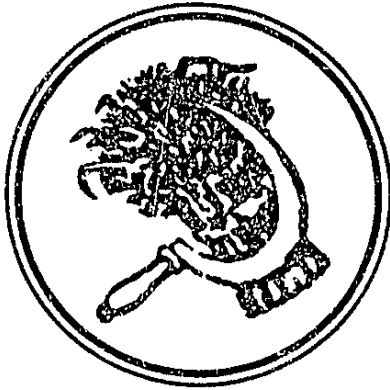


THE HEAVITREE BREWERY LIMITED

FAX
REGISTER
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**Directors' Report and
Statement of Accounts
Year Ended 31st October 1977**



ANNUAL REPORT AND ACCOUNTS

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The Heavitree Brewery Limited

DIRECTORS

W P Tucker *Chairman and Managing Director*

E H P Tucker

R C Price FCA *Secretary*

W H Mayhead

M St C Ruthven

BANKERS

National Westminster Bank Ltd *Heavitree Exeter*

SOLICITORS FOR THE COMPANY

Ford, Simey and Ford *Exeter*

AUDITORS

Turquands Barton Mayhew & Co *Exeter*

REGISTERED OFFICE

16 Church Street,

Heavitree,

Exeter.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighty-Eighth Annual General Meeting of the Shareholders of the above named Company will be held at the Marlborough Room, The Imperial Hotel, Exeter on Friday the 10th day of March 1978 at 11.00 a.m. for the purposes of:—

- 1 Receiving the Directors' Report and Statement of Accounts for the year ended 31st October, 1977.
- 2 Declaring Dividends.
- 3 Electing Directors.
- 4 Appointing the Auditors.
- 5 Authorising the Directors to fix the Auditors' remuneration.
- 6 Transacting any further business of an Annual General Meeting.

A Member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of the Member. A proxy need not be a member of the Company.

The Transfer Books of the Company will be closed from 24th February to 10th March 1978, both days inclusive and the dividends, if approved, will be posted on 10th March 1978.

Dated the 15th Day of February 1978
By Order of the Board
R. C. PRICE Secretary

CHAIRMAN'S STATEMENT

The year has produced a trading profit of £445,805 which is an improvement of 25 16% over the previous year. The fact that a similar increase is not reflected in the turnover is largely due to several Houses having reverted from Management to Tenancy with the consequent loss to the Company of their retail sales turnover. You will see that the layout of the ten year review on page 8 has been simplified this year and that since 1968 the trading profit has gone up 3.9 times. In the same period the Retail Price Index has increased 2.83 times. We have therefore fairly comfortably beaten inflation.

I would also like to refer to page 11 showing the Source and Application of funds. This indicates a healthy cash flow situation and a very satisfactory increase in working capital. It follows that we should be looking for a good investment opportunity. We recently thought we had one only to have the vendor withdraw at contract stage. Needless to say we have been and still are actively looking.

In my statement accompanying the Report and Accounts for the year ending 31st October 1974 I referred to the number of major pub improvements which had been carried out and to the fact that we had bought the Castle in Torquay. I pointed out that this had been paid for partly by selling off uneconomic properties. Improving the quality of our collection of pubs has been our main strategy ever since we changed the Company's course in 1970 by giving up beer production. I believe that we can justifiably claim that the strategy has been successful. It also looks promising for the future. The St. Loyes Hotel in Exeter, which we bought in 1976, is trading very well, being second only to the Castle in goods purchased during the year. Several major improvements to other pubs have also been carried out since 1974. The Hare & Hounds at Kingskerswell and the Passage Inn at Topsham are prime examples but there are many others. Too many to list but our Houses generally are in excellent fettle.

Buccaneer Inns has traded well and losses (which are not yet finally settled and audited) should be down on last year. Probably the figure will be in the region of £35,000 which again is in line with forecast performance and reinforces the opinion I gave last year as to the future profits likely to be earned by that Company. You may remember that 1977/78 was forecast as the break even year and current trading indicates that this is likely to be achieved. No further loan agreements or guarantees have been given to Buccaneer Inns by Heavitree since last year's statement.

The Heavitree Brewery Limited

I said last year that the position of Dartmoor Heavitree Inns Ltd. was under close review and we were fortunate in finding a buyer for the Company from among its own management at no loss to us (See note 14). The two Houses concerned are now leased to the buyer's new Company and are continuing to trade satisfactorily with us under a tie agreement.

By the time you receive this report Mr. W. H. Mayhead will have retired from his executive capacity with the Company and also from the Board. He joined us in 1967 as Head Brewer, having previously for many years held that position with the City Brewery in Exeter and later he was a Brewer with Whitbreads. He has since carried out a variety of jobs for this Company including holding responsibility for the Managed House Department and being closely involved with the Tenancies. His versatility has been invaluable and I am greatly indebted to him for his willingness to step into the various gaps that have arisen. I am happy to say that he is staying in touch with us for several more years in a consultative capacity.

No statement of mine can be complete without an expression of my appreciation of the efforts and enthusiasm of everyone involved in another rewarding year.

W. P. TUCKER
Chairman

DIRECTORS' REPORT

The Directors have pleasure in submitting their Eighty-Eighth Report to the members, with the Accounts for the year ended 31st October, 1977.

ACTIVITIES

The Company carried on the business of Wholesalers and Retailers of Beers, Wines, Spirits and Cyder from its premises in Exeter supplying its own Tied and Managed Houses in Devon and certain free trade customers in the area.

ACCOUNTS

The trading profit for the year and the appropriations proposed are shown in the Profit and Loss Account on page 9. The Accounts have been prepared using the historical cost convention, the directors consider that no information should be provided on any basis of accounting which reflects the effects of inflation until such time as the accountancy bodies and the Government decide exactly how such accounts should be presented to shareholders.

It would seem that the Company is a close company under the provisions of the Finance Act, 1965.

DIRECTORS' INTERESTS

The beneficial interests of the Directors, their wives and infant children in shares as at 31st October are as follows:—

	W. P. Tucker		E. H. P. Tucker		R. C. Price		W. H. Mayhead		M. St. C. Ruthven	
	1977	1976	1977	1976	1977	1976	1977	1976	1977	1976
£1 Ord. shares	20,770	20,770	10,184	10,184	500	500	350	350	—	—
£1 A Ord. shares	23,420	23,420	1,392	1,392	560	560	300	300	—	—
25p B Pref. shares	—	—	1,961	1,961	—	—	—	—	100	100
£5 A Pref. shares	20	20	166	166	—	—	—	—	—	—
£6 A Pref. shares	25	25	296	296	—	—	—	—	—	—

In addition, W. P. Tucker is the non-beneficial holder as trustee of 10,000 £1 Ordinary shares and 19,560 £1 'A' Ordinary shares.

There have been no changes in the above holdings up to the date of this report and there is no other substantial holding of more than 5 per cent of the shares.

The Heavitree Brewery Limited

M. St. C. Ruthven, who is also a Director of Buccaneer Inns Limited, holding 51% of the shares of that company, has an interest in a contract dated 30th November, 1973 between the Company, Buccaneer Inns Limited and Morrells Brewery Limited. W. P. Tucker and R. C. Price are Directors of Buccaneer Inns Limited and are remunerated by way of fees. There are no schemes to benefit Directors by enabling them to buy shares of the Company and none of the Directors has a service contract with the Company.

DIRECTORS

W. H. Mayhead will be retiring as a Director on 17th February, 1978 on attaining the age of 65.

The Directors retiring by rotation are W. P. Tucker and M. St. C. Ruthven who, being eligible, offer themselves for re-election. Separate notices, under Sections 142 and 185 of the Companies Act 1948, have been received of the intention to propose the re-election of E. H. P. Tucker, aged 73, as a Director of the Company.

MISCELLANEOUS

During the financial year, the Company has made charitable contributions amounting to £969, and contributed £310 to the funds of the Conservative Party.

The Company exported no goods during the financial year.

The average number of persons, including Directors, employed by the Company and its subsidiary during the year was 115 of which 53 were part time, the total emoluments being £206,238.

FIXED ASSETS

In 1973 the Directors received an independent appraisal of the market value of the licensed properties and are still of the opinion that the freehold properties shown in the Balance Sheet have a market value, with vacant possession, in the region of £4,000,000 before providing for any tax which might become payable on the increase in value.

AUDITORS

A resolution will be proposed at the Annual General Meeting to appoint Turquands Barton Mayhew & Co. as auditors until the next General Meeting at which accounts are laid before the members.

By Order of the Board,
R. C. PRICE
Secretary

9th January, 1978

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts on pages 9 to 16 which have been prepared under the historical cost convention.

In our opinion the accounts give, under the accounting convention stated above, a true and fair view of the state of affairs of the company at 31st October, 1977 and of the profit and the source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

TURQUANDS BARTON MAYHEW & CO.
Chartered Accountants.

9th January, 1978

TEN YEAR REVIEW OF PROFITS AND DIVIDENDS

Year ended 31st October	Trading profit	Earnings per share (Note 15)	Dividend rate
	£	p	
1968	114,269	14.7	5.287%
1969	135,709	16.9	5.581%
1970	144,535	21.5	7.344%
1971	190,366	27.2	8.812%
1972	265,579	38.0	9.400%
1973	309,841	42.0	11.760%
1974	300,969	35.3	12.660%
1975	316,685	36.9	13.514%
1976	356,196	40.8	14.865%
1977	445,805	46.5	16.603%

(The Dividend rates to 1972 have been adjusted in order to reflect the change in taxation basis in that year).

The Heavitree Brewery Limited

PROFIT AND LOSS ACCOUNT

Year Ended 31st October, 1977

	Note	1977	1976
Turnover	1	£2,694,407	£2,765,107
Trading Profit	2	445,805	356,196
Exceptional Items	4	50,825	42,665
Profit before Taxation and Extraordinary Items		496,630	398,861
Taxation	5	253,878	188,576
Profit after Taxation		242,752	210,285
Extraordinary Items	6	—	248,387
Profit/(Loss) after Taxation and Extraordinary Items		242,752	(38,102)
Minority Interest		—	991
Profit/(Loss) attributable to Shareholders		242,752	(37,111)
Dividends	7	70,088	63,005
Retained Profit/(Loss) for year		172,664	(100,116)
Retained Profits brought forward	14	576,576	676,850
Retained Profits carried forward	14	£749,240	£576,734
Earnings per share	15	46.5p	40.8p

The Heavitree Brewery Limited

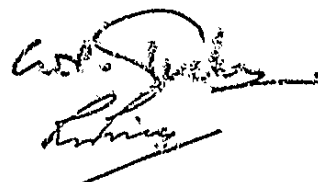
BALANCE SHEET

31st October, 1977

	Note	1977	1976
Current Assets			
Stock	1	109,528	127,476
Debtors		236,577	158,125
Bank balances and cash		217,474	22,257
Amount due from subsidiary company		—	11,386
		<u>503,579</u>	<u>319,244</u>
Current Liabilities			
Creditors		257,132	252,518
Taxation		167,493	146,559
Proposed dividends	7	44,424	52,522
		<u>469,049</u>	<u>451,599</u>
Net Current Assets/(Liabilities)		94,530	(132,355)
Trade Investments	12	45,930	65,210
Associated Company	13	70,000	—
Subsidiary Company	14	600	651
Fixed Assets	11	1,558,350	1,592,396
Assets Employed		<u>£1,769,410</u>	<u>£1,525,902</u>
Share Capital	8	440,953	440,953
Retained Profits		<u>749,240</u>	<u>576,576</u>
Shareholders' Funds		1,190,193	1,017,529
Provision for Losses of Associated Company	13	300,000	300,000
Deferred Taxation	10	66,835	65,765
Corporation Tax Payable 1st January, 1979	9	212,382	142,608
Funds Employed		<u>£1,769,410</u>	<u>£1,525,902</u>

The Notes on pages 12 to 16 form part of the Accounts.

On behalf of the Board W P TUCKER }
R C PRICE } Directors



The Heavitree Brewery Limited**STATEMENT OF SOURCE AND APPLICATION OF FUNDS***Year Ended 31st October, 1977*

	1977	1976
Source of Funds		
Trading profit	445,805	356,196
Adjustment for items not involving the movement of funds:		
Depreciation	19,894	25,354
Loss on disposal of fixed assets	1,460	—
Loan written off	(3,000)	—
Minority interest	—	(991)
Total Generated from Operations	<u>464,159</u>	<u>380,559</u>
Funds from Other Sources		
Proceeds of disposal of fixed assets	104,218	77,500
Exceptional item — disturbance claim	23,500	—
Sale of shares in subsidiary	51	1
Trade investments realised	19,280	—
	<u>611,208</u>	<u>458,060</u>
Application of Funds		
Dividends paid	78,186	57,499
Taxes paid	162,099	130,010
Purchase of fixed assets	61,202	219,819
Loan to associated company	70,000	—
Repayment of debenture (net)	—	34,644
Trade investments purchased	—	912
	<u>371,487</u>	<u>442,884</u>
Increase in Working Capital	<u>£239,721</u>	<u>£15,176</u>
Decrease in stocks	(17,948)	(45,476)
Increase in debtors	78,452	7,452
Decrease in inter-company loans	(11,386)	—
(Increase)/Decrease in creditors	(4,614)	14,901
Movement in net liquid funds:		
Bank balance and cash	195,217	38,299
	<u>£239,721</u>	<u>£15,176</u>

NOTES TO THE ACCOUNTS

31st October, 1977

1. Statement of Accounting Policies

Turnover

Turnover represents the invoiced value of beers, wines and spirits to tenants and free trade customers, sales by managed houses and gaming machine revenue. Value added tax is excluded.

Stocks

Stocks have been consistently valued at cost.

Deferred taxation

Provision has been made on the liability method for corporation tax at the current rate on the excess of the book value of fixed assets qualifying for capital allowances, over their written down value for tax purposes.

Exceptional and extraordinary items

Exceptional items include profits and losses on the sales of properties which recur from year to year. Extraordinary items include those items which derive from events outside the ordinary activities of the business.

Expenditure and properties

The total expenditure on labour, materials and subcontractors for repairing, modernising and extending the company's properties was £129,828. The directors consider that £27,013 related to capital work and together with the appropriate recovery of overheads of £317 an amount of £27,330 has been included in additions to freehold land and buildings.

Fixed assets

The provision for depreciation is calculated on the cost of equipment and vehicles in order to write off book values by equal instalments as follows:—

Fixtures and fittings at managed houses	12½%
Equipment	10%
Vehicles	20%
Office equipment	20%
Chalets	20%

It is not considered necessary to depreciate freehold properties in view of the opinion regarding their market value expressed in the Directors' Report and therefore the accounts do not comply with International Accounting Standard Number 4. However depreciation has been charged on chalets owned by the Brewery on site.

NOTES TO THE ACCOUNTS

2. Trading Profit

The following items requiring Statutory Disclosure have been charged or credited against the Trading Profit:

	1977	1976
Interest received	48,443	15,977
Rents received	<u>231,399</u>	<u>194,122</u>
Directors' remuneration (Note 3)		
Fees	1,500	1,500
For executive services including pension contributions	<u>39,565</u>	<u>39,087</u>
	<u>£41,065</u>	<u>£40,587</u>
Depreciation	19,894	25,354
Debenture interest	—	945
Auditors' remuneration	2,500	1,900
Bank interest on overdraft	574	9,778
Hire of equipment	<u>3,394</u>	<u>2,225</u>

3. Directors' Remuneration (excluding pension contributions)

	1977	1976
Chairman	11,484	11,245
Other directors		
NIL — £ 2,500 (1)	(1)	
£2,501 — £ 5,000 (1)	(1)	
£5,001 — £ 7,500 (-)	(1)	
£7,501 — £10,000 (2)	(1)	
Pension to director	1,243	994
Pension to former director	1,010	956

4. Exceptional Items

	1977	1976
Profit on sale of properties, disturbance claims etc.	53,825	56,664
Loans provided for or written off	<u>(3,000)</u>	<u>(13,999)</u>
	<u>£50,825</u>	<u>£42,665</u>

5. Taxation

	1977	1976
Corporation tax on the adjusted profits for the year at 52%	254,482	173,569
Deferred taxation — capital allowances	<u>(16,220)</u>	<u>11,553</u>
— other timing differences	8,407	—
Prior year adjustment	3,722	(3,546)
Estimated capital gains tax on sale of properties	<u>3,487</u>	<u>7,000</u>
	<u>£253,878</u>	<u>£188,576</u>

NOTES TO THE ACCOUNTS

6. Extraordinary Items	1977	1976
Provision in respect of advances to and guarantee given on behalf of Associated Company	—	292,367
Surplus on repayment of 4½% Debenture stock	—	(43,980)
	<u>£ —</u>	<u>£248,387</u>

7. Dividends

	£5 & £6 'A' Preference	25p 'B' Preference	'A' Ordinary and Ordinary
Interim paid	483 2.1%	728 7.0%	24,453 6.0 %
Final proposed	483 2.1%	728 7.0%	43,213 10.603%
1977	966 4.2%	1,456 14.0%	67,666 16.603%
1976	966 4.2%	1,456 14.0%	60,583 14.865%
			<u>63,005</u>

8. Share Capital

Authorised £500,000	Issued		
3,000	3,000	4.2% Non-Cumulative 'A' Preference shares of £6 each	18,000
1,000	1,000	4.2% Non-Cumulative 'A' Preference shares of £5 each	5,000
41,611	41,611	Non-Cumulative Participating 'B' Preference shares of 25p each	10,403
136,000	135,850	Ordinary shares of £1 each	135,850
330,598	271,700	'A' Ordinary shares of £1 each	<u>271,700</u>
			<u>£440,953</u>
		(The 4.2% Preference shares were formerly 6%)	

9. Future Taxation

	1977	1976
Taxation payable on 1st January, 1979 based on the profits for the year	254,482	173,569
Less: A.C.T. on dividends paid in the year	<u>42,100</u>	<u>30,961</u>
	<u>£212,382</u>	<u>£142,608</u>

10. Deferred Taxation

	1977	1976
Capital gains tax deferred by roll over relief	47,127	43,640
Accelerated capital allowances	34,186	50,406
Other timing differences	8,407	—
A.C.T. on dividends proposed recoverable against future tax liabilities	<u>(22,885)</u>	<u>(28,281)</u>
	<u>£66,835</u>	<u>£65,765</u>

NOTES TO THE ACCOUNTS

11. Fixed Assets	Freehold land and buildings	Equipment and vehicles	Total
Cost at 1st November, 1976	1,483,787	164,248	1,648,035
Additions	27,336	33,866	61,202
	<u>1,511,123</u>	<u>198,114</u>	<u>1,709,237</u>
Disposals	31,629	58,160	89,789
Cost at 31st October, 1977	<u>1,479,494</u>	<u>139,954</u>	<u>1,619,448</u>
Depreciation at 1st November, 1976	3,285	52,366	55,651
Charge for year	1,840	18,054	19,894
	<u>5,125</u>	<u>70,420</u>	<u>75,545</u>
Disposals	612	13,835	14,447
Depreciation at 31st October, 1977	<u>4,513</u>	<u>56,585</u>	<u>61,098</u>
Net book value	<u>£1,474,981</u>	<u>£83,369</u>	<u>£1,558,350</u>
Future Capital Expenditure		1977	1976
Authorised		£NIL	£8,400
Committed		<u>£4,500</u>	<u>£NIL</u>

12. Trade Investments	1977	1976
Loans on mortgages	28,500	54,437
Other loans	17,320	10,663
	<u>110</u>	<u>110</u>
Unquoted investment at cost	<u>£45,930</u>	<u>£65,210</u>

13. Associated Company	1977	1976
Shares at cost	490	490
Loan (secured)	<u>120,000</u>	<u>50,000</u>
	<u>120,490</u>	<u>50,490</u>
	<u>50,490</u>	<u>50,490</u>
Less provisions	<u>£70,000</u>	<u>£ —</u>

The company's associated company at 31st October, 1977 was Buccaneer Inns Limited — 49% of the ordinary shares are held.
The company has guaranteed the associated company's overdraft to a maximum of £300,000 for which provision has been made.

NOTES TO THE ACCOUNTS

14. Subsidiary Companies

Shares at cost

1977

1976

£600

£651

The company's only subsidiary at 31st October, 1977 was Gaiety Inns Limited of which 60% of the ordinary shares were held and which did not trade during the year.

The consolidated retained profits brought forward have been reduced by £158 being the company's share in the revenue reserves of Dartmoor Heavitree Inns Limited which was sold during the year.

15. Earnings per Share

Earnings per share are calculated by dividing the profits for the year after taxation and preference dividends but before exceptional and extraordinary items (£189,505; 1976 £166,189) by the issued ordinary shares (407,550).