the group statement of changes in equity and the company statement of changes in equity on pages 22 and 27 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 2014 the Group held 128,672 Ordinary Shares and 273,479 'A' Limited Voting Ordinary Shares (2013: 110,712 Ordinary Shares and 183,263 'A' Limited Voting Ordinary Shares) of its own shares at an average cost of £2.98 (2013: £3.40). The market value of these shares as at 31 October 2014 was £916,880 (2013: £694,269).

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.

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.

28. 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 *2014* *£000*	*Other* *2013* *£000*
Within one year	15	-
In two to five years	-	15
	15	15

Notes to the financial statements

for the year ended 31 October 2014

29. Capital commitments

Group and Company

At 31 October 2014, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £32,435 (2013: £nil).

30. Pensions and post-retirement benefits

Group and Company

(i) Optional pension payments

During the year the Group made discretionary pension payments of £50,351 (2013: £55,265) 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 £93,583 (2013: £174,249).

(iii) Defined benefit scheme

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

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

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

A full actuarial valuation was carried out as at 31 December 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 2014.

Notes to the financial statements

for the year ended 31 October 2014

30. Pensions and post-retirement benefits (continued)

Amounts included in the Balance Sheet

	31 October 2014 £000	*31 October 2013 £000*	*31 October 2012 £000*
Fair value of plan assets	6,248	5,233	4,729
Present value of defined benefit obligation	(7,406)	(6,441)	(6,391)
Surplus/(deficit) in scheme	(1,158)	(1,208)	(1,662)

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 £7,406,000.

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

Reconciliation of the impact of the asset ceiling

The Company has reviewed the implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding requirement as at 31 October 2014.

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

	2014 £000	*2013 £000*
As at 1 November	6,441	6,391
Current service cost	-	-
Interest cost	282	273
Actuarial losses due to scheme experience	-	1
Actuarial losses/(gains) due to changes in financial assumptions	730	(140)
Benefits paid	(47)	(84)
At 31 October	7,406	6,441

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

Notes to the financial statements

for the year ended 31 October 2014

30. Pensions and post-retirement benefits (continued)

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

	2014	*2013*
	£000	*£000*
As at 1 November	5,233	4,729
Interest income	240	212
Return on plan assets (excluding amounts included in interest income)	315	(131)
Employer contributions	507	507
Benefits paid	(47)	(84)
At 31 October	6,248	5,233

The actual return on the plan assets over the period ending 31 October 2014 was £555,000.

Defined benefit costs recognised in profit or loss

	2014	*2013*
	£000	*£000*
Current service cost	-	-
Net interest cost	42	61
Defined benefit cost recognised in profit or loss	42	61

Defined benefit costs recognised in Other Comprehensive Income

	2014	*2013*
	£000	*£000*
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	315	(131)
Experience losses arising on the defined benefit obligation	-	(1)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(730)	140
Total amount recognised in other comprehensive income – (loss)/gain	(415)	8

Plan assets

	31 October 2014	*31 October 2013*	*31 October 2012*
	£000	*£000*	*£000*
Corporate Bonds	5,320	4,424	3,882
Government Bonds	613	483	439
Cash	119	149	236
Insured Contract	196	177	172
Total assets	6,248	5,233	4,729

Notes to the financial statements

for the year ended 31 October 2014

30. Pensions and post-retirement benefits (continued)

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.

Significant Actuarial Assumptions

	31 October 2014	*31 October 2013*	*31 October 2012*
	% per annum	*% per annum*	*% per annum*
Rate of discount	3.9	4.40	4.30
Allowance for commutation of pension for cash at retirement	N/A	N/A	N/A

The mortality assumptions adopted as at 31 October 2014 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 2014	22.7
Female retiring in 2014	25.1
Male retiring in 2034	24.6
Female retiring in 2034	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 3.1%

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 2014 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 2014 is £507,000.

Notes to the financial statements

for the year ended 31 October 2014

31. 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 £000	*Trading amounts owed from related parties £000*	*Advanced to related party during year £000*	*Loans owed from related parties at year end £000*
31 October 2014	326	41	-	-
31 October 2013	331	24	-	-

One of the unlicensed properties was sold to a close family member of one of the directors on an arms length basis for £129,000. There was no amount outstanding as at the year end.

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 2014, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2013: £nil).

Compensation of key management personnel (including directors)

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