

Company Registration Number 107021

ST AUSTELL BREWERY COMPANY LIMITED

Report and Financial Statements

53 weeks ended 2 January 2016

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ST AUSTELL BREWERY COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

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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

	53 weeks ended 2 January 2016	*Restated 52 weeks ended 2 January 2016	52 weeks ended 27 December 2014	% Change
Turnover (£000)	137,351	135,314	125,354	+7.9% ¹
Operating profit before other items (£000) ²	13,518	13,284	12,349	+7.6% ¹
Earnings per share before other items (£) ²	£5.83	£5.69	£5.12	+11.1% ¹
Dividends per share (£)	£1.42	£1.42	£1.15	+23.5%

*In order to give a 52 week comparison to the prior period we have removed the first week of the period from the full 53 week period results. The variances to prior year comparatives are shown on an adjusted 52 week basis throughout the Chairman's statement, the Chief Executive's review and the strategic report.

¹ Variances shown are on an adjusted 52 week basis, as defined in note 32 to the accounts

² Other items are defined in note 8 to the accounts

ST AUSTELL BREWERY COMPANY LIMITED

CHAIRMAN'S STATEMENT

I am very pleased to report another record financial performance for the company in the 53 week period ended 2 January 2016.

Turnover increased by 7.9%¹ to £137.4m and operating profit before other items grew by 7.6%¹ to £13.5m. Our earnings per share before other items rose by 11.1%¹ to £5.83.

A final dividend of 82p (2014: 70p) per Ordinary Share has been proposed by the Board, resulting in total dividends for the year of £1.42 (2014: £1.15) per Ordinary Share. This gives a total increase in dividends for the year of 23.5% which means that for 2015 our dividends are covered 4.1 times by our post-tax profits before other items.

It is again pleasing to be able to report that all areas of our business contributed to this strong trading performance in 2015. The tenanted estate had another good year confirming that the most effective tenant relationships are those where the partnership between the company and the tenant is based on mutual respect and support. Our managed estate saw sales reach record levels also. Every site that we operated under management throughout 2015 achieved annual sales of in excess of £1 million. Our free trade division continued to extend its geographical reach during 2015 and this, together with positive trading from our heartland, helped to ensure another excellent trading performance. Sales of our own beer also continued its strong growth nationally, particularly in the off trade where sales increased by 34%¹.

During the year we invested £16.6m (2014: £9.7m) in capital expenditure. Of this amount £8.6m was spent on new acquisitions. This included the freehold property purchase of the Chainlocker in Falmouth, the Food for Thought in Fowey and the Puffing Billy in Exton. We also acquired La Petite Maison, a restaurant next to our Globe Hotel in Topsham, Head Weir House, a residential property next to the Mill on The Exe in Exeter and T'Gallants, a large Georgian property that was being operated as a bed and breakfast business in Charlestown. The T'Gallants now provides additional bedrooms for our Rashleigh Inn.

Aside from these new acquisitions we invested over £1.5m in our production facilities and £4.6m on refurbishing and improving our pubs and hotels. During the year we also transferred our telesales team from our head office in St Austell to our Cornwall Distribution Centre at St Columb. As part of this move we took the opportunity to significantly upgrade the office accommodation for our staff both in St Austell and at St Columb.

During the year we sold the Sir Humphry Davy in Penzance, a staff house in St Ives, surplus land near the Dolphin Inn at Grampound and Tolcarne Road in Newquay and various other non-core assets for a total of £0.9m. The profit from these sales totalled £0.2m.

Despite this significant investment in capital expenditure the strong cash flows generated from our trading operations has meant that our net debt has only increased by £3.9m during 2015 to £29.1m. This represents 1.7 times our earnings before interest, tax, depreciation and amortisation (EBITDA) in 2015. We consider this to be well within an acceptable ratio for our earnings to debt.

Our net pension scheme deficit has fallen during the year from £4.4m to £3.1m.

The Directors have decided to impair two of the company's freehold properties and reverse an impairment previously taken on another property. The net impairment charge which is included as part of other items in the profit and loss account is £0.5m (2014: nil).

For the third successive year the Chancellor announced a cut in beer duty in his 2015 budget. As we had done in previous years we immediately passed this reduction on to our customers.

It is worth noting that we were able to deliver these excellent results despite a summer that was rather wet, most notably in August. Whilst the company will always be exposed to a certain extent to the vagaries of the British weather we have worked hard over recent years to reduce our reliance on the British summer by expanding our operations into less seasonal areas of the South West.

¹ Variances shown are on an adjusted 52 week basis, as defined in note 32 to the accounts

ST AUSTELL BREWERY COMPANY LIMITED

CHAIRMAN'S STATEMENT (continued)

Although our objectives remain under constant review, in 2015 we engaged an external consultant to conduct an independent review of our business. This review highlighted the importance of ensuring that we focus on the activities that currently represent our core business and seek new opportunities to grow it, while continually refining and improving our offer to customers.

We are taking the opportunity this year to modernise the company's Articles of Association in line with current best practice. Shareholders will be asked to approve these changes at the AGM in May. The Family Council met twice in 2015 and continues to provide a forum for improving communication between the Board and the family shareholders. The Board, with the support of the Nomination Committee and our People Director (Associate) Jackie Scarfe have been actively discussing the issue of succession planning.

I can report that we have had a steady start to 2016 and I am cautiously optimistic about the year ahead.

I would like to conclude with my sincere thanks to everyone in the company who has worked so hard to help deliver this strong performance in 2015.



Will Michelmore
Chairman
24 March 2016

ST AUSTELL BREWERY COMPANY LIMITED

CHIEF EXECUTIVE'S REVIEW

I am delighted to report another year of significant progress in all of our operating divisions.

We have again achieved growth in all areas of our business with the ongoing investment in our pub estate, brewing operations and beer brands delivering exceptional results in 2015. As a result we are able to report a record level of company turnover at £137.4m. This is a 7.9%¹ increase on last year.

Sales volumes of our own production grew by 9.3%¹ during 2015. This increase was helped by significant growth in our Proper Job ale and Korev lager brands. Our cask ale volumes increased by 1.8%¹ whereas our packaged ale volumes grew by 28.7%¹. This is particularly pleasing when compared to the market trends for the year which saw the on trade market decrease by 3.8% and the off trade market remained unchanged in the same period.³

ESTATE

The St Austell pub estate comprises two divisions. Managed pubs and hotels are operated by our employees and at the year end comprised 25 properties, while tenanted and leased properties comprised 142 sites. The tenanted and leased sites are run by self-employed entrepreneurs, who work in partnership with us, selling our beer and operating under the St Austell brand.

We have continued our policy of seeking new acquisitions while selling smaller tenanted pubs that we believe are commercially unsustainable in the longer term. Our strategy is to ensure that every pub offers excellent food and beers, a friendly atmosphere and a high standard of customer service.

During the year we purchased the Chainlocker in Falmouth. This site has long been of interest to us as Falmouth is a thriving Cornish town buoyed by the presence of the University. The Chainlocker occupies a prime location on the quayside. We intend to carry out a major redevelopment of the site in due course, as it is a key part of our growth plan in our managed estate. During 2015 we also purchased the Food for Thought on the town quay in Fowey. This site has previously operated as one of the county's leading waterside restaurants. We intend to carry out a major refurbishment to create an exciting new venue that will showcase the best local food and beers. This site will also join the managed estate.

In addition to these sites, we acquired La Petite Maison, a restaurant next door to our very successful Globe Hotel in Topsham. We are in the process of combining the two properties and this will provide significant additional catering capacity and restaurant covers for the Globe. During the year we also acquired Head Weir House in Exeter. This is a residential property situated next door to one of our best performing tenanted houses, the Mill on The Exe. We intend to incorporate the extensive grounds of the house into the pub garden and will consider in the future converting the residential property into letting accommodation for the pub.

The final site purchased during 2015 was the Puffing Billy at Exton which will undergo a minor refurbishment and will operate in our tenanted division.

Our annual impairment review highlighted two sites which were overvalued, the Three Crowns, Chagford and the Tavern Inn, Newquay. I am, however, pleased to report that The Who'd Have Thought It, Saltash had a previous impairment reversed, leading to a net charge of £536,000 being reported.

Managed pubs and hotels

Our managed estate had a very strong trading year with like-for-like total sales increasing by 7.2%¹. This growth was achieved in wet, food and accommodation sales which were up 5.2%¹, 7.6%¹ and 10.7%¹ respectively on a like-for-like basis. Total revenue in the managed estate rose by 16.6%¹ and it is very pleasing to note that for the first time in our history all of our sites that were operated under management throughout 2015 achieved annual turnover in excess of £1m.

We continue to invest in our customer facilities and all our managed houses now offer free customer Wi-Fi together with nearly 90% of our tenanted and leased sites. By the end of 2016 all our pubs will be Wi-Fi enabled except those where a conscious decision to be free of mobiles and Wi-Fi has been taken as a point of difference.

¹ Variances shown are on an adjusted 52 week basis, as defined in note 32 to the accounts

³ Source BBPA sales volumes survey (December 2015)

ST AUSTELL BREWERY COMPANY LIMITED

CHIEF EXECUTIVE'S REVIEW (continued)

Managed pubs and hotels (continued)

Throughout the year we have continued to develop our food offering and have provided regular training and support for our chefs and managers. The average spend per head on food in our managed estate increased by 8% to £15.22. The Coastal Pub & Country Kitchen initiative has now been rolled out to 8 of our outlets. This helped to improve our food margin by a further 0.7% across the estate. We continue to use locally sourced ingredients wherever possible and encourage our chefs to develop new, innovative freshly cooked recipes.

Recruitment of chefs continues to be a challenge for our industry. We are actively seeking new ways to attract and retain new chefs as they are key to the success of our business. We introduced a specific scheme for chefs which rewards performance, commitment and high standards of food hygiene.

Our retail employee reward scheme, 'Smiles', is constantly being reviewed and refined to ensure that we encourage our employees to 'serve customers with excellence' at all times.

Total capital investment in our managed estate (excluding new acquisitions) in 2015 was £3.2m. This included the completion of the residential flats above the Samuel Jones in Exeter, and the major refurbishments of the Hope & Anchor, Hope Cove and the Masons Arms in Branscombe. During the year we also transferred the Borough Arms, Bodmin to the managed estate from our tenanted division and carried out a minor refurbishment in the process.

The ongoing investment in our accommodation continues to have a positive impact with average occupancy increasing to 76.7% (2014: 74.3%).

At our recent Estate Awards, Debbie and Jason Manton from the Globe Hotel in Topsham were announced as our 'Managers of the Year 2015'. This was the second consecutive year that Debbie and Jason have won this award. In the last two years they have increased the EBITDA of the site by 139% through a combination of excellent customer service, staff training and strong financial controls.

Tenanted and leased pubs

Our tenanted and leased pubs had another good year in 2015 delivering total net income growth of 5.8% and average EBITDA per pub growth of 7.1%.

Our tenanted division seeks to attract and retain the best operators. We work in partnership with our tenants and lessees with the aim of sharing sustainable profit growth. We provide what we consider to be one of the best business development packages for tenants in the industry. This was recognised when we were awarded the 2015 Tenanted & Leased Pub Company of the Year (up to 200 sites) at the prestigious Publican Morning Advertiser Awards in London.

We are particularly proud that our average licensee tenure is 5.9 years. It is also pleasing to note that our level of licensee debt continued to fall during 2015. At the year end there were only three closed sites and only three temporary agreements in place for tenants who have been with the company beyond their initial six month period.

For the second consecutive year, the company has come top overall in the M&C Allegra Foodservice Tenants Track Survey. This annual research covers approximately 1,500 pub tenants and lessees on a national basis. It includes ten other businesses including other family brewers and regional and national pub companies. The objective of the study is to provide both a current snapshot and a year on year comparative of tenants relationships with their pub company.

During the year we also successfully launched the first Brewer & Bean coffee offer within our tenanted estate at the Edgumbe Arms in Cremyll.

We also continued to develop our tenanted estate by investing over £1.4m during the year. This included major refurbishments being carried out at the Penguin (formerly the Tap & Barrel) in Plymouth, the Tyacks in Camborne, the Travellers Rest in Trevarrian and the New Inn, Tywardreath. I am also pleased to report that the Waterfront in Plymouth successfully re-opened in March 2015 following the severe flooding it suffered in the storms of early 2014.

ST AUSTELL BREWERY COMPANY LIMITED

CHIEF EXECUTIVE'S REVIEW (continued)

Tenanted and leased pubs (continued)

At our recent Estate Awards, Pete and Elaine Delaney of the Lugger Inn, Polruan were awarded 'Tenants of the Year 2015'. The Lugger had enjoyed a significant growth in its trade during the year. Following on from being our 'Tenants of the Year 2014', Tim and Liz Hore from The Victoria Inn Salcombe won the Best Partnership Pub category at the 2015 Great British Pub Awards.

BEER AND BRANDS

Achieving annual sales of 100,000 barrels of our own production was undoubtedly one of the highlights of the year. All of our production is brewed and bottled in our brewery at St Austell making us the largest solely Cornish producer and bottler of beer in the country. Total barrels sold in 2015 increased by 9.3%¹ compared to the total beer market decrease of 1.5%.

It was particularly pleasing to note the continued strong growth of our Proper Job ale where volumes increased by 33.8%¹ and Korev, our Cornish lager, which enjoyed volume growth of 38.4%¹.

Although all of our trading divisions – the Estate, Free Trade and National Sales – saw growth in sales of our own production, the biggest increase for the second consecutive year came in the national off trade market. This saw volumes grow by 36.7%¹ compared to the total off trade beer market remaining unchanged.

In November 2015 we launched Mena Dhu Cornish Stout both in draught and in 500ml bottles. At 4.5% ABV this stout is a unique blend created from six varieties of malt – pale, crystal, chocolate, smoked, malted oats, and roasted barley with English fuggles hops. We have been delighted both by the consumer reaction to the product and with the level of its initial sales.

Following our purchase of a ten barrel microbrewery at the end of 2014 and its subsequent transportation from Yorkshire to Cornwall we have been busy ensuring that the results of this investment will quench our customers' thirst for new styles and flavours of beer. This Small Batch Brewery, as it has been named, will allow us to produce more limited edition beers and it is hoped that some of these may become new mainstream brands for the future. We have also created a Small Batch Beer Club which will enable pubs to sign up for a regular supply of new innovative beers.

Aside from the Small Batch Brewery we have continued our investment in production facilities including the installation and commissioning of a new 'Cleaning in Plant' (CIP) system, two more dual purpose fermenting vessels and a new keg filling machine to keep up with the increasing demand for our Korev lager and Mena Dhu Stout.

Our sales and distribution teams continue their aim of being the market leaders in the South West of England. In September our Walter Hicks Wine Merchants received the accolade of Best Regional Distributor/Wholesaler of the Year at the prestigious Harpers awards. The integration of our sales and distribution teams was completed during 2015 with the successful relocation of our telesales team to the Cornwall Distribution Centre at St Columb. This has enhanced the working environment and ensured improved communication between all aspects of the team.

In June we celebrated 20 years of trading in North Devon. This part of our trading region has some of our largest and most important customers. Our commitment to excellent customer service has helped us to ensure that we have enjoyed very strong, long term trading relationships with these key customers.

We continued our support of both Somerset and Gloucester County Cricket Clubs. It was particularly pleasing to see Gloucester triumph in the Royal London one day cup final at Lords in September. We were also main sponsors of the Cornwall County rugby team that triumphed in the County Championship at Twickenham in May. Tribute remains the beer of South West sport with sponsorships of many clubs and sports leagues. We support grass roots rugby in Cornwall, Devon and Somerset with Tribute as the official beer of South West rugby and sponsor of a number of local teams. Tribute is also official sponsor of the Cornish Gig Rowing Association, one of the most traditional and popular sports in our region. Our Korev lager supported Surfing GB and championship winning local surfer Luke Dillon.

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CHIEF EXECUTIVE'S REVIEW (continued)

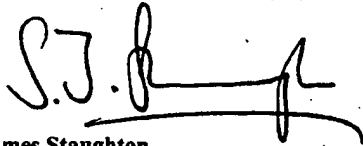
During 2015 we made two new appointments to our Senior Management Team. In April, Jackie Scarfe joined the company as People Director (Associate) to lead our human resources, training and development team. In November we launched Academy 1851 with the aim of being recognised as the South West's leading provider of training to the hospitality industry. In August, David Viqueira joined the Senior Management Team as Technology Director (Associate). His appointment reflects the increasing importance of technology in our business and the need to ensure that we are able to harness it to provide all our customers with great and innovative experiences.

Our beers and pubs continue to win many awards but I was particularly pleased for the Company to be recognised as one of the ones to watch: 10 rising companies' alongside the Sunday Times Grant Thornton Top Track 250 companies. This list recognised ten private, mid-market companies that had achieved strong sustained sales and/or profit growth and who in their view merited recognition.

We have enjoyed a steady start to 2016 and are confident that we have an excellent base upon which to build. It was particularly pleasing to be able to start the year with the announcement that Tribute had been chosen as the official ale of British Airways and is now available on all their flights and in their network of global airport lounges. This agreement is testament to the quality and flavour of Tribute and supports the strength of our unique Cornish identity.

Our strategy is to ensure that we are focused on delivering wonderful distinctive experiences through great products and services, conscious innovation, measurement and the scaling of what works.

I conclude by thanking our employees and licensees for all their hard work, dedication and support over the last year.

A handwritten signature in black ink, appearing to read 'S.J. Staughton', with a long horizontal flourish extending to the right.

James Staughton
Chief Executive

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 currently operate our estate under three business models - managed, tenanted and leased. This gives us the opportunity to operate flexibly and enables us to ensure we deliver best practice in each area. We are continually reviewing and assessing each establishment and will consider new ways of operating based on each individual business's requirements. We are proud of our pubs and hotels and we are committed to delivering our customers with great experiences and delighting the communities that we serve.

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 a historic Victorian building. Our leading brands Tribute, Proper Job & Korev continue to increase volumes in both the draught and packaged markets. Our recent investment in the Small Batch Brewery highlights our commitment to innovation and will aid in the future development of new brands such as Mena Dhu.

Our business strategy is to continue to operate in all of the market segments that we do currently and to continually strive to improve the way 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. We are flexible, adaptable and committed and use these qualities to continually explore new business relationships.

Pubs and Hotels Highlights

- Acquired three new trading sites and invested in other property assets that will complement some of our existing sites
- Major refurbishments of the Hope & Anchor, Hope Cove and Masons Arms, Branscombe
- Opened our first Brewer and Bean Coffee operation in the tenanted estate
- Aim is to acquire further sites that have a distinctive character and offer potential for enhancement
- Continue to tailor our offering to the demands of the local community
- Ensure sites are well maintained and cared for in line with our property charter

Beer Brand Highlights

- Achieved the landmark of annual sales of over 100,000 barrels of our own production
- Launched Mena Dhu Stout and the Small Batch Brewery
- Ongoing investment in production facilities
- Aim to maintain focus on producing award winning quality beer
- Develop small batch brewery to meet wide range of customer taste
- Promote our key brands through sponsorship and targeted investment

Sales Highlights

- Exceptional sales growth particularly in the National Off trade market
- Integrated the telesales team into our sales and distribution head office at St Columb
- Continued to profitably expand our Free Trade operations both in our heartland and by extending our trading region in the Eastward
- Aim to increase our footprint outside our core South West region with the help of great brands
- Invest in resources, relationships and market leading standards of service

People Highlights

- Launched Academy 1851 with the aim of it being the South West's leading provider of training to the hospitality industry
- Developed our partnership with Truro & Penwith College with the aim of placing 30 apprentices in our managed estate
- Delivered customer service training via our award winning "Brewing a Passion" programme
- Focus on delivering great experiences through committed, well trained staff
- Developing new ways to delight customers through managed innovation
- Ensure development of key personnel to underpin the future success of the business

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:

	2 January 2016 £'000	% Change
Turnover	137,351	+7.9% ¹
Operating profit before other items ²	13,518	+7.6% ¹
Profit before tax and asset sales	12,982	+5.1% ¹
Profit before tax	13,224	+4.4% ¹
Shareholders' funds	93,690	+10.4%
Net pension scheme deficit	3,120	-29.2%
Net debt	29,064	+15.2%

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:

	2 January 2016	% Change
Earnings per share before other items (£) ²	£5.83	+11.1% ¹
Dividends per share (£)	£1.42	+23.5%

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

¹ Variances shown are on an adjusted 52 week basis, as defined in note 32 to the accounts

² Other items are defined in note 8 to the accounts

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC RISKS

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
The Company has a clear mission, vision and set of values that underpin its future success.	Failure to adhere to this mission and values may undermine the sustainable success of the business.	Business decisions are taken for the long term benefit of the Company. The strong family involvement in the business helps to ensure these core values are maintained.

ECONOMIC AND MARKET RISKS

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
The Company's success is at least in part reliant on the strength of the UK and regional economy. This could be adversely affected by lower consumer spending if the economy weakens or if there are significant increases in unemployment or personal taxation.	Reduced revenue, profitability and lower growth rates.	Focus on service, quality and value for money. Continuous review of our pubs and hotels and how they are performing. Ongoing training and support for our tenants. Review of competitor activity.
The Company's state is located throughout the South West of England, an area that relies heavily on visitors to drive trade.	Adverse weather and a fall in visitor numbers can both have a significant impact on revenue and profit.	Although we cannot control the weather, we aim to ensure that our estate is best placed to attract both locals and visitors to our region. We also seek to operate a balanced portfolio of sites so that we are not too reliant on the vagaries of the weather.

OPERATIONAL AND PEOPLE RISKS

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
The Company is increasingly reliant on its information systems to operate. Any significant or prolonged failure of these systems would affect our ability to trade. The risk of cyber threats have significantly increased.	A reduction in our ability to do business, adversely affecting revenue and profitability. Reputational damage and financial damage from fines or compensation.	Networks are protected by firewalls and anti-virus protection systems with backup procedures in place. Business continuity plan for critical business processes in place, which is regularly reviewed and tested.
We are a people business. The recruitment, retention and development of employees and licensees is crucial to our success.	Reduced profitability of the Company and our estate from the risks of being unable to recruit and retain appropriately skilled employees and licensees.	We seek to build a strong pipeline of suitable licensees and take on a number of apprentices each year. Our employee engagement survey is used to obtain direct feedback from employees on a range of issues.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

OPERATIONAL AND PEOPLE RISKS (Continued)

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
The Company is reliant on the St Austell site for all of its production requirements.	A major incident at our St Austell site could seriously disrupt our production capabilities and hence our profitability.	We have informal arrangements in place with other production facilities that would enable us to outsource production in the event that our production facilities at St. Austell were unable to be used.

REGULATORY RISKS

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
We operate in a highly regulated sector. There is a particular risk of policy changes in the regulation of the sale or consumption of alcohol, including changes to drink driving laws and introduction of minimum pricing.	Regulation changes may reduce demand leading to lower revenue and profitability.	We monitor potential legislative developments and actively engage with Government, both directly and via trade associations as appropriate. Diversified offer to reduce our reliance on alcohol-based revenue.

The health and safety of our employees and customers is vital. Failure to comply with health and safety legislation, particularly in the areas of food safety and fire safety is a particular key risk.

Serious illness, injury or even loss of life to one of our customers, employees or tenants could have a significant impact on our reputation and could also lead to financial loss.

Documented policies and procedures in place. Independent audits are regularly undertaken to ensure compliance with current legislation and approved guidance.

A Health and Safety Committee meets on a regular basis.

Safety measures are in place to ensure that product integrity is maintained and all food and drink products are fully traceable.

FINANCIAL RISKS

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
Failure to maintain appropriate system of internal controls ensuring compliance with statutory obligations, including those relating to taxes.	Fraud being perpetrated against us. Damage to our reputation caused by non-compliance with statutory obligations or a material misstatement in the reported results of the company.	Our systems of internal control incorporate segregation of duties and authority levels are in place to control expenditure. Appropriate professional advice is taken to ensure compliance with relevant statutory obligations.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

CORPORATE SOCIAL RESPONSIBILITY

General

St Austell Brewery is an independent family business based in St Austell, Cornwall, with a history that dates back to 1851. We understand the importance of ensuring that we operate a sustainable and responsible business. We are committed to maintaining and delivering an effective corporate social responsibility programme. Our focus for corporate social responsibility is in five key areas – our customers, our communities, our people, our environment and our suppliers.

Our Customers

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 Drinkaware, a charity that aims to promote responsible drinking and provides information on the effects of alcohol and aims to reduce alcohol misuse. Our bar staff training includes initiatives such as the Challenge 21 proof-of-age scheme to prevent under-age drinking.

As part of our commitment to healthy eating we have introduced a range of super salads in our Coastal Pub and Kitchen (CPK) sites. We are also focussing on developing a menu for children that provides healthier options and seeks to reduce salt content.

All the menus in our managed estate offer advice on which dishes are gluten free and are suitable for vegan customers. In some sites we also provide a separate menu of gluten free dishes

We participate in the 'Scores on the Doors' ratings scheme. This independently assesses the food hygiene in premises across the country. In our managed estate, 84% of our sites achieved the highest five star rating.

All our beers are brewed with top quality ingredients and water from our own local source. In 2015 our beers won numerous prestigious awards reaffirming our commitment to quality and excellence.

Our Communities

Our pubs and hotels are based throughout the South West of England. They have always played a key role in their local community and they continue to do so. We believe that the presence of a pub at the heart of the community is essential. We have our own Charitable Trust that raises money for good causes. In addition, we support other initiatives that help improve our communities and society in general.

In September we hosted a very successful corporate golf day which raised significant funds for our Charitable Trust and in November our annual Celtic Beer Festival celebrated its seventeenth year by raising over £30,000 in a single day for the trust.

Our Estate Director, Adam Luck, is chairman of the South West branch of Pub is the Hub. A number of our pubs are involved in Pub is the Hub initiatives in their local community including the provision of local shopping and library facilities.

Aside from our own charitable trust we support other local charities including the Macmillan World's biggest coffee morning. We also provided many brewery tour vouchers for a wide range of local fundraising events.

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.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

Our People

It is essential that we are able to attract, retain and develop the best people in order to ensure the continued success and future growth of the business.

It is a particular feature of the company that many employees stay with us for much of their working. Indeed, in 2015 two employees, including Adam Luck our Estate Director, celebrated 40 years' service and five employees 25 years' service.

We produce a regular team brief, which provides all employees with company news and information concerning the company's results. There is a Company Employee Forum chaired by the Chief executive which holds regular meetings and provides employees with an opportunity to discuss issues of interest to them as employees of the company.

We support the training and development of all our staff. We were particularly delighted that in 2015 Julie McFeat, one of our regional national sales executives, qualified as a beer sommelier, becoming the first grandmother in the country to achieve this distinction.

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 be retrained for other positions as far as is practicable.

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.

The company's reputation and continued growth rests with its people. We have put in place policies, practises and training to ensure we, and our supply chain, adhere to best practises of employment. This includes, but is not limited to, the terms and conditions by which individuals are employed.

Our Code of Practice for tenants has been accredited by the British Institute of Innkeeping Benchmarking and Accreditation Service (BIIBAS). We continue to play a very active role in ensuring that there is a transparent relationship between landlords and tenants.

Our Environment

We ensure all our operations comply with applicable environmental standards and codes of practice. We take responsibility for preventing contamination or pollution of the environment through safe storage and handling of hazardous materials.

We have committed to waste minimisation across our operations and ensure that waste or by-products are recycled or disposed of in accordance with environmental legislation and best practice.

We record, monitor and actively seek to reduce our energy consumption and waste produced.

We encourage environmental responsibility throughout the company. We have an established environmental steering group which meets regularly to promote best practice.

During 2015 Carbon Architecture carried out an audit under the Energy Savings Opportunities Scheme ('ESOS'). This highlighted that 20% of our energy was used in the brewery, 32% in distribution and 43% in our pub and hotel estate. The audit highlighted a number of short term actions that the company could take to improve energy saving which we plan to implement in 2016.

Our 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.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

We look to build long term relationships which allow both parties to plan with some degree of certainty for the future. We consider our suppliers' record on health and safety and other ethical issues when making purchasing decisions.

CORPORATE GOVERNANCE

The Board

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

The offices of Chairman and Chief Executive are separate and distinct and the divisions of responsibility between them has been clearly established, set out in writing and agreed by the Board.

The Board has a formal schedule of matters that are reserved for its consideration. This identifies those decisions that are to be taken by the Board or delegated to management. The Board governs through its executive management and board committees. The Chairman of each committee reports to the Board on proceedings of committee meetings.

The Board meets formally at least five times a year and meetings typically cover a two day period. It also regularly considers matters on an ad hoc basis throughout the year and if necessary board meetings can be held at short notice. The Board is responsible to the shareholders for the performance and long term success of the company. Its role includes reviewing the company's long term objectives, commercial strategy and the overall funding strategy. It also approves the annual budget and annual financial statements. It authorises acquisitions, disposals and other major capital investments. The Board also oversees the company's systems of internal control, governance and risk management.

There is also an annual one day joint strategy meeting between the Board and the Senior Management Team that is held in September.

Board papers are circulated six days prior to each Board or committee meeting to ensure that directors have adequate time to review them before the meeting.

The Board conducts an annual evaluation of its own performance and of its directors.

The training needs of the Board and its committees are reviewed and each director is responsible for ensuring that they remain up to date in their skills and knowledge of the company.

The company has in place directors' and officers' liability insurance.

All actual and potential conflicts of interest which the directors have are disclosed prior to appointment and are subject to an ongoing review and annual declaration.

The proposed changes to the Articles of Association would give the Board the right to approve potential situational conflicts of interest. All directors are aware that the disclosure and authorisation of any potential conflict situation does not detract from their requirement to notify the Board separately of an actual or potential conflict in relation to a proposed transaction by the company.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

Committees of the Board

Nomination

The Nomination Committee is chaired by Will Michelmore and also comprises Jonathan Neame, Gerard Barnes, Piers Thompson and Kevin Georgel. The committee is responsible for reviewing the structure, size and composition of the Board. It also identifies prospective candidates for directors for consideration and appointment by the Board as a whole. The committee also has responsibility for considering the company's succession plans for Board membership and determining the skills, knowledge and experience that will be needed.

Audit and Risk

The Audit and Risk Committee is chaired by Gerard Barnes and also comprises Jonathan Neame, Piers Thompson and Kevin Georgel. The Company Secretary and external auditor attend its meetings by invitation. The committee is responsible for overseeing the external audit relationship. It also reviews the full year results, monitors the internal controls and oversees the company's risk management plans.

Remuneration

The Remuneration Committee is chaired by Will Michelmore 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. In order to assist this process an independent review was carried out in 2015 by KPMG to consider the appropriateness of executive pay.

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 Senior Management Team. In coming to these decisions the Remuneration Committee considers the overall performance of the company as well as the individual directors and Senior Management Team. 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 Management Team in the business.

Senior Management Team

The Senior Management Team (SMT) is responsible for delivering the operational plans that underpin our strategic objectives. The SMT is chaired by the Chief executive 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), Jeremy Mitchell Marketing and Communications Director (Associate), Jackie Scarfe People Director (Associate) and David Viqueira Technology Director (Associate). The SMT meet regularly but hold formal monthly meetings to review operating performance and discuss progress against operational plans. They have delegated authority from the Board to deal with operational matters.

Internal control

The Board has overall responsibility for the company's risk management framework and systems of internal control and for reviewing their effectiveness. The system is designed to provide reasonable but not absolute assurance against material misstatements of loss.

Communication with shareholders

The Board considers that there should be open dialogue with the company's shareholders. Information is provided to shareholders in the interim and annual financial statements. 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, Chief executive 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. Shareholders have the opportunity to ask the Board questions during the meeting.

The company maintains a website to provide up-to-date detailed information on the company's operations and brands.

ST AUSTELL BREWERY COMPANY LIMITED

STRATEGIC REPORT (continued)

Board Directors – table of independence, attendance and committee membership

	Independent	Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee
Executive Directors					
James Staughton	No	5/5	-	-	-
Adam Luck	No	5/5	-	-	-
Non-Executive Directors					
Will Michelmore	No	5/5	3/3	-	3/3
Gerard Barnes	No	5/5	3/3	3/3	3/3
Kevin Georgel	Yes	5/5	3/3	3/3	3/3
Jonathan Neame	Yes	5/5	3/3	3/3	3/3
Piers Thompson	No	5/5	2/2	3/3	-

Jonathan Neame has been on the Board since 2002. He is considered to be the senior independent non-executive director. The Board considers that despite this long period of service he has remained independent in both character and judgement. The Board further considers that his performance has been very effective and he has demonstrated strong commitment to the role. His responsibilities as senior independent director include supporting the Chairman and being available as a direct contact for shareholders if required.

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



C J Stratton
Company Secretary

ST AUSTELL BREWERY COMPANY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 53 weeks ended 2 January 2016. Certain information regarding principal risks, employee matters and future prospects has been included within the Strategic Report.

DIVIDENDS

An interim dividend of 60p (27 December 2014: 45p) was paid on the ordinary shares on 23 October 2015. The directors recommend a final dividend of 82p be paid on the ordinary shares (27 December 2014: 70p).

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 revolving credit facilities of £27.5 million and £17.5m which are both due for renewal in March 2021. The revolving credit facilities may be extended for a further year at the end of both the first and second year of the facilities providing consent of both the company and one debt facility provider is given.

The current economic conditions create uncertainty in the foreseeable future, 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.

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 agreed 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 Michelmore (Chairman)
S J Staughton (Chief Executive)
T A Luck
J B Neame
G H Barnes
P M Thompson
K R Georgel

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.

ST AUSTELL BREWERY COMPANY LIMITED

DIRECTORS' REPORT (continued)

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

A handwritten signature in cursive script, appearing to read 'C J Stratton', written in dark ink.

C J Stratton
Company 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 53 weeks ended 2 January 2016 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 32. 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 2 January 2016 and of its profit for the 53 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 53 week period 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 2016

ST AUSTELL BREWERY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
53 weeks ended 2 January 2016

		53 weeks ended 2 January 2016			52 weeks ended 27 December 2014		
	Note	Before other items* £'000	Other items* £'000	Total £'000	Before other items* £'000	Other items* £'000	Total £'000
TURNOVER	2	137,351	-	137,351	125,354	-	125,354
Cost of sales		(80,827)	-	(80,827)	(75,222)	-	(75,222)
GROSS PROFIT		56,524	-	56,524	50,132	-	50,132
Distribution costs		(5,720)	-	(5,720)	(5,299)	-	(5,299)
Administrative costs		(37,286)	(545)	(37,831)	(32,484)	(655)	(33,139)
Other operating income		-	-	-	-	655	655
OPERATING PROFIT	5	13,518	(545)	12,973	12,349	-	12,349
Profit on sale of tangible fixed assets		-	242	242	-	316	316
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		13,518	(303)	13,215	12,349	316	12,665
Interest receivable and similar income		42	-	42	54	-	54
Interest payable and similar charges	4	(938)	-	(938)	(965)	-	(965)
Other finance income on pension scheme	24	-	898	898	-	693	693
Dividend income received	29	-	7	7	-	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,622	602	13,224	11,438	1,009	12,447
Tax on profit on ordinary activities	6	(2,763)	-	(2,763)	(2,773)	-	(2,773)
PROFIT FOR THE FINANCIAL PERIOD	20	9,859	602	10,461	8,665	1,009	9,674

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
53 weeks ended 2 January 2016

	Note	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Profit for the financial period		10,461	9,674
Actuarial gain/(loss) relating to the pension scheme	24	654	(2,416)
UK deferred tax attributable to actuarial (gain)/ loss on pension scheme		(117)	483
Total recognised gains and losses relating to the period		<u>10,998</u>	<u>7,741</u>

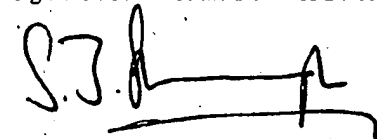
ST AUSTELL BREWERY COMPANY LIMITED

BALANCE SHEET At 2 January 2016

	Note	At 2 January 2016		At 27 December 2014	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	9		67		115
Tangible assets	10		122,550		111,185
Investments	11		-		-
			<u>122,617</u>		<u>111,300</u>
CURRENT ASSETS					
Stocks	12	7,168		6,313	
Debtors: due within one year	13	13,559		13,602	
Debtors: due after one year	13	1,757		1,895	
Cash at bank and in hand		517		356	
		<u>23,001</u>		<u>22,166</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(21,350)		(21,254)	
NET CURRENT ASSETS			<u>1,651</u>		<u>912</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>124,268</u>		<u>112,212</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(26,223)		(21,658)	
PROVISIONS FOR LIABILITIES	18	(1,220)		(1,235)	
NET ASSETS EXCLUDING PENSION LIABILITY			<u>96,825</u>		<u>89,319</u>
Net pension liability	24	(3,135)		(4,428)	
NET ASSETS			<u>93,690</u>		<u>84,891</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	90,890		82,091	
SHAREHOLDERS' FUNDS	20	<u>93,690</u>		<u>84,891</u>	

The financial statements of St Austell Brewery Company Limited, registered number 107021, were approved by the Board of Directors and authorised for issue on 24 March 2016.

Signed on behalf of the Board of Directors



S J Staughton
Chief Executive

ST AUSTELL BREWERY COMPANY LIMITED

CASH FLOW STATEMENT
53 weeks ended 2 January 2016

	Note	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Net cash inflow from operating activities	21	17,462	15,075
Returns on investments and servicing of finance			
Interest received		42	54
Interest paid		(933)	(959)
Interest element of finance lease payments		-	(1)
Preference dividends paid		(5)	(5)
Dividend income received		7	-
Net cash outflow from returns on investments and servicing of finance		(889)	(911)
Taxation			
UK corporation tax paid		(2,565)	(1,889)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(16,553)	(9,694)
Receipts from sales of tangible fixed assets		914	1,391
Net cash outflow from capital expenditure and financial investment		(15,639)	(8,303)
Acquisitions and disposals			
Purchase of subsidiary undertaking		(1)	(49)
Net cash outflow from acquisitions and disposals		(1)	(49)
Equity dividends paid		(2,199)	(1,777)
Net cash (outflow)/ inflow before financing		(3,831)	2,146
Financing			
Drawdown/(repayment) of borrowings		4,500	(2,000)
Capital element of finance lease payments		(5)	(12)
Net cash inflow/(outflow) from financing		4,495	(2,012)
increase in cash in period	22 & 23	664	134

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **53 weeks ended 2 January 2016**

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.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **53 weeks ended 2 January 2016**

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.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 January 2016

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 applied 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.

Comparatives

We have reclassified certain comparatives to match the current year allocation. Accrued income for supplier's retrospective discounts (£1,937,000) has been included in prepayments and accrued income, whereas previously it was shown as other debtors falling due within one year. Customer retrospective discounts on turnover (£97,700) have been included in trade creditors whereas previously they were shown in trade debtors. These reclassifications have not impacted prior year operating profit. A long leasehold property (£1,057,000) has been included in long leasehold whereas previously it was shown as a freehold property.

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 overseas export sales during the year were £422,000 (2014: £305,000).

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 January 2016

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Directors' emoluments		
Emoluments	592	538
Pension contributions	52	49
	<u>644</u>	<u>587</u>
 Remuneration of the highest paid director	 £'000	 £'000
Salary	165	158
Bonus	25	32
Benefits in kind	10	10
Pension contributions	25	23
	<u>225</u>	<u>223</u>

There were no contributions to defined contribution pension schemes on behalf of the directors in either period.

	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 period	 £'000	 £'000
Wages and salaries	20,818	18,324
Social security costs	1,665	1,433
Other pension costs	871	778
	<u>23,354</u>	<u>20,535</u>
 Average number of persons employed	 No.	 No.
Brewery and depots	340	329
Hotel and public houses	830	739
	<u>1,170</u>	<u>1,068</u>

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 January 2016

4. INTEREST PAYABLE AND SIMILAR CHARGES

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Bank loans, overdrafts and other loans	924	950
Interest on obligations under finance leases	-	1
Other loans	9	9
Preference share dividends	5	5
	<u>938</u>	<u>965</u>

5. OPERATING PROFIT

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Operating profit is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
- owned assets	4,466	3,314
- assets held under finance leases and hire purchase contracts	9	13
Impairment of tangible fixed assets	536	-
Amortisation of intangible fixed assets	90	70
Rent receivable from properties	(4,664)	(4,615)
Rentals under operating leases - land and buildings	398	335
	<u>£'000</u>	<u>£'000</u>
Fees payable to company auditor for the audit of the company and annual accounts	35	32
Fees payable to the company auditor for other non-audit services:		
Tax compliance services	6	5
Tax advisory services	6	9
Other non-audit services	50	6
Total non-audit services	<u>62</u>	<u>20</u>
Total fees paid to company auditor	<u>97</u>	<u>52</u>

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
(a) Analysis of charge in period		
Current tax		
UK corporation tax	2,514	2,368
Adjustment in respect of prior periods	(37)	(2)
Current corporation tax charge for the year (note 6 (b))	2,477	2,366
Deferred tax		
Origination and reversal of timing differences	97	208
Adjustment in respect of prior periods	40	-
Effect of changes in tax rates	(152)	19
	(15)	227
FRS 17 deferred tax movement	301	180
Total deferred tax	286	407
Tax charge on profit on ordinary activities	2,763	2,773

(b) Factors affecting tax charge in period

The tax assessed for the year differs from that resulting from applying the blended rate of corporation tax in the UK of 20.25% (27 December 2014: 21.49%). The differences are as follows:

	£'000	£'000
Profit on ordinary activities before tax	13,224	12,447
	£'000	£'000
Tax on profit on ordinary activities at blended rate	2,678	2,676
Factors affecting the charge:		
Disallowed expenses and non-taxable income	185	193
Differences between capital allowances and depreciation	(95)	(214)
Property disposals	(52)	(130)
Adjustment in respect of FRS 17	(214)	(193)
Short-term timing differences	12	36
Adjustment in respect of prior periods	(37)	(2)
Current tax charge for the period	2,477	2,366

The company is aware of the proposed, phased reduction in corporation tax rates to 18% by 2020 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

53 weeks ended 2 January 2016

7. DIVIDENDS ON EQUITY SHARES

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Interim dividend paid of 60p per ordinary share (27 December 2014: 45p)	1,014	762
Proposed final dividend of 82p per ordinary share (27 December 2014: 70p)	1,388	1,185
	<u>2,402</u>	<u>1,947</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

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Administrative costs - Obligation to rebuild a short leasehold property	-	(655)
Other operating income - insurance proceeds	-	655
Administrative costs - impairment of tangible fixed assets (note 10)	(536)	-
Administrative costs - rental costs paid to subsidiary (note 29)	(9)	-
Dividend income received from subsidiary (note 29)	7	-
Profit on sale of tangible fixed assets	242	316
Other finance income on pension scheme (note 24)	898	693
	<u>602</u>	<u>1,009</u>

9. INTANGIBLE FIXED ASSETS

	Purchased goodwill £'000
Cost	
At 27 December 2014	1,260
Additions	1
Transfer from tangible fixed assets	41
At 2 January 2016	<u>1,302</u>
Amortisation	
At 27 December 2014	1,145
Charge for the period	90
At 2 January 2016	<u>1,235</u>
Net book value	
At 2 January 2016	<u>67</u>
At 27 December 2014	<u>115</u>
	31

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

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 27 December 2014	92,977	3,482	552	43,664	1,652	142,327
Additions	10,778	323	64	5,098	290	16,553
Disposals	(523)	-	-	(385)	(23)	(931)
Transfer to intangible fixed assets	-	-	-	-	(41)	(41)
Reclassifications	69	1,251	100	154	(1,574)	-
At 2 January 2016	103,301	5,056	716	48,531	304	157,908
Depreciation						
At 27 December 2014	4,648	175	337	25,982	-	31,142
Charge for the period	426	124	27	3,362	-	3,939
Impairment	536	-	-	-	-	536
Disposals	(12)	-	-	(247)	-	(259)
At 2 January 2016	5,598	299	364	29,097	-	35,358
Net book value						
At 2 January 2016	97,703	4,757	352	19,434	304	122,550
At 27 December 2014	88,329	3,307	215	17,682	1,652	111,185

Included within Freehold is land at a cost of £31,323,000 (27 December 2014: £28,748,000) which is not depreciated.

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

	2 January 2016 £'000	27 December 2014 £'000
Plant, machinery and furniture	3	13

The depreciation charge for fixed assets held under finance leases was £9,321 (2014: £13,019).

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% (27 December 2014: 6.92%).

The net impairment recognised in the profit and loss account of £536,000 (27 December 2014: £nil) is the result of the impairment of two freehold properties and the reversal of a previous impairment on the freehold property.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 January 2016

11. INVESTMENTS HELD AS FIXED ASSETS

	2 January 2016 £'000	27 December 2014 £'000
Cost and net book value		
At 27 December 2014 and 2 January 2016	-	-

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
The Cornish Embassy Limited	Ordinary shares	100%	Dormant
St Austell Brewery Property Company Limited	Ordinary shares	100%	Dormant
Real Beer Company Limited	Ordinary shares	100%	Dormant

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 January 2016

12. STOCKS

	2 January 2016 £'000	27 December 2014 £'000
Raw materials and consumables	1,024	975
Work in progress	105	110
Finished goods	6,039	5,228
	<u>7,168</u>	<u>6,313</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

	2 January 2016 £'000	27 December 2014 £'000
Amounts falling due within one year		
Trade debtors	11,196	9,940
Other debtors	57	988
Prepayments and accrued income	2,306	2,674
	<u>13,559</u>	<u>13,602</u>
Amounts falling due after one year		
Trade loans	1,358	1,477
Other debtors	399	418
	<u>1,757</u>	<u>1,895</u>
	<u>15,316</u>	<u>15,497</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 January 2016 £'000	27 December 2014 £'000
Bank overdraft	4,581	5,084
Obligations under finance leases and hire purchase contracts (note 17)	1	5
Trade creditors	6,980	5,356
Corporation tax	1,127	1,215
Other taxation and social security	2,502	2,985
Other creditors	-	606
Amounts owed to subsidiary undertaking	2	-
Accruals and deferred income	6,157	6,003
	<u>21,350</u>	<u>21,254</u>

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 January 2016

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

	2 January 2016 £'000	27 December 2014 £'000
Bank loans (note 16)	25,000	20,500
Obligations under finance leases and hire purchase contracts (note 17)	-	1
Tenants' deposits	1,123	1,057
5% preference shares of £1 each (note 19)	100	100
	<u>26,223</u>	<u>21,658</u>

16. LOANS

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

	2 January 2016 £'000	27 December 2014 £'000
Wholly repayable within five years	15,000	10,500
Not wholly repayable within five years	10,000	10,000
	<u>25,000</u>	<u>20,500</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:

	2 January 2016 £'000	27 December 2014 £'000
Amounts payable:		
Within one year	1	5
In one to two years	-	1
	<u>1</u>	<u>6</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
53 weeks ended 2 January 2016

18. PROVISIONS FOR LIABILITIES

Deferred tax	£'000
At 27 December 2014	1,235
Credited to the profit and loss account	(15)
At 2 January 2016	1,220

Deferred tax is provided as follows:

	2 January 2016 £'000	27 December 2014 £'000
Capital allowances in excess of depreciation	945	951
Capital gains tax rolled over	353	391
Short-term timing differences	(78)	(107)
	1,220	1,235

19. SHARE CAPITAL

	2 January 2016 £'000	27 December 2014 £'000
Authorised		
Ordinary shares of £1 each	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
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
53 weeks ended 2 January 2016

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 28 December 2013	1,692	1,108	76,127	78,927
Profit for the financial period	-	-	9,674	9,674
Dividends paid	-	-	(1,777)	(1,777)
Net actuarial loss on pension scheme	-	-	(1,933)	(1,933)
At 27 December 2014	1,692	1,108	82,091	84,891
Profit for the financial period	-	-	10,461	10,461
Dividends paid	-	-	(2,199)	(2,199)
Net actuarial gain on pension scheme	-	-	537	537
At 2 January 2016	1,692	1,108	90,890	93,690

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

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Operating profit	12,973	12,349
Depreciation of tangible fixed assets	3,939	3,327
Impairment of tangible fixed assets	536	-
Amortisation of intangible fixed assets	90	70
Increase in stocks	(855)	(973)
Decrease/ (increase) in debtors	279	(1,339)
Increase in creditors	660	1,896
Movement in pension scheme liability	(160)	(255)
Net cash inflow from operating activities	17,462	15,075

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 January 2016

22. ANALYSIS OF THE CHANGES IN NET DEBT

	27 December 2014 £000	Cash flows £000	2 January 2016 £000
Cash at-bank and in hand	356	161	517
Bank overdraft	(5,084)	503	(4,581)
	(4,728)	664	(4,064)
Long-term loans	(20,500)	(4,500)	(25,000)
Finance lease obligations	(6)	5	(1)
Debt Due	(25,234)	(3,831)	(29,065)

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

	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000
Increase in cash in the period	664	134
Change in loans	(4,500)	2,000
Change in finance leases	5	11
Change in net debt resulting from cash flows	(3,831)	2,145
Movement in net debt in the period	(3,831)	2,145
Net debt at beginning of period	(25,234)	(27,379)
Net debt at end of period	(29,065)	(25,234)

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 January 2016

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 £315,364 (27 December 2014: £268,303). 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 2 January 2016 and 27 December 2014 are:

	2 January 2016 £'000	27 December 2014 £'000
Scheme assets at fair value		
Scheme assets		
Equities	20,995	22,776
Bonds	8,234	8,150
Property	2,661	2,340
Target return	10,735	7,475
Cash	302	90
Fair value of scheme assets	42,927	40,831
Present value of scheme liabilities	(46,750)	(46,366)
Defined benefit pension scheme deficit	(3,823)	(5,535)
Related deferred tax asset	688	1,107
Net liability in the balance sheet	(3,135)	(4,428)

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

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:

	2 January 2016 £'000	27 December 2014 £'000
Recognised in the profit and loss account		
Current service cost	(556)	(500)
Recognised in arriving at operating profit	(556)	(500)
Expected return on pension scheme	2,661	2,508
Interest on obligation	(1,763)	(1,815)
Other finance income	898	693
Total recognised in the profit and loss account	342	193
Taken to the statement of total recognised gains and losses	£'000	£'000
Actual return on scheme assets	2,435	2,960
Less: expected return on scheme	(2,661)	(2,508)
	(226)	452
Other actuarial gains/(losses)	880	(2,868)
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	654	(2,416)
Main assumptions:	%	%
Rate of increase in pensions in payment	3.10	3.10
Discount rate	3.90	3.80
Expected rates of return on scheme assets:		
Equities	7.50	7.50
Bonds	3.80	3.80
Gilts	2.90	2.90
Property	6.50	6.50
Target return	6.50	6.50
Cash	1.00	1.00
Inflation assumption	3.10	3.10
Rate of salary growth	3.00	3.00
Life expectancy at age 65:	Years	Years
Male	87.2	87.1
Female	89.6	89.7
Life expectancy at age 45:		
Male	88.6	88.5
Female	91.1	91.0

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

24. PENSION SCHEMES (continued)

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

	£'000
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
Interest costs	1,763
Service cost	556
Contributions by scheme participants	173
Benefits paid	(1,228)
Actuarial gain	(880)
At 2 January 2016	46,750

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 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
Expected return on plan assets	2,661
Employer contributions	716
Benefits paid	(1,228)
Contribution by scheme participants	173
Actuarial gains on defined benefit assets	(226)
At 2 January 2016	42,927

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

24. PENSION SCHEMES (continued)

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

	2 January 2016 £'000	27 December 2014 £'000	28 December 2013 £'000	29 December 2012 £'000	31 December 2011 £'000
Fair value of scheme assets	42,927	40,831	38,153	33,412	30,266
Present value of defined benefit obligations	(46,750)	(46,366)	(42,171)	(40,700)	(35,506)
Deficit in the scheme	(3,823)	(5,535)	(4,018)	(7,288)	(5,240)
Experience adjustments arising on plan liabilities	-	-	-	-	228
Experience adjustments arising on plan assets	(226)	452	2,762	1,206	(3,297)

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 gain on the liabilities for the latest year is £880,000.

In the 2016 financial period 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:

	2 January 2016 %	27 December 2014 %
Equities	56	56
Bonds	20	20
Property	6	6
Target return funds	18	18
Other	-	-

25. CAPITAL COMMITMENTS

	2 January 2016 £'000	27 December 2014 £'000
Contracted for but not provided in the financial statements	1,128	2,071

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

26. CONTINGENT LIABILITIES

The company had no contingent liabilities at 2 January 2016 or at 27 December 2014.

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 2 January 2016 £'000	Land and buildings 27 December 2014 £'000
Leases which expire:		
- within one to five years	104	65
- after five years	294	270
	<u>398</u>	<u>335</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	(2,646)

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 27 December 2014 was a liability of £2,963,000.

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 2 January 2016.

ST AUSTELL BREWERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 January 2016

29. TRANSACTIONS WITH RELATED PARTIES

During the year the company purchased goods in the normal course of business from Shepherd Neame Limited for £141,000 (27 December 2014: £113,000). During the year the company sold goods in the normal course of business to Shepherd Neame Limited for £19,000 (27 December 2014: £nil). 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 £56,000 (27 December 2014: £24,000). W F Michelmores is a director of St Austell Brewery Company Limited and a partner of Michelmores LLP.

During the year the company sold goods in the normal course of business to Admiral Taverns for £85,000 (27 December 2014: £nil). K R Georgel is a director of St Austell Brewery Company Limited and a director of Admiral Taverns Limited.

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 £18,000 (27 December 2014: £10,000) and the amount due to Michelmores LLP was £nil (27 December 2014: £15,000). At the balance sheet date, the amount due from Shepherd Neame Limited was £1,000 (27 December 2014: £nil) and the amount due from Admiral Taverns Limited was £6,000 (27 December 2014: £nil).

During the year the company paid net rental income of £9,000 to St Austell Brewery Property Company Ltd, a wholly owned subsidiary, which is now dormant. St Austell Brewery Property Company Ltd declared and paid a dividend of £7,000 to the company leaving a £2,000 creditor outstanding at year end.

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 82p per share was declared after the year-end and is therefore not provided for within the financial statements.

In March 2016 the company finalised the refinancing of its debt facilities. The company now has two five year revolving credit facilities of £27.5 million and £17.5 million plus a £5 million overdraft facility.

32. 52 WEEK COMPARATIVE

	Note	53 weeks ended 2 January 2016	*Restated 52 weeks ended 2 January 2016	52 weeks ended 27 December 2014	52 week % change
Turnover (£000)		137,351	135,314	125,354	+7.9%
Operating profit before other items (£000)	8	13,518	13,284	12,349	+7.6%
Earnings per share before other items (£)	8	£5.83	£5.69	£5.12	+11.1%
Dividends per share (£)		£1.42	£1.42	£1.15	+23.5%

*In order to give a 52 week comparison to the prior period we have removed the first week of the period from the full 53 week period results.

ST AUSTELL BREWERY COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W F Michelmore (Chairman)
S J Staughton (Chief Executive)
T A Luck
J B Neame
G H Barnes
P M Thompson
K R Georgel

SECRETARY AND REGISTERED OFFICE

C J Stratton
The Brewery
St Austell
Cornwall
PL25 4BY

BANKERS

Barclays Bank plc
Wales & South West Team
PO Box 119
Park House
Newbrick Road
Bristol
BS34 8TN

Royal Bank of Scotland plc
3rd Floor
Temple Back East
Bristol
BS1 6BZ

AUDITOR

Deloitte LLP
Bristol