The Heavitree Brewery PLC

Financial Statements

31 October 2015

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

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 Sixth Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 14 April 2016 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 2015 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 N H P Tucker as a Director of the Company.
4. To re-elect K Pease-Watkin 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.

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 2017 (except in relation to the purchase of shares the contract for which was concluded before such date and might be executed wholly or partly after such date).

By Order of the Board

N J MCLEAN
Secretary
11 March 2016

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 22 April 2016 to shareholders on the register on 29 March 2016.

Strategic report

Chairman's statement

Profitability (operating profit) for the year under review has increased by 0.56% despite a small drop in turnover. There was an impairment cost of £47,000 (2014 - £Nil) relating to the Pen and Quill which has been transferred to assets held for sale. There was also a small profit from the sale of non-current assets of £5,000 compared to £466,000 in the previous year.

Results

Turnover for the Group decreased by £116,000 (1.6%) to £7,082,000. Group Operating Profit increased by 0.56% (£8,000) on the previous year.

Heavitree Inns remained dormant throughout the year.

Heavitree Inc. generated an operating loss of £13,000 (2014 – profit of £6,000).

Key Performance indicators

Adjusted Operating Profit before Taxation of £1,412,000 was up 0.56% on last year.

Interest costs were covered 8.71 times.

Dividend

The Directors recommend a final dividend of 3.675p per Ordinary and 'A' Limited Voting Ordinary Share (2014 – 3.675p) making an unchanged total for the year of 7.35p. The dividend will be paid on 22 April 2016, subject to shareholder approval at the Annual General Meeting on 14 April 2016, to shareholders on the Register at 29 March 2016.

Sale of Property

The Hole in the Wall in Dawlish, the Exeter Inn in Dawlish, the Pen and Quill in Taunton, the Maltsters Arms in Harbertonford and the Bell Inn in Cullompton are each being marketed for sale. We have achieved planning permission for the Hole in the Wall, the Exeter Inn and the Pen and Quill for various schemes of change of use following a number of years of closure. The Maltsters Arms is currently closed but the Bell Inn is open and trading.

Purchase of Property

In October we purchased a closed pub in Teignmouth called the Queensbury Arms for £330,000.

Capital Investments

The conversion of the Red Lion Inn in Ashburton into four flats and a retail unit and the development of the Country House Inn site in Exeter into three detached houses are close to completion. I shall report further on these at the half-year.

The substantial capital investments at the Oddfellows in Exmouth and the George and Dragon in Dartmouth have been completed. The Oddfellows opened in August and The George and Dragon opened in November. Both are trading well and we look forward to significant contributions from these two houses. Our tenants at both these pubs brought great vision and operational skill and detail to the styles that have been achieved and we wish both Yvan and Faye Williams at the Oddfellows and Adrian, Leigh and Sophie Ovens at the George and Dragon every success and a long and happy partnership with this Company.

Strategic report

The Dartmoor Halfway Inn in Bickington remains closed but a redevelopment plan which will deliver a bigger and better pub has been approved by Teignbridge District Council; at the time of writing costings are being sought. An informal agreement has been reached with a favoured operator and we look forward to work getting underway at this site. Again, I shall report further at the half-year.

Pension Scheme

The Company continues to meet its funding obligations to its closed final salary Pension Scheme. Following the triennial valuation of the Scheme which fell due on 1 January 2014 and which was completed earlier in the year under review, a revised schedule of deficit repayment contributions extending to 2022 has been agreed by the trustees with the Scheme's actuary. The next valuation falls due on 1 January 2017 with anticipated completion in early 2018; but required by 31 March 2018 at the latest.

Repurchase of shares

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

Outlook

I once again find myself drawing attention to the uncertainties which overshadow the trade whilst the economic recovery in our trading area slowly moves forward. There has been much debate about possible interest rate increases and the effects on small businesses, such as pub operators, of the introduction of the national living wage. Most recently, the new, well publicised guidance on alcohol consumption from the UK Chief Medical Officer has added to the list of issues faced by today's Licensee. With all these pressures very much in mind, we continue to attract great operators by offering a combination of stability with our new agreements; both tenancy and leasehold, an expanding choice of products and strong support from the head office team to all our houses.

N H P TUCKER
Chairman
12 February 2016

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 £7,082,000 (2014: £7,198,000).

The combined result of sales of non-current assets and assets held for sale realised a profit before tax of £5,000 (2014: £466,000) and an impairment has been made against assets transferred to assets held for sale of £47,000 (2014: £Nil).

Parent Company - operating profit after consolidation adjustments £1,425,000 (2014: £1,398,000).

Heavitree Inc. – operating loss £13,000 (2014: profit of £6,000).

Heavitree Inns Limited – dormant throughout the year.

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

Key performance indicators

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

Adjusted operating profit before tax

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

Interest cover

This is the Group's adjusted operating profit before tax, as detailed above, divided by the net finance costs, adjusted to exclude finance costs relating to the valuation of the pension scheme under IAS19. This is a useful tool in determining whether the Group can maintain its current level of debt 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.

Strategic report

Strategic review

Principal risks and uncertainties (continued)

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.

General economic conditions

The economic conditions over the past few years have affected both consumer confidence and the levels of consumer spending across our industry. This can negatively impact the Group's revenues and we continue to look at ways of making varying economic conditions work in a positive way to minimise the impact on our trading figures.

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

The UK property market continues to fluctuate and any variations in valuations due to market conditions could reduce the value of the Group's property portfolio over time. These economic factors could also lead to a reduction in the value realised by the Group on the disposal of pubs, and have an impact on the amount of property held as security for the loan facility.

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
12 February 2016

Directors' report

The directors have pleasure in submitting their report for the year ended 31 October 2015.

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £915,000 (2014: £1,381,000).

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 (2014: 3.675p) 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 2015 the Group's total borrowings were £7,753,000 (2014: £4,834,000).

The Directors continue to monitor and, where appropriate, take necessary action to minimise the Group's risk to interest rate exposure and to ensure sufficient working capital exists for the Group to operate efficiently. Debt is kept at a manageable level, with gearing no higher than necessary, whilst 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 5 and 6.

Directors

The Directors of the Company during the year ended 31 October 2015 were those listed on page 2.

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

Directors' report

Directors' interests

The interests of the Directors and their spouses in the Company's shares as at 31 October 2015 were as follows:

	Ordinary Shares		*'A' Limited Voting Ordinary Shares*	
	31 October 2015	*31 October 2014*	*31 October 2015*	*31 October 2014*
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	-	-	48,871	43,240
T P Duncan	150,335	150,335	196,992	196,992
K Pease-Watkin	27,088	27,088	57,138	57,138
T Wheatley	-	-	42,457	37,989

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

(a) W P Tucker's interest in 53,750 (2014: 53,750) Ordinary Shares; and

(b) N H P Tucker's interest in 53,750 (2014: 53,750) Ordinary Shares.

Included in these interests are the following joint holdings:

(a) 53,750 (2014: 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 2015 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, but complies as far as is practicable and appropriate for a public company of its size and nature.

Board of Directors
At 31 October 2015, the Board consisted of an Executive Chairman, two Executive Directors and three Non-Executive Directors. The Directors periodically re-consider the structure of the Board and believe the current structure remains appropriate.

N H P Tucker is the Executive Chairman; G J Crocker is the Managing Director and is also responsible for the finance function; T Wheatley is the Estates Director and is responsible for the Group's estate. W P Tucker, T P Duncan and K Pease-Watkin are Non-Executive Directors and are considered to be independent of management.

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

Audit Committee
Given the size of the Group, the Board does not consider it appropriate to have a separate audit committee. The Board considers matters relating to the reporting of results, financial controls, and the cost and effectiveness of the audit process at the monthly board meetings, and meets at least once a year with the auditors in attendance.

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

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

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

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

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
12 February 2016

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*
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
2015	1,412	1,173	18.8	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 2015 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 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of The Heavitree Brewery PLC

Opinion on Other Matters Prescribed by the Companies Act 2006

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

Matters on Which We are Required to Report by Exception

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

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

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

12 February 2016

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 2015

	Notes	*Total 2015 £'000*	*Total 2014 £'000*
Revenue	3	7,082	7,198
Change in stocks		-	-
Other operating income	5	229	230
Purchase of inventories		(2,986)	(3,127)
Staff costs	10	(1,172)	(1,144)
Depreciation of property, plant and equipment		(218)	(227)
Other operating charges		(1,523)	(1,526)
		(5,670)	(5,794)
Group operating profit	6	1,412	1,404
Profit on sale of property, plant and equipment	8	5	466
Movements in valuation of estate and related assets	9	(47)	-
Group profit before finance costs and taxation		1,370	1,870
Finance income		8	17
Finance costs	11	(170)	(203)
Other finance costs – pensions	30	(35)	(42)
		(197)	(228)
Profit before taxation		1,173	1,642
Tax expense	12a	(258)	(261)
Profit for the year attributable to equity holders of the parent		915	1,381
Basic earnings per share	13	18.8p	28.0p
Diluted earnings per share	13	18.8p	28.0p

All amounts in 2015 and 2014 relate to continuing operations.

Group statement of comprehensive income

for the year ended 31 October 2015

	Notes	2015 £'000	2014 £'000
Profit for the year		915	1,381
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension plans	30	(740)	(415)
Tax relating to items that will not be reclassified	12a	147	84
		(593)	(331)
Items that may be reclassified to profit or loss			
Cash flow hedges	25	24	28
Fair value adjustment	27	(2)	8
Exchange rate differences on translation of subsidiary undertaking		-	1
Tax relating to items that may be reclassified	12a	(4)	(6)
		18	31
Other comprehensive income for the year, net of tax		340	1,081
Total comprehensive income attributable to:			
Equity holders of the parent		340	1,081

Group balance sheet

at 31 October 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Property, plant and equipment		16,779	14,580
Investment property		463	463
	16	17,242	15,043
Financial assets	18	34	35
Deferred tax asset	12c	282	237
		17,558	15,315
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,359	1,245
Cash and cash equivalents	21	51	112
		1,420	1,367
Assets held for sale	17	645	-
Total assets		19,623	16,682
Current liabilities			
Trade and other payables	22	(759)	(954)
Financial liabilities	23	(1,753)	(4,858)
Income tax payable		(96)	(184)
		(2,608)	(5,996)
Non-current liabilities			
Other payables	22	(258)	(234)
Financial liabilities	23	(6,011)	(11)
Deferred tax liabilities	12c	(305)	(200)
Defined benefit pension plan deficit	30	(1,411)	(1,158)
		(7,985)	(1,603)
Total liabilities		(10,593)	(7,599)
Net assets		9,030	9,083

Group balance sheet

at 31 October 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,235)	(1,202)
Fair value adjustments reserve	27	14	16
Cash flow hedging reserve	27	-	(20)
Currency translation	27	7	7
Retained earnings	27	9,307	9,345
Total equity		9,030	9,083

The notes on pages 29 to 60 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 12 February 2016 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 2015

	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

Group statement of changes in equity

for the year ended 31 October 2015

	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 2014	264	673	(1,202)	16	7	(20)	9,345	9,083
Profit for the year	-	-	-	-	-	-	915	915
Other comprehensive income for the year, net of income tax	-	-	-	(2)	-	20	(593)	(575)
Total comprehensive income for the year	-	-	-	(2)	-	20	322	340
Consideration received by EBT on sale of shares	-	-	30	-	-	-	-	30
Consideration paid by EBT on purchase of shares	-	-	(65)	-	-	-	-	(65)
Loss by EBT on sale of shares	-	-	2	-	-	-	(2)	-
Equity dividends paid	-	-	-	-	-	-	(358)	(358)
At 31 October 2015	264	673	(1,235)	14	7	-	9,307	9,030

Details of the reserves can be found in note 27.

Group statement of cash flows

For the year ended 31 October 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Profit for the year		915	1,381
Tax expense		258	261
Net finance costs		197	228
Profit on disposal of non-current assets and assets held for sale		(5)	(466)
Depreciation and impairment of property, plant and equipment		265	227
Difference between pension contributions paid and amounts recognised in the income statement		(522)	(507)
(Increase)/decrease in trade and other receivables		(114)	120
(Decrease)/increase in trade and other payables		(171)	113
Cash generated from operations		823	1,357
Income taxes paid		(143)	(36)
Interest paid		(170)	(203)
Net cash flow from operating activities		510	1,118
Investing activities			
Interest received		8	17
Proceeds from sale of property, plant and equipment and assets held for sale		20	1,381
Payments to acquire property, plant and equipment		(3,124)	(649)
Net cash (outflow)/inflow from investing activities		(3,096)	749
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	(358)	(354)
Consideration received by EBT on sale of shares		30	37
Consideration paid by EBT on purchase of shares		(65)	(245)
Net movement in long-term borrowings		1,250	(250)
Net cash flow from financing activities		856	(813)
(Decrease)/increase in cash and cash equivalents		(1,730)	1,054
Cash and cash equivalents at the beginning of the year	21	28	(1,026)
Cash and cash equivalents at the year end	21	(1,702)	28

Company balance sheet

at 31 October 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Non-current assets			
Property, plant and equipment		16,754	14,553
Investment property		463	463
	16	17,217	15,016
Financial assets	18	71	92
Deferred tax asset	12c	282	237
		17,570	15,345
Current assets			
Inventories	19	10	10
Trade and other receivables	20	1,359	1,245
Cash and cash equivalents	21	51	81
		1,420	1,336
Assets held for sale	17	645	-
Total assets		19,635	16,681
Current liabilities			
Trade and other payables	22	(759)	(954)
Financial liabilities	23	(1,753)	(4,858)
Income tax payable		(96)	(184)
		(2,608)	(5,996)
Non-current liabilities			
Other payables	22	(258)	(234)
Financial liabilities	23	(6,011)	(11)
Deferred tax liabilities	12c	(305)	(200)
Defined benefit pension plan deficit	30	(1,411)	(1,158)
		(7,985)	(1,603)
Total liabilities		(10,593)	(7,599)
Net assets		9,042	9,082

Company balance sheet

at 31 October 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(1,235)	(1,202)
Fair value adjustments reserve	27	14	16
Cash flow hedging reserve	27	-	(20)
Retained earnings	27	9,326	9,351
Total equity		9,042	9,082

The notes on pages 29 to 60 form part of the financial statements.

These accounts were approved by the Board of Directors and authorised for issue on 12 February 2016 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 2015

	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

Company statement of changes in equity

for the year ended 31 October 2015

	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 2014	264	673	(1,202)	16	(20)	9,351	9,082
Profit for the year	-	-	-	-	-	928	928
Other comprehensive income for the year, net of income tax	-	-	-	(2)	20	(593)	(575)
Total comprehensive income for the year	-	-	-	(2)	20	335	353
Consideration received by EBT on sale of shares	-	-	30	-	-	-	30
Consideration paid by EBT on purchase of shares	-	-	(65)	-	-	-	(65)
Loss by EBT on sale of shares	-	-	2	-	-	(2)	-
Equity dividends paid	-	-	-	-	-	(358)	(358)
At 31 October 2015	264	673	(1,235)	14	-	9,326	9,042

Details of the reserves can be found in note 27.

Company statement of cash flows

for the year ended 31 October 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Profit for the year		928	1,375
Tax expense		258	261
Net finance costs		197	228
Profit on disposal of non-current assets and assets held for sale		(5)	(466)
Depreciation and impairment of property, plant and equipment		265	227
Difference between pension contributions paid and amounts recognised in the income statement		(522)	(507)
(Decrease)/increase in trade and other receivables		(113)	119
(Decrease)/increase in trade and other payables		(173)	113
Cash generated from operations		835	1,350
Income taxes paid		(143)	(36)
Interest paid		(169)	(203)
Net cash flow from operating activities		523	1,111
Investing activities			
Interest received		8	17
Proceeds from sale of property, plant and equipment and assets held for sale		18	1,381
Payments to acquire property, plant and equipment		(3,124)	(649)
Payments to acquire fixed asset investments		-	(6)
Receipts from fixed asset investments		20	-
Net cash (outflow)/inflow from investing activities		(3,078)	743
Financing activities			
Preference dividend paid		(1)	(1)
Equity dividends paid	14	(358)	(354)
Consideration received by EBT on sale of shares		30	37
Consideration paid by EBT on purchase of shares		(65)	(245)
Net movement in long-term borrowings		1,250	(250)
Net cash flow from financing activities		856	(813)
(Decrease)/increase in cash and cash equivalents		(1,699)	1,041
Cash and cash equivalents at the beginning of the year	21	(3)	(1,044)
Cash and cash equivalents at the year end	21	(1,702)	(3)

Notes to the financial statements

for the year ended 31 October 2015

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the "Group") for the year ended 31 October 2015 were authorised for issue by the board of directors on 12 February 2016. The Heavitree Brewery PLC is a public company incorporated and domiciled in England. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

2. Accounting policies and statement of compliance

Basis of preparation

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 October 2015, and are presented in Sterling. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

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

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future. The Directors are of the opinion that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future, and continue to adopt the going concern basis in preparing this annual report and financial statements.

Further information on principal risks and uncertainties and financial instruments can be found in the Directors' Report on page 9 and note 25.

Basis of consolidation

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

All intragroup balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

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

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.

Notes to the financial statements

for the year ended 31 October 2015

2. Accounting policies (continued)

Revenue recognition (continued)

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.

Property, plant and equipment

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

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

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

Freehold land and assets under construction are not depreciated.

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

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

Investment property

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.

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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is

Notes to the financial statements

for the year ended 31 October 2015

2. Accounting policies (continued)

Impairment of assets (continued)

written down to its recoverable amount. Impairment losses are recognised immediately in the income statement in those expense categories consistent with the function of the impaired asset.

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 and 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.

Financial instruments

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

Trade receivables and trade payables

Trade receivables and trade payables are held at amortised cost.

Preference shares

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

Interest-bearing loans and borrowings

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

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

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

Fair value measurement

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

Derivative financial instruments and hedge accounting

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 group designates its derivatives in respect of interest rate swaps, as cash flow hedges.

Notes to the financial statements

for the year ended 31 October 2015

2. Accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

The effective portion of changes in the fair value of derivatives 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.

Leases – lessor accounting

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

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

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

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 2015 was £1,411,000 (2014: £1,158,000). 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.

Notes to the financial statements

for the year ended 31 October 2015

2. Accounting policies (continued)

Pensions and other post-retirement benefits

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

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

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

As described in note 30, the Group maintains a defined benefit pension scheme that was closed to new members on 18 July 2002 and there has been no future accrual since 5 April 2006.

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

Income taxes

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

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

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.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes.

Treasury shares

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

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 Directors have considered all IFRS and IFRIC interpretations issued but not yet in force, but these are either not applicable to the Group or are not expected to have a material impact.

Notes to the financial statements

for the year ended 31 October 2015

3. Revenue

Revenue recognised in the income statement is analysed as follows.

	2015	*2014*
	£'000	*£'000*
Sale of goods	5,033	5,199
Rents from licensed properties	2,049	1,999
	7,082	7,198

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.

4. Segment information

Primary reporting format – business segments

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

Leased estate represents properties which are leased to tenants to operate independently from the Group, under tied 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 2015 and 2014. 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 2015

4. Segment information (continued)

Secondary reporting format – geographical segments

Year ended 31 October 2015	*UK*	*United States*	*Total*
	£'000	*£'000*	*£'000*
Revenue			
Sales to external customers	7,082	-	7,082
Other segment information			
Segment assets	19,598	25	19,623
Total assets	19,598	25	19,623
Capital expenditure			
Property, plant and equipment	3,124	-	3,124

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

5. Other operating income

	2015	*2014*
	£'000	*£'000*
Rents from unlicensed properties	229	218
Other	-	12
	229	230

Notes to the financial statements

for the year ended 31 October 2015

6. Operating profit

This is stated after charging:

	2015	*2014*
	£'000	*£'000*
Depreciation of property, plant and equipment	218	227
Impairment of estate assets	47	-
Repairs and maintenance of properties	740	744
Cost of inventories recognised as an expense (included in purchase of inventories)	2,986	3,127

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.

		2015	*2014*
		£'000	*£'000*
Audit of the group financial statements		40	42
Other fees to auditors	- audit of the group pension scheme	2	2
	- tax compliance services	5	5
	- other services	3	6
		10	13
		50	55

Other services relate to a review of the Group's Interim Report of £3,000 (2014: £5,000) and sundry matters of £Nil (2014: £1,000)

8. Profit on sale of property, plant and equipment

	2015	*2014*
	£'000	*£'000*
Profits on sale of property, plant and equipment	5	466

Profit 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 2015

9. Movements in valuation of estate and related assets

	2015	*2014*
	£'000	*£'000*
Write down of non-current assets held for sale to fair value less costs to sell (note 16)	(47)	-

10. Staff costs and directors' emoluments

(a) Staff costs

	2015	*2014*
	£'000	*£'000*
Wages and salaries	940	909
Social security costs	101	95
Other pension costs (note 30)	131	140
	1,172	1,144

Included in other pension costs is £54,560 (2014: £93,583) in respect of the defined contribution scheme.

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

	2015	*2014*
	No.	*No.*
Average monthly number of employees	13	13

(b) Directors' emoluments

	Basic salary and fees	*Performance related bonus*	*Benefits*	*Pension contributions*	*Total 2015*	*Total 2014*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
N H P Tucker	156	24	22	-	202	195
G J Crocker	135	10	20	-	165	163
T Wheatley	136	10	18	11	175	174
W P Tucker	25	-	2	-	27	26
T P Duncan	16	-	-	-	16	15
K Pease-Watkin	16	-	-	-	16	15
	484	44	62	11	601	588

Notes to the financial statements

for the year ended 31 October 2015

10. 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.

The emoluments (excluding pension contributions) of the highest paid director totalled £202,000 (2014: £187,000).

Three of the directors are accruing pension benefits. The highest paid director has an accrued pension entitlement of £87,865 as at 31 October 2015 (2014: £87,865), arising from past membership of the defined benefit scheme which is no longer active.

11. Finance costs

	2015	*2014*
	£'000	*£'000*
Interest on bank loans and overdrafts	165	198
Interest on other loans (including cumulative preference shares)	5	5
Total finance costs	170	203

12. Taxation

(a) Tax on profit on ordinary activities

Tax expensed in the income statement

	2015	*2014*
	£'000	*£'000*
Current income tax:		
UK corporation tax	50	161
Tax paid by Employee Benefits Trust	5	7
Total current income tax	55	168
Deferred tax:		
Origination and reversal of temporary differences	203	93
Total deferred tax	203	93
Tax expense in the income statement	258	261

Notes to the financial statements

for the year ended 31 October 2015

12. Taxation(Continued)

(a) Tax on profit on ordinary activities (continued)

	2015	2014
	£'000	£'000
Tax relating to items expensed or credited to equity		
Deferred tax:		
Deferred tax on defined benefit pensions scheme	(147)	(84)
Deferred tax on fair value re-measurement of hedging instruments entered into for cash flow hedges	4	6
Total deferred tax	(143)	(78)
Tax expense in the statement of comprehensive income	(143)	(78)

(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 20.42 % (2014: 21.83%). The differences are reconciled below:

	2015	2014
	£'000	£'000
Accounting profit before income tax	1,173	1,642
Accounting profit multiplied by the UK standard rate of corporation tax of 20.42 % (2014: 21.83%)	240	358
Expenses not deductible for tax purposes	8	4
Other	5	(13)
Tax paid by Employee Benefits Trust	5	7
Capital gain rebasing/indexation	-	(95)
Total tax expense reported in the income statement	258	261

(c) Deferred tax

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

	2015	2014
	£'000	£'000
Deferred tax liability		
Accelerated capital allowances	205	99
Rolled over gain	100	101
	305	200
Deferred tax asset		
Pension plans	282	232
Cash flow hedges	-	5
	282	237

Notes to the financial statements

for the year ended 31 October 2015

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:

	2015	*2014*
	£'000	*£'000*
Deferred tax in the income statement		
Accelerated capital allowances	105	(8)
Pension plans	98	105
Rolled over gain	-	(4)
Deferred income tax expense	203	93

A potential deferred tax asset of £21,000 (2014: £21,000) 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:

	2015	*2014*
	£'000	*£'000*
Profit for the year	915	1,381

	2015	*2014*
	No.	*No.*
	('000)	*('000)*
Basic weighted average number of shares (excluding treasury shares)	4,874	4,939

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 2015

14. Dividends paid and proposed

	2015	*2014*
	£'000	*£'000*
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2014: 3.675p (2013: 3.5p)	194	185
First dividend for 2015: 3.675p (2014: 3.675p)	194	194
Less: dividends on shares held within employee share schemes	(30)	(25)
Dividends paid	358	354
Proposed for approval at AGM (not recognised as a liability as at 31 October)		
Final dividend for 2015: 3.675p (2014: 3.675p)	194	194
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 £928,000 (2014: £1,375,000).

16. Property, plant and equipment

Group	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost:						
At 1 November 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
Additions	1,364	246	43	1,471	-	3,124
Transfer to assets held for sale	(609)	(141)	-	-	-	(750)
Transfer to assets under construction	(312)	-	-	312	-	-
Disposals	(2)	-	(29)	-	-	(31)
At 31 October 2015	14,148	3,723	436	2,022	463	20,792

Notes to the financial statements

for the year ended 31 October 2015

16. Property, plant and equipment (continued)

Group	*Land and buildings £'000*	*Furniture and fittings £'000*	*Equipment and vehicles £'000*	*Assets under construction £'000*	*Investment properties £'000*	*Total £'000*
Depreciation and impairment:						
At 1 November 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
Provided during the year	-	144	74	-	-	218
Impairment	47	-	-	-	-	47
Transfer to assets held for sale	-	(105)	-	-	-	(105)
Disposals	-	-	(16)	-	-	(16)
At 31 October 2015	427	2,821	302	-	-	3,550
Net book value at 31 October 2015	13,721	902	134	2,022	463	17,242
Net book value at 31 October 2014	13,327	836	178	239	463	15,043
Net book value at 1 November 2013	13,097	952	166	52	450	14,717

In the directors' opinion the investment properties have a fair value as at 31 October 2015 of £1,108,000 (2014: £1,108,000). 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.

Notes to the financial statements

for the year ended 31 October 2015

16. Property, plant and equipment (continued)

Company	*Land and buildings*	*Furniture and fittings*	*Equipment and vehicles*	*Assets under construction*	*Investment properties*	*Total*
	‘£000	*£’000*	*£’000*	*£’000*	*£’000*	*£’000*
Cost:						
At 1 November 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
Additions	1,364	246	43	1,471	-	3,124
Transfer to assets held for sale	(609)	(141)	-	-	-	(750)
Transfer to assets under construction	(312)	-	-	312	-	-
Disposals	-	-	(29)	-	-	(29)
At 31 October 2015	14,123	3,723	436	2,022	463	20,767

Notes to the financial statements

for the year ended 31 October 2015

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 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
Provided during the year	-	144	74	-	-	218
Impairment	47	-	-	-	-	47
Transfer to assets held for sale	-	(105)	-	-	-	(105)
Disposals	-	-	(16)	-	-	(16)
At 31 October 2015	427	2,821	302	-	-	3,550
Net book value at 31 October 2015	13,696	902	134	2,022	463	17,217
Net book value at 31 October 2014	13,300	836	178	239	463	15,016
Net book value at 1 November 2013	13,070	952	166	52	450	14,690

In the directors' opinion the investment properties have a fair value as at 31 October 2015 of £1,108,000 (2014: £1,108,000). 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	*2015*	*2014*
	£'000	*£'000*
At 1 November	-	-
Transfer from property, plant and equipment (note 16)	645	-
At 31 October	645	-

As at 31 October 2015 5 properties were being actively marketed for sale (2014 – no properties).

Notes to the financial statements

for the year ended 31 October 2015

18. Financial assets

Group	*2015*	*2014*
	£'000	*£'000*
Financial assets – non-current		
Available-for-sale financial assets	34	35

Available-for-sale financial assets consist of an investment in ordinary shares of a company listed on PLUS markets.

Company	*Subsidiary undertakings*	*Unlisted investments*	*Total*
	£'000	*£'000*	*£'000*
Cost:			
At 1 November 2014	75	50	125
Repayment of loan	(20)	-	(20)
At 31 October 2015	55	50	105
Amounts provided:			
At 1 November 2014	(18)	(15)	(33)
Revaluation	-	(1)	(1)
At 31 October 2015	(18)	(16)	(34)
Net book value:			
At 31 October 2015	37	34	71
At 31 October 2014	57	35	92

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

	2015	*2014*
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 2015

20. Trade and other receivables

Group and Company	*2015* *£'000*	*2014* *£'000*
Trade receivables	794	878
Prepayments and accrued income	179	30
Other receivables	38	46
Finance leases	348	291
	1,359	1,245

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 2015, trade receivables at nominal value of £436,000 (2014: £598,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2015 *£'000*	*2014* *£'000*
At 1 November	598	469
Charge for the year	63	129
Amounts written off	(225)	-
At 31 October	436	598

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

	Total	*Neither past due nor impaired*	*Past due but not impaired*		
			0-30 days	*30-90 days*	*90+ days*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2015	794	546	106	41	101
2014	878	542	137	25	174

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 2015

21. Cash and cash equivalents

Group	*2015* *£'000*	*2014* *£'000*
Cash at bank and in hand	51	112
	51	112

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

	2015 *£'000*	*2014* *£'000*
Cash at bank and in hand	51	112
Bank overdrafts	(1,753)	(84)
	(1,702)	28

Company	*2015* *£'000*	*2014* *£'000*
Cash at bank and in hand	51	81

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

	2015 *£'000*	*2014* *£'000*
Cash at bank and in hand	51	81
Bank overdrafts	(1,753)	(84)
	(1,702)	(3)

Notes to the financial statements

for the year ended 31 October 2015

22. Trade and other payables

Group and Company	*2015*	*2014*
	£'000	*£'000*
Current		
Trade payables	425	480
Other taxation and social security	87	305
Accruals	235	158
Other payables	12	11
	759	954
Non-current		
Other payables - tenants' deposits	258	234

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	*2015*	*2014*
	£'000	*£'000*
Current		
Bank overdrafts	1,753	84
Bank loan	-	4,750
Derivatives that are designated and effective as hedging instruments carried at fair value		
Interest rate swaps	-	24
	1,753	4,858

	2015	*2014*
	£'000	*£'000*
Non-current		
11.5% cumulative preference shares (note 26)	11	11
Bank loan	6,000	-
	6,011	11

The bank loan and overdraft are secured over certain of the Group's freehold properties by a first legal charge to the value of £15,125,000 (2014: £15,125,000).

Notes to the financial statements

for the year ended 31 October 2015

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:

	2015	*2014*
	£'000	*£'000*
Not later than one year	279	299
After one year but not more than five years	838	1,024
After five years	813	1,086
	1,930	2,409

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. The interest rate swap expired during the year and has not been replaced.

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 2015

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*
2015		
Sterling	+100	(39)
Sterling	-100	39
2014		
Sterling	+100	(55)
Sterling	-100	55

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.

Notes to the financial statements

for the year ended 31 October 2015

25. Financial instruments and derivatives (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 October 2015 and 2014 based on contractual undiscounted payments.

Year ended 31 October 2015

	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	1,753	-	-	6,000	-	7,753
Tenants' deposits	-	-	-	258	-	258
Trade payables	425	-	-	-	-	425

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

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.

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.

Notes to the financial statements

for the year ended 31 October 2015

25. Financial instruments and derivatives (continued)

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 2015 £'000*	*Fair value 2015 £'000*	*Book value 2014 £'000*	*Fair value 2014 £'000*
Financial assets					
Cash	Level 1	51	51	112	112
Available-for-sale investments	Level 1	34	34	35	35
		85	85	147	147
Financial liabilities					
Bank loan/overdraft	Level 2	(7,753)	(7,753)	(4,834)	(4,834)
Interest rate swaps	Level 2	-	-	(24)	(24)
Interest-bearing loans and borrowings:					
Floating rate borrowings					
Tenants' deposits	Level 3	(258)	(258)	(234)	(234)
Cumulative preference shares	Level 3	(11)	(11)	(11)	(11)
		(8,022)	(8,022)	(5,103)	(5,103)

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

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

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

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

The fair value of 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.

Notes to the financial statements

for the year ended 31 October 2015

25. Financial instruments and derivatives (continued)

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 2015 and 31 October 2014 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	*2015*	*2014*
	£	£
Ordinary shares of 5p each	99,735	99,735
‘A’ limited voting ordinary shares of 5p each	164,124	164,124
Unclassified shares of 5p each	924,446	924,446
	1,188,305	1,188,305

Allotted, called up and fully paid	*2015*	*2014*	*2015*	*2014*
	No.	*No.*	£	£
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	-	-	-	-
At 31 October	1,994,699	1,994,669	99,735	99,735

Notes to the financial statements

for the year ended 31 October 2015

26. Authorised and issued share capital (continued)

	2015	*2014*	*2015*	*2014*
	No.	*No.*	*£*	*£*
'A' Limited Voting Ordinary Shares of 5p each				
At 1 November	3,282,478	3,282,478	164,124	164,124
Purchases	-	-	-	-
At 31 October	3,282,478	3,282,478	164,124	164,124

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

(ii) Preference shares classified as non-current liability

	2015	*2014*
Authorised	*£*	*£*
11.5% Cumulative Preference Shares of £1 each	11,695	11,695

Allotted, called up and fully paid

	2015	*2014*	*2015*	*2014*
	No.	*No.*	*£*	*£*
11.5% Cumulative Preference Shares of £1 each	11,695	11,695	11,695	11,695

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

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

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 21 and 26 respectively.

Equity share capital

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

Notes to the financial statements

for the year ended 31 October 2015

27. Reconciliation of movements in equity(continued)

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 2015 the Group held 139,102 Ordinary Shares and 266,676 ‘A’ Limited Voting Ordinary Shares (2014: 128,672 Ordinary Shares and 273,479 ‘A’ Limited Voting Ordinary Shares) of its own shares at an average cost of £2.71 (2014: £2.98). The market value of these shares as at 31 October 2015 was £1,247,421 (2014: £916,880).

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 *2015* *£'000*	*Other* *2014* *£'000*
Within one year	15	15
In more than five years	9	-
	24	15

29. Capital commitments

Group and Company

At 31 October 2015, amounts contracted for but not provided in the financial statements amounted to £330,000 (2014: £32,435).

Notes to the financial statements

for the year ended 31 October 2015

30. Pensions and post-retirement benefits

Group and Company

(i) Optional pension payments

During the year the Group made discretionary pension payments of £44,989 (2014: £50,351) 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 £54,561 (2014: £93,583).

(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 2013 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 £4,878,000. The Company has agreed with the trustees that it will aim to eliminate the deficit over a period of 8 years and 2 months from 31 December 2013 by the payment of annual contributions of £507,000 increasing at 3% p.a., in respect of the deficit, with the first increase applying on 1 March 2014. 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 2013, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 October 2015. There have been no changes in the valuation methodology adopted for this period's disclosure compared to the previous period's disclosures.

Notes to the financial statements

for the year ended 31 October 2015

30. Pensions and post-retirement benefits (continued)

Amounts included in the Balance Sheet

	31 October 2015 £'000	*31 October 2014 £'000*	*31 October 2013 £'000*
Fair value of plan assets	6,979	6,248	5,233
Present value of defined benefit obligation	(8,390)	(7,406)	(6,441)
Surplus/(deficit) in scheme	(1,411)	(1,158)	(1,208)

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 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.

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 2015.

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

	2015 £'000	*2014 £'000*
As at 1 November	7,406	6,441
Current service cost	-	-
Interest cost	288	282
Actuarial losses due to scheme experience	22	-
Actuarial losses due to changes in demographic assumptions	524	-
Actuarial losses/(gains) due to changes in financial assumptions	184	730
Benefits paid	(34)	(47)
At 31 October	8,390	7,406

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

Notes to the financial statements

for the year ended 31 October 2015

30. Pensions and post-retirement benefits (continued)

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

	2015	*2014*
	£'000	*£'000*
As at 1 November	6,248	5,233
Interest income	253	240
Return on plan assets (excluding amounts included in interest income)	(10)	315
Employer contributions	522	507
Benefits paid	(34)	(47)
At 31 October	6,979	6,248

The actual return on the plan assets over the period ended 31 October 2015 was £243,000.

Defined benefit costs recognised in profit or loss

	2015	*2014*
	£'000	*£'000*
Current service cost	-	-
Net interest cost	35	42
Defined benefit cost recognised in profit or loss	35	42

Defined benefit costs recognised in Other Comprehensive Income

	2015	*2014*
	£'000	*£'000*
Return on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(10)	315
Experience losses arising on the defined benefit obligation	(22)	-
Effects of changes in the demographic assumptions	(524)	-
Effects of changes in the financial assumptions	(184)	(730)
Total amount recognised in other comprehensive income - loss	(740)	(415)

Plan assets

	31 October 2015	*31 October 2014*	*31 October 2013*
	£'000	*£'000*	*£'000*
Corporate Bonds	5,978	5,320	4,424
Government Bonds	734	613	483
Cash	157	119	149
Insured Contract	110	196	177
Total assets	6,979	6,248	5,233

Notes to the financial statements

for the year ended 31 October 2015

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.

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 2015	*31 October 2014*	*31 October 2013*
	% per annum	*% per annum*	*% per annum*
Rate of discount	3.80	3.9	4.40
Allowance for commutation of pension for cash at retirement	N/A	N/A	N/A

The mortality assumptions adopted as at 31 October 2015 are 100% of the standard tables PCxA00, Year of Birth, no age rating for males and females, projected using Long Cohort converging to 1.00% p.a. These imply the following life expectancies

	Life expectancy at age 65 (Years)
Male retiring in 2015	24.5
Female retiring in 2015	26.9
Male retiring in 2035	26.5
Female retiring in 2035	28.8

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 6.6%
Rate of mortality	Increase by 1 year	Increase by 3.2%

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 2015 is 27 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 2015 is £538,000.

Notes to the financial statements

for the year ended 31 October 2015

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	*Trading amounts owed from related parties*	*Purchases from related parties*	*Loans owed from related parties at year end*
	£'000	*£'000*	*£'000*	*£'000*
31 October 2015	273	31	67	-
31 October 2014	326	41	-	-

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 2015, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2014: £nil).

Compensation of key management personnel (including directors)

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