

The Heavitree Brewery PLC
Trood Lane
Matford
Exeter EX2 8YP

Date: 16 February 2023

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Following a Board Meeting held today, 16 February 2023, the Directors announce the preliminary statement of results for the year ended 31 October 2022.

ISIN: GB0004182720 for 'A' Limited Voting Ordinary Shares

ISIN: GB0004182506 for Ordinary Shares

Chairman's statement

Having reported a pandemic-affected small operating loss at the 2021 year-end, it is pleasing that the company returned a satisfactory performance in the second half of this year to follow the steady performance reported on at the half-year. This has resulted in an increase in turnover of 57.64% to £7,280,000 against the previous year's figure of £4,618,000 and this includes a reduction in rental income of £230,000 in accordance with the IFRS 16 accounting treatment, the application of which I have explained in recent years. An operating profit for the year for the Group of £1,422,000 has been returned (2021: a loss of £59,000). We have finished the year returning numbers similar to those achieved before the start of the Covid pandemic.

In my statement accompanying the half-year accounts I expressed caution about just what might be lying ahead of us in future months. The much reported hikes in the cost of living, rises in mortgage rates and the cost of doing business are inevitably putting pressures on the general trading environment for all our operators. Energy costs are of a particular concern, and we have seen some renegotiated contracts during the last six months which have resulted in a tripling, or even quadrupling of electricity and gas costs. Another example of the many inflationary pressures the sector is exposed to is reflected in the extraordinary wholesale beer price increases announced by one of our main suppliers; a 9% increase in September of last year followed by a further 15% increase in January of this year. These beer price rises are not immediately impacting our pubs due to timings within our contractual agreements, but some level of increase will be applied during the year ahead. I have given you two examples of the numerous inflationary strains on our pubs.

The Company has continued the programme of selling non-core assets to reduce the level of borrowing. The term loan with Barclays has been reduced by £1,998,000 and overall bank debt which includes the overdraft facility has been reduced by £2,805,000 during the year under review. This programme will continue, and other sites will be considered when they become available.

Dividend

I reported after the first six months that the payment of a dividend is considered by the Board to be an intrinsic part of our business and it would be further reviewed once trading had returned to some sort of normality and the Directors are confident about generating cash through a sustainable operating profit. The Directors are pleased to be reinstating a final dividend at a rate of 3.5p per share to those shareholders on the Register at 17 March 2023. The dividend, subject to shareholder approval at the Annual General Meeting to be held on 13 April 2023, will be paid on 21 April 2023.

The Board would like to thank all shareholders for their patience, understanding and support during the period of non-payment of dividends while our ability to trade properly was affected by the pandemic.

Sale of Property

Further to the properties I reported on at the half-year, there are three unlicensed houses which have been sold during the second half of the year. All three cottages are at the Exeter Inn site in Honiton Clyst.

A book profit of £968,000 on the sale of properties has been returned during this full year (2021: £1,318,000).

Heavitree Inc.

Our American subsidiary is in the process of being wound up after the sale of the final piece of land held by Heavitree Inc. early in this year under review. The final tax return is due in May 2023.

Development

The building of a new eight bedroom development, replacing the old function room, is at last underway at the Ley Arms in Kenn. Planning approval was granted before the original lockdown. We are looking for completion of this project to be in September 2023 and there is already great interest in the addition of these facilities to such a popular and busy pub.

Pension Scheme

The process of winding up our defined benefit pension scheme continues. All liabilities from the Guaranteed Minimum Pension (GMP) calculated by the scheme's actuary have been met. There remain small liabilities for GMP arrears to be finalised and also, the Board is waiting on a requote before securing a trustees' indemnity policy. There is a legal requirement to complete the wind-up process by January 2024.

Prospects

Reducing our level of debt so successfully over the last 3 years has strengthened the company's financial position. Net debt has reduced overall in this year by £3,539,000.

Our team has recently let three tenancies to new, quality operators who we welcome to the Company. At present there are no vacancies within our estate, and I am very pleased by our retention of tenants and our ability to attract new people.

Together these two achievements are giving us a foundation for the future while we face a trading environment being challenged by the many issues of today's world.

N H P TUCKER
Chairman
16 February 2023

Group income statement

for the year ended 31 October 2022

	<i>Notes</i>	<i>Total 2022 £000</i>	<i>Total 2021 £000</i>
Revenue		7,280	4,618
Other operating income		211	310
Purchase of inventories		(2,980)	(1,909)
Staff costs		(1,477)	(1,349)
Depreciation of property, plant and equipment		(228)	(177)
Other operating charges		(1,384)	(1,552)
		(5,858)	(4,677)
Group operating profit/(loss)		1,422	(59)
Profit on sale of property plant and equipment		968	1,318
Group profit before finance costs and taxation		2,390	1,259
Finance costs		(117)	(145)
		(117)	(145)
Profit before taxation		2,273	1,114
Tax expense		(306)	(313)
Profit for the year attributable to equity holders of the parent		1,967	801
Basic earnings per share	2	40.7p	16.6p
Diluted earnings per share	2	40.7p	16.6p

Group statement of comprehensive income

for the year ended 31 October 2022

	2022 £000	2021 £000
Profit for the year	1,967	801
Items that will not be reclassified to profit or loss		
Fair value adjustment on investment in equity	-	5
	-	5
Items that may be reclassified to profit or loss		
Exchange rate differences on translation of subsidiary undertaking	1	-
	1	-
Other comprehensive income for the year, net of tax	1,968	806
Total comprehensive income attributable to:		
Equity holders of the parent	1,968	806

Group balance sheet

at 31 October 2022

	2022 £000	2021 £000
Non-current assets		
Property, plant and equipment	16,593	16,436
Investment property	1,211	1,490
Right of use asset	60	71
	17,864	17,997
Financial assets	34	34
Deferred tax asset	16	16
	17,914	18,047
Current assets		
Inventories	10	10
Trade and other receivables	1,631	1,936
Cash and cash equivalents	788	52
	2,429	1,998
Assets held for sale	180	883
Total assets	20,523	20,928
Current liabilities		
Trade and other payables	(1,133)	(984)
Financial liabilities	(229)	(1,158)
Income tax payable	(339)	(108)
	(1,701)	(2,250)
Non-current liabilities		
Other payables	(326)	(318)
Financial liabilities	(2,195)	(4,069)
Deferred tax liabilities	(784)	(734)
Defined benefit pension plan deficit	(92)	(92)
	(3,397)	(5,213)
Total liabilities	(5,098)	(7,463)
Net assets	15,425	13,465
Capital and reserves		

Equity share capital	264	264
Capital redemption reserve	673	673
Own share reserve	(1,537)	(1,529)
Fair value adjustments reserve	10	10
Currency translation	14	13
Retained earnings	16,001	14,034
Total equity	15,425	13,465

Group statement of cash flows for the year ended 31 October 2022

	2022 £000	2021 £000
Operating activities		
Profit for the year	1,967	801
Tax expense	306	313
Net finance costs	117	145
Profit on disposal of non-current assets and assets held for sale	(968)	(1,200)
Depreciation and impairment of property, plant and equipment	228	177
Decrease/increase in trade and other receivables	264	(442)
Increase/(decrease) in trade and other payables	157	353
Impairment of fixed assets	-	-
Cash generated from operations	2,071	147
Income taxes paid	(24)	(245)
Interest paid	(117)	(145)
Net cash inflow/(outflow) from operating activities	1,930	(243)
Investing activities		
Interest received	-	-
Proceeds from sale of property, plant and equipment and assets held for sale	2,038	1,411
Payments to acquire property, plant and equipment	(425)	(473)
Net cash inflow from investing activities	1,613	938
Financing activities		
Preference dividend paid	(1)	(1)
Equity dividends paid	-	-
Consideration received by EBT on sale of shares	42	41
Consideration paid by EBT on purchase of shares	(50)	(81)
Capital element of finance lease rental payments	(34)	(25)
Loan repayment	(1,998)	(187)
Mortgage	41	35
Net cash outflow from financing activities	(2,000)	(218)
Increase in cash and cash equivalents	1,543	477
Cash and cash equivalents at the beginning of the year	(755)	(1,232)
Cash and cash equivalents at the year end	788	(755)

Group statement of changes in equity for the year ended 31 October 2022

	Equity share capital	Capital redemption reserve	Own share reserve	Fair value adjustment reserve	Currency translation	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 November 2020	264	673	(1,522)	5	13	13,266	12,699
Profit for the year	-	-	-	-	-	801	801

Other comprehensive income for the year net of income tax	-	-	-	5	-	-	5
Total comprehensive income for the year	-	-	-	5	-	801	806
Consideration received by EBT on sale of shares	-	-	41	-	-	-	41
Consideration paid by EBT on purchase of shares	-	-	(81)	-	-	-	(81)
Loss by EBT on sale of shares	-	-	33	-	-	(33)	-
Equity dividends paid	-	-	-	-	-	-	-
At 31 October 2021	264	673	(1,529)	10	13	14,034	13,465

	<i>Equity share capital</i>	<i>Capital redemption reserve</i>	<i>Own share reserve</i>	<i>Fair value adjustment reserve</i>	<i>Currency translation</i>	<i>Retained earnings</i>	<i>Total equity</i>
	£000	£000	£000	£000	£000	£000	£000
At 1 November 2021	264	673	(1,529)	10	13	14,034	13,465
Profit for the year	-	-	-	-	-	1,967	1,967
Other comprehensive income for the year net of income tax	-	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	-	1	1,967	1,968
Consideration received by EBT on sale of shares	-	-	42	-	-	-	42
Consideration paid by EBT on purchase of shares	-	-	(50)	-	-	-	(50)
Loss by EBT on sale of shares	-	-	-	-	-	-	-
Equity dividends paid	-	-	-	-	-	-	-
At 31 October 2022	264	673	(1,537)	10	14	16,001	15,425

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 re-purchase and cancellation by the Company of Ordinary Shares.

Own share reserve

Own share reserve represents the cost of The Heavitree Brewery PLC shares purchased in the market and held by The Heavitree Brewery PLC Employee Benefits Trust ('EBT').

At 31 October 2022 the Group held 210,335 Ordinary Shares and 195,386 'A' Limited Voting Ordinary Shares (2021: 193,053 Ordinary Shares and 238,310 'A' Limited Voting Ordinary Shares) of its own shares. During the year there were purchases of 17,282 Ordinary Shares and sales of 34,205 'A' Limited Voting Ordinary Shares.

Fair value adjustments reserve

The fair value adjustments reserve is used to record differences in the year on year fair value of the investment classified as fair value through other comprehensive income.

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.

Notes to the preliminary announcement

1. Basis of preparation

These figures do not constitute full accounts within the meaning of Section 396 of the Companies Act 2006. They have been extracted from the statutory financial statements for the year ended 31 October 2022. The statutory financial statements have not yet been delivered to the Registrar of Companies.

The auditors, PKF Francis Clark, have reported on the accounts for the years ended 31 October 2022 and 31 October 2021. Their audit reports in both years were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of those accounts.

The financial information in this statement has been prepared in accordance with UK adopted international accounting standards as applied in accordance with the Companies Act 2006. The accounting policies have been consistently applied and are described in full in the statutory financial statements for the year ended 31 October 2022, which are expected to be mailed to shareholders on 09 March 2023. The financial statements will also be available on the Group's website www.heavitreebrewery.co.uk.

Going concern

The Directors closely monitor the Group's financial resources. This had included a continued review of the medium-term financial plan, along with a range of cash flow forecasts for 12 months from the date of approval of these financial statements. The Group has positive cash generation and the gearing remains low. Although we have not yet seen the full impact of the energy, inflation, and cost of living crisis the Board has included within its forecasts an anticipated decrease in footfall and possible rental difficulties within the forecast for the period to April 2024. The forecast for capital receipts in 2023/24 includes non-core asset sales of £3m. These forecasts leave the Group with headroom of over £2m on an overdraft facility of £3m. The Board will continue to review cashflows as part of its ongoing strategy.

The Board took the decision 2 years ago to accelerate the paying down of its £4.5m term loan by the selling of non-core assets to secure its current position and the long-term trading position of the Group. The Board identified up to 15 non-core assets with a value of between £5m and £7m to be realised over a period of 2 to 3 years. These include unlicensed properties and developments with permissions which are already within the Estate. This year the Group has sold 8 (2021: 9) of the non-core assets resulting in profits of £968,000 being realised from these sales, this has enabled the Group to pay down an extra £1,750,000 on the term loan, leaving the balance of the term loan at 31 October 2022 £2,315,000.

The Board has continued to engage with the bank regarding its facilities and forward trading, it had a waiver for the covenant testing to April 2022, with covenant testing resuming from the 31 October 2022. Our year end results have enabled us to achieve better than expected cover on both our debt service covenant and our gross borrowings EBITDA calculations and this has resulted since year end in our covenants being put back to a 12 month covenant testing on half year and year end results. The Directors are satisfied that the Group's forecasts and projections, which take account of the anticipated cost of living impact on the estate, show that the Group will be able to operate within its current covenants and facilities. The current trading performance of the Group also shows that it will be able to operate within the level of its facilities and covenant testing for the 12 months from the date of these financial statements. With value in the estate being realised over time and with the support from the bank there are no material uncertainties in relation to going concern. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

2. Earnings per share

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

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

Computation:

	2022	2021
	£000	£000
Profit for the year	1,967	801
	2022	2021
	N ^o .	N ^o .
	(000)	(000)
Basic weighted average number of shares (excluding own shares shares)	4,834	4,824

On the 7th of December 2022 a stock exchange announcement was made by the Group regarding the following share transactions.

Purchase of own shares from the Company's Employee Benefit Trust

- 150,000 Ordinary Shares of 5p each at £2.90 (mid-market price on 6/12/22) per share representing 7.51% of the total number of Ordinary Shares in issue.
- 100,000 'A' Limited Voting Shares of 5p each at £1.40 (mid-market price on 6/12/22) per share representing 3.04% of the total number of 'A' Limited Voting Shares in issue.

The EBT's net proceeds from the Share Purchase, which amounts to £575,000, will be applied to repay debt of £635,386 which is owed to the Company by the EBT (the "Debt Repayment" and together with the Share Purchase (the "Transaction")). Following the Share Purchase, the EBT will hold 60,335 Ordinary Shares representing 3.27% of total Ordinary share in issue and 95,386 'A' Limited Voting Shares representing 2.99% of the total number of 'A' limited Voting Shares in issue. The outstanding balance post the Debt Repayment will be £60,386.

The shares purchased by the Company pursuant to the Share Purchase have been cancelled.

3. Dividends paid and proposed

	2022	2021
	£000	£000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2021: nil (2020: nil)	-	-
First dividend for 2022: nil (2021: nil)	-	-
Less dividend on shares held within employee share schemes	-	-
Dividends paid	-	-
<i>Proposed for approval at AGM</i>		
<i>(not recognised as a liability as at 31 October)</i>		
	176	-
Final dividend for 2022 3.5p (2021: nil)	176	-
Cumulative preference dividends	1	1

4. Segment information

Primary reporting format - business segments

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

Leased estate represents properties which are leased to tenants to operate independently from the Group, under tied and free of tie tenancies.

Secondary reporting format - geographical segments

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 October 2022 and 2021. Revenue is based on the geographical location of customers and assets are based on the geographical location of the asset.

Segment information

Year ended 31 October 2021

	<i>UK</i>	<i>United States</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>

Revenue

Sales to external customers	4,618	-	4,618
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Other segment information

Segment assets	20,886	42	20,928
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Total Assets

	20,886	42	20,928
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Capital expenditure

Property, plant and equipment	473	-	473
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Right of use asset	71		71
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Year ended 31 October 2022

	<i>UK</i>	<i>United States</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>

Revenue

Sales to external customers	7,280	-	7,280
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Other segment information

Segment assets	20,523	-	20,523
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Total Assets

	20,523	-	20,523
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Capital expenditure

Property, plant and equipment	474	-	474
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Right of use asset	-		-
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5. General information

The 2022 Annual Report and Financial Statements will be published and posted to shareholders on 9th March 2023. Further copies may be obtained by contacting the Company Secretary at The Heavitree Brewery PLC, Trood Lane, Matford, Exeter EX2 8YP. The 2022 Annual Report and Financial Statements will also be available on the Company's website at <http://www.heavitreebrewery.co.uk/financial/>

The Annual General Meeting will be held at the Registered Office on 13 April 2023 at 11.30am.

Ends.

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