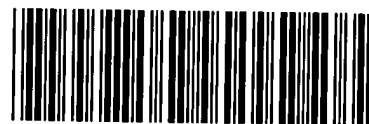


ST AUSTELL BREWERY COMPANY LIMITED
Annual report and financial statements
for the 52-week period ended 30 December 2017

Registered number: 107021

FRIDAY



A30 *A7EZL9ZF* #42
21/09/2018
COMPANIES HOUSE

St Austell Brewery Company Limited

Contents

	Page
Company vision	1
Chairman's statement	2
Chief executive's review	5
Strategic report	11
Directors' report	24
Directors' responsibilities statement	26
Independent auditor's report to the members of St Austell Brewery Company Limited	27
Consolidated profit and loss account	30
Consolidated statement of comprehensive income	31
Consolidated balance sheet	32
Company balance sheet	32
Consolidated statement of changes in equity	34
Company statement of changes in equity	35
Consolidated cash flow statement	36
Notes to the financial statements	
– Note 1 Accounting policies	37
– Note 2 Critical accounting judgements and key sources of estimation uncertainty	43
– Note 3 Turnover	44
– Note 4 Finance costs (net)	45
– Note 5 Profit on ordinary activities before taxation	46
– Note 6 Staff numbers and costs	47
– Note 7 Directors' remuneration and transactions	48
– Note 8 Tax on profit on ordinary activities	49
– Note 9 Dividends on equity shares	51
– Note 10 Other items	51
– Note 11 Intangible fixed assets	52
– Note 12 Tangible fixed assets	53
– Note 13 Fixed asset investments	54
– Note 14 Stocks	55
– Note 15 Debtors	55
– Note 16 Creditors – amounts falling due within one year	56
– Note 17 Creditors – amounts falling due after more than one year	57

St Austell Brewery Company Limited

Contents

– Note 18 Obligations under finance leases and hire purchase contracts	57
– Note 19 Provisions for liabilities	58
– Note 20 Financial instruments	60
– Note 21 Derivative financial instruments	61
– Note 22 Called-up share capital and reserves	61
– Note 23 Cash flow statement	62
– Note 24 Financial commitments	63
– Note 25 Retirement benefits	64
– Note 26 Related party transactions	67
– Note 27 Controlling party	68
– Note 28 Post balance sheet events	68
– Five-year summary	69
– Officers and professional advisers	70

St Austell Brewery Company Limited

Company vision

“We are committed to delivering great experiences; striving for excellence in every way; and innovating to delight the communities we serve.”

FINANCIAL HIGHLIGHTS

	52 weeks ended 30 December 2017	52 weeks ended 31 December 2016	% Change
Turnover (£'000)	169,307	153,226	10.3%
Operating profit before other items (£'000) +	13,292	13,961	-1.1%
Earnings per share before other items (£)+	£5.86	£6.06	-3.3%
Dividends per share (£)	£1.62	£1.59	1.9

+ Other items are defined in note 10 to the financial statements

St Austell Brewery Company Limited

Chairman's statement

I am pleased to report on the financial performance in the 52-week period ended 30 December 2017.

The performance of the underlying business has been strong but the results have been impacted by the lower than expected performance of the former Bath Ales beer brands and recently acquired managed pubs not yet trading at their expected levels. This was compounded by the delayed re-opening of the Chain Locker in Falmouth following a major refurbishment. This has led to our operating profit before other items being marginally lower than 2016.

Financial Results

We achieved a record turnover in the period of £169.3m, 10.3% up on last year in part due to a full year's trading of Bath Ales and the Pier House Hotel. However, our profitability has been affected by a variety of market pressures. This included higher costs, increased competition and weakening consumer confidence. Many of the higher costs were outside our control such as the Apprenticeship Levy, the increase in the National Living Wage, higher business rates and food cost inflation. Other cost increases were required to strengthen the Company and lock in previous growth.

There is a net charge for non-underlying other items in the profit and loss account of £0.2m (31 December 2016: credit of £1.0m). This includes charges of £0.2m for the write off of initial research costs in connection with the new ERP system, £0.3m for abortive project development fees and £0.3m in respect of the net interest on the defined benefit pension liability. These costs are partly offset by credits of £0.3m for profits on asset sales and £0.3m in respect of the mark-to-market movement in the fair value of certain interest rate swaps.

Overall our operating profit before other items fell by 1.1% to £13.8m, our profit before tax and other items was down 3.4% at £12.5m and our earnings per share before other items fell by 3.3% to £5.86.

Dividend

The Board is proposing a final dividend of 92p (31 December 2016: 90p) per Ordinary Share, resulting in total dividends for the year of £1.62 (31 December 2016: £1.59) per Ordinary Share. This gives a total increase in dividends for the year of 1.9% which represents an underlying dividend cover of 3.6 times (31 December 2016: 3.8 times). The level of proposed dividend reflects the confidence in the long term nature of our business but also recognises the slight reduction in operating profit this year. The final dividend will be paid on 11 May 2018.

Cash flow and financing

Underlying EBITDA¹ was up 3.9% to £19.7m (31 December 2016: £18.9m). During the year we have invested £15.7m. This included works associated with the Hare Brewery and bottling line at Warmley which will be operational in the Spring of 2018. In 2017 we also completed the major refurbishment of the Chain Locker in Falmouth. The remaining capital expenditure was invested into our existing pub estate, our production and distribution facilities, as well as our head office and IT infrastructure. This investment will help to both maintain and drive the future growth of the Company.

¹ EBITDA: Earnings before interest, tax, depreciation and amortisation

St Austell Brewery Company Limited

Chairman's statement (continued)

During the year we realised proceeds from asset sales of £0.7m which included the sale of surplus land at the Farmers Arms, St Merryn, the disposal of the lease on the Beerd site in Oxford and the sale of the building next to the Wodehouse Arms in Falmouth.

In February 2017, we agreed to extend £30m of our revolving credit facilities for a further twelve months and so this facility now has an expiry date of March 2022. During 2017 our net debt grew by £4.1m to £49.5m of which £47.0m was drawn down under our revolving credit facilities. As a result we had headroom at the end of the year against our revolving credit facilities of £10.5m.

In March 2018 we agreed an additional revolving credit facility of £15m which has an expiry date of March 2023. This means that we now have total revolving credit facilities of £72.5m, providing us with the necessary funding and flexibility to support our strategic plans and an ability to take advantage of opportunities should they arise.

Pensions

The deficit on the defined benefit pension scheme has fallen by £0.8 million to £12.0 million (31 December 2016 - £12.8 million). This has resulted from a higher than expected return on scheme assets, with the fair value of the scheme assets increasing from £47.3 million to £50.5 million. This has been partially offset by an increase in the present value of pension obligations which have increased from £60.2 million to £62.5 million principally because the assumed discount rate has fallen from 2.8% to 2.4%.

The scheme's latest full triennial actuarial valuation as at 31 December 2016 was completed during the year. This resulted in the Company increasing its contribution to the defined benefit section of the scheme from 16.8% to 21% of pensionable earnings. The defined benefit section of the scheme has been closed to new entrants since June 2001 and the number of active members of this section of the scheme as at the date of the triennial valuation had fallen to 70. We continue to take a long-term view of our pension commitments and although the contribution rate has increased the total Company contribution has only marginally increased due to the fall in the number of active members in the scheme. While it cannot in any way be guaranteed, the financial markets appear to be expecting the discount rate to return to more normal levels in the fullness of time and there is an indication that increases in interest rates are now more likely to increase the future discount rate, potentially reducing the deficit significantly.

Board of Directors

I reported in my statement last year that Steve Worrall had joined the Company in March 2017 as Retail Director to succeed Adam Luck. Steve took on responsibility for the retail estate from 1 July 2017 and was appointed to the Board on 6 July 2017. From 1 January 2018 Steve has also assumed responsibility for the tenanted estate.

Adam Luck remains on the Board and retains responsibility for the Property department and will oversee acquisitions and major refurbishment projects.

After 16 years as a Non-Executive Director Jonathan Neame has decided to retire from the Board at the AGM in May 2018. Jonathan has made a massive contribution to the Board during this time and has been instrumental in helping to oversee the development of the comprehensive corporate governance structure adopted by the business. His genial character, industry knowledge and expertise have been very valuable.

St Austell Brewery Company Limited

Chairman's statement (continued)

Finally, I am delighted to announce that Jill Caseberry will be joining the Company as a Non-Executive Director on 1 May 2018. Jill will be the first female Board member since Walter Hicks own daughter Hester Parnell. Jill brings with her extensive commercial experience in sales, marketing and strategic planning across a wide range of blue chip companies including Mars, Pepsi and Premier Foods. Jill is a Non-Executive Director of two listed companies – Bellway Homes plc and Northgate plc.

Summary

It has been a year of consolidation and one in which we have built a stronger platform for the future of the business. Our strategy continues to focus on investing for the long-term success of the business to deliver growth in both earnings and dividends per share. The market conditions in which we operate have been a challenge but our core business remains robust. I can report that we have had a promising start to 2018 and I am cautiously optimistic about the year ahead.

I would like to conclude by offering my sincere thanks to everyone in the Company who has worked so hard for the business in 2017.

Will Michelmore

Chairman

28th March 2018

A handwritten signature in black ink, appearing to read 'W Michelmore', written in a cursive style.

St Austell Brewery Company Limited

Chief Executive's review

It has been a significant year of consolidation for the Company.

Our business is based on investing for the long-term, building shareholder value by increasing both net asset value and dividend income. This approach allows us to take strategic decisions that we believe are in the best long-term interests of all shareholders and has underpinned the successful year enjoyed by the core St Austell business.

The acquisition of Bath Ales in 2016 was part of our strategy to expand the reach of the business beyond our Cornish heartland. It was a logical step in delivering our key strategic objective of having the best pub estate and premier beer brands in the South West of England.

From the outset we have known that we were committed to a significant investment in the Bath Ales beer brands, pub estate, people and production facilities. Over the last ten years we have invested in both the beer brands and production facilities in St Austell and this investment has helped to underpin the 180% growth in the volume of our beer sales over this period.

Our strategic plans for the Bath beer brands require us to bring the production facilities in Warmley up to the standard that we have very successfully implemented in St Austell. The state of the art facility that we are creating in the Hare Brewery at Warmley will ensure that we have additional brewing and packaging facilities, which are able to adapt to the rapidly changing environment with more premium products, innovative new products and beer styles.

Although the initial profitability from Bath Ales has been below expectations which has impacted our profitability in the current year, we remain confident that this acquisition will deliver future profitable income streams. We believe the new production facilities will be the catalyst for taking the beer brands and associated pubs to the next level.

It has become increasingly apparent that our existing information technology system installed over a decade ago is no longer fit to support our growth ambitions. In response to this critical challenge we initiated Project AIM (Ambition, Innovation and Measured Excellence) in 2016 with the objective of undertaking a business change transformation underpinned by the implementation of a new Enterprise Resource Planning (ERP) system.

After a detailed evaluation with the input of our professional advisers we selected Microsoft Dynamics NAV Drink-IT as the new system to deploy across the business and contracted with Norriq UK Limited as our implementation partner. The project is not simply about installing a new information technology system, it is about facilitating and enabling business and process change. It is vital in today's competitive marketplace, in the era of 'big data', that we have accurate, real-time management information.

We believe that Project AIM will help us enable business and process change and will support the future growth and development of the business.

St Austell Brewery Company Limited

Chief Executive's review (continued)

Tenanted and managed pub operations

At the end of the year we operated 179 pubs and hotels (31 December 2016: 178) of which 160 are freehold (31 December 2016: 160). Of our total pubs and hotels 35 (31 December 2016: 33) were managed and 144 (31 December 2016: 145) were tenanted or leased.

Our managed estate had a strong trading year with like-for-like total sales increasing by 3.1%. This growth was achieved in wet, food and accommodation sales which were up 2.7%, 1.9% and 7.7% respectively on a like-for-like basis. We have had a full year of trading from the sites that we acquired in the Bath Ales purchase in June 2016. This helped to see total revenue across the managed estate increase by 16.2%.

Our tenanted and leased pubs continued to demonstrate their resilience and delivered another very solid financial performance in 2017 with total net income growth of 6.4% and average EBITDA per pub growth of 4.6%. We are particularly proud that our average licensee tenure continues to increase. It is also worth noting that at our recent annual estate awards, seven of our tenants and one of our managers were recognised for over 25 years as a licensee of the Company.

The focus of our acquisition strategy is to find high quality opportunities within our trading area. Although during the year we did not acquire any new outlets we did re-open the Chain Locker in Falmouth after a major redevelopment. This project exemplified the Company's strategic aims of investing in quality assets that will drive the long-term success of the business. Even though we faced significant challenges through the development process we remained committed to ensuring that we created a high-quality site. The property re-opened in September 2017 and has traded significantly above our expectations. The site reflects our core strategy of offering excellent food and beers, a friendly atmosphere and a high standard of customer service.

We recognise the importance of innovation to the ongoing success of our pub business. In 2017 we launched two new concepts. In June we opened The Havener's Fish & Chip Shop in Fowey. This provides a takeaway offer serving a delicious selection of locally sourced seafood and crisp chips made from locally grown potatoes. The batter is made using our own Tribute Ale. The second new initiative was the opening of our first standalone Brewer and Bean coffee shop on Plymouth's vibrant Barbican. The site is immediately next door to our Ship Inn and features new juices, smoothies, handmade cakes and sandwiches as well as our Brewer and Bean coffees and teas.

After acquiring the Pier House Hotel and Harbourside Bar in Charlestown in December 2016 we have spent our first year of ownership assessing the operations of the site. Our review identified that the current layout provided some operational challenges particularly at the peak of the season that made it difficult to realise the full potential of the site. In January 2018 we partially closed the site and undertook an intensive two-month program to reconfigure the building which we believe will fully unlock the trading potential of this asset including making much better use of the outside space.

During 2017 we sold the lease of the site in Oxford that we had acquired with the purchase of Bath Ales as it was felt that it was too remote from our trading region. We also sold some surplus land at the Farmers Arms in St Merryn and a property that had been operating as an art gallery next door to one of our pubs in Falmouth. These disposals raised proceeds of £0.7m and realised a profit of £0.4m (31 December 2016: the sale of four pubs – the Rodney Inn at Helston, the Four Winds Inn in Falmouth, the Mount Ambrose Inn in Redruth and the Railway Inn at Illogan raised £1.6m and realised a profit of £1.3m).

St Austell Brewery Company Limited

Chief Executive's review (continued)

We continue to invest across our estate and have spent £7.7m (31 December 2016: £5.6m) in improving and developing our pubs and £2.1m (31 December 2016: £1.8m) on repairs and decorations.

In the managed estate, aside from the Chain Locker and the innovations of the Havener's Fish and Chip shop and the Brewer & Bean coffee shop other major developments during the year included the creation of letting accommodation at the Havener's in Fowey, upgrades of the bedrooms at the Atlantic Hotel, St Mary's, work to the garden and outside terrace at the Fort in Newquay and a refurbishment of the Graze Bar in Bristol.

In the tenanted estate we have carried out developments at a number of sites including major works at the Mill on The Exe where following the acquisition of the neighbouring property we completed the creation of 11 new bedrooms. We also completed the building of Pilchards which has created a café overlooking the beach in the grounds of the Port Gaverne Hotel. Other major works included the Lanivet Inn, Pityme Inn, Molesworth Arms and a bar refurbishment of the Wodehouse in Falmouth which re-opened as the Pennycomequick.

In a perfect example of how some of our pubs sit at the heart of their communities, the Farmer's Arms has installed a community play area for local children with their own investment, funding from the Company and the support of Pub is The Hub, the rural pub champions.

At our Annual Estate Awards in January 2018, Nic and Ruth Avery from the Harbour Hotel in Porthleven were announced as our 'Managers of the Year 2017'. This is the second consecutive year that they had received this award and is testament to their ability to deliver increased profits whilst maintaining excellent customer service. In the tenanted estate, Justin Barnett and Mark Holden, our tenants at both the Victoria Inn, Threemilestone and the Victoria Inn at Roche were awarded the coveted title of 'Tenants of the Year 2017'. This followed up their success in picking up the award for Licensee Trainer of the Year at this year's British Institute of Innkeepers (BII) National Innovation in Training Awards (NITAs). Their training credentials were further underlined at the Cornwall Apprenticeship Awards, where Mark Holden also picked up the SME Business of the Year accolade for the quality of their in-house training programs for young people.

Brewing and brands

In 2017 the UK beer market saw an overall increase of 0.7%* (2016: -1.0%). This continues to indicate that the previous steady decline in beer consumption may be levelling out. The trend towards growth in the off trade and packaged products as opposed to draught products has continued. In 2017 the UK on-trade market fell by 2.4%* whereas the off-trade market rose by 3.6%*.

It is against this backdrop that I am delighted to report that we increased our sales volume of St Austell based production by 2.7% with the on-trade increasing by 0.4% and the off-trade by 8.9%. The growth was particularly impressive for Proper Job and our Korev lager which grew by 16.0% and 14.4% respectively.

Our beer volumes from Bath Ales increased by 72% although this was largely due to us having a full year of trading in 2017 rather than underlying growth. The significant investment in the production facilities at Warmley will provide us with the opportunity to grow this volume from both our existing and new beer brands when the Hare Brewery is fully operational later in the year.

* Source BBPA Sales Volume Survey (December 2017)

St Austell Brewery Company Limited

Chief Executive's review (continued)

As part of our ongoing passion for producing the best quality beer we made a significant investment into a new XFlow filtration system. This system is designed to filter out even the tiniest haze particles from beer to make the finished product clearer and more stable. The XFlow system creates virtually sterile filtration and is already well-established in the wine industry. The brewing industry has been slower to pick up on the technology due to the delicate nature of beer and the specific requirements of beer filtration. As the first brewery to install the system in the UK, we are leading the field in terms of investment in this technology. Not only will the XFlow system ensure a reduction in beer losses during the filtration process, it is also fully automated to reduce human error and will lead to a significant cut in energy usage making the whole process more sustainable.

We also continue to invest in our beer brands. During 2017 we unveiled a new look for the bottled beers we produce in St Austell. The bottles are taller, lighter and now have 'St Austell' embossed around the neck. The bottle labels were also refreshed.

Last year I reported on the opening of the new Small Batch Brewery in St Austell and the opportunities it could offer us. I am therefore particularly pleased that three beers created in our Small Batch Brewery have won international acclaim, picking up Country Winner accolades at the World Beer Awards (WBA) in London and Gold at the European Beer Star awards in Munich. Cardinal Syn picked up Country Best in the Belgian-style Strong category and Bad Habit won in the Belgian-style Tripel category. Meanwhile, at the European Beer Star 2017 awards, another of our Belgian-inspired beers, Sayzon Farmhouse Ale, picked up gold – a success that is even more impressive considering that a record number of more than 2,000 beers from 46 countries entered the competition.

On the International stage it has been a good year for our export business with turnover up 24.8% and sales volume up 25.8%. Our partnership with Moscow's New Riga Brewery to create Black Square Russian Imperial Stout for both the UK and the Russian markets earned us a special Collaboration Award at this year's Insider Media Made in the South West awards. The award-winning partnership was designed to showcase St Austell Brewery in Russia, cementing our reputation for quality beers supported by our approach of taking a long-term view to position the Company as a premium producer to the Russian marketplace. Our export strategy has been to showcase the quality of our premium beers and introduce them slowly to an appreciative market. Black Square is available in bottles in the UK.

Our production knowledge and expertise has enabled us to develop strong partnerships with some of our key partners. This year we celebrated five years of exclusively brewing Nicholson's Pale Ale for the Nicholson's pub brand operated by Mitchells & Butlers. Since its launch five years ago, more than 4.6 million pints have been sold.

We are very conscious that as the beer marketplace becomes ever more competitive, with many new small breweries and beer brands, we must continue to invest in our beer brands. We celebrated ten years of Tribute, our best-selling premium ale brand, being the key sponsor of the South West Rugby Football Union, and the sponsor of the local rugby leagues across Cornwall, Devon and Somerset.

We remain major sponsors of Bath Rugby, Somerset and Gloucester Cricket and our growing program of support for music festivals enables us to connect with the younger part of our customer base. During the year we also signed a new, long-term partnership deal with the Cornish Pilot Gig Association (CPGA).

In recognition of the effectiveness of our beer brand marketing efforts, our marketing and communications team picked up the Communications award at the Western Morning News (WMN) Business Awards for our 'Quality

St Austell Brewery Company Limited

Chief Executive's review (continued)

Speaks for Itself' campaign. The campaign which supported Tribute was designed to reinforce the brand as the quality beer of choice in our South West heartland as well as reaching out to the growing base of new fans that it has in London and the South East.

The investment in the Hare Brewery and the impact it had on available storage space in Warmley gave us the opportunity to review the optimum distribution options for serving our customers in Bristol, Bath and the surrounding areas. Following this review it was decided to combine our existing distribution facility with the Bath Ales storage requirements into a larger and more accessible site in Avonmouth. This new depot provides us with the ideal platform to underpin our aim of being the South West's leading wholesaler and supplier of beer, wine and spirits. The accessibility, location and the scope for growth were key drivers in the decision-making process. The new depot allows us to carry a greater product range and provide improved service operations to our customers. This important development is part of a wider strategic move to improve our logistics network and increase our coverage across the South West, enabling the business to be more responsive to customer needs.

It has been an important year for our wine business following a re-brand of the business as St Austell Wines, which now better aligns with the wholesaling business that the Company undertakes. We offer more than 750 wines from vineyards across the world and the range covers fantastic house wines to prestige cuvées, providing one of the most extensive selection of wines available to the licensed trade across the South West. It was felt important that St Austell Wines should incorporate a contemporary new look whilst also reflecting the heritage of the business.

The re-branding demonstrates the continuing importance of wine to the Company.

Our training team provides both in-house and external third-party training, and has been at the forefront of developing apprenticeship programs for young people looking for careers as diverse as catering, engineering, hospitality, business and tourism. We work closely with schools and colleges across our region to create the best career-starting opportunities for young people in the South West. In recognition of these efforts our training team picked up the award for both the Best Apprenticeship Programme and Best Training Programme (Leased & Tenanted Companies under 200 outlets) at the NITA's.

I reported last year that we had invested in a new Brewing Experience at our Visitor Centre in St Austell. I am delighted to report that not only has the Experience doubled the number of visitors but it was shortlisted as one of the top three small visitor attractions in Cornwall at the Cornwall Tourism Awards (CTAs). It has also helped spread our global message with visitors coming to visit us from across the world.

The issue of sustainability is one that is rightly regarded as critical for business success. It is therefore particularly pleasing that our sustainability credentials were recognised at this year's Cornwall Sustainability Awards (CSA). Looking after the local environment and local communities is at the heart of the business. I was intrigued to discover that Walter Hicks himself, as Chairman of the St Austell town Board back in the 1890s, oversaw the introduction for the first time of a healthy water supply into St Austell.

We have worked hard in recent years to reduce the amount of energy and water required to make our beers. We are investing in a new water treatment plant at St Austell which will provide even greater assurance over the quality of our beers. We have also embedded recycling throughout the business and have significantly reduced the amount of waste going to landfill.

St Austell Brewery Company Limited

Chief Executive's review (continued)

The Company has collected a number of awards this year and a couple of these give me particular pride as they recognise the wide spectrum of the business. We picked up the 2017 West of England Business of the Year Award, for businesses with turnover more than £30m, sponsored by accountants PWC. This award assessed companies not only on profitability and business management but also on their commitment to the communities they work in, the environment and their workforces. The judges hailed the Company's sustainable growth, the bold acquisition of Bath Ales, product diversifications, and continued investment back into the business, including in new brewing technologies. We were also named as the UK's best manufacturer at the Insider Media Made in the UK Awards 2017 and in October we were listed for the first time in the Sunday Times Grant Thornton Top Track 250 League Table. This annual table ranks Britain's private mid-market growth companies with the biggest sales.

Our People

At the end of 2017 Adam Luck, after 41 years with the Company and 19 as a Director, stepped down from the Senior Management Team and transferred operational responsibility for the pub estate to our Retail Director, Steve Worrall. Adam has been a tremendous asset to the business throughout his career and his knowledge and expertise have been invaluable in steering the pub estate through a period of unprecedented change. I am delighted that Adam will remain on the Board and take on the important role of Property Director on a part-time basis. Adam's role will include having specific responsibility for identifying and investigating suitable acquisition opportunities.

Steve Worrall, who joined the Company in March 2017 and was appointed to the Board in July, has set about building on the strong foundations that he has inherited from Adam. Steve took on responsibility for the retail estate from 1 July 2017 and on 1 January 2018 assumed responsibility for the tenanted estate. As our estate has expanded into Bristol, Bath and the East of our trading region it is evident that whilst there are increased opportunities there are also greater challenges and competition. This is undoubtedly one of the key priorities for our pub estate and I am very confident that we can meet these challenges and profitably grow our pub business in this region.

In October 2017 Jackie Scarfe, our People Director (Associate) left the business but I am delighted that, following a thorough recruitment process, we have appointed Tamsyn Hawkins to this key role and she joins us in March 2018. Tamsyn joins from Zizzi Restaurants part of the Azzurri group, where she was Head of People. Her background in hospitality and expertise will be very important as we continue our development.

As a reflection of the growth in the Company and in the preparation for the new ERP system we have appointed Andrew Holden to oversee our procurement function. Andrew has extensive experience and expertise in this area following senior roles with Ikea, Habitat and for the last ten years, the Eden Project. Andrew's appointment will enable us to critically review and ultimately better manage the cost base across the business.

Current trading

We have enjoyed a steady start to 2018 and we are trading in line with expectations in the current challenging market conditions but we are confident that the investments we have made will help to provide a strong platform upon which to ensure the long term sustainable success of the business.

St Austell Brewery Company Limited

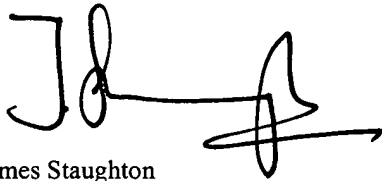
Chief Executive's review (continued)

Summary

Our overall performance in 2017 has been strong and despite some challenging market conditions, our underlying business has performed robustly. The acquisition of Bath Ales was a key part of our long term strategy but we always recognised that in order to fully benefit from this purchase we would need to invest to improve the operations. We remain committed to this plan and remain confident that the beer brands and pub sites acquired from Bath Ales will deliver in line with our expectations over the medium term.

The business has enjoyed a period of unprecedented growth over recent years. This growth in demand has led to an increased need for investment in production facilities, IT systems, infrastructure and people. We are committed to ensuring that this investment will enable the business to grow profitably and sustainably. Our strategy continues to be to invest for the long term and ensure that we remain focused on delivering wonderful, distinctive experiences through great products and services.

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 be 'J. Staughton', with a stylized flourish at the end.

James Staughton

Chief Executive

28th March 2018

St Austell Brewery Company Limited

Strategic report

We are an integrated regional family brewer that is proud of its heritage but recognise the importance of conscious innovation. We seek to give all our customers wonderful, distinctive experiences by offering great products and excellent service. We operate a portfolio of licensed premises across the South West of England. These sites can be found in spectacular coastal locations, in the middle of the main urban centres of our region as well as in the heart of their local communities. We operate a successful wholesale business from depots across the South West of England including our main facility at St Columb. We also produce a range of award winning beer from our brewery in St Austell and will soon open the new state of the art Hare Brewery in Warmley. Our beer is sold both nationally and internationally in the on and off trade.

We operate our estate under three business models - managed, tenanted and leased. This gives us with the ability to operate flexibly and seek to ensure that we deliver best practice in each area. We review and assess each establishment on an ongoing basis and regularly consider new ways of operating based on each individual business's requirements. We are proud of our pubs and hotels and are committed to delivering our customers with great experiences and delighting the communities that we serve.

The growth in our beer volumes is underpinned by the quality of our production facilities and our ongoing investment in supporting our Cornish beer brands. The brewery in St Austell has seen significant investment over recent years to keep pace with increased demand. We now have a modern, efficient brewery housed within the shell of a historic Victorian building. The purchase of Bath Ales and subsequent decision to invest in the production facilities at Hare Brewery enables us to support our Bath beer brands and allows us to invest in research and development to create the beer brands of the future.

In order to manage this growth it is vital that the systems and infrastructure that support the business are fit for purpose. Our ongoing investment in a new ERP system will provide the platform for continued, sustainable future growth.

Our business strategy is to continue to operate in all of the market segments that we do currently and to always strive to improve the way we operate. We have also looked to new regions to expand our trading area. We are flexible, adaptable and customer focused and use these qualities to continually explore and build new business relationships.

Pubs and hotels highlights

- Re-opened the Chain Locker in Falmouth after a major redevelopment.
- Strong trading performance in our core managed estate.
- Innovative developments at the Haveners Fish & Chip Shop and the Brewer & Bean stand-alone site in Plymouth.
- Three of our pubs recognised as the best pub in their region at the national pub and bar awards.
- Named for the Fifth consecutive year as UK's best performing pub company in the M&C Allegra (MCA) Tenant Track Survey.

Beer brand highlights

- Continued growth in beer volumes outperforming the beer market.
- Investing in an innovative new Xflow system to further improve the quality and consistency of our beer.

St Austell Brewery Company Limited

Strategic report (continued)

- Growth of 25% in overseas sales of our beers and we now export to over 20 countries around the world.
- Investment in new bottles to celebrate our heritage whilst creating a more contemporary look.
- Industry award for our “Quality speaks for itself” marketing and communication campaign for Tribute.

Sales highlights

- Record turnover.
- Significant sales growth in the national off-trade and export markets.
- Secured a new distribution facility in Avonmouth to underpin our aim of being the South West’s leading wholesaler and supplier of alcoholic and non-alcoholic drinks.
- Successful rebranding of our wine business to make it more contemporary whilst reflecting the heritage of the business.

People highlights

- Steve Worrall joined the Company and was appointed to the Board as Retail Director taking over responsibility for all estate operations.
- Recruited specialist expert resource to improve procurement throughout the business.
- Awarded the PWC West of England Business of the Year 2017.
- Listed in the Sunday Times Grant Thornton Top Track 250 league table of Britain’s private mid-market companies.

REVIEW OF THE BUSINESS

The Company’s key financial performance indicators during the year can be summarised as follows:

	30 December 2017	
	£’000	% Change
Turnover	169,307	+10.5%
Operating profit before other items*	13,808	-1.1%
Profit before tax and asset sales	11,987	-5.4%
Profit before tax	12,318	-11.9%
Shareholders’ funds	100,660	+8.5%
Net pension scheme deficit	12,034	-6.0%
Net debt	49,591	+9.2%

* Other items are defined in note 10 to the accounts.

The Chairman’s statement and Chief Executive’s review provide a more detailed summary of the year and an indication of future prospects.

St Austell Brewery Company Limited

Strategic report (continued)

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:

	30 December 2017	% Change
Earnings per share before other items (£)	£5.86	-3.3%
Dividends per share (£)	£1.62	+18.9%

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following sets out what the Board considers to be the principal risks which affect the business at present, although it is not intended to be a comprehensive analysis of all the risks that we may face.

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 long-term success of the business.	Business decisions are taken for the long-term benefit of the company. The culture of the Company and 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>
A fall in consumer confidence in the UK, particularly in light of the referendum vote to leave the EU, could adversely affect the company.	Reduced revenue profitability and lower growth rates.	Focus on service, quality and value for money. All costs are monitored in detail and competitor activity is reviewed on a regular basis.

The company's trading sites are located throughout the South West of England, an area that relies significantly on visitors to drive trade.	Adverse weather and a fall in visitor numbers can have a significant impact on both revenue and profit.	Although we cannot control the weather, we aim to ensure that we are best placed to attract both locals and visitors to our sites. Our acquisition strategy seeks to reduce where possible our reliance on the vagaries of the weather and the seasonal impacts on the business.
---	---	---

St Austell Brewery Company Limited

Strategic report (continued)

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 data held by the Company is a key business asset and any significant loss of this data could lead to a damaging interruption to our business and negatively impact our reputation.	Failure of our information systems or a significant loss of data may affect our ability to do business, adversely affecting both revenue and profitability. Reputational damage and adverse financial damage from fines or compensation.	Networks are protected by firewalls and anti-virus protection systems with backup procedures in place. Our investment in a new ERP system seeks to ensure that our information systems are robust and appropriate to support the business. Business continuity plan for critical business processes in place, and are regularly reviewed and tested. Suitable access control, password protection and IT policies and procedures in place.
We are a people business. The recruitment, retention and development of employees and licensees is crucial to our success. We have a number of key staff who are important to our success. If a number of these individuals left at the same time it could impact our ability to deliver on our key strategic objectives	Reduced profitability of the Company and our pub sites 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. Remuneration is benchmarked both regionally and within the market sectors we operate in to ensure we remain competitive We review succession plans to ensure appropriate cover for key roles.

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 mis-statement 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)

REGULATORY RISKS

<u>Specific risk area</u>	<u>Potential impact</u>	<u>Mitigation</u>
The health and safety of our employees and customers is vital. We are required to comply with all relevant health and safety legislation. The areas of most significance to us include food hygiene and fire safety.	Breaches of health and safety or food hygiene regulations can attract undesirable media attention and could lead to significant financial penalties. Failure to comply could have a major impact on the reputation of the business and its profitability.	A Health and Safety Committee meets regularly to oversee the operation of our health and safety policies and procedures. We provide regular training programmes to ensure all risks are identified and properly assessed. We report and investigate all accidents and near misses. All staff receive food hygiene training and regular audits/checks are undertaken to ensure that they are complying with the standards expected.
We operate in a highly regulated sector. There is a specific risk of legislative changes in the regulation of the sale or consumption of alcohol, including changes to drink-driving laws and the introduction of minimum pricing.	Changes in regulations may reduce demand for our products leading to lower revenue and profitability	We closely monitor all potential legislative developments and actively engage with Government, both directly and via trade associations. We are represented on key industry bodies and committees by a number of our directors and senior employees. We have sought to diversify our offer to include food, accommodation and coffee thereby reducing our reliance on alcohol-based revenue.

St Austell Brewery Company Limited

Strategic report (continued)

CORPORATE SOCIAL RESPONSIBILITY

General

We are an independent family business with our headquarters based in St Austell, Cornwall. We have a passion for quality and our values are important to us and are at the heart of how we operate. These values are:

- Appreciate yourself and others
- Be committed to the best customer service
- Conduct yourself with honesty and integrity
- Do challenge positively to improve things
- Enjoy and be proud of St Austell Brewery
- Never knowingly let a colleague fail

These values underpin our corporate social responsibility. We are committed to creating long-term mutually beneficial relationships with all our stakeholders.

Our communities

Throughout the Company's history many of our pubs and hotels have played a key role in the heart of their local community and they continue to do so. We raise a substantial amount of money via our own Charitable Trust to support a wide range of charities and provide donations to individuals facing very challenging circumstances. Our main fund-raising event is the annual Celtic Beer Festival which raised over £40,000 and in total the Trust raised £69,000 in 2017.

As well as supporting the Springboard Future Chef competition, which saw us mentoring Anna West from Penair School in Truro through to the national final, we went one step further in 2017, establishing our own Young Cornish Chef competition. Offering aspiring youngsters one-to-one mentoring in all aspects of cooking and understanding of nutrition, Garnet Scott from the Roseland Academy beat off stiff opposition from four local schools and academies to win the first prize. The prize included taking over our St Austell Visitor Centre kitchen to cook her very own gala dinner for family and school staff alongside our own professional team.

Both of these competitions are directly related to the national curriculum and give young people valuable life skills while tackling the severe skills shortage facing hospitality by helping 12 to 16-year-olds to understand the variety of options open to them in the industry.

We firmly believe that sport helps to develop real cohesion within the local community. Alongside our support for major sporting organisations through our flagship Tribute Pale Ale, such as Cornwall, Somerset and Gloucester cricket, the Cornish Pirates and the Cornwall County rugby team and National League 1 football side Plymouth Argyle, we also sponsor sport at grass roots level.

Our Korev Cornish lager has also played a strong role in supporting local culture, backing many major music and cultural events across the South West, including the Eden Sessions and Looe Music Festival, while at the same time helping to develop surfing across the region, to the point where both Korev surfing ambassadors, Newquay's Luke Dillon and Woolacombe's Lucy Campbell are in contention to join Team GB when surfing becomes an Olympic Sport in 2020.

St Austell Brewery Company Limited

Strategic report (continued)

Through Bath Ales, we proudly support Bath Rugby, with Gem as the official beer of the club. This year saw the change from keg to cask across the bars at their home ground The Rec, which was well received by beer fans. Bath Ales also sponsors Bath Saracens RFC, including supporting their 'player of the month' and regularly helps local community organisations and individuals with charity fundraising.

In August 2017 Bath Ales became the official supplier to Bath City FC. This is an exciting opportunity ahead of plans to re-develop the grounds of this newly community-owned club.

Bath Ales is also an active supporter of the annual Bath Christmas Market, a great opportunity to meet with local Bath Ales enthusiasts and those from further afield. Special edition beers such as Sulis Bock and Cherry Stout were launched and well received there, as were the plans for the new Hare Brewery.

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.

We offer pro-active support to our workforce and have invested in our in-house Occupational Health team. The Company seeks to build strong working relationships between departments and effective co-ordination and communication of its health and wellbeing programmes. This reinforces the Company's strategic objective of being the employer of choice in the South West of England. On top of gaining the prestigious Investor in People Gold award at our last accreditation, we were awarded Healthy Workplace Gold in 2017 in recognition of our programs designed at targeting mental health, men's health and the communication and understanding of these issues at all levels of management.

This year the entire workforce has taken part in cardiopulmonary resuscitation (CPR) and defibrillator training. The in house CPR training course forms part of our ongoing occupational health program.

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. Over the last year, we have also become signatories to the Armed Forces Covenant, offering fair consideration to all suitable applications from ex-servicemen and support for their families where applicable.

Our customers

We are committed to operating licensed premises of the highest quality and take our responsibility to customers and their communities seriously. All of our licensees are trained to the Cask Marque standard. We consider that our pubs are an integral part of their local area providing the community with an asset that provides a safe, friendly environment for both our customers and staff. We believe that the pub should be the centre or hub of community life and can also provide essential services beyond the usual drinks, food or entertainment. We are very proud to support Pub is The Hub, an organisation of specialist voluntary advisors for rural pubs and licensees, which has seen community pubs take on library, village shop and other essential roles alongside their core business to keep community life vibrant and alive. It is our firm belief that the pub is the home of responsible retailing and we actively avoid discounting alcoholic drinks. We also continue to develop our

St Austell Brewery Company Limited

Strategic report (continued)

Brewer and Bean coffee operation and have improved the range of soft drinks that we offer. All our pubs provide complimentary tap water on request and we are active members of initiatives designed to eliminate single use plastic bottle waste, such as Turn on the Tap and Re-Fill.

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 underage drinking.

All our beers are brewed with top quality ingredients and in St Austell we use water from our own local source. We pride ourselves on producing top quality, consistent products which continue to win numerous industry awards.

Our environment

We go to great lengths to be environmentally efficient and we seek to reduce our use of carbon in every area of the business as much as possible. We are proud to be doing our part in protecting our unique and beautiful environment.

Brewing cask ales has always been one of the most environmentally friendly processes; it uses simple natural ingredients of water, barley, hops and yeast. Our Cornish Barley Growers' Initiative last year saw 12 farms cultivating over 1000 acres producing over 2300 tonnes of Maris Otter barley locally for use in our beer. As part of our very own circular economy, our spent hops, barley and yeast are re-used to feed local livestock, help grow plants and make artisan bread.

We seek to reduce water consumption throughout the Company and encourage our customers to be water-wise where possible. Through innovation and the introduction of new technology, we have reduced the amount of water it takes to make one pint of beer from 13 pints in 2000, to just 4 pints last year. This figure is being further reduced through our investment in a new water recycling and management system in St Austell at a cost of £1.6 million. The new investment will feature an in-built methane burner running on the by-products of the processes, further enhancing our energy efficiency by re-heating water for the brewing process.

In 2011, it took 17Kwh of electricity to produce a barrel of beer. Because of our investment in renewable energy sources and monitoring of our energy usage, it now takes just 11Kwh. Over the last five years we have installed Photovoltaic systems at the Brewery, our main Cornish Distribution Centre in St Columb and at the County Arms in Truro. As a result of this investment, we were National Grid free for half of 2017, delivering enough energy back to the grid to power 250 family homes for a year. We are also trialling other renewable systems such as thermal and biomass heating and rainwater harvesting at sites across our estate.

We have replaced almost 90% of our lighting with more energy efficient LED lighting and our environmental efforts are reinforced across our retail estate by our Green Champions, who are empowered to monitor and challenge any situations where improvements can be made. Our commitment to energy savings and carbon reduction is embedded within our Environmental policy. We have also signed up to the Waste & Resources Action Programme (WRAP). We record, measure and monitor all our energy usage. We are members of the Hospitality Carbon Reduction Forum which enables us to share knowledge, ideas and learn from other companies in our sector. By close monitoring, we have achieved real carbon reductions and are committed to on-going reductions in energy usage through efficient equipment such as Voltage Optimisation.

St Austell Brewery Company Limited

Strategic report (continued)

We are involved in many initiatives to source locally and sustainably. We are part of Cornwall Wildlife Trust's Cornwall Good Seafood Guide and we recently signed a new agreement for our waste management operations aimed at achieving a 0% to landfill policy.

We source local products or services where possible, to boost the local economy, reduce road miles and provide fresh produce to our customers. We take responsibility to prevent contamination or pollution of our surrounding environment and continually promote sound environmental practice, raising staff and public awareness of our environmental activities.

Our environmental credentials were recognised as we were voted Made in the UK Manufacturer of the Year, PWC West of England Business of the Year as well as being named Best Managed Large Business at the 2017 Cornwall Sustainability Awards.

CORPORATE GOVERNANCE

The Board

The Board currently comprises the Non-Executive Chairman, the Chief Executive, four Executive Directors and three Non-Executive Directors. The Board includes four direct descendants of the Company founder, Walter Hicks, which ensures that the business retains the family ethos at its heart. This is combined with experienced, professional management to ensure that the business benefits from rigorous and appropriate governance whilst still being able to fully utilise that family feel.

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

The Board has a formal schedule of matters reserved for its consideration. This schedule identifies those decisions that are to be taken by the Board or delegated to management. The Board governs the business operations via 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. The Board also hold telephone meetings to discuss matters between face to face meetings throughout the year. The Board is responsible to the Shareholders for ensuring the long-term sustainable, success of the Company. It reviews the Company's strategy, its progress in achieving its long term strategic financial objectives and for ensuring that the Company has an appropriate overall funding strategy. The Board approves the annual financial statements and the annual budget. It authorises acquisitions, disposals and all major developments or investments. The Board is also responsible for overseeing the Company's systems of internal control, governance and risk management.

An annual joint strategy meeting is held by the Board and its Senior Management Team in September.

Board papers are circulated at least six days before each Board or committee meeting to ensure that directors have adequate time to read and consider the papers before the meeting.

St Austell Brewery Company Limited

Strategic report (continued)

The Board conducts an annual evaluation of its own performance. There is a regular review of the training and development needs of the Board and its committees and each director is responsible for ensuring that they remain up to date with their skills and knowledge of the Company.

The Company has in place appropriate directors' and officers' liability insurance.

The directors are required to disclose all actual and potential conflicts of interest prior to their appointment. These declarations of interest are then subject to an ongoing review and annual confirmation. 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.

Committees of the Board

Nomination

The Nomination Committee is chaired by Will Michelmores. The committee also includes Jonathan Neame, Gerard Barnes, 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 considers the appropriateness of the Company's succession plans for Board membership by evaluating the appropriate skills, knowledge and experience that will be needed.

Audit and Risk

The Audit and Risk Committee is chaired by Gerard Barnes. The committee also includes Jonathan Neame and Kevin Georgel. The Finance Director and external auditor attend its meetings by invitation. The committee is responsible for overseeing the external audit relationship. During 2017 the committee undertook a rigorous tender process for the external audit of the business culminating in a unanimous recommendation to appoint Ernst & Young. The committee also reviews the annual financial statements, monitors the internal controls and oversees the Company's risk management plans.

Remuneration

The Remuneration Committee is chaired by Will Michelmores. The committee also comprises Jonathan Neame, Gerard Barnes and Kevin Georgel. The committee is responsible for determining, on behalf of the Board, the remuneration packages of the Executive Directors.

The remuneration of the Non-Executive Directors is decided by the Board as a whole. The Remuneration Committee is also responsible for approving the bonus targets and any payments for the Senior Management Team. In reaching these decisions the Remuneration Committee considers the Company's overall financial performance as well as the performance of individual directors and members of the Senior Management Team. The Company aims to ensure that the remuneration packages of both the Executive Directors and the Senior Management Team are comparable with companies of a similar size and complexity. The remuneration packages are structured so as to attract, retain and motivate the Executive Directors and Senior Management Team.

St Austell Brewery Company Limited

Strategic report (continued)

Senior Management Team

The Senior Management Team (SMT) is responsible for implementing the operational plans that underpin the delivery of the Company's strategic objectives. The SMT is chaired by the Chief Executive and comprises Piers Thompson External Relations Director, Colin Stratton Finance Director, Steve Worrall Retail Director, Ian Blunt Sales and Distribution Director (Associate), Martin Breeding National Sales Director (Associate), Roger Ryman Production Director (Associate), and Jeremy Mitchell Marketing and Communications Director (Associate). They will be joined in March 2018 by Tamsyn Hawkins as People Director (Associate). The SMT meet on a regular basis but hold formal monthly meetings to review operating performance and discuss key operational issues. The SMT have delegated authority from the Board to deal with operational matters.

Internal control

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

Communication with shareholders

The Board believe in ensuring that there is an open dialogue with the Company's Shareholders. Shareholders are provided with information in the interim and annual financial statements. Shareholders are encouraged to attend the Annual General Meeting (AGM). The AGM provides the Board with an important opportunity to communicate with its Shareholders and the Chairman, Chief Executive and Finance Director 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. The AGM also provides Shareholders with the opportunity to raise any questions with the Board.

The Family Council, established in 2014, provides an important platform to improve communication between the Board and Family Shareholders. The Family Council meet twice a year and the Chairman, Chief Executive and other senior employees of the Company discuss issues with the Family Council such as governance and strategy as well as providing an update on the Company's performance.

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	10/10	-	-	-
Adam Luck	No	10/10	-	-	-
Colin Stratton (*)	No	8/8			
Steve Worrall (**)	No	5/5			
Piers Thompson	No	10/10	-	-	-
Non-Executive Directors					
Will Michelmores	No	9/10	5/5	-	5/5
Gerard Barnes	No	10/10	5/5	5/5	5/5
Kevin Georgel	Yes	9/10	5/5	5/5	5/5
Jonathan Neame	Yes	10/10	5/5	5/5	5/5

(*) Appointed 10 March 2017.

(**) Appointed 6 July 2017.

Jonathan Neame has decided to step down from the Board in May 2018 after sixteen years on the Board. Throughout his tenure Jonathan has remained independent in both character and judgement. The Board consider that his performance has been highly effective and he has demonstrated an extremely strong commitment to the role. Aside from being a member of all of the Committees of the Board his responsibilities have included supporting the Chairman and being available as a direct contact for shareholders if required.

Future Developments

The directors expect the general level of activity to continue to grow in the forthcoming year. The opening of the Hare Brewery will act as an important catalyst for the growth, and development of our beer brands. The Chain Locker which reopened in September 2017 has traded significantly in excess of expectations and should provide a boost to earnings from a full year of trading.

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



Colin Stratton
Company Secretary

St Austell Brewery Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 December 2017. Certain information regarding principal risks, employee matters and future prospects have been included within the Strategic Report.

DIVIDENDS

An interim dividend of 70p (31 December 2016: 69p) was paid on the ordinary shares on 20 October 2017. The directors recommend a final dividend of 92p be paid on the ordinary shares (31 December 2016: 90p).

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 £27.5m and £30m. The revolving credit facility of £30m was extended by a further year in March 2017. As a result the revolving credit facility for £27.5m is due for renewal in March 2021 whereas the facility for £30m is due for renewal in March 2022. The revolving credit facilities may be extended for a further year in March 2018 providing the consent of both the Company and the debt facility provider is given. In March 2018 we agreed an additional revolving credit facility of £15m with an expiry date of March 2023. This means that we now have total revolving credit facilities of £72.5m and we believe this will provide us with the necessary funding and flexibility to support our strategic plans.

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 throughout the year and subsequently up to the date of this report, were as follows:

W F Michelmores (Chairman)

S J Staughton (Chief Executive)

T A Luck

J B Neame

G H Barnes

P M Thompson

St Austell Brewery Company Limited

Directors' report (continued)

K R Georgel

C J Stratton (appointed 10th March 2017)

S Worrell (appointed 6th July 2017)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors and these remain in force at the date of this report.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

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

AUDITOR

Ernst & Young LLP were appointed by the Board to replace Deloitte LLP as the Company's external auditor on 22 September 2017.

Ernst & Young 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.



Colin 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

St Austell Brewery Company Limited

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 ('the parent company') and its subsidiaries (the 'group') for the 52 week period ended 30 December 2017 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent Company's affairs as at 30 December 2017 and of the group's profit for the 52 week period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

St Austell Brewery Company Limited

Independent auditor's report to the members of St Austell Brewery Company Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 3 to 45, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 parent company 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

St Austell Brewery Company Limited

Independent auditor's report to the members of St Austell Brewery Company Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

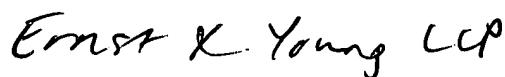
In preparing the financial statements, the directors are responsible for assessing the group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Paul Mapleston (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

28th March 2018

St Austell Brewery Company Limited

Consolidated profit and loss account

For the 52-week period ended 30 December 2017

		52 weeks ended 30 December 2017			52 weeks ended 31 December 2016		
	Note	Before other items* £'000	Other items* £'000	Total £'000	Before other items* £'000	Other items* £'000	Total £'000
Turnover	3	169,307	-	169,307	153,226	-	153,226
Cost of sales		(98,701)	-	(98,701)	(89,506)	-	(89,506)
Gross profit		70,606	-	70,606	63,720	-	63,720
Distribution expenses		(7,400)	-	(7,400)	(6,364)	-	(6,364)
Administrative expenses		(49,398)	(516)	(49,914)	(43,395)	-	(43,395)
Operating profit		13,808	(516)	13,292	13,961	-	13,961
Profit on sale of tangible fixed assets		-	331	331	-	1,320	1,320
Profit on ordinary activities before interest and taxation		13,808	(185)	13,623	13,961	1,320	15,281
Interest receivable and similar income	4	39	-	39	44	-	44
Interest payable and similar charges	4	(1,304)	318	(986)	(1,021)	(170)	(1,191)
Other finance cost on pension scheme	4	-	(358)	(358)	-	(146)	(146)
Profit on ordinary activities before taxation	5	12,543	(225)	12,318	12,984	1,004	13,988
Tax on profit on ordinary activities	8	(2,619)	-	(2,619)	(2,725)	-	(2,725)
Profit for the financial period		9,924	(225)	9,699	10,259	1,004	11,263
Earnings per share		£5.86	(£0.13)	£5.73	£6.06	£0.60	£6.66

All results relate to continuing activities.

*Other items are analysed in note 10.

St Austell Brewery Company Limited

Consolidated statement of comprehensive income

For the 52-week period ended 30 December 2017

	Note	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Profit for the financial period		9,699	11,263
Remeasurement of net defined benefit liability	25	1,078	(8,981)
Tax relating to components of other comprehensive income	19	(183)	1,528
Other comprehensive [income / (expense)]		895	(7,453)
Total comprehensive income		10,594	3,810

St Austell Brewery Company Limited

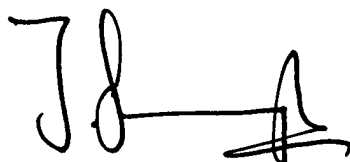
Consolidated balance sheet

At 30 December 2017

	Note	At 30 December 2017 £'000	At 31 December 2016 £'000
Fixed assets			
Goodwill	11	1,777	2,012
Intangible assets	11	4,483	4,725
Tangible assets	12	148,153	138,235
		<u>154,413</u>	<u>144,972</u>
Current assets			
Stocks	14	8,268	7,902
Debtors			
– due within one year	15	22,644	20,033
– due after one year	15	2,100	1,926
Cash at bank and in hand		902	620
		<u>33,914</u>	<u>30,481</u>
Creditors: Amounts falling due within one year	16	<u>(25,011)</u>	<u>(23,930)</u>
Net current assets		<u>8,903</u>	<u>6,551</u>
Total assets less current liabilities		<u>163,316</u>	<u>151,523</u>
Creditors: Amounts falling due after more than one year	17	<u>(50,622)</u>	<u>(45,939)</u>
Net pension liability	25	<u>(12,034)</u>	<u>(12,810)</u>
Net assets		<u>100,660</u>	<u>92,774</u>
Capital and reserves			
Called-up share capital	22	1,692	1,692
Capital redemption reserve		1,108	1,108
Profit and loss account		97,860	89,974
Shareholders' funds		<u>100,660</u>	<u>92,774</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 28th March 2018. They were signed on its behalf by:

James Staughton
Chief Executive



28th March 2018

St Austell Brewery Company Limited

Company balance sheet

At 30 December 2017

	Note	At 30 December 2017 £'000	At 31 December 2016 £'000
Fixed assets			
Goodwill	11	1,777	2,012
Intangible assets	11	4,483	4,725
Tangible assets	12	148,153	138,235
Investments	13	-	1,506
		<u>154,413</u>	<u>146,478</u>
Current assets			
Stocks	14	8,268	7,902
Debtors			
– due within one year	15	22,644	20,033
– due after one year	15	2,100	1,926
Cash at bank and in hand		902	620
		<u>33,914</u>	<u>30,481</u>
Creditors: Amounts falling due within one year	16	<u>(25,011)</u>	<u>(25,600)</u>
Net current assets		<u>8,903</u>	<u>4,881</u>
Total assets less current liabilities		<u>163,316</u>	<u>151,359</u>
Creditors: Amounts falling due after more than one year	17	<u>(50,622)</u>	<u>(45,939)</u>
Net pension liability	25	<u>(12,034)</u>	<u>(12,810)</u>
Net assets		<u><u>100,660</u></u>	<u><u>92,610</u></u>
Capital and reserves			
Called-up share capital	22	1,692	1,692
Capital redemption reserve		1,108	1,108
Profit and loss account		97,860	89,810
Shareholders' funds		<u><u>100,660</u></u>	<u><u>92,610</u></u>

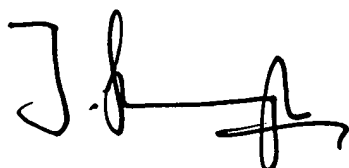
The Company has taken the exemption under section 409 of the Companies Act 2006 not to prepare a profit and loss account. The Company reported a profit for the financial period ended 30 December 2017 of £9,699,000 (31 December 2016: £11,099,000).

The financial statements of St Austell Brewery Company Limited, registered number 107021, were approved by the Board of Directors and authorised for issue on 28th March 2018. They were signed on its behalf by:

James Staughton

Chief Executive

28th March 2018



St Austell Brewery Company Limited

Consolidated statement of changes in equity

At 30 December 2017

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	1,692	1,108	89,974	92,772
Profit for the financial period	-	-	9,699	9,699
Remeasurement of net defined benefit liability	-	-	1,078	1,078
Tax relating to items of other comprehensive income	-	-	(183)	(183)
Total comprehensive income	-	-	10,594	10,594
Dividends paid on equity shares	-	-	(2,708)	(2,708)
At 30 December 2017	1,692	1,108	97,860	100,660

St Austell Brewery Company Limited

Company statement of changes in equity

At 30 December 2017

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	1,692	1,108	89,810	92,610
Profit for the financial period	-	-	9,699	9,699
Remeasurement of net defined benefit liability	-	-	1,078	1,078
Tax relating to items of other comprehensive income	-	-	(183)	(183)
Intercompany balances transitioned	-	-	164	164
Total comprehensive income	-	-	10,758	10,758
Dividends paid on equity shares	-	-	(2,708)	(2,708)
At 30 December 2017	1,692	1,108	97,860	100,660

St Austell Brewery Company Limited

Consolidated cash flow statement

For the 52-week period ended 30 December 2017

		52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
	Note		
Net cash flows from operating activities	23	14,750	11,570
Cash flows from investing activities			
Interest received	4	39	44
Interest paid	4	(1,304)	(1,021)
Preference dividends paid		(4)	(4)
Acquisition of subsidiary		-	(7,410)
Debt inherited on acquisition		-	(1,046)
Proceeds from sale of tangible assets		703	1,801
Purchase of tangible assets and intangible assets	12	(15,679)	(17,467)
Net cash flows from investing activities		(16,245)	(25,103)
Cash flows from financing activities			
Dividends paid		(2,708)	(2,555)
Drawdown of borrowings		51,500	50,500
Repayment of borrowings		(51,500)	(50,500)
Repayments of obligations under finance lease		(89)	(88)
Increase in revolving credit facilities		5,000	17,000
Net cash inflow from financing		2,203	14,357
Net increase in cash and cash equivalents		708	824
Cash and cash equivalents at beginning of period		(3,240)	(4,064)
Cash and cash equivalents at end of period		(2,532)	(3,240)
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		902	620
Cash equivalents		(3,434)	(3,860)
Cash and cash equivalents		(2,532)	(3,240)
Analysis in change of debt			
	1 January 2017 £'000	Cash flows £'000	30 December 2017 £'000
Cash at bank and in hand	620	282	902
Bank overdraft	(3,860)	426	(3,434)
	(3,240)	708	(2,532)
Revolving credit facilities	(42,000)	(5,000)	(47,000)
Finance lease obligations	(148)	89	(59)
Debt due	(45,388)	(4,203)	(49,591)

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period.

a. General information and basis of accounting

The Company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 70. The nature of the Companies operations and its principal activities are set out in the strategic report on pages 12 to 23.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of St Austell Brewery Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

St Austell Brewery Company Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key personnel.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to the nearest Saturday to 31 December each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

c. Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

d. Intangible assets

(i) 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 in a straight line over its estimated useful life of between three and ten years.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

1. Accounting policies (continued)

(ii) Acquired Brands

Brands that have been acquired are non-monetary assets which are without physical substance but are separately identifiable. They satisfy a recognition criteria and are initially measured at cost, based on the future discounted cash flows generated from the brand. They are capitalised in the balance sheet at cost and are amortised over their useful estimated life of twenty years. We do not capitalise internally generated brands.

e. 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 20 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.

f. Investments

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

g. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

g. Financial instruments (continued)

- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the Company balance sheet, investments in subsidiaries are measured at cost less impairment.

(iii) Equity instruments

Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(v) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

1. Accounting policies (continued)

h. 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.

i. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

(i) Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGU) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

(ii) Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

1. Accounting policies (continued)

j. 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.

k. 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.

l. Employee benefits

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 period is charged to operating profit in the period. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the period. The expected return on the assets of the scheme during the period based on the market value of scheme assets at the start of the financial period is included within other finance income. This also includes a charge representing the expected increase in liabilities of the scheme during the period, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the period are recognised in the statement of comprehensive income in the period, together with differences from changes in assumptions.

The net deficit on the defined benefit pension scheme is reported on the balance sheet as the net pension liability.

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 period. Differences between contributions payable in the period and contributions actually paid in the period are shown either as accruals or prepayments in the balance sheet.

m. Foreign currency

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.

n. 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.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

1. Accounting policies (continued)

o. Research and development

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

p. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 33-1A of FRS 102 not to disclose transactions with wholly-owned group companies.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

b. Bad debt exposure

We estimate and reserve for our bad debt exposure based on our experience with past due accounts and collectability, the ageing of accounts receivable and our analysis of customer data. Bad debt expense is classified within administrative expenses in the profit and loss account.

c. Impairment of intangible assets including goodwill

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which acquired brands or goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The recoverable amount is based on a calculation of value in use based upon the budget for the forthcoming financial period, as approved by the Board. The calculation of value in use is sensitive to the achievement in growth rate, the budgeted cash flows and the discount rate. The calculation is also dependent on sales volumes of the acquired brands.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Detailed impairment calculations have been conducted for the period with key assumptions being based on management and historical knowledge. Management have considered a sensitivity analysis in the key assumptions of the value in use calculation specifically surrounding the discount rate used. The current assumptions use a discount rate of 6.64% (31 December 2016: 6.64%). The results of the impairment calculation do not result in any impairment to goodwill.

d. Impairment of tangible fixed assets

The Company considers each trading unit to be a cash-generating unit (CGU) which are reviewed annually for indicators of impairment. When assessing impairment, the carrying amount is compared to the recoverable value amount.

If the asset values of the CGUs exceed the value in use then an impairment is required, the key assumptions used in the value in use calculations are the same as those detailed above but also include gross margins in the managed estate and the rent projections in the tenanted estate.

During the 52 weeks ended 30 December 2017 a net impairment of £nil was recognised in the profit and loss account. Impairment of two CGUs (The Ten Tors, Kingsteignton and Graze Cirencester) totalling £157,000 was recognised where their asset values exceeded their value in use. The impairment loss was due to the adverse performance of these two pubs. Following an improvement in performance two sites which were previously impaired have had reversals (The Tavern, Newquay and the Crown Hotel, Lynton) totalling £157,000 recognised in the profit and loss account.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

3. Turnover

An analysis of the Group's turnover by class of business is set out below.

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Turnover:		
Regional brewer	169,307	153,226

An analysis of the Group's turnover by geographical market is set out below.

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Turnover:		
UK	168,643	152,694
Rest of the world	664	532
	<u>169,307</u>	<u>153,226</u>

An analysis of the Group's turnover is as follows:

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Sale of goods	164,091	148,317
Rental income	5,216	4,909
	<u>169,307</u>	<u>153,226</u>

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 Group is that of a fully integrated regional brewer and that this constitutes one class of business.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

4. Finance costs (net)

Interest receivable

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Other interest receivable and similar income	39	44

Interest payable and similar charges

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Bank loans and overdrafts	1,290	1,008
5% Cumulative preference share dividends	4	4
Other loans	10	9
	1,304	1,021
Fair value movement of interest rate swap (see note 21)	(318)	170
	986	1,191

Other finance costs on pension scheme

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Net interest on defined benefit liability (see note 25)	358	146

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Depreciation of tangible fixed assets (note 12)	5,390	4,696
Impairment of tangible fixed assets	157	148
Reversal of past impairment losses on tangible fixed assets	(157)	(148)
Amortisation of goodwill (note 11)	235	142
Amortisation of other intangible assets (note 11)	242	122
Operating lease rentals	920	712

We annually assess the performance of our pubs' forecasted future profits to derive a carrying value figure. The impairment of tangible fixed assets in the period arose due to adverse performance in two pubs.

The reversal of past impairment losses arises from the improved performance of two pubs since the previous review.

Impairments and reversal of impairments of tangible fixed assets are included in administrative expenses.

Amortisation of intangible assets is included in administrative expenses.

The analysis of the auditor's remuneration is as follows:

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	65	82
Total audit fees	65	82
Taxation compliance services	10	24
Other taxation advisory services	-	-
Corporate finance services – Acquisition assistance	-	248
Controls and systems advice	-	226
Other non-audit services	-	8
Total non-audit fees	10	506

No services were provided pursuant to contingent fee arrangements.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	52 weeks ended 30 December 2017 Number	52 weeks ended 31 December 2016 Number
Brewery and depots	428	389
Hotel and public houses	1,125	992
	<u>1,553</u>	<u>1,381</u>

Their aggregate remuneration comprised:

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Wages and salaries	28,268	24,887
Social security costs	2,341	2,010
Other pension costs	1,035	827
	<u>31,644</u>	<u>27,724</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

7. Directors' remuneration and transactions

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Directors' remuneration		
Emoluments	858	647
Company contributions to defined benefit pension scheme	27	20
Company contributions to defined contribution pension scheme	7	-
	<u>892</u>	<u>667</u>
The number of directors who:		
Are active members of the defined benefit pension scheme	2	1
Are deferred members of the defined benefit pension scheme	1	1
Are pension members of the defined benefit pension scheme	1	1
Are active members of the defined contribution pension scheme	1	-
	<u>1</u>	<u>1</u>
Remuneration of the highest paid director:		
Salary	189	185
Salary in lieu of pension contribution	36	26
Bonus	-	19
Benefits in kind	13	12
Pensions contributions	-	6
	<u>238</u>	<u>248</u>

The highest paid director is a deferred member of the Company's defined benefit pension scheme and had accrued entitlements of £89,619 per annum under the scheme at the end of the year. There is no accrued lump sum.

Directors' advances, credits and guarantees

Details of transactions with directors during the period are disclosed in note 26.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

8. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Current tax on profit on ordinary activities		
UK corporation tax	2,608	2,663
Total current tax	<u>2,608</u>	<u>2,663</u>
Deferred tax		
Origination and reversal of timing differences	(9)	78
Adjustment in respect of prior periods	19	1
Effect of changes in tax rate	1	(17)
Total deferred tax (see note 19)	<u>11</u>	<u>62</u>
Total tax on profit on ordinary activities	<u>2,619</u>	<u>2,725</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.25% (31 December 2016: 20%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015. During the year beginning 31 December 2017, the net reversal of deferred tax assets and liabilities is expected to be nil.

There is no expiry date on timing differences, unused tax losses or tax credits.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

8. Tax on profit on ordinary activities (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Group profit on ordinary activities before tax	<u>12,318</u>	<u>13,988</u>
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 19.25% (31 December 2016: 20%)	2,371	2,797
Effects of:		
- Expenses not deductible for tax purposes	547	207
- Income not taxable in determining taxable profit	(318)	(263)
- Tax rate changes	1	(17)
- Adjustments to tax charge in respect of prior periods	19	1
Other	<u>(1)</u>	<u>-</u>
Group total tax charge for period	<u>2,619</u>	<u>2,725</u>

The company is aware of the proposed, phased reduction in corporation tax rates to 17% by 2020 but is not aware of any other factors that will materially affect the future tax charge.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

9. Dividends on equity shares

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Interim dividend paid of 70p per ordinary share (31 December 2016: 69p)	1,184	1,168
Proposed final dividend of 92p per ordinary share (31 December 2016: 90p)	1,557	1,523
	<u>2,741</u>	<u>2,691</u>

Amount of dividends recognised in the current year is £2,707,814

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

10. Other items

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Write off of ERP implementation costs	(207)	-
Write off of project development fees	(309)	-
Profit on sale of tangible fixed assets	331	1,320
Interest payable and similar charges – fair value movement in swap	318	(170)
Other finance income on pension scheme (note 25)	(358)	(146)
Total other items	<u>(225)</u>	<u>1,004</u>

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

11. Intangible fixed assets

	<u>Group</u>			<u>Company</u>		
	Brands £'000	Goodwill £'000	Total £'000	Brands £'000	Goodwill £'000	Total £'000
Cost						
At 1 January & 30 December 2017	4,847	3,389	8,236	4,725	3,284	8,009
At 30 December 2017	<u>4,847</u>	<u>3,389</u>	<u>8,236</u>	<u>4,725</u>	<u>3,284</u>	<u>8,009</u>
Amortisation						
At 1 January 2017	122	1,377	1,499	-	1,272	1,272
Charge for the period	<u>242</u>	<u>235</u>	<u>477</u>	<u>242</u>	<u>235</u>	<u>477</u>
At 30 December 2017	<u>364</u>	<u>1,612</u>	<u>1,976</u>	<u>242</u>	<u>1,507</u>	<u>1,749</u>
Net book value						
At 30 December 2017	<u>4,483</u>	<u>1,777</u>	<u>6,260</u>	<u>4,483</u>	<u>1,777</u>	<u>6,260</u>
At 1 January 2017	<u>4,725</u>	<u>2,012</u>	<u>6,737</u>	<u>4,725</u>	<u>2,012</u>	<u>6,737</u>

The net book value and remaining useful life of each brand considered material to the group are shown in the table below.

Intangible asset	Net book value £'000	Estimated remaining useful life
Gem	3,129	18.5
Bath Ales	1,354	18.5
	<u>4,483</u>	

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

12. Tangible fixed assets

Group and Company	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Plant, machinery and furniture £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
At 1 January 2017	114,333	5,056	2,905	53,977	1,672	177,943
Additions	3,816	79	252	4,802	6,730	15,679
Disposals	(133)	-	(135)	(390)	-	(658)
Transfers	976	-	-	277	(1,253)	-
At 30 December 2017	<u>118,992</u>	<u>5,135</u>	<u>3,022</u>	<u>58,666</u>	<u>7,149</u>	<u>192,964</u>
Depreciation						
At 1 January 2017	5,997	435	470	32,806	-	39,708
Charge for the period	490	136	181	4,583	-	5,390
Disposals	(10)	-	(3)	(274)	-	(287)
At 30 December 2017	<u>6,477</u>	<u>571</u>	<u>648</u>	<u>37,115</u>	<u>-</u>	<u>44,811</u>
Net book value						
At 30 December 2017	<u>112,515</u>	<u>4,564</u>	<u>2,374</u>	<u>21,551</u>	<u>7,149</u>	<u>148,153</u>
At 1 January 2017	<u>108,336</u>	<u>4,621</u>	<u>2,435</u>	<u>21,171</u>	<u>1,672</u>	<u>138,235</u>

Included within Freehold is land at a cost of £35,913,000 (31 December 2016: £34,790,000) which is not depreciated.

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

	30 December 2017 £'000	31 December 2016 £'000
Plant, machinery and furniture	59	148

The depreciation charge for fixed assets held under finance leases was £88,400 (31 December 2016: £89,641).

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

13. Fixed asset investments

Principal Group investments

The parent Company and the Group have investments in the following subsidiary undertakings, associates and other significant investments.

	Country of incorporation or principal business address	Principal activity	Holding	%
Subsidiary undertakings				
Great Western Hotel (Newquay) Limited+	UK	Dormant	Ordinary shares	100
Walter Hicks Limited+	UK	Dormant	Ordinary shares	100
Drinklink Limited+	UK	Dormant	Ordinary shares	100
The Cornish Embassy Limited+	UK	Dormant	Ordinary shares	100
St Austell Brewery Property Company Limited+	UK	Rental	Ordinary shares	100
Real Beer Company Limited+	UK	Dormant	Ordinary shares	100
Bath Ales Limited*	UK	Dissolved	Ordinary shares	100
Graze Too Limited*	UK	Dissolved	Ordinary shares	100
Hare and Now Limited*	UK	Dissolved	Ordinary shares	100
Hare it House Holdings Limited*	UK	Dormant	Ordinary shares	100
Bath Street Ales Limited**	UK	Dormant	Ordinary shares	100
Bath Ciders Limited	UK	Dormant	Ordinary shares	100

+ Held directly by St Austell Brewery Company Limited.

*Companies struck off in 6th February 2018.

** Renamed to Bath Ales Limited after the year end

All the subsidiary undertakings have the same registered address as the company. For details of the registered address, refer to page 70.

Subsidiary undertakings - Company

	30 December 2017 £'000	31 December 2016 £'000
Cost		
At 1 January 2017 / 3 January 2016	1,506	-
Additions	-	7,410
Recycle brands and goodwill on hive-up of trade and assets	-	(6,707)
Deferred tax on hive up of brands	-	803
Dividend paid up by subsidiary	(1,506)	-
Carrying value - Company	-	1,506

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

14. Stocks

	Group		Company	
	At 30	At 31	At 30	At 31
	December	December	December	December
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,474	1,178	1,474	1,178
Work in progress	130	142	130	142
Finished goods and goods for resale	6,664	6,582	6,664	6,582
	<u>8,268</u>	<u>7,902</u>	<u>8,268</u>	<u>7,902</u>

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

15. Debtors

	Group		Company	
	At 30	At 31	At 30	At 31
	December	December	December	December
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	17,953	15,676	17,953	15,676
Other debtors	537	542	537	542
Prepayments and accrued income	4,154	3,815	4,154	3,815
	<u>22,644</u>	<u>20,033</u>	<u>22,644</u>	<u>20,033</u>
Amounts falling due after more than one year:				
Trade loans	1,031	1,050	1,031	1,050
Other debtors	805	418	805	418
Deferred tax asset (see note 19)	264	458	264	458
	<u>2,100</u>	<u>1,926</u>	<u>2,100</u>	<u>1,926</u>

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

16. Creditors – amounts falling due within one year

	Group		Company	
	At 30 December 2017 £'000	At 31 December 2016 £'000	At 30 December 2017 £'000	At 31 December 2016 £'000
Bank loans and overdrafts (see note 17)	3,434	3,860	3,434	3,860
Obligations under finance leases and hire purchase contracts (see note 18)	47	148	47	148
Trade creditors	8,923	8,581	8,923	8,581
Amounts owed to Group undertakings	-	-	-	1,694
Corporation tax	1,349	1,318	1,349	1,294
Other taxation and social security	3,007	2,952	3,007	2,952
Accruals and deferred income	8,251	7,071	8,251	7,071
	25,011	23,930	25,011	25,600

17. Creditors – amounts falling due after more than one year

	Group		Company	
	At 30 December 2017 £'000	At 31 December 2016 £'000	At 30 December 2017 £'000	Restated At 31 December 2016 £'000
Bank loans	47,000	42,000	47,000	42,000
Tenants' deposits	1,036	1,047	1,036	1,047
Interest rate swap (note 21)	2,498	2,816	2,498	2,816
5% preference shares of £1 each	76	76	76	76
Obligations under finance leases and hire purchase contracts (see note 18)	12	-	12	-
	50,622	45,939	50,622	45,939

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

17. Creditors – amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	Group		Company	
	At 30 December 2017 £'000	At 31 December 2016 £'000	At 30 December 2017 £'000	At 31 December 2016 £'000
Between two and five years	47,000	42,000	47,000	42,000
	47,000	42,000	47,000	42,000
On demand or within one year (note 16)	3,434	3,860	3,434	3,860
	50,434	45,860	50,434	45,860

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

18. Obligations under finance leases and hire purchase contracts

	Group		Company	
	At 30 December 2017 £'000	At 31 December 2016 £'000	At 30 December 2017 £'000	At 31 December 2016 £'000
Amounts payable				
Within one year (note 16)	47	90	47	90
Between one and two years (note 17)	12	44	12	44
Between two and five years (note 17)	-	14	-	14
	59	148	59	148

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

19. Deferred tax asset

	Group	
	At 30 December 2017 £'000	At 31 December 2016 £'000
Deferred taxation		
At 1 January 2017 / 3 January 2016	(458)	57
Charged to profit and loss account	(8)	61
Adjustment in respect of prior periods	19	1
Pension deferred tax movement	183	(1,528)
Acquisition of subsidiary undertaking	-	110
Deferred tax on hive up of subsidiary	-	17
Non-goodwill intangibles	-	824
At 30 December 2017	(264)	(458)

	Company	
	At 30 December 2017 £'000	At 31 December 2016 £'000
Deferred taxation		
At 1 January 2017 / 3 January 2016	(458)	57
Charged to profit and loss account	(8)	82
Adjustment in respect of prior periods	19	1
Pension deferred tax movement	183	(1,528)
Acquisition of subsidiary undertaking	-	-
Deferred tax on hive up of subsidiary	-	127
Non-goodwill intangibles	-	803
At 30 December 2017	(264)	(458)

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

19. Deferred tax asset (continued)

Deferred tax is calculated as follows:

	At 30 December 2017 £'000	At 31 December 2016 £'000
Group and Company		
Accelerated capital allowances	1,394	1,390
Short-term timing differences	(15)	(68)
Derivative contracts	(360)	(405)
Non-goodwill intangibles	763	803
Deferred tax on pension scheme	(2,046)	(2,178)
Deferred tax asset	<u>(264)</u>	<u>(458)</u>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

20. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group	
	At 30 December	At 31
	2017	December
	£'000	2016
		£'000
Financial assets		
Debt instruments measured at amortised cost		
Long-term loans receivable (see note 15)	1,031	1,050
Measured at undiscounted amount receivable		
Trade and other debtors (see note 15)	18,490	16,218
	<u>19,521</u>	<u>17,268</u>
Financial liabilities		
Measured at amortised cost		
Loans payable (see note 17)	47,000	42,000
Cumulative preference shares (see note 17)	76	76
Obligations under finance leases (see note 18)	59	148
Measured at undiscounted amount payable		
Bank overdraft (see note 16)	3,434	3,860
Trade and other creditors (see note 16)	20,181	16,711
	<u>70,738</u>	<u>62,795</u>

The Group's and Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	At 30 December	At 31
	2017	December
	£'000	2016
		£'000
Interest income and expense		
Total interest income for financial assets at amortised cost (note 4)	39	44
Total interest expense for financial liabilities at amortised cost	(1,304)	(1,021)
	<u></u>	<u></u>
Fair value gains and losses		
On financial assets (including listed investments) measured at fair value through profit & loss	318	(170)
	<u></u>	<u></u>

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

21. Derivative financial instruments

Interest rate swap contracts – Group and Company

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
	At 30 December 2017 %	At 31 December 2016 %	At 30 December 2017 £'000	At 31 December 2016 £'000	At 30 December 2017 £'000	At 31 December 2016 £'000
Two to five years	5.56%	5.56%	10,000	10,000	2,265	2,816
Over five years	1.327%	-	15,000	-	233	-
					2,498	2,816

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

22. Called-up share capital and reserves

	At 30 December 2017 £'000	At 31 December 2016 £'000
Allotted, called-up and fully-paid Ordinary shares of £1 each	1,692	1,692
5% redeemable preference shares of £1 each	76	76

The Company has one class of ordinary shares which carry no right to fixed income.

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 amount is included in other creditors.

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

For the 52-week period ended 30 December 2017

23. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000
Operating profit	13,292	13,961
Adjustment for:		
Depreciation and amortisation	5,867	4,960
Operating cash flow before movement in working capital	19,159	18,921
Increase in stocks	(366)	(115)
Increase in debtors	(2,979)	(4,355)
Increase/(decrease) in creditors	1,572	(270)
Adjustment for pension funding	(56)	(140)
Corporation tax paid	(2,580)	(2,471)
Cash generated by operations	14,750	11,570

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

24. Financial commitments

Capital commitments are as follows:

	Group		Company	
	At 30 December 2017 £'000	At 31 December 2016 £'000	At 30 December 2017 £'000	At 31 December 2016 £'000
Contracted for but not provided for	4,344	2,346	4,344	2,346

Total future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 December 2017 Land and buildings £'000	At 31 December 2016 Land and buildings £'000
Group and Company		
- within one year	1,022	1,031
- between one and five years	4,112	3,775
- after five years	14,971	12,460
	20,105	17,266

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

25. Retirement benefit schemes

Defined contribution schemes

The pension schemes referred to in this note relate to both the Company and the Group.

The Company operates a pension scheme for the benefit of employees at the brewery and depots and for senior managed house staff.

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 period amounted to £396,004 (52 weeks ended 31 December 2016: £369,635). There are no unpaid contributions by the Company at either period-end.

The Company offers workplace pensions to all employees who are not members of the defined contribution section of the scheme. The Company offers these pensions through the People's Pension.

Defined benefit schemes

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 2016.

In accordance with the advice of the actuary following the results of the 2016 valuation, the contributions of the Company were increased from 16.8% to 21% of pensionable earnings from 1 June 2017; the employee contributions rate remained at 7% of pensionable salary during the period.

	At 30 December 2017	At 31 December 2016
Key assumptions used:	%	%
Discount rate	2.40	2.80
Future pension increases	3.00	3.00
Inflation	2.50	2.55

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

25. Retirement benefit schemes (continued)

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:

	At 30 December 2017 Years	At 31 December 2016 Years
Retiring today:		
Males	87.2	87.2
Females	89.1	89.3
Retiring in 20 years:		
Males	88.3	88.5
Females	90.3	90.8

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	At 30 December 2017 £'000	At 31 December 2016 £'000
Current service cost	(640)	(532)
Net interest cost	(358)	(146)
	<u>(998)</u>	<u>(678)</u>
Recognised in other comprehensive income	1,078	(8,981)
Total income / (cost) relating to defined benefit scheme	<u>80</u>	<u>(9,659)</u>

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	At 30 December 2017 £'000	At 31 December 2016 £'000
Present value of defined benefit obligations	(62,541)	(60,157)
Fair value of scheme assets	50,507	47,347
Net deficit recognised in the balance sheet	<u>(12,034)</u>	<u>(12,810)</u>

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

25. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations were as follows:

	At 30 December 2017 £'000	At 31 December 2016 £'000
At the start of the period	60,157	46,835
Service cost	640	532
Interest cost	1,668	1,802
Actuarial gains and losses	1,912	12,544
Contributions from scheme participants	144	155
Benefits paid	(1,980)	(1,711)
At the end of the period	<u>62,541</u>	<u>60,157</u>

Movements in the fair value of scheme assets were as follows:

	At 30 December 2017 £'000	At 31 December 2016 £'000
At the start of the period	47,347	43,012
Interest income	1,310	1,656
Return on plan assets (excluding amounts included in net interest cost)	2,990	3,563
Contributions from the employer	696	672
Contributions from scheme participants	144	155
Benefits paid	(1,980)	(1,711)
At the end of the period	<u>50,507</u>	<u>47,347</u>

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

25. Retirement benefit schemes (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	At 30 December 2017 £'000	At 31 December 2016 £'000
Equity instruments	25,167	24,542
Bonds	9,675	9,232
Property	2,970	2,729
Target return	12,455	10,680
Value of insurance annuities	77	84
Cash	163	80
	<u>50,507</u>	<u>47,347</u>

26. Related party transactions

During the period, the Group purchased goods in the normal course of business from Shepherd Neame Limited for £81,000 (31 December 2016: £129,000). During the period the Group sold goods in the normal course of business to Shepherd Neame Limited for £6,000 (31 December 2016: £5,000). J B Neame is a director of St Austell Brewery Company Limited and a director of Shepherd Neame Limited.

During the period the Group purchased services in the normal course of business from Michelmores LLP for £140,000 (31 December 2016: £194,000). W F Michelmores is a director of St Austell Brewery Company Limited and a partner of Michelmores LLP.

During the period the Group sold goods in the normal course of business to Bedruthan Hotel Limited for £26,000 (31 December 2016: £nil). During the year the Group sold goods in the normal course of business to Scarlet Hotel Limited for £15,000 (31 December 2016: £nil). C Stratton is a director of St Austell Brewery Company Limited and, due to a close family member being a director of Bedruthan Hotel Limited and Scarlet Hotel Limited, is deemed to be a related party.

During the period the Group sold goods in the normal course of business to Admiral Taverns Limited for £80,000 (31 December 2016: £69,000). 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 £3,000 (31 December 2016: £5,000) and the amount due to Michelmores LLP was £1,000 (31 December 2016: £nil). At the balance sheet date, the amount due from Shepherd Neame Limited was £5,000 (31 December 2016: £nil), the amount due from Admiral Taverns Limited was £12,000 (31 December 2016: £18,000), the amount due from Bedruthan Hotel Limited was £3,000 (31 December 2016: £nil) and the amount due from Scarlet Hotel Limited was £1,000. (31 December 2016: £nil).

St Austell Brewery Company Limited

Notes to the financial statements

For the 52-week period ended 30 December 2017

27. Controlling party

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

28. Post balance sheet events

In March 2018, the Company agreed an additional evolving credit facility of £15 million. This facility has an expiry date of March 2023.

St Austell Brewery Company Limited

Five Year Summary

For the 52-week period ended 30 December 2017

	52 weeks ended 30 December 2017 £'000	52 weeks ended 31 December 2016 £'000	53 weeks ended 2 January 2016 £'000	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Turnover	169,307	153,226	137,351	125,354	116,562
Operating profit before other items	13,808	13,961	13,518	12,349	10,745
Net interest	(1,265)	(977)	(896)	(911)	(977)
Other items*	(225)	1,004	(194)	1,009	665
Profit before taxation	12,318	13,988	12,428	12,447	10,433
Taxation	(2,619)	(2,725)	(2,630)	(2,773)	(2,439)
Profit after taxation	9,699	11,263	9,798	9,674	7,994
Dividends per share Interim and final	162p	159p	142p	115p	100p
Dividend cover	3.5	4.2	4.1	5.0	4.7
Dividend cover (excl. other items**)	3.6	3.8	4.2	4.5	4.3
Earnings per share	£5.73	£6.66	£5.79	£5.72	£4.72
Earnings per share (excl. other items**)	£5.86	£6.06	£5.91	£5.12	£4.33
Net debt (£ million)	49.6	45.4	29.1	25.2	27.4
Capital expenditure (£ million)	15.7	25.9	16.6	9.7	7.6
Shareholders' funds (£ million)	100.7	92.8	91.5	84.9	78.9
Net pension scheme deficit (£ million)	12.0	12.8	3.8	4.4	3.2
Average number of employees	1,553	1,381	1,170	1,068	1,043

* Other items includes only those items within profit before taxation

** Other items includes all other items within the profit and loss account

The periods ended 27 December 2014 and 28 December 2013 are not reported under FRS102.



St Austell Brewery Company Limited

Officers and professional advisers

For the 52-week period ended 30 December 2017

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
C J Stratton
S J Worrall

SECRETARY AND REGISTERED OFFICE

C J Stratton
The Brewery
63 Trevarthian Road
St Austell
Cornwall
PL25 4BY

BANKERS

Barclays Bank plc
Bristol

Royal Bank of Scotland plc
Bristol

HSBC plc
Truro

AUDITOR

Ernst & Young LLP
Bristol