

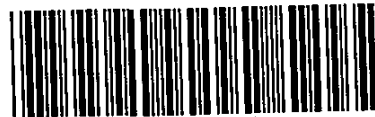
Registered No 30800

The Heavitree Brewery PLC

Financial Statements

31 October 2011

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COMPANIES HOUSE

Annual report and financial statements

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Directors

N H P Tucker	Chairman
G J Crocker	Managing and Finance
R J Glanville	Estate
T Wheatley	Trade
W P Tucker DL*	
T P Duncan*	
K Pease-Watkin*	

*Non-executive

Secretary and registered office

R J Glanville
The Heavitree Brewery PLC
Trood Lane
Matford
Exeter EX2 8YP

Bankers

Barclays Bank PLC
High Street
Exeter

National Westminster Bank PLC
Heavitree
Exeter

Solicitors

Ford Simey LLP
Exeter

Michael Conn Goldsobel
London

Nominated advisor and broker

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

Shore Capital Stockbrokers Limited
14 Clifford Street
London
W1S 4JU

Auditors

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 Second Annual General Meeting of The Heavitree Brewery PLC will be held at the Company's offices, Trood Lane, Matford, Exeter on 13 April 2012 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 2011 and the report of the directors thereon
- 2 To declare final dividends on the Ordinary Shares and the 'A' Limited Voting Ordinary Shares
- 3 To re-elect W P Tucker a Director of the Company
- 4 To re-elect T Wheatley as a Director of the Company
- 5 To re-appoint Francis Clark LLP as auditors 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 auditors

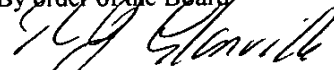
Special business

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

- 7 THAT the Company be hereby authorised to purchase up to an aggregate of 299,204 Ordinary Shares of 5p each and/or 492,371 'A' Limited Voting Ordinary Shares of 5p each in the capital of the Company at a price (exclusive of expenses) which is
 - (i) not more than £15 nor less than 5p per share, and
 - (ii) not more than 5% above the arithmetical average of business transacted (as derived from the Daily Official List of The London Stock Exchange) for the ten business days next preceding any such purchase,

AND THAT the authority conferred by this resolution shall expire on the date of the Company's Annual General Meeting in 2013 (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



R J GLANVILLE
Secretary
12 March 2012

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 20 April 2012 to shareholders on the register on 23 March 2012.

Chairman's statement

Another year of good housekeeping has returned a satisfactory set of results in what continues to be a difficult period in which to trade Public Houses. The headline figures may appear to be somewhat flat against the previous year but, given the uncertainty of the European and National economic situations, I consider this to be a solid performance, and I am most grateful for the hard work of our head office team and the staff of the pubs themselves in achieving these results.

Results

Turnover for the Group decreased by £36,000 (0.49%) to £7,352,000 and generated a Group Operating Profit of £1,408,000 (2010 - £1,427,000) after consolidation adjustments.

Heavitree Inns remained dormant throughout the year.

Heavitree Inc generated an operating profit of £9,000 (2010 - Loss of £15,000).

Key Performance Indicators

Adjusted Operating Profit before Taxation £1,408,000 was down 1.33% on last year.

Interest costs were covered 13.40 times.

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

Dividend

The Directors recommend a final dividend of 3.5 p per Ordinary and 'A' Limited Voting Ordinary Share (2010 - 3.5p) making a total for the year of 7p, which is unchanged from last year. The dividend will be paid on 20 April 2012, subject to shareholder approval at the Annual General Meeting on 13 April 2012, to shareholders on the Register at 23 March 2012.

Capital Investments

Various capital works were carried out in the year under review with those of significant expenditure being at the following sites:

The New Inn, Alphington (major refurbishment)

Car park of the closed St. Loyes Hotel (housing development)

The Royal Oak, Heavitree (creation of a new outside patio seating area)

The Brunswick Arms, Dawlish (upgrade of lavatories)

Old Barbers Shop, Newton Abbot (conversion to residential apartment)

Pension Scheme

The Company continues to meet its funding obligations to its closed final salary Pension Scheme. The required Scheme triennial valuation as at 1 January 2011 is not, at the time of writing, completed. The deadline for completion is 31 March 2012 and I look forward to providing an update at the Annual General Meeting.

Chairman's statement

Repurchase of Shares

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

Personnel

I am delighted to report the appointment of Nicky McLean as Assistant Company Secretary during the year under review. Nicky joined us in September 2001 and is a valued member of our head office team. We wish her the very best in her new appointment.

Outlook

The company renewed its banking facilities with Barclays just after the end of the year under review and this certainty of finance, together with the continued support that we have always offered to our landlords and landladies, leaves us well positioned should there be a change in the economic climate. We also have development plans for the small number of closed houses and I shall report on them as and when they are completed.

The trading environment, as I reported last year, remains difficult but I look forward to another steady performance by the Company in 2012.



N H P TUCKER
Chairman
21 February 2012

Directors' report

The directors have pleasure in submitting their report for the year ended 31 October 2011

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 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. Information on borrowings and strategies surrounding managing interest rate risk, liquidity risk, capital risk and credit risk can be found in note 24.

Principal activities

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

Business review

Group revenue for the year is £7,352,000 (2010 £7,388,000) a decrease of £36,000 (0.49%).

The combined result of sales of non-current assets and assets held for sale realised a profit before tax of £10,000 (2010 £32,000).

Parent Company - operating profit after consolidation adjustments £1,399,000 (2010 £1,442,000)

Heavitree Inc - operating profit £9,000 (2010 loss of £15,000)

Heavitree Inns Limited – dormant throughout the year

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

Key performance indicators

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

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

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

Principal risks and uncertainties

The Group is exposed to a variety of financial, operational, economic and regulatory risks and uncertainties. The Group has risk management processes in place which are designed to identify and evaluate these risks and uncertainties based on the probability of them occurring and the impact they may have on the business. The Directors are aware that these risks and uncertainties may, either singularly or, collectively, affect the Group's revenue, costs, asset value, reputation or ability to meet its business objectives.

Directors' report

Principal risks and uncertainties (continued)

Some of the risks the Group faces are external and therefore beyond our control. Some risks may not be known at present or may be considered to be currently immaterial, but could develop into material risks in the future. The risk management processes are therefore designed to manage the risks which may have a material impact on our ability to meet our corporate objectives, rather than fully obviate all risks.

The Directors review the material or emerging risks on an ongoing basis. Our main risks and how we manage them are shown below, however, this is not an exhaustive list of all the risks which we may face.

General economic conditions

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

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

We continue to consider and provide necessary support to our estate as a whole, as well as providing support on a house by house basis where appropriate.

Property valuations

Continuing fluctuations in the UK property market as well as the effect of market conditions could reduce the value of the Group's property portfolio over time. These economic factors could also lead to a reduction in the value realised by the Group on the disposal of pubs, and have an impact on the amount of property held as security for the loan facility.

The Group continues to realise appropriate returns from disposals by disposing of less sustainable or less profitable pubs where appropriate. Where impairment indicators are identified, the Group carries out an impairment review on an individual pub basis. The Group carries out regular reviews of the property portfolio and is in regular contact with its debt provider.

Pensions

The Group operates a defined benefit pension scheme which must be funded to meet required benefit payments. Although closed to new members since 18 July 2002 and also to any future accrual since 5 April 2006, the scheme is nevertheless still subject to risk regarding the relative amount of its assets, which are affected by the value of investments and the returns generated by them, compared with its liabilities, which are affected by changes in life expectancy, actual and expected price inflation, and changes in corporate bond yields. The difference in value between scheme assets and scheme liabilities may vary significantly in the short term, potentially resulting in an increased deficit being recognised on the Group's balance sheet. The Group makes contributions to the scheme which are determined by a qualified actuary to meet its funding obligation, further details can be found in note 30.

Licensing

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

Financial Instruments

As at 31 October 2011 the Group's total borrowings were £5,062,000 (2010: £4,558,000) of which £4,000,000 was secured, and is shown as a current liability as it expires on 31 January 2012. Since the year end the £4,000,000 has been refinanced for a term of three years and therefore in 2012 it will revert to a non-current liability.

Directors' report

Financial Instruments (continued)

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.

For further details of the Group's policy on financial instruments and management of financial risk refer to note 24.

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.

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.

Results and dividends

The profit for the year, after taxation, attributable to shareholders amounts to £843,000 (2010 £857,000).

The Directors propose a final dividend of 3.5p per share on the Ordinary and 'A' Limited Voting Ordinary Shares. An interim dividend of 3.5p (2010 3.5p) was paid in the year. The fixed dividend of 11.5p per share was paid on the preference shares in the year.

Asset values

The Directors' estimated open market valuation for existing use basis of the portfolio of public houses at 31 October 2011 was £35.7m (2010 £37.7m).

Environment

The Group is committed to the care of the environment and encourages its contractors and tenants to use energy efficient materials and practices wherever and whenever possible.

Political donations

The Group made no donations to political parties in the year and has no intention of doing so in the foreseeable future.

Charitable donations

During the year the Group made charitable donations totalling £6,000 to the Heavitree Brewery Charitable Trust which administers donations to various charities in its own right.

Staff

The Group is committed to training and incentivising its staff. Various schemes including a share incentive plan are in place. The shares in this scheme are held in trust. Bonus schemes are also in place as an added incentive. Various training programmes both internal and external, allow all staff to attain their maximum potential.

Directors' report

Staff (continued)

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

Directors

The Directors of the Company during the year ended 31 October 2011 were those listed on page 2.

W P Tucker and T Wheatley are the Directors retiring by rotation under Article 14 and, being eligible, offer themselves for re-election.

Directors' interests

The interests of the Directors and their spouses in the Company's shares as at 31 October 2011 were as follows:

	<i>Ordinary Shares</i>		<i>'A' Limited Voting Ordinary Shares</i>	
	<i>31 October 2011</i>	<i>31 October 2010</i>	<i>31 October 2011</i>	<i>31 October 2010</i>
W P Tucker	53,750	53,750	184,480	75,480
N H P Tucker	742,215	799,607	79,385	230,385
G J Crocker	-	57,392	46,307	191,826
T P Duncan	150,335	150,335	196,992	196,992
R J Glanville	-	-	98,587	74,117
K Pease-Watkin	27,088	27,088	76,638	76,638
T Wheatley	-	-	25,622	21,120

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

- (a) W P Tucker's interest in 53,750 (2010 53,750) Ordinary Shares,
- (b) N H P Tucker's interest in 53,750 (2010 111,142) Ordinary Shares and Nil (2010 151,000) 'A' Limited Voting Ordinary Shares,
- (c) G J Crocker's interest in Nil (2010 57,392) Ordinary Shares and Nil (2010 151,000) 'A' Limited Voting Ordinary Shares, and
- (d) R J Glanville's interest in 74,769 (2010 55,135) 'A' Limited Voting Ordinary Shares.

Included in these interests are the following joint holdings:

- (a) 53,750 (2010 53,750) Ordinary Shares held jointly by W P Tucker and N H P Tucker, and
- (b) Nil (2010 57,392) Ordinary Shares and Nil (2010 151,000) 'A' Limited Voting Ordinary Shares held jointly by G J Crocker and N H P Tucker.

Directors' report

Directors' interests (continued)

At 31 October 2011, the following Directors held options to subscribe 'A' Limited Voting Ordinary Shares of the Company

	2011 <i>No</i>	2010 <i>No</i>
G J Crocker	-	2,999
R J Glanville	-	2,295
T Wheatley	-	2,295

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 2011 the following interests of shareholders in excess of 3% of each class of ordinary share capital, other than directors, had been notified to the Company

	Ordinary	'A' Limited Voting Ordinary
P A Benett	135,380	270,740
R A Duncan	-	101,369
R H Duncan	151,643	177,611
J E M Duncan	133,545	186,637
S T Tucker	-	109,000
Mrs T C Yule	135,402	220,205
J E Pease-Watkin	108,621	-

Corporate governance

The Board is mindful of good corporate governance in the management and operation of the Group's business. However, given the size of the Group, the Board do not consider it appropriate to have separate executive, audit and remuneration committees, and such items are dealt with in the monthly board meetings.

The Board

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.

Supplier payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. The number of days' purchases represented by trade creditors for the Company as at 31 October 2011 was 29 (2010: 29).

Directors' report

Directors' statement as to disclosure of information to auditors

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

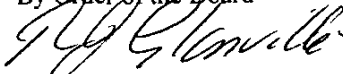
Implementation of International Financial Reporting Standards

This is the first Annual Report in which we present individual Company financial statements under International Financial Reporting Standards. Previously, it has only been the Group financial statements that have been presented under International Financial Reporting Standards with the Company financial statements being prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Auditors

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



R J Glanville
Secretary
21 February 2012

Ten year review of profits and dividends

<i>Year ended 31 October</i>	<i>Operating profit £000</i>	<i>Profit before tax £000</i>	<i>Earnings per 5p share p</i>	<i>Dividends per 5p share p</i>
2002	875	973	12 8	8 75
2003	1,360	1,265	18 9	9 25
2004	1,944	1,586	20 1	9 50
2005	1,489	1,298	18 4	9 50
2006	1,846	2,195	34 0	11 0
2007 *	1,652	2,653	38 9	11 5
2007 **	1,679	2,680	39 4	11 5
2008	554	1,022	21 9	7 0
2009	1,046	1,253	21 7	7 0
2010	1,427	1,225	16 7	7 0
2011	1,408	1,232	16 4	7 0

Notes:

- 1 Dividends per 5p share for all years include interim dividends and dividends proposed and subsequently declared in respect of the profits of each year
- 2 From 2001 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 auditors' 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 2011 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company balance sheet, the Group statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

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

- whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by directors, and
- the overall presentation of the financial statements.

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

Opinion on Financial Statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2011 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 auditors' 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 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

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

CHRISTOPHER HICKS FCA (Senior Statutory Auditor)

For and on behalf of

Francis Clark LLP

Chartered Accountants and Statutory Auditor

Vantage Point

Woodwater Park

Pynes Hill

Exeter

EX2 5FD

Francis Clark LLP

21 February 2012

Group income statement

for the year ended 31 October 2011

	<i>Notes</i>	<i>Total 2011 £'000</i>	<i>Total 2010 £'000</i>
Revenue	3	7,352	7,388
Change in stocks		-	(9)
Other operating income	5	113	91
Purchase of inventories		(3,134)	(3,141)
Staff costs	9	(1,194)	(1,197)
Depreciation of property, plant and equipment		(295)	(272)
Other operating charges		(1,434)	(1,433)
		<u>(5,944)</u>	<u>(5,961)</u>
Group operating profit	6	1,408	1,427
Profit on disposal of non-current assets and assets held for sale	8	10	32
Group profit before finance costs and taxation		1,418	1,459
Finance income	10	33	35
Finance costs	11	(138)	(141)
Other finance costs – pensions	30	(81)	(128)
		<u>(186)</u>	<u>(234)</u>
Profit before taxation		1,232	1,225
Tax expense	12a	<u>(389)</u>	<u>(368)</u>
Profit for the year attributable to equity holders of the parent		843	857
Basic earnings per share	13	<u>16 4p</u>	<u>16 7p</u>
Diluted earnings per share	13	<u>16 4p</u>	<u>16 7p</u>

All amounts in 2011 and 2010 relate to continuing operations

Group statement of comprehensive income

for the year ended 31 October 2011

	<i>Notes</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<i>Profit for the year</i>		843	857
<i>Other comprehensive income</i>			
Actuarial gains/(losses) on defined benefit pension plans	30	130	(93)
Tax credit on items taken directly to or transferred from equity	12a	(33)	26
Exchange difference on retranslation of subsidiary	27	-	3
Fair value adjustment	27	4	-
		101	(64)
<i>Total comprehensive income for the year</i>		944	793
<i>Total comprehensive income attributable to</i>			
Equity holders of the parent		944	793

Group balance sheet

at 31 October 2011

	<i>Notes</i>	<i>2011 £000</i>	<i>2010 £000</i>
Non-current assets			
Property, plant and equipment	16	15,225	14,070
Financial assets	17	54	50
Deferred tax asset	12c	325	505
		<u>15,604</u>	<u>14,625</u>
Current assets			
Inventories	18	10	10
Trade and other receivables	19	1,262	1,444
Cash and cash equivalents	20	86	216
		<u>1,358</u>	<u>1,670</u>
Total assets		<u>16,962</u>	<u>16,295</u>
Current liabilities			
Trade and other payables	21	(1,095)	(709)
Financial liabilities	22	(5,062)	(558)
Income tax payable		(144)	(248)
		<u>(6,301)</u>	<u>(1,515)</u>
Non-current liabilities			
Other payables	21	(327)	(319)
Financial liabilities	22	(11)	(4,011)
Deferred tax liabilities	12c	(261)	(265)
Defined benefit pension plan deficit	30	(1,246)	(1,802)
		<u>(1,845)</u>	<u>(6,397)</u>
Total liabilities		<u>(8,146)</u>	<u>(7,912)</u>
Net assets		<u>8,816</u>	<u>8,383</u>

Group balance sheet

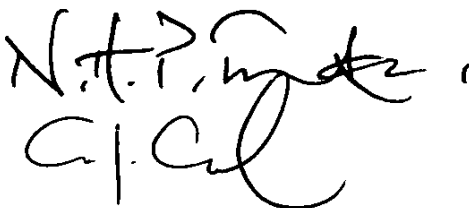
at 31 October 2011

	Notes	2011 £000	2010 £000
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(840)	(826)
Fair value adjustments reserve	27	34	30
Currency translation	27	6	6
Retained earnings	27	8,679	8,236
Total equity		8,816	8,383

The notes on pages 26 to 64 form part of the financial statements

These accounts were approved by the Board of Directors and authorised for issue on 21 February 2012 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 2011**

	<i>Equity share capital</i>	<i>Capital redemption reserve</i>	<i>Fair value Treasury adjustments shares</i>	<i>reserve</i>	<i>Currency translation</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 November 2009	264	673	(994)	30	3	7,939	7,915
Profit for the year	-	-	-	-	-	857	857
Other comprehensive income for the year, net of income tax	-	-	-	-	3	(67)	(64)
Total comprehensive income for the year	-	-	-	-	3	790	793
Consideration received by EBT on sale of shares	-	-	44	-	-	-	44
Consideration paid by EBT on purchase of shares	-	-	(22)	-	-	-	(22)
Loss by EBT on sale of shares	-	-	146	-	-	(146)	-
Share based payment	-	-	-	-	-	12	12
Equity dividends paid	-	-	-	-	-	(359)	(359)
At 31 October 2010	264	673	(826)	30	6	8,236	8,383
	<i>Equity share capital</i>	<i>Capital redemption reserve</i>	<i>Fair value Treasury adjustments shares</i>	<i>reserve</i>	<i>Currency translation</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 November 2010	264	673	(826)	30	6	8,236	8,383
Profit for the year	-	-	-	-	-	843	843
Other comprehensive income for the year, net of income tax	-	-	-	4	-	97	101
Total comprehensive income for the year	-	-	-	4	-	940	944
Consideration received by EBT on sale of shares	-	-	43	-	-	-	43
Consideration paid by EBT on purchase of shares	-	-	(194)	-	-	-	(194)
Loss by EBT on sale of shares	-	-	137	-	-	(137)	-
Equity dividends paid	-	-	-	-	-	(360)	(360)
At 31 October 2011	264	673	(840)	34	6	8,679	8,816

Details of the reserves can be found in note 27

Company balance sheet

at 31 October 2011

	Notes	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	16	15,195	14,060
Financial assets	17	105	101
Deferred tax asset	12c	325	505
		<u>15,625</u>	<u>14,666</u>
Current assets			
Inventories	18	10	10
Trade and other receivables	19	1,262	1,444
Cash and cash equivalents	20	69	188
		<u>1,341</u>	<u>1,642</u>
		<u>16,966</u>	<u>16,308</u>
Total assets			
Current liabilities			
Trade and other payables	21	(1,095)	(709)
Financial liabilities	22	(5,062)	(558)
Income tax payable		(144)	(248)
		<u>(6,301)</u>	<u>(1,515)</u>
Non-current liabilities			
Other payables	21	(327)	(319)
Financial liabilities	22	(11)	(4,011)
Deferred tax liabilities	12c	(261)	(265)
Defined benefit pension plan deficit	30	(1,246)	(1,802)
		<u>(1,845)</u>	<u>(6,397)</u>
		<u>(8,146)</u>	<u>(7,912)</u>
Total liabilities			
Net assets		<u>8,820</u>	<u>8,396</u>

Company balance sheet

at 31 October 2011

	Notes	2011 £000	2010 £000
Capital and reserves			
Equity share capital	27	264	264
Capital redemption reserve	27	673	673
Treasury shares	27	(840)	(826)
Fair value adjustments reserve	27	34	30
Retained earnings	27	8,689	8,255
Total equity		<u>8,820</u>	<u>8,396</u>

The notes on pages 26 to 64 form part of the financial statements

These accounts were approved by the Board of Directors and authorised for issue on 21 February 2012 and were signed on its behalf by

N H P TUCKER)
G J CROCKER) Directors

N.H.P. Tucker
G.J. Crocker

Company statement of changes in equity**for the year ended 31 October 2011**

	<i>Equity share capital £000</i>	<i>Capital redemption reserve £000</i>	<i>Fair value Treasury adjustments shares £000</i>	<i>reserve £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
At 1 November 2009	264	673	(994)	30	7,957	7,930
Profit for the year	-	-	-	-	859	859
Other comprehensive income for the year, net of income tax	-	-	-	-	(67)	(67)
Total comprehensive income for the year	-	-	-	-	792	792
Consideration received by EBT on sale of shares	-	-	44	-	-	44
Consideration paid by EBT on purchase of shares	-	-	(22)	-	-	(22)
Loss by EBT on sale of shares	-	-	146	-	(146)	-
Share based payment	-	-	-	-	11	11
Equity dividends paid	-	-	-	-	(359)	(359)
At 31 October 2010	264	673	(826)	30	8,255	8,396
	<i>Equity share capital £000</i>	<i>Capital redemption reserve £000</i>	<i>Fair value Treasury adjustments shares £000</i>	<i>reserve £000</i>	<i>Retained earnings £000</i>	<i>Total equity £000</i>
At 1 November 2010	264	673	(826)	30	8,255	8,396
Profit for the year	-	-	-	-	834	834
Other comprehensive income for the year, net of income tax	-	-	-	4	97	101
Total comprehensive income for the year	-	-	-	4	931	935
Consideration received by EBT on sale of shares	-	-	43	-	-	43
Consideration paid by EBT on purchase of shares	-	-	(194)	-	-	(194)
Loss by EBT on sale of shares	-	-	137	-	(137)	-
Equity dividends paid	-	-	-	-	(360)	(360)
At 31 October 2011	264	673	(840)	34	8,689	8,820

Details of the reserves can be found in note 27

Group statement of cash flows

for the year ended 31 October 2011

	Notes	2011 £000	2010 £000
Operating activities			
Profit for the year		843	857
Tax		389	368
Net finance costs		186	234
Profit on disposal of non current assets and assets held for sale		(10)	(32)
Depreciation and impairment of property, plant and equipment		295	272
Share-based payments	26	-	11
Difference between pension contributions paid and amounts recognised in the income statement		(507)	(507)
Decrease in inventories		-	9
Decrease in trade and other receivables		182	224
Increase/(decrease) in trade and other payables		39	(158)
Cash generated from operations		1,417	1,278
Income taxes paid		(349)	(78)
Interest paid		(138)	(141)
Net cash flow from operating activities		930	1,059
Investing activities			
Interest received		33	35
Proceeds from sale of property, plant and equipment and assets held for sale		114	91
Payments to acquire property, plant and equipment		(1,199)	(718)
Net cash outflow from investing activities		(1,052)	(592)
Financing activities			
Preference dividend paid		(1)	(1)
Dividends paid	14	(360)	(359)
Repayment of loans from Directors		-	8
Consideration received by EBT on sale of shares		43	44
Consideration paid by EBT on purchase of shares		(194)	(22)
Net movement in long-term borrowings		-	(1,000)
Net cash flow from financing activities		(512)	(1,330)
Decrease in cash and cash equivalents		(634)	(863)
Cash and cash equivalents at the beginning of the year	20	(342)	521
Cash and cash equivalents at the year end	20	(976)	(342)

Notes to the financial statements

for the year ended 31 October 2011

1. Authorisation of financial statements

The financial statements of The Heavitree Brewery PLC and its subsidiaries (the "Group") for the year ended 31 October 2011 were authorised for issue by the board of directors on 21 February 2012 and the balance sheet was signed on the board's behalf by N H P Tucker and G J Crocker. The Heavitree Brewery PLC is a public company incorporated and domiciled in England. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

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

2. Accounting policies and statement of compliance

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of for the year ended 31 October 2011 and 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 2011.

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

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

Key sources of estimation uncertainty

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

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

Pension benefits

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 October 2011 was £1,246,000 (2010 £1,802,000). Further details are given in note 30.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 26.

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Basis of consolidation

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

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

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

Foreign currency

There are no transactions in currencies other than the individual entity's functional currency.

On consolidation, the financial statements of the overseas subsidiary undertaking are translated at the year end rate of exchange, with the results translated at the average rate. Exchange differences arising on consolidation are dealt with in the currency translation reserve, and reported in Other Comprehensive Income.

Investment in subsidiary

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

Property, plant and equipment

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

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

- | | |
|-------------------------|-----------------------------|
| • Buildings | - 2% |
| • Fixtures and fittings | - 10% to 20% |
| • Computer equipment | - 20% to 33 $\frac{1}{3}$ % |
| • Office equipment | - 20% |
| • Motor vehicles | - 25% |

Freehold land and assets under construction are not depreciated.

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

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Property, plant and equipment (continued)

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

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

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.

Non-current assets held for sale

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

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

Impairment of assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Impairment of assets (continued)

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.

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

Financial assets

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

Trade and other receivables

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

Available-for-sale financial assets

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

Fair values

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

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Financial liabilities

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

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

Trade and other payables

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

Preference shares

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

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

Interest-bearing loans and borrowings

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

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

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

Derecognition of financial assets and liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes purchase cost on a first-in, first-out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Cash and cash equivalents

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

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

Income taxes

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the group to make a single net payment

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

Pensions and other post-retirement benefits

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

The cost of providing benefits under the defined benefit scheme is determined using the Projected Unit Credit Method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. A full actuarial valuation is obtained at least triennially and is updated at each balance sheet date. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Pensions and other post-retirement benefits (continued)

and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets, of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance revenue or cost.

The group has applied the option in IAS 19 to recognise actuarial gains and losses in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

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

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

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

Treasury shares

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

Revenue recognition

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

Drink and food sales

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

Rents receivable

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

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Revenue recognition (continued)

Machine income

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

Dividends

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

Finance income

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

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

Share-based payments (continued)

The Group has taken advantage of the exemption in IFRS 1 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 November 2006, the Group's date of transition to IFRS

New standards and interpretations not applied

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

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

International Accounting Standards (IAS/IFRSs)		Effective date *
IAS 24	Related Party Disclosures (Revised)	1 January 2011
	Improvements to IFRS (2010)	1 January 2011
IFRS 7	Amendment – Disclosures Transfers of financial assets	1 July 2011
IFRS 1	Amendment – Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
IAS 12	Amendment – Deferred tax Recovery of underlying assets	1 January 2012
IAS 1	Presentation of items in other comprehensive income	1 July 2012
IFRS 9	Financial instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group

International Financial Reporting Interpretations Committee (IFRIC)		Effective date*
IFRIC 14	Amendment – Prepayments of a Minimum Funding Requirement	1 January 2011

* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations

IFRS 9 is part of the IASB's wider project to replace IAS 39 and retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The standard is effective for annual periods beginning on or after 1 January 2013 and the Group is currently assessing its impact on the financial statements, although it is not expected to be material.

Notes to the financial statements

for the year ended 31 October 2011

2. Accounting policies (continued)

New standards and interpretations not applied (continued)

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

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

3. Revenue

Revenue recognised in the income statement is analysed as follows

	2011	2010
	£000	£000
Sale of goods	5,092	4,943
Rents from licensed properties	2,260	2,445
	<u>7,352</u>	<u>7,388</u>

Sale of goods comprises the invoiced values of beers and ciders supplied by the Group to tenants, together with gaming machine revenue. All revenue is derived from the United Kingdom. No revenue was derived from exchanges of goods or services (2010: £nil)

4. Segment information

Primary reporting format – business segments

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

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

Leased estate represents properties which are leased to tenants to operate independently from the Group

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 2011 and 2010. 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 2011

4. Segment information (continued)

Secondary reporting format – geographical segments (continued)

<i>Year ended 31 October 2011</i>	<i>UK £000</i>	<i>United States £000</i>	<i>Total £000</i>
Revenue			
Sales to external customers	7,352	-	7,352
Other segment information			
Segment assets	16,915	47	16,962
Total assets	16,915	47	16,962
Capital expenditure			
Property, plant and equipment	1,534	20	1,554
 <i>Year ended 31 October 2010</i>	 <i>UK £000</i>	 <i>United States £000</i>	 <i>Total £000</i>
Revenue			
Sales to external customers	7,388	-	7,388
Other segment information			
Segment assets	16,285	10	16,295
Total assets	16,285	10	16,295
Capital expenditure			
Property, plant and equipment	718	-	718

5. Other operating income

	<i>2011 £000</i>	<i>2010 £000</i>
Rents from unlicensed properties	100	91
Other	13	-
	113	91

Notes to the financial statements

for the year ended 31 October 2011

6. Operating profit

This is stated after charging

	2011 £000	2010 £000
Depreciation of property, plant and equipment	295	272
Repairs and maintenance of properties	779	743
	<u> </u>	<u> </u>
Cost of inventories recognised as an expense (included in cost of sales)	3,134	3,141
	<u> </u>	<u> </u>

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

	2011 £000	2010 £000
Audit of the group financial statements	46	46
Other fees to auditors	<u> </u>	<u> </u>
- audit of the group pension schemes	3	2
- other services relating to taxation	5	7
- all other services	5	2
	<u> </u>	<u> </u>
	13	11
	<u> </u>	<u> </u>
	59	57
	<u> </u>	<u> </u>

8. Exceptional items

	2011 £000	2010 £000
<i>Recognised after arriving at operating profit</i>		
Profit on disposal of non-current assets	10	32
	<u> </u>	<u> </u>
	10	32
	<u> </u>	<u> </u>

Profit on disposal of non-current assets represents gains on disposal of property, plant and equipment. Gains and losses on disposal of property, plant and equipment 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 2011

9. Staff costs and directors' emoluments

(a) Staff costs

	2011 £000	2010 £000
Wages and salaries	841	841
Social security costs	103	101
Other pension costs (note 30)	250	255
	<u>1,194</u>	<u>1,197</u>

Included in wages and salaries is a total expense of share-based payments of £Nil (2010 £11,119) of which £Nil (2010 £11,119) arises from transactions accounted for as equity-settled share-based payment transactions

Included in other pension costs is £204,586 (2010 £198,677) in respect of the defined contribution scheme

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

	2011 No	2010 No
Average monthly number of employees	<u>14</u>	<u>14</u>

(b) Directors' emoluments

	Basic salary and fees £000	Performance related bonus £000	Benefits £000	Pension contributions £000	Total 2011 £000	Total 2010 £000
N H P Tucker	100	21	15	44	180	177
G J Crocker	90	9	19	29	147	141
R J Glanville	82	8	14	30	134	130
T Wheatley	82	8	13	52	155	151
W P Tucker	22	-	2	-	24	24
T P Duncan	14	-	-	-	14	13
K Pease-Watkin	14	-	-	-	14	13
	<u>404</u>	<u>46</u>	<u>63</u>	<u>155</u>	<u>668</u>	<u>649</u>

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

The emoluments (excluding pension contributions) of the highest paid director totalled £136,233 (2010 £133,918)

Four of the directors are accruing pension benefits. The highest paid director has an accrued pension entitlement of £87,865 as at 31 October 2011 (2010 £87,865), arising from past membership of the defined benefit scheme which is no longer active

Notes to the financial statements

for the year ended 31 October 2011

10. Finance income

	2011 £000	2010 £000
Other interest	33	35

11. Finance costs

	2011 £000	2010 £000
Interest on bank loans and overdrafts	132	131
Interest on other loans (including cumulative preference shares)	6	10
Total finance costs	138	141

12. Taxation

(a) Tax on profit on ordinary activities

Tax expensed/(credited) in the income statement

	2011 £000	2010 £000
<i>Current income tax</i>		
UK corporation tax	240	248
Tax paid by Employee Benefits Trust	5	10
Total current income tax	245	258

Deferred tax

Origination and reversal of temporary differences

	144	110
Total deferred tax	144	110

Tax expense in the income statement

	389	368
--	-----	-----

Tax relating to items expensed or credited to equity

Deferred tax

Deferred tax on defined benefit pensions scheme

	33	(26)
Total deferred tax	33	(26)

Tax expense/(credit) in the statement of comprehensive income

	33	(26)
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Notes to the financial statements

for the year ended 31 October 2011

12. Taxation (continued)

(b) Reconciliation of the total tax expense

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 26.83% (2010: 28%). The differences are reconciled below

	2011 £000	2010 £000
Accounting profit before income tax	1,232	1,225
Accounting profit multiplied by the UK standard rate of corporation tax of 26.83% (2010: 28%)	330	343
Expenses not deductible for tax purposes	12	35
Tax overprovided in previous years	26	-
Other	16	(20)
Tax paid by Employee Benefits Trust	5	10
Total tax expense reported in the income statement	389	368

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2011 £000	2010 £000
Deferred tax liability		
Accelerated capital allowances	129	123
Gain on financial assets	2	2
Rolled over gain	130	140
	261	265
Deferred tax asset		
Pension plans	325	505
	325	505

Notes to the financial statements

for the year ended 31 October 2011

12. Taxation (continued)

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

	2011 £000	2010 £000
Deferred tax in the income statement		
Accelerated capital allowances	6	4
Pension plans	148	106
Rolled over gain	(10)	-
	<hr/>	<hr/>
Deferred income tax expense	144	110
	<hr/>	<hr/>

A potential deferred tax asset of £155,000 (2010 £158,000) 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

Diluted earnings per share amounts are calculated by dividing the profit 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 as diluted for the share options in issue

The following reflects the income and shares data used in the basic and diluted earnings per share computations

	2011 £000	2010 £000
Profit for the year	843	857
	<hr/>	<hr/>
	2011 No (000)	2010 No (000)
Basic weighted average number of shares (excluding treasury shares)	5,129	5,139
Dilutive potential ordinary shares		
Employee share options	-	-
	<hr/>	<hr/>
Diluted weighted average number of shares	5,129	5,139
	<hr/>	<hr/>

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

Employee share options could potentially dilute basic earnings per share in the future but are not included in the 2011 calculation of dilutive earnings per share because they are antidilutive for the period presented

Notes to the financial statements

for the year ended 31 October 2011

14. Dividends paid and proposed

	2011 £000	2010 £000
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares		
Final dividend for 2010 3 5p (2009 3 5p)	185	185
First dividend for 2011 3 5p (2010 3 5p)	185	185
Less dividends on shares held within employee share schemes	(10)	(11)
Dividends paid	360	359
<i>Proposed for approval at AGM (not recognised as a liability as at 31 October)</i>		
Final dividend for 2011 3 5p (2010 3 5p)	180	180
Cumulative preference dividends	1	1

15. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £834,000 (2010 £859,000- restated under International Financial Reporting Standards)

16. Property, plant and equipment

Group	Land and buildings £000	Furniture and fittings £000	Equipment and vehicles £000	Assets under construction £000	Total £000
<i>Cost</i>					
At 1 November 2009	12,354	3,397	394	-	16,145
Additions	425	41	252	-	718
Disposals	(21)	(20)	(186)	-	(227)
Transfers from assets classified as held for sale	-	36	-	-	36
At 31 October 2010	12,758	3,454	460	-	16,672
Additions	651	317	65	521	1,554
Disposals	-	(83)	(87)	-	(170)
At 31 October 2011	13,409	3,688	438	521	18,056
<i>Depreciation and impairment</i>					
At 1 November 2009	136	2,068	258	-	2,462
Provided during the year	-	196	76	-	272
Disposals	-	-	(132)	-	(132)
At 31 October 2010	136	2,264	202	-	2,602
Provided during the year	-	186	109	-	295
Disposals	-	-	(66)	-	(66)
At 31 October 2011	136	2,450	245	-	2,831

Notes to the financial statements

for the year ended 31 October 2011

16. Property, plant and equipment (continued)

	<i>Land and buildings £000</i>	<i>Furniture and fittings £000</i>	<i>Equipment and vehicles £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
Net book value at 31 October 2011	13,273	1,238	193	521	15,225
Net book value at 31 October 2010	12,622	1,190	258	-	14,070
Net book value at 1 November 2009	12,218	1,329	136	-	13,683

As at 31 October 2011 no licenced or unlicenced properties were actively being marketed for sale, and presented separately on the balance sheet as 'assets held for sale' (2010 £nil)

<i>Company</i>	<i>Land and buildings £000</i>	<i>Furniture and fittings £000</i>	<i>Equipment and vehicles £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
<i>Cost</i>					
At 1 November 2009	12,337	3,397	394	-	16,128
Additions	432	41	252	-	725
Disposals	(21)	(20)	(186)	-	(227)
Transfers from assets classified as held for sale	-	36	-	-	36
At 31 October 2010	12,748	3,454	460	-	16,662
Additions	631	317	65	521	1,534
Disposals	-	(83)	(87)	-	(170)
At 31 October 2011	13,379	3,688	438	521	18,026
<i>Depreciation and impairment</i>					
At 1 November 2009	136	2,068	258	-	2,462
Provided during the year	-	196	76	-	272
Disposals	-	-	(132)	-	(132)
At 31 October 2010	136	2,264	202	-	2,602
Provided during the year	-	186	109	-	295
Disposals	-	-	(66)	-	(66)
At 31 October 2011	136	2,450	245	-	2,831

Notes to the financial statements

for the year ended 31 October 2011

16. Property, plant and equipment (continued)

	<i>Land and buildings £000</i>	<i>Furniture and fittings £000</i>	<i>Equipment and vehicles £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
Net book value at 31 October 2011	13,243	1,238	193	521	15,195
Net book value at 31 October 2010	12,612	1,190	258	-	14,060
Net book value at 1 November 2009	12,201	1,329	136	-	13,666

As at 31 October 2011 no licenced or unlicenced properties were actively being marketed for sale, and presented separately on the balance sheet as 'assets held for sale' (2010 £nil)

17. Financial assets

<i>Group</i>	<i>2011 £000</i>	<i>2010 £000</i>
Financial assets – non-current		
Available-for-sale financial assets	54	50

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

The fair value of the ordinary shares is based on observable market prices or rates

<i>Company</i>	<i>Subsidiary undertakings £000</i>	<i>Unlisted investments £000</i>	<i>Total £000</i>
Cost			
At 1 November 2010 and 31 October 2011	69	50	119
Amounts provided			
At 1 November 2010	(18)	-	(18)
Revaluation	-	4	4
At 31 October 2011	(18)	4	(14)
Net book value			
At 31 October 2011	51	54	105
At 31 October 2010	51	50	101

Notes to the financial statements

for the year ended 31 October 2011

17. Financial assets (continued)

The Company's subsidiary undertakings are as follows

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

Each subsidiary undertaking is directly owned by the Company

18. Inventories

<i>Group and Company</i>	<i>2011 £000</i>	<i>2010 £000</i>
Fine wines	6	6
Merchandising inventory	4	4
	<u>10</u>	<u>10</u>

19. Trade and other receivables

<i>Group and Company</i>	<i>2011 £000</i>	<i>2010 £000</i>
Trade receivables	1,057	1,175
Prepayments and accrued income	11	26
Other receivables	45	40
Finance leases	149	203
	<u>1,262</u>	<u>1,444</u>

Trade receivables are denominated in the following currencies

	<i>2011 £000</i>	<i>2010 £000</i>
Sterling	1,057	1,175
Other currencies	-	-
	<u>1,057</u>	<u>1,175</u>

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 2011, trade receivables at nominal value of £397,000 (2010 £599,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows

Notes to the financial statements

for the year ended 31 October 2011

19. Trade and other receivables (continued)

	2011	2010
	£000	£000
At 1 November	599	479
Charge for the year	126	120
Amounts written back	(328)	-
At 31 October	397	599

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

	Neither past due nor		Past due but not impaired		
	Total	impaired	0-30 days	30-90 days	90+ days
	£000	£000	£000	£000	£000
2011	1,057	567	161	97	232
2010	1,175	784	147	108	136

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.

20. Cash and cash equivalents

	2011	2010
	£000	£000
Group		
Cash at bank and in hand	86	216
	86	216

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

	2011	2010
	£000	£000
Cash at bank and in hand	86	216
Bank overdrafts	(1,062)	(558)
Bank loan	(4,000)	(4,000)
	(4,976)	(4,342)

Notes to the financial statements

for the year ended 31 October 2011

20. Cash and cash equivalents (continued)

<i>Company</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Cash at bank and in hand	69	188

21. Trade and other payables

<i>Group and Company</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Current		
Trade payables	358	355
Other taxation and social security	201	176
Accruals	529	172
Other payables	7	6
	<u>1,095</u>	<u>709</u>
Non-current		
Other payables - tenants' deposits	327	319

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.

Included within accruals is an amount of £355,000 due to a contractor in respect of works carried out on assets under construction. On completion and certification of the works the liability will be discharged by the transfer of an asset.

22. Financial liabilities

<i>Group and Company</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Current		
Bank overdrafts	1,062	558
Bank loan	4,000	-
	<u>5,062</u>	<u>558</u>
Non-current		
11 5% cumulative preference shares (note 25)	11	11
Bank loan	-	4,000
	<u>11</u>	<u>4,011</u>

The bank loan is secured over certain of the Group's freehold properties by a first legal charge to the value of £15,775,000.

The current facility of £4,000,000 expires on 31 January 2012 and has been reclassified as a current liability. Since the year end the facility has been refinanced for a term of three years and therefore will revert to a non-current liability in 2012.

Notes to the financial statements

for the year ended 31 October 2011

23. 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

	2011 £000	2010 £000
Not later than one year	414	412
After one year but not more than five years	1,703	1,555
After five years	2,478	2,841
	<u>4,595</u>	<u>4,808</u>

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.

24. Financial instruments and derivatives

Group and Company

The Group's principal financial instruments comprise cash, tenants' deposits, loans, investments and its own non-equity share capital. The principal purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

Short-term trade receivables and trade payables

Short-term trade receivables and trade payables have been excluded from the numerical disclosures on fair values below.

Interest rate risk

As the Group has no significant interest-bearing assets, other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Income and cash flows from cash and cash equivalents fluctuate with interest rates.

The Group finances its operations through a mixture of equity shareholders' funds, preference shares and a secured term loan and overdraft.

Cash and borrowings are denominated in sterling and interest is paid on cash and borrowings at a floating rate.

The Group continually monitors its interest rate risk exposure. When and if it is considered appropriate, the Group will take necessary action to ensure exposure is minimised.

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 2011

24. 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.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit before tax £000</i>
2011		
Sterling	+100	(51)
Sterling	-100	51
2010		
Sterling	+100	(45)
Sterling	-100	45

Interest rate risk profile of non-equity shares

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

Liquidity risk

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

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 October 2011 and 2010 based on contractual undiscounted payments.

Year ended 31 October 2011

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan/overdraft	1,062	4,000	-	-	-	5,062
Tenants' deposits	-	-	-	327	-	327
Trade payables	358	-	-	-	-	358

Notes to the financial statements

for the year ended 31 October 2011

24. Financial instruments and derivatives (continued)

Year ended 31 October 2010

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan/overdraft	558	-	-	4,000	-	4,558
Tenants' deposits	-	-	-	319	-	319
Trade payables	355	-	-	-	-	355

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.

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.

Notes to the financial statements

for the year ended 31 October 2011

24. Financial instruments and derivatives (continued)

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets, financial liabilities and non-equity shares as at 31 October

	<i>Book value 2011 £000</i>	<i>Fair value 2011 £000</i>	<i>Book value 2010 £000</i>	<i>Fair value 2010 £000</i>
Financial assets				
Cash	86	86	216	216
Available-for-sale investments	54	54	50	50
	<u>140</u>	<u>140</u>	<u>266</u>	<u>266</u>
Financial liabilities				
Bank loan/overdraft	(5,062)	(5,062)	(4,558)	(4,558)
Interest-bearing loans and borrowings				
Floating rate borrowings	(327)	(327)	(319)	(319)
Tenants' deposits	(11)	(11)	(11)	(11)
Cumulative preference shares				
	<u>(5,400)</u>	<u>(5,400)</u>	<u>(4,888)</u>	<u>(4,888)</u>

Fair value of available-for-sale investments is based on market value (see note 17)

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

Notes to the financial statements

for the year ended 31 October 2011

25. Authorised and issued share capital

Group and Company

(i) Ordinary shares

Authorised

	2011	2010
	£	£
Ordinary shares of 5p each	99,735	99,735
'A' limited voting ordinary shares of 5p each	164,124	164,124
Unclassified shares of 5p each	924,446	924,446
	<u>1,188,305</u>	<u>1,188,305</u>

<i>Allotted, called up and fully paid</i>	2011 <i>No</i>	2010 <i>No</i>	2011 <i>£</i>	2010 <i>£</i>
Ordinary Shares of 5p each				
At 1 November	1,994,699	1,994,699	99,735	99,735
Purchases	-	-	-	-
At 31 October	<u>1,994,699</u>	<u>1,994,699</u>	<u>99,735</u>	<u>99,735</u>
	2011 <i>No</i>	2010 <i>No</i>	2011 <i>£</i>	2010 <i>£</i>
'A' Limited Voting Ordinary Shares of 5p each				
At 1 November	3,282,478	3,282,478	164,124	164,124
Purchases	-	-	-	-
At 31 October	<u>3,282,478</u>	<u>3,282,478</u>	<u>164,124</u>	<u>164,124</u>

The Ordinary Shares and 'A' Limited Voting Ordinary Shares are entitled equally to dividends, and rank equally on a winding up, after the Cumulative Preference Shares. The Ordinary Shares carry one vote for every £1 in nominal amount and the 'A' Limited Voting Ordinary Shares carry one vote for every £10 in nominal amount.

There are no Unclassified Shares in issue, shares purchased by the Company become authorised (but unissued) Unclassified Shares.

Notes to the financial statements

for the year ended 31 October 2011

25. Authorised and issued share capital (continued)

(ii) Preference shares classified as non-current liability

	2011	2010
	£	£
<i>Authorised</i>		
11 5% Cumulative Preference Shares of £1 each	11,695	11,695
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
	2011	2010
	No	No
	2011	2010
	£	£
11 5% Cumulative Preference Shares of £1 each	11,695	11,695
	<u> </u>	<u> </u>

The Cumulative Preference Shares are entitled to a fixed cumulative preferential dividend at 11 5% per annum. On a return of capital on a winding up, these shares will rank first for their nominal amount and any arrears of dividend. The Cumulative Preference Shares do not normally carry voting rights.

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

26. Share-based payments

Group and Company

In 1998, the Company set up a discretionary Employee Share Option Scheme. The Scheme was approved by the Inland Revenue on 24 July 1998. The value of shares over which options are granted is limited to a maximum of £30,000 per employee. Awards are not subject to any performance condition and under normal circumstances may only be exercised for a period of fourteen days (2004 options – ten days) following vesting on the third anniversary of the date of grant.

On 30 October 2007, options were granted under the Scheme over 19,454 'A' Limited Voting Ordinary Shares held by the Scheme with an exercise price of £10.975, and none of these remained under option at the year end. The mid-market value was £1.75 per share at 31 October 2011 (2010 £1.70), giving a total market value of £Nil (2010 £30,399) for the shares under option.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2011	2011	2010	2010
	No	WAEP	No	WAEP
		£		£
Outstanding at 1 November	17,882	10.975	17,949	10.975
Forfeited during the year	(17,882)	10.975	(67)	10.975
Outstanding at 31 October	-	-	17,882	10.975
Exercisable 31 October	-	-	-	-

Notes to the financial statements

for the year ended 31 October 2011

26. Share-based payments (continued)

The weighted average share price of the options exercised in the year at the date of exercise is £nil (2010 £nil)

There were no share options outstanding at 31 October 2011, for share options outstanding at 31 October 2010 the weighted average remaining contractual life is nil

The weighted average fair value of options granted during the year was £nil (2010 £nil) There were no share options outstanding at 31 October 2011 The exercise price for options outstanding at 31 October 2010 was £10 975

The total expense recognised for the year arising from equity compensation plans was as follows

	2011	2010
	£	£
Fair value of options	-	11,119

The fair value of options granted estimated by using a binomial option pricing model was £2 08 The fair value of options was estimated on the date of grant, based upon the following weighted average assumptions

	2007
Share price	£10 975
Exercise price	£10 975
Expected volatility	20%
Historical volatility	20%
Expected life	3 years
Risk free interest rate	5%
Expected dividend yield	1%

The expected volatility used was based upon the historical volatility of the share price over a period equivalent to the expected life of the options prior to the date of grant The expected dividend yield has been based on an average dividend yield over the 12 months prior to the date of grant

Notes to the financial statements

for the year ended 31 October 2011

27. Reconciliation of movements in equity

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 24 respectively

Equity share capital

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

Capital redemption reserve

The capital redemption reserve arises on the repurchase and cancellation by the Company of Ordinary Shares

Treasury shares

Treasury shares represent the cost of The Heavitree Brewery PLC shares purchased in the market and held by The Heavitree Brewery PLC Employee Benefits Trust and Employee Share Option Scheme ('EBT')

At 31 October 2011 the Group held 68,174 Ordinary Shares and 146,641 'A' Limited Voting Ordinary Shares (2010 58,779 Ordinary Shares and 74,592 'A' Limited Voting Ordinary Shares) of its own shares at an average cost of £3 90 (2010 £6 18) The market value of these shares as at 31 October 2011 was £478,187 (2010 £333,000)

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

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

	<i>Other 2011 £000</i>	<i>Other 2010 £000</i>
Within one year	11	13
In two to five years	-	11
	<u>11</u>	<u>24</u>

29. Capital commitments

Group and Company

At 31 October 2011, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil for the Group (2010 £nil)

Notes to the financial statements

for the year ended 31 October 2011

30. Pensions and post-retirement benefits

Group and Company

(i) Optional pension payments

During the year the Group made discretionary pension payments of £55,278 (2010 £56,578) 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 £204,586 (2010 £198,677)

(iii) Defined benefit scheme

The Company operated a defined benefit pension scheme. The assets of the scheme are held separately from those of the Company, this fund being administered by Zurich Assurance Limited and Legal and General Investment Management. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations by discounting projected future income and benefits using the projected unit method modified by the use of a control period of 10 years.

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

The pension scheme assets are held in a separate Trustee administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation.

The principal assumptions used for the purposes of the actuarial valuation were as follow

	2011	2010
	%	%
<i>Main assumptions</i>		
Rate of salary increases	n/a	n/a
Rate of increase in pensions in payment	3.00-5.00	3.00-5.00
Discount rate	5.0	5.2
Expected rates of return on scheme assets		
Equities	-	-
Cash	3.20	4.00
Other scheme assets	5.00	5.20-6.00
Inflation assumption	0.00	0.00
Mortality (in years)		
Current pensioners at 65 – male	22.4	22.3
Current pensioners at 65 – female	24.8	24.7
Future pensioners at 40 – male	24.3	24.2
Future pensioners at 40 – female	26.7	26.6

The post-retirement mortality assumptions allow for expected changes in longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being the assumed longevity at the balance sheet date of an employee currently aged 40 and retiring in 2036.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 11.0%
Inflation assumption	Increase/decrease by 0.5%	No impact as fixed increases
Post retirement mortality	Increase by 1 year	Increase by 2.6%

Notes to the financial statements

for the year ended 31 October 2011

30. Pensions and post-retirement benefits (continued)

The amounts recognised in the Group income statement and in the Group statement of comprehensive income for the year are analysed as follows

	2011 £000	2010 £000
Recognised in the income statement		
Expected return on scheme assets	230	165
Interest cost on scheme liabilities	(311)	(293)
Other finance cost	(81)	(128)
Total charge to the income statement	(81)	(128)

For the year ended 31 October 2011 the current service cost recognised in arriving at operating profit was £nil (2010 £nil)

	2011 £000	2010 £000
Taken to the statement of comprehensive income		
Actual return on scheme assets	623	439
Less expected return on scheme assets	(230)	(165)
	393	274
Other actuarial losses	(263)	(367)
Actuarial Gains/losses recognised in the statement of comprehensive income	130	(93)

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plan is as follows

	31 October 2011 £000	31 October 2010 £000	1 November 2009 £000
Present value of funded defined benefit obligation	(6,556)	(5,982)	(5,322)
Fair value of plan assets	5,310	4,180	3,234
Net liability arising from defined benefit obligation	(1,246)	(1,802)	(2,088)

Notes to the financial statements

for the year ended 31 October 2011

30. Pensions and post-retirement benefits (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows

	2011 £000	2010 £000
As at 1 November	5,982	5,322
Current service cost	-	-
Interest cost	311	293
Benefits paid	-	-
Actuarial losses	263	367
At 31 October	6,556	5,982

Changes in the fair value of plan assets are analysed as follows

	2011 £000	2010 £000
As at 1 November	4,180	3,234
Expected return on plan assets	230	165
Employer contributions	507	507
Contributions by employees	-	-
Benefits paid	-	-
Actuarial gains	393	274
At 31 October	5,310	4,180

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category are as follows

	Expected long term rate of return at 31 October 2011 %	Fair value at 31 October 2011 £000	Expected long term rate of return at 31 October 2010 %	Fair value at 31 October 2010 £000
Equities	-	-	-	-
Fixed Interest Securities	5.00	3,364	5.20	2,547
Cash	3.20	211	4.00	133
Other scheme assets	5.00	1,735	5.20	1,500
Weighted average expected rate of return	4.93	5,310	5.16	4,180

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.

Notes to the financial statements

for the year ended 31 October 2011

30. Pensions and post-retirement benefits (continued)

The majority of the assets of the scheme as at 31 October 2011 are invested in a series of with profits deferred annuity policies insured with Zurich Assurance Limited. As such it is not possible to provide a split of the assets between equities and bonds, and therefore for the purposes of IAS 19 100% of these assets are classed as 'other'. This was also the case at 31 October 2010. The value of the with profits deferred annuity policies is linked to UK equities for members with more than ten years to retirement and, for members within ten years of retirement, to a mixture of gilt edged investments and equities.

Pension contributions are determined with the advice of independent qualified actuaries, Jardine Lloyd Thompson, on the basis of triennial valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The history of experience adjustments is as follows

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Fair value of scheme assets	5,310	4,180	3,234	4,835	5,519
Present value of defined benefit obligation	(6,556)	(5,982)	(5,322)	(5,840)	(6,994)
Deficit in the scheme	(1,246)	(1,802)	(2,088)	(1,005)	(1,475)
Experience adjustments arising on plan liabilities	-	-	268	-	-
Experience adjustments arising on plan assets	393	274	135	(965)	(655)

The cumulative amount of actuarial gains and losses recognised since 1 November 2006 in the Group statement of comprehensive income is a loss of £287,000 (2010 loss of £417,000). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity in the Group is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group statement of comprehensive income before 1 November 2006.

The most recently completed actuarial valuation of the Group's main retirement benefits fund was carried out as at 1st January 2008. Following the valuation, the Group's ordinary contributions rate increased, with effect from 2010 to £507,000 in respect of the deficit. The Group will monitor funding levels on an annual basis. The next valuation was due to be completed as at 1 January 2011, which has yet to be finalised. The Group considers that the contribution rates agreed with trustees at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on actuarial valuation and advice, will not increase significantly. The total contributions to the defined benefit scheme in 2012 are expected to be £507,000 (2011 £507,000) for the Group.

The Group has agreed the following funding objective with trustees

- 1 Once the funding level of the scheme is 100% of the projected past service liabilities to maintain funding at least at this level, and
- 2 To meet the liabilities of the scheme in the event that the scheme is wound-up

Notes to the financial statements

for the year ended 31 October 2011

30. Pensions and post-retirement benefits (continued)

The levels of contributions are based on the actuarial valuation and advice and the expected future cash flows of the defined benefit scheme. The Group estimates the present value of the duration of scheme liabilities on average fall due over 10 years.

31. Related party transactions

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:

	<i>Sales to related parties £000</i>	<i>Trading amounts owed from related parties £000</i>	<i>Advanced to related party during year £000</i>	<i>Loans owed from related parties at year end £000</i>
31 October 2011	268	27	8	2

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 2011, the Group has not made any provision for doubtful debts relating to amounts

owed by related parties (2010: £nil)

Compensation of key management personnel (including directors)

The only key management personnel are directors and their compensation is disclosed in note 9.

32. Transition to IFRS

For all periods up to and including the year ended 31 October 2010, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). Financial statements for the year ended 31 October 2011 are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 November 2010 and the significant accounting policies meeting those requirements are described in note 2.

In preparing the financial statements, the Company has started from an opening balance sheet as at 1 November 2009, the Company's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first time-adoption of IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP balance sheet as at 1 November 2009 and its previously published UK GAAP financial statements for the year ended 31 October 2010. The adjustments to IFRSs are classified below under two headings: "IFRS reclassifications" and "IFRS remeasurements". In addition the Company identified some adjustments as part of this process that do not arise from a GAAP difference and have therefore been classified as 'reclassifications' rather than IFRS reclassifications or remeasurements.

Notes to the financial statements

for the year ended 31 October 2011

32. Transition to IFRS (continued)

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRSs retrospectively. The Company has taken the following exemptions

- Cumulative translation differences for all foreign operations are deemed to be zero as at 1 November 2009,
- IFRS 2 Share-based Payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 November 2009, the Company's date of transition to IFRS,
- Cumulative actuarial gains and losses are recognised in full in equity at the date of transition to IFRS. This represents no change from the previous policy

Summary of major impacts of adoption of IFRS

Property, Plant and Equipment (IAS 16)

An entity must adopt either a cost or valuation model for valuing its property, plant and equipment. Consistent with its approach under UK GAAP the Company has decided to continue with a cost model.

Freehold buildings are depreciated to write off the difference between their carrying value and residual value over their useful economic life of 50 years. However no depreciation charge arises in respect of 2009 or 2010 as the residual value of freehold properties is at least equal to their carrying value.

The impact of this is to increase net assets by £282,000 at 31 October 2009 and £365,000 at 31 October 2010.

Financial Instruments Recognition and Measurement (IAS 39)

Our unlisted investment is now stated at fair value rather than cost in accordance with IAS 39. This investment is categorised as available for sale under IAS 39.

The impact of this is to increase net assets by £30,000 at 31 October 2009 and £30,000 at 31 October 2010.

Pensions (IAS 19)

We have chosen to recognise all actuarial gains and losses immediately through equity in accordance with our previous UK GAAP policy.

Under IFRS, the pension deficit is shown on the balance sheet gross of deferred tax. This is a change in presentation from UK GAAP which required the liability to be shown net of the related deferred tax asset.

Income taxes (IAS 12)

A deferred tax liability has been recognised on rolled over gains from the sale of licensed properties.

The unlisted investment has been revalued to fair value. This is not a 10% holding therefore does not qualify for substantial shareholdings exemption. The increase in value will create a temporary difference between the carrying value and the tax base and therefore a deferred tax liability has been recognised in respect of this.

The impact of these has been to decrease net assets by £142,000 at 31 October 2009 and £142,000 at 31 October 2010.

Notes to the financial statements

for the year ended 31 October 2011

32. Transition to IFRS (continued)

Reclassification

During the course of the IFRS conversion exercise we noted that certain assets which were included within property, plant and equipment were leased under finance leases and therefore should have been classified as lease debtors. We have taken the opportunity to correct the classification of these assets. This has no impact on the income statement.

Notes to the financial statements

for the year ended 31 October 2011

Consolidated balance sheet at 1 November 2009

	<i>UK GAAP</i>	<i>Re- classification</i>	<i>IFRS Re- classification</i>	<i>IFRS Re- measurement</i>	<i>IFRS</i>
	£000	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	13,646	(262)	-	282	13,666
Financial assets	71	-	-	30	101
Deferred tax asset	-	-	585	13	598
	<u>13,717</u>	<u>(262)</u>	<u>585</u>	<u>325</u>	<u>14,365</u>
Current assets					
Trade and other receivables	1,407	262	-	-	1,669
Inventories	19	-	-	-	19
Cash and short-term deposits	501	-	-	-	501
	<u>1,927</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>2,189</u>
Total assets	<u>15,644</u>	<u>-</u>	<u>585</u>	<u>325</u>	<u>16,554</u>
Current liabilities					
Trade and other payables	(863)	-	(52)	-	(915)
Income tax payable	(77)	-	-	-	(77)
	<u>(940)</u>	<u>-</u>	<u>(52)</u>	<u>-</u>	<u>(992)</u>
Non-current liabilities					
Other payables	(324)	-	52	-	(272)
Financial liabilities	(5,011)	-	-	-	(5,011)
Deferred tax liabilities	(119)	-	-	(142)	(261)
Defined benefit pension plan deficit	(1,503)	-	(585)	-	(2,088)
	<u>(6,957)</u>	<u>-</u>	<u>(533)</u>	<u>(142)</u>	<u>(7,632)</u>
Total liabilities	<u>(7,897)</u>	<u>-</u>	<u>(585)</u>	<u>(142)</u>	<u>(8,624)</u>
Net assets	<u>7,747</u>	<u>-</u>	<u>-</u>	<u>183</u>	<u>7,930</u>
Capital and reserves					
Equity share capital	264	-	-	-	264
Capital redemption reserve	673	-	-	-	673
Treasury shares	(994)	-	-	-	(994)
Fair value adjustments reserve	-	-	-	30	30
Retained earnings	7,804	-	-	153	7,957
Total equity	<u>7,747</u>	<u>-</u>	<u>-</u>	<u>183</u>	<u>7,930</u>

Notes to the financial statements

for the year ended 31 October 2011

Consolidated balance sheet at 31 October 2010

	<i>UK GAAP</i>	<i>Re- classification</i>	<i>IFRS Re- classification</i>	<i>IFRS Re- measurement</i>	<i>IFRS</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-current assets					
Property, plant and equipment	13,898	(203)	-	365	14,060
Financial assets	71	-	-	30	101
Deferred tax asset	-	-	505	-	505
	13,969	(203)	505	395	14,666
Current assets					
Trade and other receivables	1,241	203	-	-	1,444
Inventories	10	-	-	-	10
Cash and short-term deposits	188	-	-	-	188
	1,439	203	-	-	1,642
Total assets	15,408	-	505	395	16,308
Current liabilities					
Trade and other payables	(709)	-	-	-	(709)
Financial liabilities	(558)	-	-	-	(558)
Income tax payable	(248)	-	-	-	(248)
	(1,515)	-	-	-	(1,515)
Non-current liabilities					
Other payables	(319)	-	-	-	(319)
Financial liabilities	(4,011)	-	-	-	(4,011)
Deferred tax liabilities	(123)	-	-	(142)	(265)
Defined benefit pension plan deficit	(1,297)	-	(505)	-	(1,802)
	(5,750)	-	(505)	(142)	(6,397)
Total liabilities	(7,265)	-	(505)	(142)	(7,912)
Net assets	8,143	-	-	253	8,396
Capital and reserves					
Equity share capital	264	-	-	-	264
Capital redemption reserve	673	-	-	-	673
Treasury shares	(826)	-	-	-	(826)
Fair value adjustments reserve	-	-	-	30	30
Retained earnings	8,032	-	-	223	8,255
Total equity	8,143	-	-	253	8,396