

Company Registration Number 107021

ST AUSTELL BREWERY COMPANY LIMITED

Report and Financial Statements

27 December 2014

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ST AUSTELL BREWERY COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS

	Page
Company vision	1
Chairman's statement	2
Managing director's review	3
Strategic report	6
Directors' report	13
Directors' responsibilities statement	14
Independent auditor's report	15
Profit and loss account	16
Statement of total recognised gains and losses	17
Balance sheet	18
Cash flow statement	19
Notes to the financial statements	20
Officers and professional advisers	40

ST AUSTELL BREWERY COMPANY LIMITED

COMPANY VISION

“To be recognised by our customers as the most successful company in the drinks and hospitality sector by investing in our people, our estate and our brands”

FINANCIAL HIGHLIGHTS

52 weeks ended 27 December 2014

	27 December 2014	28 December 2013	% Change
Turnover (£000)	125,354	116,562	+7.5%
Operating profit before other items (£000)*	12,349	10,745	+14.9%
Earnings per share before other items (£)*	£5.12	£4.33	+18.2%
Dividends per share (£)	£1.15	£1.00	+15.0%

* Other items are as defined in note 8 to the accounts

ST AUSTELL BREWERY COMPANY LIMITED

CHAIRMAN'S STATEMENT

I am pleased to report a record financial performance for the company in the year ended 27 December 2014.

Turnover increased by 7.5% to £125.4 m (2013: £116.6m) and operating profit before other items grew by 14.9% to £12.3m (2013: £10.7m). Our earnings per share before other items rose by 18.2% to £5.12 (2013: £4.33).

A final dividend of 70p (2013: 60p) per Ordinary Share has been proposed by the Board, resulting in total dividends for the year of £1.15 (2013: £1.00) per Ordinary Share. This gives a total increase in dividends for the year of 15% and means that for 2014 our dividends are covered five times by our post-tax profits.

It is particularly pleasing to report that all areas of our business delivered a strong trading performance in 2014. Our tenanted estate again produced solid results helped by the second consecutive cut in beer duty and the managed estate enjoyed a record year of sales. Our free trade division continued its profitable expansion into new trading areas in and around Bristol as well as enjoying ongoing growth in our heartland. Sales of our own production also achieved record levels in both the national on and off trade marketplaces.

During the year we invested £9.7m (2013: £7.6m) in capital expenditure. We continue to improve and enhance our pubs and hotels and our significant investment in our production facilities ensures that we can continue to meet the increased demand for our beers. We have also made a significant investment in our computer network infrastructure during 2014 to ensure our IT systems are able to support the ongoing development of the business.

Despite this significant capital expenditure the strong cash flows generated from our trading operations have enabled us to reduce our net debt from £27.4m to £25.2m during 2014.

Our net pension scheme deficit has, however, increased during the year from £3.2m to £4.4m. This increase has arisen because of the significant fall in bond yields during 2014. The bond yield is used by the scheme actuary to calculate the value of the liabilities of the scheme notwithstanding the increase in the value of the scheme assets.

In response to the strong growth in our free trade operations in the Bristol area we took the decision to rent a larger depot facility in Avonmouth on a ten-year lease. This will enable us to give our customers in this region excellent service.

After waiting 50 years for a cut in beer duty we were delighted that the Government decided to repeat the measure in 2014 and we immediately passed this on to our customers. Following years of consultation the Statutory Code as part of the Small Business Enterprise and Employment Bill, will shortly receive Royal Assent in the House of Commons. Those companies owning less than 500 tied pubs, including St Austell Brewery, are exempt from the Code.

At the beginning of January 2015 I was delighted to announce the appointment of Kevin Georgel, the CEO of Admiral Taverns, as a non-executive director. Kevin brings with him a wealth of industry experience and expertise and I am confident that he will provide independent views and valuable insight to the Board.

We have also been busy ensuring that our governance procedures remain fit for purpose. We initiated a review of our Articles of Association, created an Audit and Risk Committee and commissioned an independent review by Deloitte into our Corporate Governance.

Although we enjoyed a second consecutive summer of good weather across our trading region it should not be forgotten that we endured some of the worst storms in the first two months of the year to hit the South West. As I reported last year one of our sites, The Waterfront, Plymouth, suffered severe damage. I am though pleased to report that our insurers have agreed to pay for the reinstatement of this site and it will re-open as part of our tenanted estate.

I can report that we have had a positive start to 2015 and the recent fall in oil prices coupled with low inflation means that we are cautiously optimistic about the year ahead. It should, however, be noted that the general election in May 2015 will inevitably bring a period of uncertainty. We remain committed to our core strategy and will continue to seek new opportunities to continue the growth of the business.

I conclude with my sincere thanks to all in the company who have worked so hard to achieve such an excellent performance in 2014.



Will Michelmore
Chairman

ST AUSTELL BREWERY COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW

I am delighted to report a record-breaking year in the 52 weeks to 27 December 2014.

We have achieved growth in all areas of our business and the ongoing investment in our pub estate, brewing operations & beer brands has delivered exceptional results. As a consequence we report a record level of company turnover at £125.4m. This is an increase of £8.8m or 7.5% on last year.

Sales volumes of our own production grew by 14% in 2014. This increase was achieved through significant growth in our three key brands – Tribute, Proper Job and Korev Lager. Our cask volumes increased by 8.3% on 2014 and our packaged ale volumes grew by a dramatic 28.8%. This is against a backdrop of a rapidly changing beer market where the consumer has access to an unprecedented range of styles and flavours of beers with a focus on innovative, local production.

ESTATE

The St Austell pub estate comprises two divisions. Managed pubs and hotels are operated by our employees and at the end of the year comprised 23 properties. The tenanted and leased pubs comprised 143 sites and are run by self-employed entrepreneurs, who work in partnership with us, selling our beer and operating under the St Austell brand.

We continue to seek new acquisitions while selling smaller tenanted pubs that we believe are commercially unsustainable in the longer term. Our strategy is to invest in our estate, ensuring that every pub offers excellent food and beers, a friendly atmosphere and high standards of customer service.

We purchased two new sites in 2014 which we have chosen to run through our tenanted division. These are the Windwhistle Inn, Cricket St Thomas in Somerset, and the Port Gaverne Hotel in Cornwall. Last year we purchased a site on the Quay in Exeter, and after a significant development it opened in November 2014 as the Samuel Jones Smoke and Ale House. In February 2014 The Norway Inn, Perranarworthal transferred from the managed to the tenanted division and has since operated effectively under this business model.

Managed pubs and hotels

Our managed division had an excellent year with like-for-like sales increasing by 5.4%. This growth was predominantly achieved through food and accommodation revenue which were up 7.3% and 7.9% respectively on a like-for-like basis. Total revenues in the managed estate rose by 6.7%.

In 2014 our average earnings before interest, tax and depreciation (EBITDA) per managed site increased by 11.7% to £208,695.

Our pubs offer an extensive range of draught and bottled St Austell beers and other premium brands from Carlsberg and Heineken. Our Cornish Lager, Korev, can now be purchased in all of our 23 managed outlets and it has become the best-selling premium lager within our managed estate. We also continue to offer a premium selection of Walter Hicks wines and our consistent offer across the estate has helped to improve our wet gross profit margin.

Following the successful trial of our Brewer & Bean coffee brand we rolled the concept out across the managed estate during 2014. This included the creation of dedicated coffee shops at both the Great Western Hotel in Newquay and the Old Custom House in Padstow. Like-for-like coffee sales within the managed estate increased by 27.3% in 2014.

Throughout the year we have continued to develop our expertise in food service and have provided regular training and support for our chefs and managers. In 2014 the average spend per head on food in our managed estate increased by 8.4% to £14.65. This increase has been helped by the introduction of a professionally scoped standardised menu (Coastal Pub & Country Kitchen) in five of our outlets which led to an average increase in the food margin of 2.2% for these sites. We continue to source local ingredients for the vast majority of our dishes and encourage innovative recipes from our head chefs. Investment has been made in equipment to help develop new and unique styles of cooking that have proven very popular with our customers.

ST AUSTELL BREWERY COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW (continued)

Managed pubs and hotels (continued)

The total capital investment in our managed estate in 2014 exceeded £4m. This included the significant development of a former bonded warehouse (located on the Quay in Exeter) into Samuel Jones and the creation on the first floor of six residential apartments. In 2014 we also carried out major refurbishments at the Atlantic Inn, Isles of Scilly, and the Rashleigh Arms, Charlestown.

Investment in our accommodation over recent years has proved successful with revenue per available room (RevPAR) increasing to £53 in 2014 (2013: £50) with average occupancy also increasing to 74.3% (2013: 71.1%). In 2014 we introduced a programme to refurbish our rooms on a rolling basis to ensure our bedroom stock throughout our managed estate meets all our customers' expectations.

Our company mission statement of "Serving customers with excellence" continues to be a key focus for the managed estate. In 2014 we invested in an employee applicant tracking system to ensure our managers can recruit the best candidates for all vacancies that arise. Our aim is to recruit quality employees, develop them through a first class training programme and motivate them via our 'Smiles' employee rewards scheme. The aim is to continually develop our employees and offer them an enjoyable and rewarding career with St Austell Brewery.

At our recent Estate Awards dinner, Debbie and Jason Manton from the Globe Hotel, Topsham were announced as our 'Managers of the Year 2014'. The Globe is a site that we purchased in 2011 and refurbished in 2012. Debbie and Jason's commitment to customer service, employee development and excellent financial controls saw the site increase its EBITDA by 70% in 2014.

Tenanted and leased pubs

Sales revenue in the tenanted estate rose by 5% and like-for-like EBITDA grew 2.3%.

We provide what we consider to be one of the best business support packages for tenants in the industry. This has been reinforced by the results of the Independent Tenants Track survey carried out by Allegra Foodservice. This revealed that of the eleven pub groups that participated in the survey we were rated highest by our tenants when they took everything into consideration when rating their pub company. We are very pleased with these results and we are keen to continue to enhance the support provided to our tenants in areas such as food, accommodation, coffee, wine and digital marketing. We also offer a number of training courses at our award winning Training Centre to assist tenants and their employees to run their businesses more effectively.

At our recent Estate Awards dinner, Tim and Liz Hore of The Victoria Inn, Salcombe were awarded 'Tenants of the Year 2014'. The Victoria underwent a refurbishment in 2013 and has enjoyed significant growth after re-opening. I am also delighted to report that the Pandora Inn at Restronguet won the gold award for Best Pub at the Visit Cornwall Tourism Awards for the fourth consecutive time.

BEER AND BRANDS

It has been another record year for the sale and production of our own beers. Total barrels sold in 2014 increased by 14% compared to the total beer market increase of 1.3%.

Tribute continues to be our leading brand and enjoyed yet another successful year with volumes increasing by 10%. It is, though, also encouraging to note that Proper Job experienced volume growth of 43% while Korev, our Cornish lager, saw its volumes increase by over 50%.

ST AUSTELL BREWERY COMPANY LIMITED

MANAGING DIRECTOR'S REVIEW (continued)

All three of our trading divisions – the Estate, Free Trade and National Sales – contributed to this growth although the biggest increase came in national off trade sales of 42% and national on trade sales of 14%. This compares to the total beer market which saw a 3.5% increase in off trade volumes and a 0.8% decline in on trade volumes in 2014.

In July 2014 we signed an exclusive distribution deal with Dartmoor Brewery to distribute their products throughout our network in the South West. As part of this agreement we decided to sell the Dartmoor Best brand to Dartmoor Brewery. At the beginning of January 2015 we launched Cornish Best as the replacement for Dartmoor Best. At 3.5% ABV this ale is made using only British hops, Maris Otter barley and Cornish spring water, and we are delighted with the level of its initial sales.

Although we recognise the importance of our key core brands we also appreciate that the beer market and its consumers are seeking innovative new styles and flavours. In order to ensure that we can continue to compete in this marketplace we have recently invested in an R&D ten barrel microbrewery. The equipment was located in Yorkshire and has been transported to Cornwall and should be up and running by the summer of 2015.

Our sales and distribution teams strive to ensure that we continue to be market leaders throughout the South West. The 30% growth in sales that we experienced in the Bristol/Bath area in 2014 necessitated the need to accelerate the search for a larger distribution depot in this area. We managed to secure a new site on a ten-year lease in Avonmouth which should help us to serve this part of our trading area more efficiently.

We continue to develop our support for sports clubs throughout the region including both Somerset and Gloucester County Cricket Clubs. We also have trading relationships with both Plymouth Argyle and Exeter City Football Clubs and in rugby union we are suppliers to Exeter Chiefs and main sponsors of the Cornwall County rugby team.

In 2014 we launched our new website and we have invested significantly in our in-house design team. Our profile on social media and in the area of digital marketing has also seen rapid growth.

The Brewery Visitor Centre went one better in 2014 turning its Bronze award into a Silver award at the VisitCornwall Tourism Awards. The judges were particularly impressed by the excellent customer service and the quality of the brewery tour and museum. The museum commemorated the 100th anniversary of the start of the First World War with an exhibition that highlighted many stories that connected the company and its employees to this period in history.

In response to the growth of our company I am pleased to announce the recruitment of Jackie Scarfe as People Director (Associate) to strengthen our Human Resources team from 1 April 2015. Jackie has worked for both large and small companies including her own and her experience will be a great asset to our Senior Management Team as well as the company as a whole.

Our beers and pubs continue to win many awards. However, in 2014 there are a couple of awards that I would like to highlight which demonstrate the excellent reputation that the company has within the industry. In October we were awarded the BBPA "Heart of the Community" Award and for the third year running we were voted the Publican's Best Regional Brewer of the Year and Tribute the South West's Regional Cask Ale of the Year. These awards are a fitting testimony to the hard work, dedication and loyalty of our employees and licensees for which I am very grateful.



James Staughton
Managing Director

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT

We operate a portfolio of licensed premises across the South West of England. Our sites vary from those that occupy spectacular coastal locations to others that sit at the heart of their local communities. Our wholesale division which operates from our main depot in St Columb is one of the largest in the South West and we produce a range of award winning ales from our brewery in St Austell which are sold both nationally and internationally both in the on and off trade.

We operate in our estate under different business models – managed, tenanted and leased. This maximises our ability to operate flexibly and enables us to deploy the best practice in each area. We are proud of our pubs and we are committed to serving our customers with excellence.

Our brewery in St Austell underpins our strategy. It has seen significant investment over recent years to keep pace with record demand. As a result we have ensured that the brewery is now an efficient, modern operation within the shell of an historic Victorian building. Our leading brand Tribute continues to increase volumes in both the draught and packaged markets. We have also had significant success with Proper Job and our craft lager, Korev.

Our business strategy is to continue to operate in all of the market segments that we do currently but to continually strive to improve the way that we operate. We have also looked to new regions to expand our trading area. This has proved particularly successful in the Bristol and Bath area where we have gained a strong foothold in the market in a relatively short space of time.

Pubs and Hotels Highlights

- Acquired two new sites for the tenanted estate
- Opened the Samuel Jones Smoke and Ale House in Exeter
- Expanded our Brewer and Bean Coffee operation including dedicated coffee shops at the Old Customs House and the Great Western Hotel
- Launched a new Coastal Pub and Country Kitchen menu in five of our managed house sites
- Introduced a rolling refurbishment programme to ensure our guest bedrooms meet our customer expectations

Beer Brand Highlights

- Enjoyed significant volume growth in our three core brands (Tribute, Proper Job and Korev)
- Acquired a 10 barrel R&D brewery
- Won numerous awards for the quality of our beers
- Extended our support for South West Sport

Sales Highlights

- Enjoyed record sales volumes in both the National On and Off trade
- Secured a new distribution depot in Avonmouth
- Expanded our Cask Ale offering to provide our customers with more choice and variety
- Continued to profitably expand our Free Trade operations in and around the Bristol area

People Highlights

- Introduced a bespoke Application Tracking System (ATS) for potential employees
- Delivered workshops on Service Excellence to all Head Office employees
- Launched a new Apprenticeship Programme in Licensed Hospitality
- All our Pub Support and Development Managers completed the BII qualification in line with the Pub Independent Framework Code

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

BUSINESS REVIEW

The company's key financial performance indicators during the year can be summarised as follows:

	27 December 2014 £'000	28 December 2013 £'000	% Change
Turnover	125,354	116,562	+7.5%
Operating profit before other items*	12,349	10,745	+14.9%
Profit before tax and asset sales	12,131	10,325	+17.5%
Profit before tax	12,447	10,433	+19.3%
Shareholders' funds	84,891	78,927	+7.6%
Net pension scheme deficit	4,428	3,214	+37.8%
Net debt	25,233	27,379	-7.8%

We consider that the two key measures of shareholder value are adjusted earnings per share and dividends per share. Our key strategic financial objective is to seek real growth in both these key measures over the medium term. The results in these two key areas are set out below:

	27 December 2014	28 December 2013	% Change
Earnings per share before other items* (£)	£5.12	£4.33	+18.2%
Dividends per share (£)	£1.15	£1.00	+15.0%

The Chairman's Statement and Managing Director's Review provide a more detailed summary of the year and an indication of future prospects.

* Other items are as defined in note 8 to the accounts

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

CORPORATE SOCIAL RESPONSIBILITY

Tradition

The company is an independent family business based in St Austell, Cornwall, with a history that dates back to 1851. All our beers are brewed with top quality ingredients and water from our own local source. Our pubs and hotels are based throughout the South West of England in Cornwall, Devon, Somerset and Avon. We maintain these properties to a very high standard and are dedicated to safeguarding local and brewing traditions for future generations.

People

The company provides employees with information concerning the company's results and regular meetings are held to discuss other matters of interest to them as employees through the Company Employee Forum. Full and fair consideration is given to suitable applications from disabled persons for employment, and opportunities also exist for employees who become disabled to continue in their employment or to be retrained for other positions so far as it is practicable.

Environment

The company has a long-term, integrated and commercial environmental and energy strategy. We have identified the environmental impact of our business and we carry out environmental awareness training. We compile and implement environmental management programmes throughout our business.

Responsible retailing and licensing

We are committed to operating licensed premises of the highest quality and take our responsibility to customers and their communities seriously. We consider that our pubs are an integral part of their local area providing the community with an asset that should provide a safe, friendly environment for both our customers and staff. We support the Drinkaware Trust, a charity that gives information on the effects of alcohol and aims to reduce alcohol misuse. We also support the Challenge 21 proof-of-age scheme throughout our estate.

Our Managing Director, James Staughton, is Chairman of the Independent Family Brewers of Britain (IFBB), Jonathan Neame, one of our Non-Executive Directors, is Chairman of the British Beer and Pub Association (BBPA) and Piers Thompson is on the Operations Committee of the IFBB. This means that they are all actively involved in the key issues that affect the beer industry.

We have been accredited by the British Institute of Innkeeping Benchmarking and Accreditation Service (BIIBAS) for our Code of Practice for tenants. We have played a very active role in the recent debate over ensuring that there is a transparent relationship between landlords and tenants. All our estate Business Development Managers have this year successfully completed the BII Level Professional Certificate in Multiple Retail Management.

Community

We have supported the communities we operate in for many years in a variety of ways. Our own Charitable Trust has raised over £500,000 since 2003 for good causes throughout the South West. The charity's most recent donation was £10,000 to Canine Partners who train dogs to assist people with severe disabilities. The money will go towards the training of an aptly named puppy, Tribute. In February 2014 we held our first-ever Sportsmen's Dinner at the home of the Exeter Chiefs Rugby Club at Sandy Park, Exeter. This event was attended by over 300 people and raised £18,000 for the charitable trust. Our annual Celtic beer festival celebrated its sixteenth anniversary in 2014 and broke all previous records by raising over £25,000 for the Charitable Trust.

We make significant investments annually in sports sponsorship. This not only supports the elite end of the sport but just as importantly the grass roots sports clubs throughout the South West. The company sponsors the South West rugby leagues and provides support and equipment to a wide range of community sports clubs. We support a number of summer events, music festivals, regattas and both the Devon and Cornwall County shows.

In recognition of the support that we give to our local communities, in 2014 we received the prestigious "Heart of the Community Award" from the BBPA.

STRATEGIC REPORT (continued)

Suppliers

We appreciate that our activities have a broad impact and that our responsibilities extend beyond our own operations to those of our suppliers. We recognise that we have a responsibility to the environment to ensure that the products we source are sustainable.

We constantly review our suppliers and aim to develop long-term partnerships which allow both parties to plan with some degree of certainty for the future. Our suppliers' record on health and safety and other ethical issues do play a part in our purchasing decisions.

Our menus reflect the seasons wherever possible and we recognise that our customers want locally sourced food, and we seek to support local farmers and fishermen.

Support for our tenants

We pride ourselves on working with our tenants and lessees to give them the best opportunity to succeed. We see the relationship as a partnership. Our business development managers work closely with our tenants to provide them with a comprehensive business development package to help them maximise their business.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

CORPORATE GOVERNANCE

The Board

The Board currently comprises the Non-Executive Chairman, the Managing Director, four Non-Executive Directors and one Executive Director.

The Board governs through its executive management and committees. Each Board committee has specific terms of reference and there is a list of Matters Reserved for the Board, which identifies those types of decision to be taken by the Board or delegated to management. The Chairman of each committee reports to the Board on proceedings of Committee meetings.

In 2014 the Board commissioned a report from Deloitte LLP to assess the corporate governance policies and procedures adopted by the company. This concluded that the overall corporate governance environment, as led by the Board, is sound and generally in line with best practice for a privately owned company.

The Board meets formally at least five times a year but it also regularly considers matters on an ad hoc basis throughout the year. It is responsible to the shareholders for the performance and long-term success of the company. Its role includes setting, reviewing and monitoring the strategic objectives of the company, approving the annual budget, authorising acquisitions, disposals and other major capital investments. The Board also oversees the company's systems of internal control, governance and risk management.

Committees of the Board

The Senior Management Team (SMT) is chaired by the Managing Director and also comprises Adam Luck Estate Director, Colin Stratton Finance Director (Associate), Ian Blunt Sales and Distribution Director (Associate), Martin Breeding National Sales Director (Associate), Roger Ryman Production Director (Associate) and Jeremy Mitchell Marketing and Communications Director (Associate). From 1 April 2015 Jackie Scarfe, People Director (Associate) will join the SMT. The SMT meet on a very regular basis but meet formally on a monthly basis to review operating performance. They have delegated authority from the Board to deal with operational matters.

The Nomination Committee is chaired by Will Michelmores and also comprises Jonathan Neame, Gerard Barnes and Piers Thompson. The Committee is responsible for identifying and proposing prospective candidates for directors for consideration and appointment by the Board as a whole. The Nomination Committee also reviews the size, structure and composition of the Board and makes recommendations to the Board if any changes are deemed necessary. The Committee has responsibility for considering the company's succession plans for Board membership and determining what skills, knowledge and experience will be needed.

The Remuneration Committee is chaired by Will Michelmores and also comprises Jonathan Neame, Gerard Barnes and Kevin Georgel. The Committee is responsible for determining, on behalf of the Board, the remuneration packages of the Executive Directors. The remuneration of the Non-Executive Directors is decided by the Board as a whole. The Remuneration Committee is also responsible for approving the bonus targets and payments for the SMT. In coming to these decisions the Remuneration Committee considers the overall performance of the company as well as the individual directors and SMT. In order to assist this process a review was carried out by Deloitte LLP to consider the appropriateness of executive pay. The company seeks to ensure that remuneration packages for both the Executive Directors and Senior Management Team are comparable with companies of a similar size and complexity. The remuneration packages are designed to attract, retain and motivate the executive directors and Senior Managers in the business.

The Audit and Risk Committee is chaired by Gerard Barnes and also comprises Jonathan Neame, Piers Thompson and Kevin George. The Company Secretary and external auditor attend its meetings by invitation. The Committee has defined terms of reference and is responsible for reviewing the audit plan with the auditor, considering its scope of work and recommending approval of the financial statements to the Board. It is the policy of the Board to seek proposals and quotations from a number of suppliers when undertaking significant non-audit work to ensure that their work is of the appropriate quality and represents good value for money.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

Internal control

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The system is designed to provide reasonable but not absolute assurance against material misstatements or loss.

The Board has initiated a detailed, updated review of the key operational and financial risks facing the company.

The responsibility for the implementation and day-to-day operation of the systems of internal control has been delegated to the Senior Management Team. The system of internal control includes a detailed review of performance against budgets and forecasts, reports to the Board from each area of operation and investment appraisals for all major capital investments.

Relations with Shareholders

The Board considers that there should be open and regular dialogue with its shareholders. Information is provided to shareholders in the interim and annual financial statements. The Chairman, Managing Director and Company Secretary on behalf of the Board made presentations to the newly formed Family Council at their first meeting. All shareholders are encouraged to attend the Annual General meeting (AGM) as this is an important way in which the company communicates with its shareholders. At the AGM the Chairman, Managing Director and Company Secretary provide further details on the company's progress against its strategic objectives as well as giving an updated report on the company's ongoing trading performance.

PRINCIPAL RISKS AND UNCERTAINTIES

In the course of its ordinary business, the company continually assesses and takes action to manage the various risks that could prevent it from achieving its objectives.

We set out below what the Board considers to be the principal risks that affect the company at present, although it is not intended to be a comprehensive analysis of all the risks that the business may face.

ECONOMIC

The success of the company is partly reliant on the overall strength of both the UK and regional economy. Any weakening in the economy could result in consumers spending less in our pubs. We seek to mitigate this risk by focusing on service, quality and value for money and we continually review our pubs and closely monitor how they are performing against our competitors.

CLIMATE

The Company's properties are located throughout the South West of England, many of which are in areas that rely on visitors to drive trade. Adverse weather and a fall in visitor numbers can both have a significant negative impact on the performance of the company. Although we can't control the weather, we aim to ensure that our outlets are best placed to be able to attract locals and those people visiting the region.

REGULATION AND THE TAXATION OF ALCOHOL

We operate within an industry that is heavily regulated and taxed. We welcomed the Government decision in March 2013 to abolish the duty escalator on beer and also supported the duty cut in both the 2013 and 2014 budgets. There is a risk, however, of future increases, or other changes in taxation or regulation to address health issues or binge drinking that could affect the market and our profitability. As members of both the BBPA and IFBB we are involved in the discussions with the relevant authorities regarding key issues affecting our industry.

BRAND AND REPUTATION

The company has a range of beer brands that have an excellent reputation in the market. There is a risk that unexpected events or incidents could adversely affect our brands and reputation. This risk is mitigated by a focus on staff training and the adoption of high quality control standards.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

HEALTH AND SAFETY

The health and safety of the company's employees and customers is vital to us. We report and investigate accidents and we monitor near misses. A Health and Safety Committee meets regularly in order to oversee the wide range of the company's health and safety procedures to ensure all risks are identified and that all regulations are adhered to. We provide regular training and risk assessments are performed on an ongoing basis.

KEY INPUT COSTS

Raw materials and utilities are significant costs to the business and have been the subject of significant price increases in recent years. There is a risk of further increases in these input costs which could impact our profitability. To mitigate this risk the company seeks to agree long-term, stable prices with its suppliers and to constantly seek productivity and cost-saving initiatives.

PENSIONS

The company operates several pension schemes including a defined benefit pension scheme. Although the defined benefit scheme has been closed to new members since 2001, there remains a significant pension liability on our balance sheet. The difference in value between the assets and liabilities of the scheme may vary which could lead to an increased deficit being recognised on our balance sheet. We seek to mitigate this risk by working closely with the pension scheme trustees to ensure that there is ongoing communication between the company and trustees and advance notice of any potential increase in contributions being sought from the company.

SITE DEPENDENCY

The company's main offices and sole brewing facility is based at St Austell. A disaster at this site would seriously disrupt operations. We take a variety of measures to mitigate the impact of such an event including formal and informal arrangements to use alternative facilities.

INFORMATION TECHNOLOGY

The company places significant reliance on its information systems. A major or prolonged failure of these systems would cause significant problems for the business. Loss or theft of personal data belonging to our employees or customers, including by cyber-attack, could cause both reputational and financial damage. These risks are mitigated by our IT department having a range of policies in place including a formal Disaster Recovery Plan, a system of back-ups both on and off site together with external hardware and software support.

OPERATION OF TIED PUBS

The Government is in the process of introducing a Statutory Code and the establishment of an independent adjudicator. This legislation is currently passing through Parliament. The legislation seeks to provide tenants of large pub-owning companies with increased transparency, fair treatment and the right to request a rent review if they have not had one for five years. It also now contains provisions such that large pub-owning companies must offer their tied lessees the right to become free of tie at certain trigger points by offering them a Market Rent Option. This would mean that the tenant would pay a market rent for the pub but be able to purchase beer and other products from any source. The definition of a large pub-owning company has been set as one with 500 or more tied houses. The independent adjudicator is to have the power to arbitrate disputes and investigate systematic breaches of the Code and has the power to impose sanctions including financial penalties if it finds the Code has been breached. As the definition of a large pub-owning company has been set at 500 there is no impact on our business at present except for any possible unintended consequences. There is also a risk that this threshold could be reduced in the future which could have a significant impact on the company.

Approved by the Board of Directors
and signed on behalf of the Board



C J Stratton
Secretary

ST AUSTELL BREWERY COMPANY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 27 December 2014. Certain information regarding principal risks, employee matters and future prospects has been included within the Strategic Report.

DIVIDENDS

An interim dividend of 45p (28 December 2013: 40p) was paid on the ordinary shares on 24 October 2014. The directors recommend a final dividend of 70p be paid on the ordinary shares (28 December 2013: 60p).

GOING CONCERN

The company meets its day-to-day working capital requirements through a £5 million overdraft facility which is repayable on demand. The company's medium-term debt is financed by two £12.5 million revolving credit facilities which are both due for renewal in January 2017. The company's long-term debt is financed by a £10 million term loan repayable in 2022. The current economic conditions create uncertainty particularly over (a) the level of demand for the company's products; (b) the level of interest rates as they affect the company's borrowing costs; and (c) the availability of bank finance in the foreseeable future.

The directors are of the opinion that the company's forecasts and projections, which take account of reasonably possible changes in trading performance, show that the company should be able to operate within its current level of borrowing facilities and comply with its financial covenants.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to consider it is appropriate to prepare the annual report and accounts on a going concern basis.

DIRECTORS

The directors, who served during the year and subsequently, were as follows:

W F Michelmores (Chairman)
S J Staughton (Managing Director)
T A Luck
J B Neame
G H Barnes
P M Thompson
K R Georgel (appointed 1 January 2015)

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Deloitte LLP has expressed its willingness to continue in office and a resolution to reappoint the firm as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board


C J Stratton
Secretary

ST AUSTELL BREWERY COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST AUSTELL BREWERY COMPANY LIMITED

We have audited the financial statements of St Austell Brewery Company Limited for the 52 weeks ended 27 December 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, 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 members 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 members 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 December 2014 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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:

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

Andrew Wright

Andrew Wright (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

24 March 2015

ST AUSTELL BREWERY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
52 weeks ended 27 December 2014

		52 weeks ended 27 December 2014			52 weeks ended 28 December 2013		
	Note	Before other items* £'000	Other items* £'000	Total £'000	Before other items* £'000	Other items* £'000	Total £'000
TURNOVER	2	125,354	-	125,354	116,562	-	116,562
Cost of sales		(75,222)	-	(75,222)	(70,322)	-	(70,322)
GROSS PROFIT		50,132		50,132	46,240	-	46,240
Distribution costs		(5,299)	-	(5,299)	(4,827)	-	(4,827)
Administrative costs		(32,484)	(655)	(33,139)	(30,668)	-	(30,668)
Other operating income		-	655	655	-	-	-
OPERATING PROFIT	5	12,349	-	12,349	10,745	-	10,745
Profit on sale of tangible fixed assets		-	316	316	-	108	108
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		12,349	316	12,665	10,745	108	10,853
Interest receivable and similar income		54	-	54	55	-	55
Interest payable and similar charges	4	(965)	-	(965)	(1,032)	-	(1,032)
Other finance income on pension scheme	24	-	693	693	-	557	557
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,438	1,009	12,447	9,768	665	10,433
Tax on profit on ordinary activities	6	(2,773)	-	(2,773)	(2,439)	-	(2,439)
PROFIT FOR THE FINANCIAL YEAR	20	8,665	1,009	9,674	7,329	665	7,994

All results relate to continuing activities.

*Other items are analysed in note 8.

ST AUSTELL BREWERY COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
52 weeks ended 27 December 2014

	Note	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Profit for the financial year		9,674	7,994
Actuarial (loss)/gain relating to the pension scheme	24	(2,416)	2,526
UK deferred tax attributable to actuarial (loss)/gain on pension scheme		483	(508)
Total recognised gains and losses relating to the year		<u>7,741</u>	<u>10,012</u>

ST AUSTELL BREWERY COMPANY LIMITED

BALANCE SHEET
At 27 December 2014

	Note	At 27 December 2014		At 28 December 2013	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	9		115		136
Tangible assets	10		111,185		105,893
Investments	11		-		-
			<u>111,300</u>		<u>106,029</u>
CURRENT ASSETS					
Stocks	12	6,313		5,340	
Debtors: due within one year	13	13,700		12,412	
Debtors: due after one year	13	1,895		1,746	
Cash at bank and in hand		356		424	
			<u>22,264</u>		<u>19,922</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(21,352)		(19,187)	
NET CURRENT ASSETS			<u>912</u>		<u>735</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			112,212		106,764
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(21,658)		(23,615)	
PROVISIONS FOR LIABILITIES	18	(1,235)		(1,008)	
NET ASSETS EXCLUDING PENSION LIABILITY			89,319		82,141
Net pension liability	24	(4,428)		(3,214)	
NET ASSETS			<u>84,891</u>		<u>78,927</u>
CAPITAL AND RESERVES					
Called up share capital	19	1,692		1,692	
Capital redemption reserve	20	1,108		1,108	
Profit and loss account	20	82,091		76,127	
SHAREHOLDERS' FUNDS	20	84,891		78,927	

The financial statements of St Austell Brewery Company Limited, registered number 107021, were approved by the Board of Directors and authorised for issue on 12th March 2015

Signed on behalf of the Board of Directors



S J Staughton
Managing Director

ST AUSTELL BREWERY COMPANY LIMITED

CASH FLOW STATEMENT
52 weeks ended 27 December 2014

	Note	52 weeks ended 27 December 2014		52 weeks ended 28 December 2013	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		15,075		13,788
Returns on investments and servicing of finance					
Interest received		54		55	
Interest paid		(959)		(1,054)	
Interest element of finance lease payments		(1)		(2)	
Preference dividends paid		(5)		(5)	
Net cash outflow from returns on investments and servicing of finance			(911)		(1,006)
Taxation					
UK corporation tax paid			(1,889)		(2,037)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(9,694)		(7,575)	
Receipts from sales of tangible fixed assets		1,391		788	
Net cash outflow from capital expenditure and financial investment			(8,303)		(6,787)
Acquisitions and disposals					
Purchase of subsidiary undertaking		(49)		(201)	
Net cash outflow from acquisitions and disposals			(49)		(201)
Equity dividends paid			(1,777)		(1,642)
Net cash inflow before financing			2,146		2,115
Financing					
Repayment of borrowings		(2,000)		(3,500)	
Capital element of finance lease payments		(12)		(19)	
Net cash outflow from financing			(2,012)		(3,519)
Increase/(decrease) in cash in year	22 & 23		134		(1,404)

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 December 2014

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

As further described in the Directors' Report, after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Subsidiary undertakings

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated financial statements as each of its subsidiary undertakings is individually and collectively excluded from consolidation on the grounds of immateriality.

Intangible fixed assets – Goodwill

Goodwill is the difference between the cost of an acquired entity (including public houses) and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Goodwill arising on acquisitions is capitalised in the balance sheet at cost and is amortised over its estimated useful life of between 3 and 20 years.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold buildings	over 50 years
Long and short leasehold land and buildings	over the lease term
Plant, machinery and furniture	over 3 to 15 years

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion or disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance which is normally at the point of delivery. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Pension costs

The company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The regular cost of providing retirement benefits to employees during the year is charged to operating profit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the year. The expected return on the assets of the scheme during the year based on the market value of scheme assets at the start of the financial year is included within other finance income. This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences from changes in assumptions.

The net deficit on the defined benefit pension scheme is reported on the balance sheet within the pension liability. This is net of related deferred tax.

The company also operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid in the year are shown either as accruals or prepayments in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 December 2014

1. ACCOUNTING POLICIES (continued)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Operating lease rental income

Income is credited to the profit and loss account on a straight-line basis over the term of the lease.

Related party transactions

The company has relied upon the exemption provided by FRS 8 and has not therefore disclosed transactions with any of its subsidiary companies.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Interest rate swaps

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes. The company's criteria for interest rate swaps are:

- The instrument must be related to an asset or a liability; and
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

2. TURNOVER

Turnover represents sales net of discounts, rent receivable and services rendered from continued trading activities, excluding value added tax. The directors consider that the business carried on by the company is that of a fully integrated regional brewer and that this constitutes one class of business. The export sales during the year were £305,000 (2013: £394,000).

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Directors' emoluments		
Emoluments	538	497
Pension contributions	49	47
	<u>587</u>	<u>544</u>
 Remuneration of the highest paid director	 £'000	 £'000
Salary	158	153
Bonus	32	3
Benefits in Kind	10	10
Pension contributions	23	22
	<u>223</u>	<u>188</u>
 There were no contributions to defined contribution pension schemes on behalf of the directors in either year.		
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>3</u>
 Employee costs during the year	 £'000	 £'000
Wages and salaries	18,324	16,733
Social security costs	1,433	1,337
Other pension costs	778	747
	<u>20,535</u>	<u>18,817</u>
 Average number of persons employed	 No.	 No.
Brewery and depots	329	313
Hotel and public houses	739	730
	<u>1,068</u>	<u>1,043</u>

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 27 December 2014

4. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Bank loans, overdrafts and other loans	950	1,016
Interest on obligations under finance leases	1	2
Other loans	9	9
Preference share dividends	5	5
	<u>965</u>	<u>1,032</u>

5. OPERATING PROFIT

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Operating profit is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
- owned assets	3,314	3,027
- assets held under finance leases and hire purchase contracts	13	11
Amortisation of intangible fixed assets	70	60
Rent receivable from properties	(4,615)	(4,302)
Rentals under operating leases - land and buildings	335	247
	<u>£'000</u>	<u>£'000</u>
Fees payable to company auditor for the audit of the company and annual accounts	32	31
Fees payable to the company auditor for other non-audit services:		
Tax compliance services	5	10
Tax advisory services	9	8
Other non-audit services	6	-
Total non-audit services	<u>20</u>	<u>18</u>
Total fees paid to company auditor	<u>52</u>	<u>49</u>

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 December 2014

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
(a) Analysis of charge in year		
Current tax		
UK corporation tax	2,368	2,055
Adjustment in respect of prior years	(2)	(66)
Current corporation tax charge for the year (note 6 (b))	2,366	1,989
Deferred tax		
Origination and reversal of timing differences	208	(24)
Adjustment in respect of prior years	-	66
Effect of changes in tax rates	19	41
	227	83
FRS 17 deferred tax movement	180	367
Total deferred tax	407	450
Tax charge on profit on ordinary activities	2,773	2,439

(b) Factors affecting tax charge in year

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 21.49% (28 December 2013: 23.25%). The differences are as follows:

	£'000	£'000
Profit on ordinary activities before tax	12,447	10,433
	£'000	£'000
Tax on profit on ordinary activities at blended rate	2,676	2,426
Factors affecting the charge:		
Disallowed expenses and non-taxable income	193	90
Differences between capital allowances and depreciation	(214)	(280)
Property disposals	(130)	(23)
Adjustment in respect of FRS 17	(193)	(173)
Short-term timing differences	36	15
Adjustment in respect of prior years	(2)	(66)
Current tax charge for the year	2,366	1,989

The company is aware of the proposed, phased reduction in corporation tax rates to 20% by 2015 but is not aware of any factors that will materially affect the future tax charge.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

7. DIVIDENDS ON EQUITY SHARES

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Interim dividend paid of 45p per ordinary share (28 December 2013: 40p)	762	677
Proposed final dividend of 70p per ordinary share (28 December 2013: 60p)	1,185	1,015
	<u>1,947</u>	<u>1,692</u>

The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements.

8. OTHER ITEMS

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Administrative costs - Obligation to rebuild a short leasehold property	(655)	-
Other operating income – insurance proceeds	655	-
Profit on sale of tangible fixed assets	316	108
Other finance income on pension scheme (note 24)	693	557
	<u>1,009</u>	<u>665</u>

9. INTANGIBLE FIXED ASSETS

	Purchased goodwill £'000
Cost	
At 29 December 2013	1,211
Additions	49
	<u>1,260</u>
At 27 December 2014	
Amortisation	
At 29 December 2013	1,075
Charge for the year	70
	<u>1,145</u>
At 27 December 2014	
Net book value	
At 27 December 2014	<u>115</u>
At 28 December 2013	<u>136</u>

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

10. TANGIBLE FIXED ASSETS

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Plant, machinery and furniture £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 29 December 2013	89,981	2,435	1,092	42,018	248	135,774
Additions	4,165	-	45	3,833	1,651	9,694
Disposals	(241)	-	(579)	(2,265)	(56)	(3,141)
Reclassifications	129	(10)	(6)	78	(191)	-
At 27 December 2014	94,034	2,425	552	43,664	1,652	142,327
Depreciation						
At 29 December 2013	4,363	128	546	24,844	-	29,881
Charge for the year	293	47	28	2,959	-	3,327
Disposals	(8)	-	(237)	(1,821)	-	(2,066)
At 27 December 2014	4,648	175	337	25,982	-	31,142
Net book value						
At 27 December 2014	89,386	2,249	215	17,682	1,652	111,185
At 28 December 2013	85,618	2,307	546	17,174	248	105,893

Included within Freehold is land at a cost of £28,748,000 (28 December 2013: £28,063,000) which is not depreciated.

Included in the net book value above are assets held under finance leases as follows:

	27 December 2014 £'000	28 December 2013 £'000
Plant, machinery and furniture	13	26

The depreciation charge for fixed assets held under finance leases was £13,019 (2013: £11,485).

Fixed asset impairments

The company considers each of its tenanted and managed public houses and hotels as a cash generating unit (CGU). Each CGU is reviewed annually for indicators of impairment. When indicators of impairment are identified the carrying value of the CGU is compared to the recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use.

The company estimates value in use using a discounted cash flow model. The key assumption used is the discount rate applied to cash flow projections of 6.92% (28 December 2013: 6.92%).

There was no impairment recognised in the profit and loss account in either the current or prior year.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 December 2014

11. INVESTMENTS HELD AS FIXED ASSETS

	27 December 2014 £'000	28 December 2013 £'000
Cost and net book value		
At 28 December 2013 and 27 December 2014	-	-

Subsidiary	Class of share held	Proportion of voting rights and shares held	Nature of business
Great Western Hotel (Newquay) Limited	Ordinary shares	100%	Dormant
Walter Hicks Limited	Ordinary shares	100%	Dormant
Drinklink Limited	Ordinary shares	100%	Dormant
Old Success Inn (Sennen) Limited	Ordinary shares	100%	Dormant
Nirvana Properties Limited	Ordinary shares	100%	Dormant
Real Beer Company Limited	Ordinary shares	100%	Dormant

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

12. STOCKS

	27 December 2014 £'000	28 December 2013 £'000
Raw materials and consumables	975	709
Work in progress	110	58
Finished goods	5,228	4,573
	<u>6,313</u>	<u>5,340</u>

In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost.

13. DEBTORS

	27 December 2014 £'000	28 December 2013 £'000
Amounts falling due within one year		
Trade debtors	10,038	9,532
Other debtors	2,925	1,980
Prepayments and accrued income	737	900
	<u>13,700</u>	<u>12,412</u>
Amounts falling due after one year		
Trade loans	1,477	1,306
Other debtors	418	440
	<u>1,895</u>	<u>1,746</u>
	<u>15,595</u>	<u>14,158</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	27 December 2014 £'000	28 December 2013 £'000
Bank overdraft	5,084	5,286
Obligations under finance leases and hire purchase contracts (note 17)	5	11
Trade creditors	5,454	6,723
Corporation tax	1,215	738
Other taxation and social security	2,985	2,835
Other creditors	606	187
Accruals and deferred income	6,003	3,407
	<u>21,352</u>	<u>19,187</u>

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 27 December 2014

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	27 December 2014 £'000	28 December 2013 £'000
Bank loans (note 16)	20,500	22,500
Obligations under finance leases and hire purchase contracts (note 17)	1	6
Tenants' deposits	1,057	1,009
5% preference shares of £1 each (note 19)	100	100
	<u>21,658</u>	<u>23,615</u>

16. LOANS

Loans repayable, included within creditors, are analysed as follows:

	27 December 2014 £'000	28 December 2013 £'000
Wholly repayable within five years	10,500	12,500
Not wholly repayable within five years	10,000	10,000
	<u>20,500</u>	<u>22,500</u>

Details of loans not wholly repayable within five years are as follows:

	£'000	£'000
Term loan repayable on 18 October 2022	<u>10,000</u>	<u>10,000</u>

The rate of interest payable on the loan is 0.7% above LIBOR. The loan is unsecured and is repayable in full at the end of the term.

The rates of interest payable on the revolving credit facilities are at a rate above LIBOR depending on the leverage ratio of the company.

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	27 December 2014 £'000	28 December 2013 £'000
Amounts payable:		
Within one year	5	11
In one to two years	1	6
	<u>6</u>	<u>17</u>

Finance leases and hire purchase contracts are secured against the assets to which they relate.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 27 December 2014

18. PROVISIONS FOR LIABILITIES

Deferred tax	£'000
At 29 December 2013	1,008
Charged to the profit and loss account	227
At 27 December 2014	1,235

Deferred tax is provided as follows:

	27 December 2014 £'000	28 December 2013 £'000
Capital allowances in excess of depreciation	951	752
Capital gains tax rolled over	391	329
Short-term timing differences	(107)	(73)
	1,235	1,008

19. SHARE CAPITAL

	27 December 2014 £'000	28 December 2013 £'000
Authorised		
Ordinary shares of £1 each	2,850	2,850
	2,850	2,850
5% cumulative preference shares of £1 each (note 15)	100	100
	2,950	2,950
	£'000	£'000
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,692	1,692
	1,692	1,692
5% cumulative preference shares of £1 each (note 15)	100	100
	1,792	1,792

The preference shares carry the right to a fixed cumulative preferential dividend of 5%. On a winding up of the company, the preference shareholders have a right to receive, in priority to payments to ordinary shareholders, £1 per share plus any accrued dividend.

The preference shares carry no votes at meetings unless the dividend thereon is six months or more in arrears or the business of the meeting includes a resolution for the winding up of the company, reducing its share capital or altering the Articles to affect their rights, in which event each holder will be entitled to one vote on a show of hands or one vote per share on a poll.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 December 2014

20. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 29 December 2012	1,692	1,108	67,757	70,557
Profit for the financial year	-	-	7,994	7,994
Dividends paid	-	-	(1,642)	(1,642)
Net actuarial gain on pension scheme	-	-	2,018	2,018
At 28 December 2013	1,692	1,108	76,127	78,927
Profit for the financial year	-	-	9,674	9,674
Dividends paid	-	-	(1,777)	(1,777)
Net actuarial loss on pension scheme	-	-	(1,933)	(1,933)
At end of the year	1,692	1,108	82,091	84,891

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Operating profit	12,349	10,745
Depreciation of tangible fixed assets	3,327	3,038
Amortisation of intangible fixed assets	70	60
Increase in stocks	(973)	(983)
Increase in debtors	(1,437)	(638)
Increase in creditors	1,994	1,752
Movement in pension scheme	(255)	(186)
Net cash inflow from operating activities	15,075	13,788

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

22. ANALYSIS OF THE CHANGES IN NET DEBT

	29 December 2013 £000	Non cash flows £000	Cash flows £000	27 December 2014 £000
Cash at bank and in hand	424	-	(68)	356
Bank overdraft	(5,286)	-	202	(5,084)
	(4,862)	-	134	(4,728)
Long-term loans	(22,500)	-	2,000	(20,500)
Finance lease obligations	(17)	-	12	(5)
Debt Due	(27,379)	-	2,146	(25,233)

**23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET DEBT**

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Increase/(decrease) in cash in the year	134	(1,404)
Change in loans	2,000	3,500
Change in finance leases	12	19
Change in net debt resulting from cash flows	2,146	2,115
Change in net debt resulting from non-cash flows	-	(36)
Movement in net debt in the year	2,146	2,079
Net debt at beginning of year	(27,379)	(29,458)
Net debt at end of year	(25,233)	(27,379)

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

24. PENSION SCHEMES

The company operates a pension scheme for the benefit of employees at the brewery and depots and for managed house managers.

The defined benefit section of the scheme was closed to new members from 30 June 2001. On 1 March 2002, the company set up a separate defined contribution section of the scheme to cater for new employees.

The assets of the defined contribution section of the scheme are held in separate trustee-administered funds. Contributions made by the company during the year amounted to £268,303 (28 December 2013: £225,921). There are no unpaid contributions by the company at either period-end.

The defined benefit section of the scheme is funded by the payment of contributions to a separately administered trust fund. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The last full actuarial valuation was carried out as at 31 December 2013.

In accordance with the advice of the actuary following the results of the above valuation, the contributions of the company have been made at 16.8% of pensionable earnings; the employee contributions rate remained at 7% of pensionable salary during the year.

The assets and liabilities of the defined benefit section of the scheme at 27 December 2014 and at 28 December 2013 are:

	27 December 2014 £'000	28 December 2013 £'000
Scheme assets at fair value		
Scheme assets		
Equities	22,776	23,644
Bonds	8,150	7,266
Property	2,340	2,024
Target return	7,475	5,097
Cash	90	122
Fair value of scheme assets	40,831	38,153
Present value of scheme liabilities	(46,366)	(42,171)
Defined benefit pension scheme deficit	(5,535)	(4,018)
Related deferred tax asset	1,107	804
Net liability in the balance sheet	(4,428)	(3,214)

NOTES TO THE FINANCIAL STATEMENTS
52 weeks ended 27 December 2014

24. PENSION SCHEMES (continued)

The amounts recognised in the profit and loss account and in the statement of total recognised gains and losses for the year are analysed as follows:

	27 December 2014 £'000	28 December 2013 £'000
Recognised in the profit and loss account		
Current service cost	(500)	(521)
Recognised in arriving at operating profit	(500)	(521)
Expected return on pension scheme	2,508	2,215
Interest on obligation	(1,815)	(1,658)
Other finance income	693	557
Total recognised in the profit and loss account	193	36
Taken to the statement of total recognised gains and losses	£'000	£'000
Actual return on scheme assets	2,960	4,977
Less: expected return on scheme	(2,508)	(2,215)
	452	2,762
Other actuarial losses	(2,868)	(236)
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(2,416)	2,526
Main assumptions:	%	%
Rate of increase in pensions in payment	3.10	3.40
Discount rate	3.80	4.40
Expected rates of return on scheme assets:		
Equities	7.50	7.50
Bonds	3.80	4.40
Gilts	2.90	3.60
Property	6.50	6.50
Target return	6.50	6.50
Cash	1.00	1.00
Inflation assumption	3.10	3.40
Rate of salary growth	3.00	3.00
Life expectancy at age 65:	Years	Years
Male	87.1	86.6
Female	89.7	89.4
Life expectancy at age 45:		
Male	88.5	88.5
Female	91.0	91.2

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 27 December 2014

24. PENSION SCHEMES (continued)

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

	£'000
At 29 December 2012	40,700
Interest costs	1,658
Service cost	521
Contributions by scheme participants	177
Benefits paid	(1,121)
Actuarial losses	236
At 28 December 2013	42,171
Interest costs	1,815
Service cost	500
Contributions by scheme participants	175
Benefits paid	(1,163)
Actuarial losses	2,868
At 27 December 2014	46,366

The defined benefit obligation arises from plans that are wholly or partly funded.

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

	£'000
At 29 December 2012	33,412
Expected return on plan assets	2,215
Employer contributions	708
Benefits paid	(1,121)
Contribution by scheme participants	177
Actuarial gains on defined benefit assets	2,762
At 28 December 2013	38,153
Expected return on plan assets	2,508
Employer contributions	706
Benefits paid	(1,163)
Contribution by scheme participants	175
Actuarial gains on defined benefit assets	452
At 27 December 2014	40,831

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

24. PENSION SCHEMES (continued)

Amounts for the current and previous four periods are as follows:

	27 December 2014 £'000	28 December 2013 £'000	29 December 2012 £'000	31 December 2011 £'000	1 January 2011 £'000
Fair value of scheme assets	40,831	38,153	33,412	30,266	31,417
Present value of defined benefit obligations	(46,366)	(42,171)	(40,700)	(35,506)	(33,739)
Deficit in the scheme	(5,535)	(4,018)	(7,288)	(5,240)	(2,322)
Experience adjustments arising on plan liabilities	-	-	-	228	1,142
Experience adjustments arising on plan assets	452	2,762	1,206	(3,297)	1,991

The experience adjustment on the liabilities ignores any change in liabilities arising from a change of assumptions. If changes of assumptions are included then the actuarial loss on the liabilities for the latest year is £2,868,000.

In the 2015 financial year the company expects to make defined benefit contributions of £300,000 plus 16.8% of relevant pensionable salaries.

The fair value of the scheme assets as a percentage of the total assets of the defined benefit section of the scheme are set out below:

	27 December 2014 %	28 December 2013 %
Equities	56	62
Bonds	20	19
Property	6	5
Target return funds	18	13
Other	-	1

25. CAPITAL COMMITMENTS

	27 December 2014 £'000	28 December 2013 £'000
Contracted for but not provided in the financial statements	2,071	673

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 27 December 2014

26. CONTINGENT LIABILITIES

The company had no contingent liabilities at 27 December 2014 or at 28 December 2013.

27. OPERATING LEASE COMMITMENTS

The company has committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 27 December 2014 £'000	Land and buildings 28 December 2013 £'000
Leases which expire:		
- within two to five years	65	65
- after five years	270	182
	<u>335</u>	<u>247</u>

28. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has derivatives which are not included at fair value in the accounts as follows:

	Notional amount £'000	Fair value £'000
Interest rate swap	10,000	(2,963)

Derivatives are used to manage exposure to interest rate movements on bank borrowings. The fair value is based on market values of equivalent instruments at the balance sheet date. The fair value of the above instrument has been determined using a discounted future cash flow approach in line with standard industry practice. The fair value at 28 December 2013 was a liability of £2,352,000.

The interest rate swap contract has a fixed strike rate of 5.56% and the contract matures in October 2022. The contract has a fixed notional profile to maturity, with the above quoted notional amount applicable as at 27 December 2014.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 27 December 2014

29. TRANSACTIONS WITH RELATED PARTIES

During the year the company purchased goods in the normal course of business from Shepherd Neame Limited for £112,970 (28 December 2013: £99,963). J B Neame is a director of St Austell Brewery Company Limited and a director of Shepherd Neame Limited.

During the year the company purchased services in the normal course of business from Michelmores LLP for £24,280 (28 December 2013: £33,655). W F Michelmores is a director of St Austell Brewery Company Limited and a partner of Michelmores LLP.

During the year the company purchased services in the normal course of business from Lookout Landscapes for £nil (28 December 2013: £9,705). Mrs J A Michelmores is the wife of W F Michelmores who is a director of St Austell Brewery Company Limited and the owner and operator of Lookout Landscapes.

The price charged was the normal market price in the case of each transaction. At the balance sheet date, the amount due to Shepherd Neame Limited was £9,614 (28 December 2013: £9,219) and the amount due to Michelmores LLP was £15,388 (28 December 2013: £4,370). There was no amount due to Lookout Landscapes at either balance sheet date.

30. ULTIMATE CONTROLLING PARTY

Due to the number of shareholders there is no ultimate controlling party.

31. POST BALANCE SHEET EVENTS

As described in the Chairman's Statement, a dividend of 70p per share was declared after the year-end and is therefore not provided for within the financial statements.

ST AUSTELL BREWERY COMPANY LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

W F Michelmores (Chairman)
S J Staughton (Managing Director)
T A Luck
J B Neame
G H Barnes
P M Thompson
K R Georgel (appointed 1 January 2015)

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