



THE HEAVITREE BREWERY

Est. 1790

Half-year Report

Released : 28/06/2023 14:00

RNS Number : 2343E
Heavitree Brewery PLC
28 June 2023

The Heavitree Brewery PLC
Trood Lane
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Date: 28 June 2023

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Following a meeting by a duly authorised committee of the Board of Directors held today, 28 June 2023, the Directors announce the interim results for the six months ended 30 April 2023.

Chairman's statement

I reported at the 2022 year-end that the Company had returned to a performance level on a par with 2019 before the impact of the pandemic was felt. Despite this, I warned that we had much to be cautious about in the new trading year and I had concerns about how the cost of doing business exacerbated by hikes in energy, food and labour costs might affect our operators and how the cost-of-living increases might affect how our customers would support our pubs. Fortunately, these worries have not materialised as feared and I am pleased to report that we are hearing from our tenants that top line trading has held up well during the first half of this financial year and continues to do so; in turn, I can report that the Company has returned satisfactory numbers at the half-year.

Results

Turnover for the Group at the half-year was £3,326,000 (2022: £3,290,000). The turnover figure was reduced by £61,000 due to the IFRS 16 Lease Accounting unwind. I have explained the mechanics of this accounting standard in previous statements.

The Group has returned an operating profit of £523,000 (2022: an operating profit of £522,000) at the half-year. Profit before tax is £947,000 after a book profit of £503,000 was realised from the sale of property in accordance with our disposal programme of non-core assets. This corresponds to a profit before tax at the 2022 half-year of £1,063,000 which included a book profit of £601,000 from the sale of property in that period.

Dividend

As reported, the Directors were delighted to reinstate the payment of a dividend at the 2022 year-end. The Directors recommend the reinstatement of an interim dividend at a rate of 2p per Ordinary and 'A' Ordinary share to those shareholders on the register on 14th July 2023 payable on 4th August 2023. The payment of future dividends in these times of uncertainty remains under continual review.

Property

The Jolly Abbot in Newton Abbot has been sold during this period under review. Also, a cottage in Honiton Clyst and a second one in Barnstaple have been sold, together with a small parcel of land in Christow.

A set of plans to rebuild on the site of the Jolly Sailor in East Ogwell which we lost to a devastating fire more than two years ago have been submitted as a pre-application to Teignbridge District Council and I hope to report further on this matter at the year-end.

The development of the new accommodation block at the Ley Arms in Kenn continues at pace and we remain on target to complete this project in September 2023. There is much interest in the addition of seven bedrooms to this flourishing pub.

Prospects

The period of consolidation has continued and although the Board remains cautious about the head winds facing our sector, the half-year results show the Company is back to generating cash through a sustainable operating profit which gives the Directors the confidence to reinstate an interim dividend.

N H P TUCKER

Chairman

Group income statement (unaudited)

For the six months ended 30 April 2023

	<i>6 months</i>	<i>6 months</i>	<i>Audited</i>
	<i>to</i>	<i>to</i>	<i>12 months</i>
	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>
	<i>2023</i>	<i>2022</i>	<i>2022</i>
<i>Note</i>	<i>£' 000</i>	<i>£' 000</i>	<i>£' 000</i>
Revenue	<u>3,326</u>	<u>3,290</u>	<u>7,280</u>
Change in stocks	-	-	-
Other operating income	103	110	211
Purchase of inventories	(1,271)	(1,312)	(2,980)
Staff costs	(669)	(714)	(1,477)
Depreciation of property, plant and equipment	(98)	(98)	(228)
Other operating charges	<u>(868)</u>	<u>(754)</u>	<u>(1,384)</u>

	<u>(2,803)</u>	<u>(2,768)</u>	<u>(5,858)</u>
Group operating profit	523	522	1,422
Profit on sale of property, plant and equipment	503	601	968
Group Profit before finance costs and taxation	1,026	1,123	2,390
Finance income	-	-	-
Finance costs	(79)	(60)	(117)
	<u>(79)</u>	<u>(60)</u>	<u>(117)</u>
Profit/(loss) before taxation	947	1,063	2,273
Tax expense	<u>(213)</u>	<u>(208)</u>	<u>(306)</u>
Profit for the period	<u>734</u>	<u>855</u>	<u>1,967</u>
Earnings per share			
- basic	4	15.3p	15.4p
- diluted		15.3p	15.4p
		40.7p	40.7p

Group statement of comprehensive income (unaudited)

For the six months ended 30 April 2023

	6 months to 30 April 2023 £' 000	6 months to 30 April 2022 £' 000	<i>Audited</i> 12 months to 31 October 2022 £' 000
Profit for the period	<u>734</u>	<u>855</u>	<u>1,967</u>
Items that will not be reclassified to profit or loss			
Fair value adjustment on investment in equity	-	-	-
Actuarial (losses)/gains on defined benefit pension plans	-	-	-
Tax relating to items that will not be reclassified			
	=	=	=

Items that may be reclassified to profit or loss

Exchange rate differences on translation of subsidiary undertaking	-	9	1
Tax relating to items that may be reclassified	-	-	-
	=	=	=
Other comprehensive income/ (loss) for the year, net of tax	<u>734</u>	<u>864</u>	<u>1,968</u>
Total comprehensive income/ (loss) attributable to:			
Equity holders of the parent	<u>734</u>	<u>864</u>	<u>1,968</u>

Group balance sheet (unaudited) at 30 April 2023

	30 April 2023 £' 000	30 April 2022 £' 000	Audited 31 October 2022 £'000
Non-current assets			
Property, plant and equipment	18,291	17,798	17,864
Financial assets	34	34	34
Deferred tax asset	<u>16</u>	<u>16</u>	<u>16</u>
	<u>18,341</u>	<u>17,848</u>	<u>17,914</u>
Current assets			
Trade and other receivables	2,146	1,996	1,631
Inventories	10	10	10
Cash and short-term deposits	<u>566</u>	<u>35</u>	<u>788</u>
	<u>2,722</u>	<u>2,041</u>	<u>2,429</u>
Assets held for sale	125	371	180
Total assets	<u>21,188</u>	<u>20,260</u>	<u>20,523</u>
Current liabilities			
Trade and other payables	(1,296)	(1,274)	(1,133)
Financial liabilities	(35)	(1,051)	(229)
Income tax payable	<u>(552)</u>	<u>(318)</u>	<u>(339)</u>
	<u>(1,883)</u>	<u>(2,643)</u>	<u>(1,701)</u>
Non-current liabilities			

Other payables	(299)	(325)	(326)
Financial liabilities	(2,126)	(2,187)	(2,195)
Deferred tax liabilities	(784)	(734)	(784)
Defined benefit pension plan	<u>(92)</u>	<u>(92)</u>	<u>(92)</u>
	<u>(3,301)</u>	<u>(3,338)</u>	<u>(3,397)</u>
Total liabilities	(5,184)	(5,981)	(5,098)
Net assets	<u>16,004</u>	<u>14,279</u>	<u>15,425</u>
Capital and reserves			
Equity share capital	251	264	264
Capital redemption reserve	686	673	673
Own share reserve	(946)	(1,579)	(1,537)
Fair value adjustments reserve	10	10	10
Currency translation	14	22	14
Retained earnings	<u>15,989</u>	<u>14,889</u>	<u>16,001</u>
Total equity	<u>16,004</u>	<u>14,279</u>	<u>15,425</u>

Dividends

The Directors recommend a dividend of 2.00p to be paid at the half-year.

Group statement of cash flows (unaudited) for the six months ended 30 April 2023

	<i>6 months</i>	<i>6 months</i>	<i>Audited</i>
	<i>to</i>	<i>to</i>	<i>12months</i>
	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>
	<i>2023</i>	<i>2022</i>	<i>2022</i>
	<i>£' 000</i>	<i>£' 000</i>	<i>£' 000</i>
<i>Operating activities</i>			
Profit(loss) for the period	734	855	1,967
Tax expense	213	208	306
Net finance costs	78	60	117
(Profit) on disposal of non-current assets and assets held for sale	(503)	(601)	(968)
Depreciation and impairment of property, plant and equipment	98	98	228
Exchange gain on cash, liquid resources and loan	-	-	-
(Increase)/decrease in trade and other receivables	(452)	(80)	264
(Decrease)/Increase in trade and other payables	(38)	274	157
Impairment of assets	-	-	-
Cash generated from operations	<u>(130)</u>	<u>814</u>	<u>2,071</u>
Income taxes paid	-	-	(24)

Interest paid	(78)	(60)	(117)
Net cash (outflow)/inflow from operating activities	<u>(52)</u>	<u>754</u>	<u>1,930</u>
Investing activities			
Interest received	-	-	-
Proceeds from sale of property, plant and equipment and assets held for sale	564	1,402	2,038
Payments to acquire property, plant and equipment	(577)	(153)	(425)
Net cash (outflow)/inflow from investing activities	<u>(13)</u>	<u>1,249</u>	<u>1,613</u>
Financing activities			
Preference dividend paid	(1)	(1)	(1)
Equity dividends paid	(171)	-	-
Consideration received by EBT on sale of shares	636	-	42
Consideration paid by EBT on purchase of shares	(45)	(50)	(50)
Own Share buyback	(575)	-	-
Capital element of finance lease rental payments	(27)	(4)	(34)
Repayment of bank borrowings	(100)	(1,892)	(1,998)
Mortgage Receipts	22	21	41
Net cash outflow from financing activities	<u>(261)</u>	<u>(1,926)</u>	<u>(2,000)</u>
(Decrease)/increase in cash and cash equivalents	<u>(222)</u>	<u>77</u>	<u>1,543</u>
Cash and cash equivalents at the beginning of the period	<u>788</u>	<u>(755)</u>	<u>(755)</u>
Cash and cash equivalents at the period end	<u>566</u>	<u>(678)</u>	<u>788</u>

Group statement of cash flows (unaudited) (continued)

for the six months ended 30 April
2023

Represented by:

Cash and short term deposits	566	35	736
Overdraft	=	(713)	807
	<u>566</u>	<u>(678)</u>	<u>1,543</u>

Group reconciliation of movements in equity (unaudited)

6 months to	Equity	Capital	Own	Fair			
30 April 2023	share	redemption	share	value	Currency	Retained	Total
	capital	reserve	reserve	adjustment	translation	earnings	equity
	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
At 1 November 2022	264	673	(1,537)	10	14	16,001	15,425
Profit for the period	-	-	-	-	-	734	734
Other comprehensive income for the period, net of income tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	734	734
Consideration							

received by EBT on sale of shares	-	-	61	-	-	-	61
Consideration paid by EBT on purchase of shares	-	-	(45)	-	-	-	(45)
Buy back and cancellation of own shares	(13)	13	575	-	-	(575)	-
Loss by EBT on sale of shares	-	-	-	-	-	-	-
Equity dividend paid	-	-	-	-	-	(171)	(171)
At 30 April 2023	251	686	(946)	10	14	15,989	16,004

Group reconciliation of movements in equity (unaudited) - *continued*

<i>6 months to</i>	<i>Equity</i>	<i>Capital</i>	<i>Own</i>	<i>Fair</i>			
<i>30 April 2022</i>	<i>share</i>	<i>redemption</i>	<i>share</i>	<i>value</i>	<i>Currency</i>	<i>Retained</i>	<i>Total</i>
	<i>capital</i>	<i>reserve</i>	<i>reserve</i>	<i>adjustment</i>	<i>Translation</i>	<i>earnings</i>	<i>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 2021	264	673	(1,529)	10	13	14,034	13,465
Profit for the period	-	-	-	-	-	855	855
Other comprehensive income for the period, net of income tax	-	-	-	-	9	-	9
Total comprehensive income for the period	-	-	-	-	9	855	864
Consideration received by EBT on sale of shares	-	-	-	-	-	-	-
Consideration paid by EBT on purchase of shares	-	-	(50)	-	-	-	(50)
Loss by EBT on sale of shares	-	-	-	-	-	-	-
Equity dividend paid	-	-	-	-	-	-	-
At 30 April 2022	264	673	(1,579)	10	22	14,889	14,279

Group reconciliation of movements in equity (unaudited) - *continued*

	<i>Equity share capital</i>	<i>Capital redemption reserve</i>	<i>Own share reserves</i>	<i>Fair value adjustment reserve</i>	<i>Currency Translation</i>	<i>Retained earnings</i>	<i>Total equity</i>
<i>12 months to 31 October 2022</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Audited</i>							
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 (both nominal value and share premium) on issue of the Company's equity share capital, comprising 5p Ordinary and 'A' Limited Voting Ordinary Shares.

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

Own share reserve

Own shares reserve represents the cost of The Heavitree Brewery PLC shares purchased in the market and held by The Heavitree Brewery PLC Employee Benefit Trust ('EBT'). Shares held at half-year 123,276.

1. Basis of preparation

These unaudited interim condensed and consolidated financial statements have been prepared in accordance with IAS34 "interim financial reporting" and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. They have been prepared on the basis of the accounting policies that were complied with in the annual financial statements for the year ended 31 October 2022. The accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

These unaudited financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 28 June 2023.

2. Going concern

The impact of rising energy, interest rates and food costs continues to hit the industry, all of these factors were taken into consideration when forecasting for the current financial year, while we have exceeded expectations the Board has continued to take these factors into consideration when reviewing forecasts in order to minimise any impact these may have on the second half of the trading year. The Group remains well within its forecasts to April 2023 with the full £3M overdraft available the term loan has been decreased in the year by £100k. The Board continues to focus attention on the long-term trading position of the Group. The acceleration of the Group's programme of non-core asset sales is continuing and in line with targets set, achieving £458k of sales within the first six months of the financial year. The current trading performance of the Group also shows that it will be able to operate within the level of its facilities for the foreseeable future. With the value in the Estate being realised over time and with the support from the bank there are no material uncertainties. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

3. Key Estimates

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 period are discussed below:

Impairment of assets

The Directors assess impairment of assets at each reporting date on a property by property basis. The Directors take into consideration trade performance during the year and open market value as to whether there is an indication that an asset may be permanently impaired. When necessary external valuations are carried out. Within this trading period the Directors conclude that there were no impairments.

4. Basic and diluted earnings per share

The calculation of basic earnings per ordinary share is based on earnings of £734,000 (2022: £855,000), being profit after taxation for the period, and on 4,794,270 (2022: 4,818,652) shares being the weighted average number of Ordinary and 'A' Limited Voting Ordinary Shares in issue during the period after excluding the shares owned by The Heavitree Brewery PLC Employee Benefits Trust and those shares

under option pursuant to the Employee Share Option Scheme. Employee share options could potentially dilute basic earnings per share in the future but are not included in the interim calculation of dilutive earnings per share because they are antidilutive for the period presented. The Ordinary Shares and the 'A' Limited Voting Ordinary Shares have equal dividend rights and therefore no separate calculation of earnings per share for the different classes has been given.

5. Segment information

Primary reporting format - Business segments

The primary segmental reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided.

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.

6. Interim report

Copies of this announcement are available from the Company at Trood Lane, Matford, Exeter EX2 8YP. The Company's interim report for the six months ended 30 April 2023 has been posted to shareholders today and will be available on our website at www.heavitreebrewery.co.uk.

Ends.

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