

**ST AUSTELL BREWERY COMPANY LIMITED**

**Annual report and financial statements**

**for 52 weeks ended 29 December 2018**

Registered number: 107021

**AMENDED**



# St Austell Brewery Company Limited

## Contents

|                                                                                   | Page |
|-----------------------------------------------------------------------------------|------|
| Company vision                                                                    | 1    |
| Chairman's statement                                                              | 2    |
| Chief executive's review                                                          | 5    |
| Strategic report                                                                  | 11   |
| Directors' report                                                                 | 25   |
| Directors' responsibilities statement                                             | 27   |
| Independent auditor's report to the members of St Austell Brewery Company Limited | 28   |
| Consolidated profit and loss account                                              | 31   |
| Consolidated statement of comprehensive income                                    | 32   |
| Consolidated balance sheet                                                        | 33   |
| Company balance sheet                                                             | 34   |
| Group and Company Consolidated 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                | 56   |
| – Note 18 Obligations under finance leases and hire purchase contracts            | 57   |

# St Austell Brewery Company Limited

## Contents

|                                                |    |
|------------------------------------------------|----|
| – Note 19 Deferred Tax                         | 58 |
| – Note 20 Financial instruments                | 59 |
| – Note 21 Derivative financial instruments     | 60 |
| – Note 22 Called-up share capital and reserves | 60 |
| – Note 23 Cash flow statement                  | 61 |
| – Note 24 Financial commitments                | 62 |
| – Note 25 Retirement benefits                  | 63 |
| – Note 26 Related party transactions           | 66 |
| – Note 27 Controlling party                    | 67 |
| – Five-year summary                            | 68 |
| – Officers and professional advisers           | 69 |

# 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<br>ended 29<br>December<br>2018 | 52 weeks<br>ended 30<br>December<br>2017 | %<br>Change |
|-----------------------------------------------|------------------------------------------|------------------------------------------|-------------|
| Turnover (£'000)                              | 179,645                                  | 169,307                                  | +6.1%       |
| Operating profit before other items (£'000) + | 13,002                                   | 13,808                                   | -5.8%       |
| Earnings per share before other items (£) +   | £5.47                                    | £5.86                                    | -6.7%       |
| Dividends per share (£)                       | £1.62                                    | £1.62                                    | 0.0%        |

---

+ 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 29 December 2018.

It has been a challenging financial year for the Company with pressure on margins as consumer confidence has fallen and many industry-specific costs have continued to rise in excess of inflation. Despite this the performance of the underlying business remains solid and we achieved another year of record turnover, but the results were impacted by increases in the costs of our beer business and a shift in the market.

We have experienced significant growth in the business over recent years and made significant investments in our production facilities to ensure that we are able to take advantage of the opportunities that exist in the beer market. It is though vital that we put in place systems and an infrastructure that will support this larger business and enable sustainable long-term growth. This investment is ongoing, and it is likely to mean that there may be a short term impact on driving profit growth.

Our core pub estate performed extremely well during 2018 and we are very gratified to note growth of sales of £1.9m in the Managed Estate while tightly controlling labour costs. Although we enjoyed a period of excellent weather during the summer this coincided with the Europe- wide CO2 shortage and this was preceded by some of the worst weather we had experienced for many years with the 'Beast from the East' resulting in severe disruption to trade. As a result of all these factors, despite our growth in turnover, our operating profit before other items was 6.2% lower than in 2017.

### Financial Results

We achieved a record turnover in the period of £179.6m, 6.1% up on last year. This increase in turnover predominantly came from outside our estate with strong growth in both our regional wholesale and national off trade markets. This change in sales mix was partly responsible for the fall in our gross margin although this was also impacted by an increase in our production costs. Overall our gross margin fell from 41.7% in 2017 to 39.9% in 2018.

There is a net charge for non- underlying other items in the profit and loss account of £0.4m (30 December 2017: charge of £0.2m). This includes charges of £0.3m in respect of pre-opening operating costs in connection with Hare Brewery, £0.1m for the loss on asset sales and £0.7m in respect of pension liabilities. These costs are partly offset by credits of £0.7m 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 5.8% to £13.0m, our profit before tax and other items was down 7.4% to £11.6m and our earnings per share before other items fell by 6.7% to £5.47.

### Dividend

The Board is proposing a final dividend of 92p (30 December 2017: 92p) per Ordinary Share, resulting in total dividends for the year of £1.62 (30 December 2017: £1.62) per Ordinary Share. This represents an underlying dividend cover of 3.4 times (30 December 2017: 3.6 times). The Board's policy has historically been to maintain dividend cover at between 3.5 to 5 times post tax profits. However, although the dividend cover has now fallen below this level we believe it is appropriate to maintain the dividend at the current level given our confidence in the long-term future growth of the Company. The final dividend will be paid on 10 May 2019.

# **St Austell Brewery Company Limited**

## **Chairman's statement (continued)**

### **Cash flow and financing**

Underlying EBITDA<sup>1</sup> was down 2.7% to £19.2m (30 December 2017: £19.7m). During the year we invested £13.5m in capital expenditure (2017: £15.7m). This included the acquisition at the end of November 2018 of the Rock Point Inn at Lyme Regis, our first trading site in Dorset. We are planning a major refurbishment and are due to re-open the site in the autumn of 2019 as a managed house. We also acquired the Griffin Inn in the centre of Bath as well as Whiteways guest house in Penzance which will provide us with much needed staff accommodation in West Cornwall. During the year we completed the major investment in the new Hare Brewery and bottling line in Warmley. The remaining capital expenditure was invested into our pub estate, our production and distribution facilities as well as our head office and IT infrastructure.

During the year we realised proceeds from asset sales of £0.4m which included the sale of the Ring of Bells, Bishopsteignton, the disposal of old brewing equipment at Bath Ales, the sale and leaseback of manual handling equipment across our warehouse network and the exit of our trading site in the Colston Hall in anticipation of the major refurbishment of this cultural Bristol landmark.

During 2018 our net debt increased by £3.5m to £53.0m of which £51.0m 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 £21.5m.

### **Pensions**

The deficit on the defined benefit pension scheme has fallen by £2.2m to £9.8m (29 December 2017 - £12.0m). This has resulted from a fall in the present value of pension obligations from £62.5m to £57.1m principally because the assumed discount rate has increased from 2.4% to 2.8%. However, the scheme liabilities also include a provision of £0.4m for the estimated past service cost to equalise Guaranteed Minimum Pensions.

### **Board of Directors**

After 42 years of service Adam Luck retired as an Executive Director of the Company at the end of 2018. His contribution and commitment to the Company and our pub estate in particular has been very significant. I am delighted to report that his knowledge and expertise will be retained by the Company as Adam has agreed to remain on the Board as a Non-Executive Director.

In May 2018 Jill Caseberry joined the Board as a Non-Executive Director. She has already made a significant contribution to the Company and her extensive commercial experience in sales, marketing and strategic planning is proving invaluable. Following the retirement of Jonathan Neame as a Director in May I am pleased to report that Jill has agreed to fulfill the role of Senior Independent Director.

In January 2020 our Chief Executive, James Staughton will have completed 40 years of service to the company. The issue of succession planning is something that your Board take very seriously and we have been discussing how this can best be managed when James steps down from the role. Plans are well advanced for managing this and progress is being made to ensure that there will be a smooth transition.

---

<sup>1</sup> EBITDA: Earnings before interest, tax, depreciation and amortisation

# **St Austell Brewery Company Limited**

## **Chairman's statement (continued)**

### **Political & Economic Environment**

The 2016 referendum decision to leave the European Union still dominates the political agenda. There remains significant uncertainty over the future trading relationship between the UK and the EU. It is vital that we have access to the skills and labour our business needs to underpin its future success. We need to be able to trade as freely as possible with no additional tariffs or paperwork which increases costs into our supply chain. We need a tax regime that encourages investment in the areas in which we operate and a regulatory environment that enables us to compete effectively and efficiently.

### **Summary**

It has been a year of many challenges from the very bad weather at the start of the year and the continued economic uncertainty that we face. We however continue to pursue our strategy of focussing on investing for the long-term success of the business to deliver sustainable growth in both earnings and dividends per share.

I would like to conclude by offering my sincere thanks to everyone in the Company who has worked so hard for the business in 2018

**Will Michelmore**



Chairman

25<sup>th</sup> March 2019

# **St Austell Brewery Company Limited**

## **Chief Executive's review**

The year started well but then dipped when we endured the considerable negative impact of the 'Beast from the East.' The weather improved, we overcame the difficulties posed by the national CO2 shortage and we benefitted from positive trading during the football World Cup and record breaking hot weather in the key summer months. However our performance in the last quarter and consequently for the year end was disappointing.

Although the year proved to have a number of challenges for the business we remain resolutely focused on the importance of 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 our shareholders.

The acquisition of Bath Ales in 2016 was part of our strategy to expand the reach of the business beyond our Cornish heartland. In order to maximise the long-term benefit of this acquisition we opened state-of-the-art production facilities at Hare Brewery in May 2018 following a major investment. These facilities provide us with an excellent foundation that enables us to react quickly to meet the changing needs and demands of consumers. It also provides us with vital flexibility and resilience in our production facilities. This was demonstrated very shortly after these new facilities were opened in June 2018 when a national shortage of CO2 led to severe challenges for our industry which relies heavily on CO2 for much of its production output. The fact that we were able to produce across two sites greatly enhanced our ability to manage this crisis and whilst we undoubtedly incurred additional costs we were able to ensure that we were able to meet the majority of our customers' needs during this unprecedented and challenging time.

We have spent considerable time during 2018 progressing a substantial revision of our operating systems to cope with increased levels of business in a very efficient manner. Although like almost all technology projects we have experienced a number of challenges we remain confident that this system and the underlying processes that support it will ensure that we have the foundations for a strong and stable platform upon which we can sustainably grow the business.

### **Tenanted and managed pub operations**

At the end of the year operated 178 pubs and hotels (30 December 2017: 179) of which 160 are freehold (30 December 2017: 160). Of our total pubs and hotels 33 (30 December 2017: 35) were managed and 145 (30 December 2017: 144) were tenanted or leased.

Our managed estate had a good underlying trading year with like-for-like total sales increasing by 2.3%. This growth was strongest in wet sales and accommodation sales which grew by 5.0% and 2.0% respectively on a like-for-like basis. Our food like-for-like sales were level with last year reflecting some of the challenges in the eating out market. We had a full year of trading at The Chain Locker in Falmouth and we were delighted that this site achieved sales in excess of £2m in 2018.

We did though end our trading operation at the Colston Hall and transferred both the Beerd site in Bristol and the Cat & Fiddle, Clyst St Mary to the tenanted estate. Overall total revenue in the managed estate rose by 2.2%.

# St Austell Brewery Company Limited

## Chief Executive's review (continued)

Our tenanted and leased pubs are at the core of our business. They had a solid year in 2018 with like-for-like net income growth in the tenanted estate of 2.9% and average EBITDA<sup>1</sup> per pub growth of 1.4%.

During the year we refined and further developed our pub acquisition strategy. During the year we purchased two new outlets – the Griffin Inn in the centre of Bath which joined our tenanted estate and the Rock Point Inn in Lyme Regis which will be a managed site. This is our first site in Dorset and following our acquisition at the end of 2018 we have now closed the site and are proposing an extensive refurbishment with an aim to re-open it in the autumn of 2019. In January 2019 we completed the acquisition of another tenanted site, The Lamplighters in Shirehampton near Bristol. This property is well located overlooking the River Avon and is a classic community pub.

We have extensive knowledge and experience of the market in Devon and Cornwall but have been working hard to understand the demographics outside this region in order to better target acquisition opportunities that might exist. We have historically had success at developing and operating managed businesses in both the coastal pub and kitchen and coastal dining segments of the market. It is important to focus our acquisitions on our areas of expertise and not try to operate in too many different segments of the market. We have an excellent track record in attracting and operating traditional tenanted sites that provide a strong, sustainable business for both us as landlord and our tenant.

During 2018 we sold the Ring of Bells in Bishopsteignton, a tenanted site that could no longer be operated economically. We also exited the agreement we had to operate the Colston Street Bar & Kitchen which was based at the Colston Hall in Bristol following the approval of the major refurbishment programme which is likely to see this iconic music venue closed until 2020. These disposals raised proceeds of £0.2m and no profit or loss was realised on these sales (30 December 2017: property sales raised £0.7m and realised a profit of £0.4m).

We continue to develop our estate and in 2018 we invested £4.2m (30 December 2017: £7.7m) in improving and developing our pubs and £1.9m (30 December 2017: £2.1m) on repairs and decorations. In the managed estate we undertook an intensive two-month program early in the year to re-configure the Pier House Hotel in Charlestown. This investment has been a great success and trading has been significantly above our expectations during 2018. The other major investments in the managed estate were the refurbishment of the Central Inn in Newquay, upgrading bedrooms at the Atlantic Hotel on St Marys and the development of a conference room and improved outside area at the Globe in Topsham.

In the tenanted estate we carried out developments at a number of sites including the creation of new letting rooms at the Cornish Arms, Tavistock, major refurbishments of the Cat & Fiddle in Clyst St Mary and the Castle Inn at Lydford as well as the replacement of the pontoon at the Pandora Inn, Restronguet.

The success of our pubs is very much a testament to the quality of our licensees. At our Annual Tribute Estate Awards in January 2019, Brendan Hodder from the Old Market House in Brixham was announced as our 'Manager of the Year 2018' whilst Paula Nankivell, our tenant at the Queens Head in St Stephen collected the award for 'Tenant of the Year 2018'.

---

<sup>1</sup> EBITDA: Earnings before interest, tax, depreciation and amortisation

# St Austell Brewery Company Limited

## Chief Executive's review (continued)

The Logan Rock Inn in Treen was named as the first ever Charity Fundraising Pub of the Year in an award, organised by PubAid and the All-Party Parliamentary Beer Group. The Logan Rock has been supporting charities ever since Anita & Peter George became tenants of the site over 35 years ago. Sponsored events, hosting visits from underprivileged children, delivering newspapers to local elderly residents and organising regular local litter picks are just some of the many and varied ways they have supported their local community. Anita and Peter were presented with a special Directors' Award at the Annual Tribute Estate Awards in recognition of their enthusiasm, fundraising and commitment to the local communities they serve.

Alex and Tanya Williams, our tenants at the Polgooth Inn, won the highly coveted title of Licensees of the Year, an accolade that is widely regarded as the pub industry's toughest award. Assessed by the British Institute of Innkeepers (BII) judges they displayed excellent knowledge and experience in three different areas: Business Development, People and Training and Financial Awareness. The judges made a point of noting how the Polgooth was a tremendous example of ensuring that the pub was the focal point of the village and how they had sought to make it work for everyone. Kim Barker, our tenant at the Ship Inn at Pentewan, also reached the top six in this competition and as a Company we are very proud that our tenants made up one third of the finalists in this prestigious national competition.

Our entire pub estate was recognised by the British Beer & Pub Association (BBPA) for the work we have done to secure pubs for future generations to enjoy in a constantly changing market with their Pub Champion 2018 Award. We were also named the UK's Best Tenanted Pub Company for the sixth time in a row by the harshest of critics – the tenants themselves. The annual M&C Allegra (MCA) Tenant Track survey interviews more than 1,200 pub tenants and lessees operating within 13 different pub companies across the country. This year's survey saw us come out top yet again with great relationships and support to our tenanted estate in terms of business controls and point of sale equipment underpinning the Company's success.

The success of the relationships between the Company and its tenants is based on listening to them to find out what they really need and sharing best practice. We continue to roll out initiatives that have worked well in our managed estate such as free mystery customer visits and look to provide the best support possible to our tenants and their teams with customer service training.

### Brewing and brands

In 2018 the UK beer market saw an overall increase of 2.6%\*(2017: +0.7%), with the UK on-trade market increasing by increasing by 4.7%.

It is against this backdrop that I am delighted to report that we outperformed the market for another year increasing our total beer sales volume by 5.1% with the on-trade increasing by 2.8% and the off-trade by 10.3%.

The opening of Hare Brewery in May 2018 was undoubtedly an important milestone in the development of the Company's production operations. These new facilities have provided us with a base upon which to develop new and exciting beers as well as ensure the quality of our existing product range is maintained to the highest possible standards. The first product to be launched from the new Hare Brewery was Sulis Lager, at 4.4% ABV. Sulis is the ultimate English lager which has been crafted to provide a unique fresh and subtle fruity flavour. It is available in bottles in Tesco stores across the country and is also proving to be very popular in the on-trade

---

\* Source: BBPA Sales Volume Survey (December 2018)

# St Austell Brewery Company Limited

## Chief Executive's review (continued)

across the South West. The other major new product to be launched from Hare Brewery was a bold and hoppy West Coast IPA – Lansdown. This is also available in both bottle and cask.

The strongest growth in any of our beer brands came from Proper Job which saw draught volumes increase by 17.9% in 2018. This growth was supported by the recruitment of well known Cornish chef, Jack Stein as a Proper Job ambassador. Jack is Chef Director at the Rick Stein group. As well as promoting Proper Job, and hosting cookery events in collaboration with the brand, Jack has developed a collection of recipes and food pairings to complement the beer's bold and hoppy flavour.

We increased our export sales in 2018 by 30% with our beer being sold overseas to 22 different countries, although we are primarily concentrating on three main markets with long term volume potential – Russia, France and Italy. Our export strategy was recognised at the Western Morning News Business Awards where we picked up the Export Award reflecting the innovative way that we take our beers to overseas markets. Our export strategy is designed to build the Company's reputation as a premium brewer of quality beers, working with overseas collaborators to develop beers in line with the demands of the local market. An example of this collaborative approach is Russia, where we worked with the Riga Brewery in Moscow to create Black Square Russian Imperial Stout. Based on this initial collaboration, we now sell Proper Job, Big Job and produce an exclusive version of our Smugglers Ale for the Russian market. Last year that partnership earned us a special Collaboration Award at the Insider Media 'Made in the South West' awards. This year this regional award became a national award as we were recognised at the 'Made in the UK' celebration of manufacturing excellence. In addition, Black Square was awarded a much coveted Gold award at the recent International Brewing Awards 2019.

Aside from collaborations, we've also worked to make the delivery of our beers overseas more convenient for distributors. This has included investing in key keg machinery to suit the local needs of the market. We now deliver beer in bulk to France which enables local distributors to use their own keg population and production facilities.

Our Small Batch Brewery in St Austell has also enabled us to develop and test new products exclusively for overseas markets. This has included Cloudy Job, a Milkshake IPA based on a New England Style; while foundations are also being made for trade with China, a potentially vast market which will become more important as time passes.

Our reputation as a brewer of quality beer has been recognised by a number of companies who have drawn on our production expertise to help them develop their business. During the year we were delighted to be selected by Brunning & Price who operate over sixty pubs across the UK to brew one of their must-stock beers in the south of England. We also signed a new two- year deal for us to continue to brew Nicholson's Pale Ale for leading industry player, and major national sales customer, Mitchells & Butler. This beer has been a permanent fixture in all Nicholson's pubs since it was first launched in 2012.

In the off-trade we were selected by Marks & Spencer to brew a new beer, Cornish Saison for them to sell in their stores across the country. This beer was first brewed in our Small Batch Brewery in collaboration with beer sommelier and award- winning writer, Melissa Cole. The Cornish Saison is not the first beer we've been asked to brew for Marks & Spencer. We brew and bottle other own- brand beers for them including a Cornish pale ale, an IPA, a six- malt stout and a Cornish red ale.

# **St Austell Brewery Company Limited**

## **Chief Executive's review (continued)**

It remains a key part of our marketing strategy to support local sport. This year we announced a new, three-year sponsorship deal with the Cornish Pirates rugby team continuing our successful, decade-long partnership. As part of the new deal, a special 'Tribute purple' away kit was launched.

The World Pilot Gig Championships on the Isles of Scilly celebrated their 29<sup>th</sup> anniversary and for the first time Tribute was the lead sponsor of this unique event. The advent of modern technology enabled the Cornish Pilot Gig Association (CPGA) to stream live footage of the racing from drone cameras above the boats. We enhanced our relationship with the CPGA by also sponsoring the inaugural Tribute National County Gig Rowing Championships which saw teams from Cornwall, Devon, Bristol and Somerset battling it out. This event is seen as an important stepping stone to help build the sport on a wider basis moving forward.

We also continued our partnership with Cornwall Cricket. Tribute was the Official Beer of Cornwall Cricket with the brand name appearing on the stumps used by cricket clubs across the county. We also introduced a monthly award for those teams that have gone above and beyond, and a special end of season award recognising the unsung heroes.

Surfing is another sport that we are heavily involved with at both the elite and grass roots level. We continued our support of Luke Dillon and Lucy Campbell in their ambition to represent Great Britain at the Olympics in Tokyo in 2020. Our main lager brand Korev also sponsored the UK Pro Surf Tour. Korev has become synonymous with the Cornish surf culture and it is very important for us to be linked with truly authentic organisations that work to develop the sport and nurture local talent.

We also supported numerous live music events across the region including the Eden Sessions, Boardmasters, the GoldCoast Oceanfest and Tunes in the Dunes. This year we also held the first ever Brewstock festival at our Visitor Centre in St Austell with live music and local ales from across the region all helping to raise money for our Charitable Trust.

### **Our People**

I am always impressed by the loyalty and commitment of our workforce and this is borne out annually by the long service awards that I present to our employees when they have served either 25 or 40 years with us. In every year since I became Chief Executive there has always been at least one member of staff that has achieved one of these milestones. In 2018 there were four people who had served 25 years including John Treglown who joined us after a twenty year career in sales with Carlsberg-Tetley, a truly remarkable commitment to the beer industry in Cornwall.

This year also saw the 25th anniversary for two members of our Senior Management Team – Ian Blunt and Piers Thompson.

In March 2018 Tamsyn Hawkins joined us as People Director (Associate). In the relatively short time that she has been with us she has already introduced a number of changes and initiatives that will ensure that the business is able to develop and grow sustainably and ensure that people continue to be at the heart of our business.

# **St Austell Brewery Company Limited**

## **Chief Executive's review (continued)**

I am also pleased to announce that in January 2019 we appointed David Parker into the important role of Head of Technology. David is a very experienced senior technology manager and will be responsible for updating and implementing our technology strategy.

I was particularly proud this year that the Company received The Queen's Award for Enterprise based on our success in terms of Sustainable Development throughout our operations. These awards are the UK's most prestigious business awards, recognising and celebrating business excellence across the country. This award recognised our commitment to sustainable growth, working to reduce our carbon footprint, sourcing ingredients ethically and nurturing young talent. The award reflects the considerable efforts made by everyone across the business. We will now hold this accreditation for the next five years and we are extremely proud to do so.

### **Current trading**

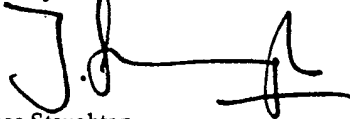
We have enjoyed a steady start to 2019 and we are confident that the investments we have made, including Hare Brewery, are helping us to build a strong platform on which to ensure the long-term sustainable success of the business.

### **Summary**

The world is changing and the landscape we operate in is changing rapidly too. From big shifts in the way people are eating and drinking to changes in our competitive marketplace and to the business and workplace environment. Perhaps the only certainty is that all of this will continue to change and ever more rapidly. We recognise that as a business we have to change too, we have to ensure our business is fit for the future. Central to that future is our transition from a collection of brands and business units into one family group, united by a common purpose and way of doing things. It is vital that as one business we have the same commitment we have always had a commitment to doing things properly. It means we continue to invest in our products, our pubs, our people, our consumers and our customers – everything we need to do to be fit for the next generation.

In order to meet these opportunities, we have introduced the concept of the 'St Austell Family Group' which has helped to re-focus our mission, vision and values. Further details on this can be found in the strategic report.

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



James Staughton

Chief Executive

25<sup>th</sup> March 2019

# St Austell Brewery Company Limited

## Strategic report

We have recently been addressing an interesting question. As the business of the Company grows, how do we effectively transition from a collection of brands and business units into one group, united by a common purpose and way of doing things, while at the same time retaining the identity of individual parts. In particular it is wished to better reflect the inclusion of Bath Ales products, pubs and people within the Company as a whole. After careful consideration and consultation, the decision is to unify under the collective name of

The St Austell Family Group.

The Company name remains St Austell Brewery Company Limited and there are no plans to change the branding of our pubs or beers. However, in future, when we communicate with our workforce and on occasions where we talk as the whole business (ie. St Austell Brewery and Bath Ales combined), we will start to refer to ourselves as the St Austell Family Group. We believe this shift to an overarching group name reflects the depth and breadth of our growing business while still highlighting our St Austell heritage and our family-owned status. Importantly, it will help ensure that our employees feel part of one joined up organisation whether their jobs support St Austell Brewery beers and pubs or those branded Bath Ales.

### Pubs, Inns & hotels highlights

- Look to acquire three new sites per annum
- Further improve value, service and quality to our guests.
- Focus on an information led approach to drive growth and returns through comprehensive guest engagement.
- Drive conscious innovation while adapting the guest experience at all our locations mindful of the local assets and guest profile.
- Address underperforming sites.
- Delivering right pub, right licensee, right offer by:
  - attracting and retaining the best Tenants.
  - driving improved returns through enhanced business support.
  - delivering joint capital investment opportunities to grow businesses
- Maintaining & enhancing quality of the estate.
- Driving value for money across maintenance, repair and capital investments.
- Delivering the capital investment plan on time, in full

### Drinks Wholesale

- Drive long term sustainable business that is margin led, working with quality partners in key markets.
- Drive greater improvements and cost efficiencies in our sales and distribution channels.
- Expand our geographical coverage of our Wholesale business and set up an additional depot in Dorset in 2019.
- Present our four strategic ale brands (Tribute, Proper Job, Gem and Prophecy) nationally with a focus on margin and volume growth and a premium experience both to trade customers and consumers. Continue to search for a long term national partner to showcase Korev Lager.

# **St Austell Brewery Company Limited**

## **Strategic report (continued)**

- Utilise the distribution network at Avonmouth and Hare Brewery to achieve a greener, more cost effective route to market for all National Sales customers where possible.
- Continued focus on new opportunities, and new markets in On, Off and the Export sectors, delivering a great range of beers in cask, keg, bottle and can.

### **Brewing**

- Increase investment in marketing our strategic brands to drive market outperformance in the on trade and off trade sectors of the market.
- Increase brewing capacity where appropriate while accommodating consumer-led and Governmental changes within the market and being sensitive to our heritage.
- Continue to introduce innovative and potential game-changer brands in the premium and craft categories.
- Invest in the growth of our packaging facilities to adapt to market demand and manage the peaks in demand effectively.
- Procure the best, sustainable, quality ingredients for our beers to ensure continued consistency for our world class brands

### **Support Services**

- Finance. Work with other departments to provide real-time business performance metrics integrating financial indicators wherever possible with initiatives involving customer engagement and innovation
- IT. Engage, support and enable the successful delivery of our new ERP system into the business. Continually develop the system in line with the needs of the business now and in the future, taking full advantage of all advancements in digital technology to the benefit of the group and our customers.
- Marketing. Champion initiatives leading to improved customer engagement and the measured adoption of innovative practices. Ensure the respective brewery portfolios are complementary and meet the needs of customers and the business.
- Distribution. Support territory development while achieving the optimum balance of facility and transportation cost to deliver an efficient, high service distribution network for our independent free trade customers, national sales customers and the pub estate.

### **People & Teams**

- A Strong Foundation Fit for the Future. Developing a pro-active, collaborative and professional People function that commercially partners and adds value end to end in every area of the organisation.
- World Class Attraction. Developing compelling employer branding and engagement to attract and retain the best talent within our industry. Be a pioneering organisation in supporting and developing

# St Austell Brewery Company Limited

## Strategic report (continued)

early years careers through apprenticeships, graduate work placements and experience opportunities for young people across all our communities.

- **Culture and Change.** Equipping our teams to be ready and empowered by change. As we evolve and grow, enabling our teams to grow and evolve too. Ensuring our systems and internal communication plans support, educate, inspire and drive positive action for the good of us all.
- **Unlocking Talent and Potential.** Develop a culture that nurtures talent and take care of the people that look after our customers and consumers. Look to create long-term, sustainable and rewarding careers for all. Help others unlock their own potential through exceptional learning and development opportunities that grows individuals and our Company. Provide clear and compelling career paths and opportunities for everyone and develop our future leaders through recognising future and rising stars.

## REVIEW OF THE BUSINESS

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

|                                      | 29 December 2018 |          |
|--------------------------------------|------------------|----------|
|                                      | £'000            | % Change |
| Turnover                             | 179,645          | +6.1%    |
| Operating profit before other items* | 13,002           | -5.8%    |
| Profit before tax and asset sales    | 11,394           | -4.9%    |
| Profit before tax                    | 11,247           | -8.7%    |
| Shareholders' funds                  | 109,141          | +8.3%    |
| Net pension scheme deficit           | 9,844            | -18.3%   |
| Net debt                             | 52,969           | +6.6%    |

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:

|                                           | 29 December 2018 | % Change |
|-------------------------------------------|------------------|----------|
| Earnings per share before other items (£) | £5.47            | -6.7%    |
| Dividends per share (£)                   | £1.62            | 0.0%     |

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

---

\* 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)

### 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.

#### ECONOMIC AND MARKET RISKS

| <u>Specific risk area</u>                                                                                                                            | <u>Potential impact</u>                                                                                                                                                                                                                                                                                                                    | <u>Mitigation</u>                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market uncertainty can lead to cost pressures in a variety of areas that affect our operations, notably production, food, utilities and staff costs. | <p>A fall in the value of sterling does impact a number of our input costs notably some raw materials for our beer production, food costs and the cost of wine.</p> <p>The demand for chefs continues to rise and, with the ongoing uncertainty around our future relationship with the EU, this could lead to staff costs increasing.</p> | <p>We have a hedging policy in place to mitigate the impact of adverse currency risks.</p> <p>We have introduced a more robust approach to procurement which helps to ensure we are getting best value from our suppliers.</p> <p>We have labour scheduling software deployed in our retail estate which helps to manage more effectively the cost of labour.</p> |
| Our success is closely linked to our ability to adapt and react quickly to changes in consumer demand.                                               | A fall in consumer confidence and a fall in economic activity can lead to a reduction in consumers eating and drinking at our pubs and hotels which would in turn negatively impact profitability.                                                                                                                                         | <p>We monitor and research changes in consumer trends.</p> <p>Our small batch brewery enables us to produce new and innovative beers which are capable of appealing to new consumers.</p> <p>We analyse competitors to ensure our offer remains competitive in the markets that we operate in.</p>                                                                |

# St Austell Brewery Company Limited

## Strategic report (continued)

### OPERATIONAL AND PEOPLE RISKS

| <u>Specific risk area</u>                                                                                                  | <u>Potential impact</u>                                                                                                                                                                                                                          | <u>Mitigation</u>                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| We are increasingly reliant on our information systems to operate.                                                         | A significant or extended failure of our IT systems would impact our ability to trade.                                                                                                                                                           | We have a clear, documented strategy to ensure that in the event of an issue we can restore normal service as quickly as possible.                            |
| We are in the process of a major investment into upgrading our core IT systems.                                            | A failure to invest in our core IT systems is likely to mean higher operating costs and a loss of competitive advantage.                                                                                                                         | We have policies and procedures in place to ensure that we minimise the risk of data loss.                                                                    |
| The data we hold is a critical asset of the business and data protection and security are key risk areas.                  | Any significant loss of data could result in a major interruption to our operations and reputation and leave us potentially facing significant fines under GDPR.                                                                                 | All staff are aware of the importance of both data security and data protection.                                                                              |
| We are a people business. The recruitment, retention and development of employees and licensees is crucial to our success. | There is a risk of lower profitability for the Company and our pub sites if we are unable to recruit and retain appropriately skilled employees and licensees.                                                                                   | The Nomination Committee is responsible for ensuring that the Company has an appropriate succession policy in place.                                          |
|                                                                                                                            | We have a number of key individuals that 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.                                            | Remuneration is externally benchmarked both regionally and within our industry to ensure we remain competitive and can attract and retain high quality staff. |
| We have a wide portfolio of brands that have an excellent reputation in the market.                                        | There is a risk that unexpected events or incidents including the potential contamination of our beers could damage the reputation of our brands and this may adversely impact consumers and ultimately lead to lower sales and reduced profits. | We have invested in a security system at the St Austell site which reduces the potential for unauthorised access to our key production facilities.            |
|                                                                                                                            |                                                                                                                                                                                                                                                  | We have in place robust product recall procedures which we test. We also have insurance cover against product contamination.                                  |

# St Austell Brewery Company Limited

## Strategic report (continued)

### REGULATORY RISKS

| <u>Specific risk area</u>                                                                                                                                                                                              | <u>Potential impact</u>                                                                                                                                                  | <u>Mitigation</u>                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| We operate in a highly regulated sector and government policy does impact the way that we do business. Changes in legislation such as minimum unit pricing or changes to drink driving laws could impact our business. | Any significant changes in regulations could reduce consumer demand leading to reduced profitability.                                                                    | <p>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 through the attendance by our Directors and senior employees.</p> <p>We continue to diversify our offer to include food, accommodation, soft drinks and coffee thereby reducing our reliance on alcohol-based revenue.</p> |
| The health and safety of our employees and customers is vital. We are required to comply with health and safety legislation and the main areas that impact us are fire safety, food hygiene and allergens.             | We operate across a wide range of sites which adds to the potential complexity of ensuring that we comply with the highest standards when it comes to health and safety. | <p>A Health and Safety Committee meets regularly to oversee the operation of our health and safety policies and procedures.</p> <p>We provide regular training programmes to ensure all risks are identified and properly assessed.</p> <p>We report and investigate all accidents and near misses.</p> <p>The Company's Health &amp; Safety Manager now reports directly to a Board Director.</p>                              |

# St Austell Brewery Company Limited

## Strategic report (continued)

### CORPORATE SOCIAL RESPONSIBILITY

#### General

With 167 years of heritage, we are a Company steeped in tradition but that does not mean we are stuck in the past. We are always looking forward, to see how we can improve our social responsibility strategy through innovation and creative thinking.

In this report we going to outline what steps we have taken in the past year in four key areas:

- Our communities
- Our people
- Our procurement
- Our environment

#### Our communities

Our pubs and hotels play a crucial role in the heart of their local community. Each of them supports its own local causes and charities and many of them are the backbone of local sporting activities, sponsoring grass roots cricket, rugby, football and other town and village teams. At a corporate level, the Brewery raises a substantial amount of money via the Charitable Trust, supporting a wide range of charities and organisations across the South West and providing donations to individuals facing very challenging circumstances. Our main fund-raising events in 2018 were the annual Celtic Beer Festival and a Gala Dinner held in Exeter University which together raised in excess of £60,000 and brought the total raised by the Trust to over £800,000 since 2003.

Cornwall is a hotbed of young local sporting talent, evidenced by the continued success of Newlyn-born England Rugby Union international Jack Nowell, our Tribute and Charitable Trust ambassador and we firmly believe that sport helps to develop real cohesion within local communities.

2018 marked the tenth anniversary of our support for South West Rugby in its entirety, allowing every team playing in the Tribute South West leagues to access cash to help with the development of their clubs and ensuring local opportunities for young sportsmen and women to shine.

2018 saw the renewal of our support for Cornwall and Somerset Cricket, alongside key sponsorships for Cornwall County Rugby and Plymouth Argyle, as well as a new partnership with the Cornish Pirates which saw a Tribute purple away kit developed for the first time.

In association with our pubs, our support for traditional South West sports at grass roots level through Tribute Pale Ale is both authentic and impactful and our 2018 extended partnership with the Western Morning News and Plymouth College to act as headline sponsors of the South West Sports Personality of the Year awards is testament to our recognition of the efforts made by local people at all levels to help sport thrive across the region.

# St Austell Brewery Company Limited

## Strategic report (continued)

Korev Cornish lager continues to play a key role in supporting local culture and more contemporary sports, with 2018 sponsorship of a season of major music and cultural events including the Eden Sessions and Tunes in the Dunes and, for the first time, the Porthleven Food & Drink Festival.

Korev sponsorship of surfing ambassadors, Newquay's Luke Dillon and Woolacombe's Lucy Campbell, hit new heights in 2018, with Luke enjoying an incredible season of overseas World Qualifying Series events which saw his meteoric rise from 270 to 25 in the world qualifying rankings. Lucy herself retained her UK Women's Open title and both were picked as ambassadors for the internationally acclaimed Boardmasters festival in 2018.

Bath Ales partnership with Bath Rugby, with Gem as the official beer of the club, was enhanced in 2018 with a change from keg to cask across the bars at their home ground The Rec which was well received by beer fans who also enjoyed their first taste of Sulis English Lager at the ground. Bath Ales also sponsors Bath Saracens RFC, including supporting their 'Player of the Month' and 2018 saw Bath Ales become 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.

In a rationalisation of our regional sponsorships following the acquisition of Bath Ales, Gem will take over support of Gloucester County Cricket from the new 2019 season and as we drive to acquire new business in Dorset and the urban centres of Bristol and Bath, more opportunities for supporting local communities and sport are actively being pursued through the Charitable Trust and our Free Trade Sales teams.

## Our People

Our success and future growth is based on our ability to attract, retain and develop the best teams in the business.

2018 saw the signing of a new three-year partnership with the national Springboard charity which encompasses a series of campaigns to attract young talent from disadvantaged backgrounds into the hospitality business.

Our Young Cornish Chef competition, in partnership with local schools and academies, offers aspiring youngsters one-to-one mentoring in all aspects of cooking and understanding of nutrition, directly related to the national curriculum and giving young local 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.

A new Apprenticeship partnership in 2018 with Truro and Penwith College saw 17 aspiring young chefs enrolled on our Chef Academy course as we continue to reach out to our community heartlands, encouraging youngsters to join in on the wide variety of apprenticeship opportunities we are able to offer.

Early 2019 saw us awarded Healthy Workplace Gold for the third year running and we continue to develop proactive support to our workforce through the introduction of health surveillance across the business and this year will see the introduction of mental health first aiders in every department to add to the investment already made in our in-house Occupational Health team, health and wellbeing programmes.

# St Austell Brewery Company Limited

## Strategic report (continued)

A new Volunteering Policy, introduced in the first quarter of 2019, is designed to allow every member of staff to offer a day's work to local charities and organisations across the region, benefitting both local communities and the wellbeing of our staff.

In 2018, we were awarded the Bronze Armed Services award for businesses that have signed up to the Armed Forces Covenant, offering fair consideration to all suitable applications from ex- servicemen and support for their families where applicable.

All of these initiatives reinforce the Company's strategic objective of being the employer of choice in the South West of England. 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 beer quality 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 volunteers who advise 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 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 waste, such as Re-Fill and the Final Straw. 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 Procurement

As would be expected at St Austell Brewery our commitment to local and sustainable sourcing is at the heart of our approach to procurement. Our policies are straightforward: everything we do must be economically viable, socially acceptable and environmentally sound and we expect the same of our suppliers and their interconnected supply chains. We keep a close watch on the impact of our business and this means putting our suppliers under the spotlight too.

Right across the business, we seek to work only with companies that share our values – which is why we ask to see a copy of their own Corporate Social Responsibility policy ahead of any agreement. Before coming on board, all our suppliers are asked a rigorous set of questions and must complete our online application form and adhere to the minimum standards we clearly set out. We also consider the human rights, health and safety, and other ethical policies of our suppliers when making our buying decisions and signing up to our own policy to ensure modern slavery is not taking place within their business, or in any of their supply chain, is mandatory.

# **St Austell Brewery Company Limited**

## **Strategic report (continued)**

We strive to use products from the regions in which we operate: Cornwall, Devon and Somerset as first choice and the rest of the South West regions as we continue to expand our business. We establish long-term relationships with all our suppliers, we provide forecasts and forward contracts which allow them to plan and create sustainable business platforms. We plan well ahead and have two- and three-year rolling contracts in place with many of our key suppliers, not least with our hop and barley farmers, securing our supply of beer ingredients long into the future.

Long-term associations are mutually beneficial, giving us the confidence and reassurance that we're getting top-quality produce for years to come and giving our suppliers the stability, they need to invest, grow and protect their businesses.

A shared vision is particularly important when it comes to food suppliers, where our commitment to sustainable, local produce meets no compromise. All our fresh meats are supplied from Cornwall, Devon and Somerset with local butchers near our pubs and restaurants with a fully traceable supply chain.

Our locally caught fish are supplied from the markets of Newlyn, Looe, Plymouth and Brixham and delivered on the same day, landed via our regionally based fishmongers, while our milk and cream is 100% Cornish and supplied right across our estate, with the iconic Cornish Clotted Cream from Rodda's transcending County boundaries and sharing pride of place on British Airways along with our very own Tribute beer.

### **Our Environment**

Our commitments to safeguarding the local environment and to sustainable operations across our business were recognised at the highest level in 2018 when we were presented with the Queen's Award for Sustainable Development, an accreditation we are honoured to hold for the next five years.

Our £1.6m investment in new water treatment facilities at our Trevarthian Road headquarters will come fully online in the early part of 2019, saving us as much as 65% on our monthly waste water charges and, through the use of an in-built methane burner, save us further costs in terms of our ability to reheat water for our brewing processes as well as drastically reduce the amount of waste water we put back into the local systems.

Our commitment to invest in renewable energy saw the placement of almost 900 solar panels on the roof of the new Hare Brewery, with the array set to go online in March 2019. Our existing arrays at CDC and St Austell allowed us to enjoy another half year free of the National Grid in 2018, with power going back to local homes in nearby communities. Family member and External Relations Director Piers Thompson reinvigorated our link with the Cornish umbrella organisation Clean Cornwall in 2018, coming on board to help drive the county's ambitions towards plastic and litter-free communities and coastlines, while renewed partnerships with organisations such as the Cornwall Wildlife Trust and new involvement in 2018 with initiatives such as the Tevi – Sustainable Growth for Cornwall Project keep the business at the forefront of all environmental and sustainability initiatives.

Following our winning of the Best Managed Company at the Cornwall Sustainability Awards in 2017, we took the conscious decision to step back from entering these important awards to become a key sponsor, encouraging other companies to ensure sustainability becomes a by-word of their business, safeguarding our beautiful local environment for future generations to enjoy.

# St Austell Brewery Company Limited

## Strategic report (continued)

### CORPORATE GOVERNANCE

#### The Board

The Board currently is comprised of nine Directors. It is led by the Non-Executive Chairman, Will Michelmore and also includes the Chief Executive, three Executive Directors and four Non-Executive Directors. The Board includes four direct descendants of the Company founder, Walter Hicks. The involvement of family members in senior roles ensures that the family values are intrinsic to the way that the business operates. These family values are complemented by experienced, professional management to ensure that the business benefits from appropriate skills and knowledge which helps to underpin the long term sustainable success of the Company.

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

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

The Board meets formally at least five times a year and meetings typically take place over a two-day period.

Telephone meetings are also held to discuss relevant issues that arise between face to face meetings. The Board is responsible to the shareholders for ensuring the long-term, sustainable success of the Company. It establishes and monitors the Company's strategy and regularly reviews the progress being made in achieving its long term strategic financial objectives. The Board also has responsibility 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 strategy meeting is held by the Board and its Senior Management Team.

In order to ensure that Board meetings operate as effectively and efficiently as possible, relevant information is circulated to Directors at least six days before each Board or committee meeting. The Board have recently authorised the implementation of a new administration system to improve the efficiency and security of Board Information and it is expected that this will be rolled out during 2019.

The Board conducts an annual evaluation of its own performance. A regular review is carried out of the training and development needs of the Board and its committees and each director is responsible for ensuring that their skills and knowledge of the Company is updated.

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

# **St Austell Brewery Company Limited**

## **Strategic report (continued)**

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 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 any proposed transaction by the Company.

### **Committees of the Board**

#### **Nomination**

The Nomination Committee is chaired by Will Michelmore. The Committee also includes Gerard Barnes, Jill Caseberry and from 1 January 2019, Adam Luck. The Committee is responsible for reviewing the structure, size and composition of the Board. It also identifies prospective candidates as Directors for consideration and appointment by the Board as a whole.

#### **Audit and Risk**

The Audit and Risk Committee is chaired by Gerard Barnes. The committee also includes Jill Caseberry, Kevin Georgel and, from 1 January 2019, Adam Luck. The Financial Director and external auditor attend its meetings by invitation.

The Committee is responsible for overseeing the external audit relationship. During 2018 the committee reviewed and approved the Company's updated whistleblowing and anti-bribery/corruption policies.

The Committee also commissioned an updated external review of the Company's Corporate Governance arrangements. The aim of the review was to assess how compliant the Company is with the UK Corporate Governance Code. As a private Company we are not required to comply with the Code but it is seen as best practice. The review focused on how we were complying with the principles of the Code:

Board Leadership and Company Purpose; Division of responsibilities; Composition, succession and evaluation; Audit, risk and internal control and Remuneration.

The review concluded that it was clear that the Board believe in the importance of strong corporate governance and implement the principles of the Code throughout.

#### **Remuneration**

The Remuneration Committee is chaired by Will Michelmore. The committee also comprises Gerard Barnes, Jill Caseberry and, from 1 January 2019, Adam Luck. The committee is responsible for determining, on behalf of the Board, the remuneration packages of the Executive Directors.

# **St Austell Brewery Company Limited**

## **Strategic report (continued)**

The remuneration of the Non-Executive Directors is decided by the Board as a whole. The Remuneration Committee is also responsible for approving the bonus targets and payments for the Senior Management Team. In reaching these decisions the Remuneration Committee consider 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. During the year the Remuneration Committee commissioned an external benchmarking exercise of the remuneration packages of both the Executive Directors and Senior Management. The remuneration packages are structured to attract, retain and motivate the Executive Directors and Senior Management Team.

### **Senior Management Team**

The Senior Management Team (SMT) is responsible for implementing the operational plans that aim to deliver 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), Jeremy Mitchell, Marketing and Communications Director (Associate) and Tamsyn Hawkins, People Director (Associate). The SMT meet regularly and 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. The Risk Management Committee which covers business continuity planning is chaired by the Chief Executive.

### **Communication with shareholders**

The Board are committed to ensuring there is appropriate communication 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) which is held in May. The AGM provides the Board with the opportunity to communicate with its shareholders and the Chairman, Chief Executive, Finance Director and Retail Director present an update on the Company's progress against its strategic objectives, as well as on the Company's major investments and ongoing trading performance. The AGM also provides shareholders the opportunity to raise any questions with the Board.

The Company maintains a specially dedicated section of its website to provide shareholders with 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<br>Committee | Audit and Risk<br>Committee | Remuneration<br>Committee |
|--------------------------------|-------------|-------|-------------------------|-----------------------------|---------------------------|
| <b>Executive Directors</b>     |             |       |                         |                             |                           |
| James Staughton                | No          | 9/9   | -                       | -                           | -                         |
| Colin Stratton                 | No          | 9/9   | -                       | -                           | -                         |
| Steve Worrall                  | No          | 9/9   | -                       | -                           | -                         |
| Piers Thompson                 | No          | 9/9   | -                       | -                           | -                         |
| <b>Non-Executive Directors</b> |             |       |                         |                             |                           |
| Will Michelmores               | No          | 9/9   | 5/5                     | -                           | 5/5                       |
| Gerard Barnes                  | No          | 9/9   | 5/5                     | 5/5                         | 5/5                       |
| Kevin Georgel                  | Yes         | 9/9   | 3/3                     | 5/5                         | 3/3                       |
| Jonathan Neame (*)             | Yes         | 4/4   | 2/2                     | 2/2                         | 2/2                       |
| Jill Caeberry (**)             | Yes         | 6/6   | 4/4                     | 4/4                         | 4/4                       |
| Adam Luck (***)                | No          | 9/9   | -                       | -                           | -                         |

(\*) Retired 11 May 2018

(\*\*) Appointed 1 May 2018

(\*\*\*) Adam Luck retired as an Executive Director at the end of December 2018

### Future Developments

The Directors expect the general level of activity to continue to grow in the forthcoming year.

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 29 December 2018. Certain information regarding principal risks, employee matters and future prospects have been included within the Strategic Report.

### **DIVIDENDS**

An interim dividend of 70p (30 December 2017: 70p) was paid on the ordinary shares on 19 October 2018. The Directors recommend a final dividend of 92p be paid on the ordinary shares (30 December 2017: 92p).

### **GOING CONCERN**

The Company meets its day-to-day working capital requirements through a £5m overdraft facility which is repayable on demand. The Company's medium-term debt is financed by three revolving credit facilities of £30m, £27.5m and £15m. The revolving credit facility for £27.5m is due for renewal in March 2021, the facility for £30m is due for renewal in March 2022 and the facility for £15m is due for renewal in 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 Caseberry (appointed 1 May 2018)

J B Neame (retired 11 May 2018)

G H Barnes

C J Stratton

P M Thompson

# **St Austell Brewery Company Limited**

## **Directors' report (continued)**

K R Georgel

S Worrall

### **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 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

25 March 2019

# 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 29 December 2018 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 Change in Equity, Consolidated Cash Flows Statement and the related and the related notes 1 to 27, 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 29 December 2018 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.

### **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.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

## **St Austell Brewery Company Limited**

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 27, 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

## **St Austell Brewery Company Limited**

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

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.

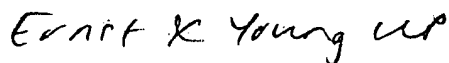
#### **Auditor's responsibilities for the audit of the financial statements**

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.

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.

#### **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.



Paul Mapleston (Senior statutory auditor)

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

Bristol

25<sup>th</sup> March 2019

# St Austell Brewery Company Limited

## Consolidated profit and loss account

For the 52-week period ended 29 December 2018

|                                                                   |      | 52 weeks ended 29 December 2018 |                       |                | 52 weeks ended 30 December 2017 |                       |                |
|-------------------------------------------------------------------|------|---------------------------------|-----------------------|----------------|---------------------------------|-----------------------|----------------|
|                                                                   | Note | Before other items*<br>£'000    | Other items*<br>£'000 | Total<br>£'000 | Before other items*<br>£'000    | Other items*<br>£'000 | Total<br>£'000 |
| <b>Turnover</b>                                                   | 3    | 179,645                         | -                     | 179,645        | 169,307                         | -                     | 169,307        |
| Cost of sales                                                     |      | (107,952)                       | (249)                 | (108,201)      | (98,701)                        | -                     | (98,701)       |
| <b>Gross profit</b>                                               |      | 71,693                          | (249)                 | 71,444         | 70,606                          | -                     | 70,606         |
| Distribution expenses                                             |      | (8,561)                         | -                     | (8,561)        | (8,134)                         | -                     | (8,134)        |
| Administrative expenses                                           |      | (50,130)                        | (400)                 | (50,530)       | (48,664)                        | (516)                 | (49,180)       |
| <b>Operating profit</b>                                           |      | 13,002                          | (649)                 | 12,353         | 13,808                          | (516)                 | 13,292         |
| Profit on sale of tangible fixed assets                           |      | -                               | (147)                 | (147)          | -                               | 331                   | 331            |
| <b>Profit on ordinary activities before interest and taxation</b> |      | 13,002                          | (796)                 | 12,206         | 13,808                          | (185)                 | 13,623         |
| Interest receivable and similar income                            | 4    | 41                              | -                     | 41             | 39                              | -                     | 39             |
| Interest payable and similar charges                              | 4    | (1,430)                         | 718                   | (712)          | (1,304)                         | 318                   | (986)          |
| Other finance cost on pension scheme                              | 4    | -                               | (288)                 | (288)          | -                               | (358)                 | (358)          |
| <b>Profit on ordinary activities before taxation</b>              | 5    | 11,613                          | (366)                 | 11,247         | 12,543                          | (225)                 | 12,318         |
| Tax on profit on ordinary activities                              | 8    | (2,356)                         | -                     | (2,356)        | (2,619)                         | -                     | (2,619)        |
| <b>Profit for the financial period</b>                            |      | 9,257                           | (366)                 | 8,891          | 9,924                           | (225)                 | 9,699          |
| <b>Earnings per share</b>                                         |      | £5.47                           | (£0.21)               | £5.26          | £5.86                           | (£0.13)               | £5.73          |

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 29 December 2018

|                                                          | Note | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|----------------------------------------------------------|------|---------------------------------------------------|---------------------------------------------------|
| <b>Profit for the financial period</b>                   |      | <b>8,891</b>                                      | <b>9,699</b>                                      |
| Remeasurement of net defined benefit liability           | 25   | 2,809                                             | 1,078                                             |
| Tax relating to components of other comprehensive income | 19   | (477)                                             | (183)                                             |
| <b>Other comprehensive [income / (expense)]</b>          |      | <b>2,332</b>                                      | <b>895</b>                                        |
| <b>Total comprehensive income</b>                        |      | <b>11,223</b>                                     | <b>10,594</b>                                     |

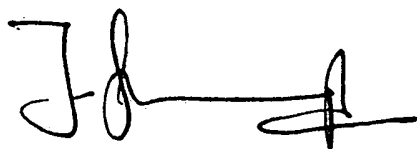
# St Austell Brewery Company Limited

## Consolidated balance sheet

At 29 December 2018

|                                                                | Note | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------------------------------|------|------------------------------------|------------------------------------|
| <b>Fixed assets</b>                                            |      |                                    |                                    |
| Goodwill                                                       | 11   | 1,589                              | 1,777                              |
| Intangible assets                                              | 11   | 4,241                              | 4,483                              |
| Tangible assets                                                | 12   | 155,222                            | 148,153                            |
|                                                                |      | <u>161,052</u>                     | <u>154,413</u>                     |
| <b>Current assets</b>                                          |      |                                    |                                    |
| Stocks                                                         | 14   | 8,496                              | 8,268                              |
| Debtors                                                        |      |                                    |                                    |
| – due within one year                                          | 15   | 25,483                             | 22,644                             |
| – due after one year                                           | 15   | 1,764                              | 2,100                              |
| Cash at bank and in hand                                       |      | 2,453                              | 902                                |
|                                                                |      | <u>38,196</u>                      | <u>33,914</u>                      |
| <b>Creditors: Amounts falling due within one year</b>          | 16   | <u>(26,395)</u>                    | <u>(25,009)</u>                    |
| <b>Net current assets</b>                                      |      | <u>11,801</u>                      | <u>8,905</u>                       |
| <b>Total assets less current liabilities</b>                   |      | <u>172,853</u>                     | <u>163,318</u>                     |
| <b>Creditors: Amounts falling due after more than one year</b> | 17   | <u>(53,868)</u>                    | <u>(50,624)</u>                    |
| <b>Net pension liability</b>                                   | 25   | <u>(9,844)</u>                     | <u>(12,034)</u>                    |
| <b>Net assets</b>                                              |      | <u><u>109,141</u></u>              | <u><u>100,660</u></u>              |
| <b>Capital and reserves</b>                                    |      |                                    |                                    |
| Called-up share capital                                        | 22   | 1,692                              | 1,692                              |
| Capital redemption reserve                                     |      | 1,108                              | 1,108                              |
| Profit and loss account                                        |      | 106,341                            | 97,860                             |
| <b>Shareholders' funds</b>                                     |      | <u><u>109,141</u></u>              | <u><u>100,660</u></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 25<sup>th</sup> March 2019. They were signed on its behalf by:



**James Staughton**

Chief Executive

25<sup>th</sup> March 2019

# St Austell Brewery Company Limited

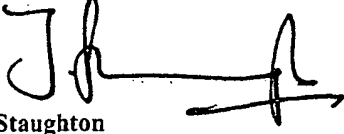
## Company balance sheet

At 29 December 2018

|                                                                | Note | At 30<br>December<br>2017<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------------------------------|------|------------------------------------|------------------------------------|
| <b>Fixed assets</b>                                            |      |                                    |                                    |
| Goodwill                                                       | 11   | 1,589                              | 1,777                              |
| Intangible assets                                              | 11   | 4,241                              | 4,483                              |
| Tangible assets                                                | 12   | 155,222                            | 148,153                            |
| Investments                                                    | 13   | -                                  | -                                  |
|                                                                |      | <u>161,052</u>                     | <u>154,413</u>                     |
| <b>Current assets</b>                                          |      |                                    |                                    |
| Stocks                                                         | 14   | 8,496                              | 8,268                              |
| Debtors                                                        |      |                                    |                                    |
| – due within one year                                          | 15   | 25,483                             | 22,644                             |
| – due after one year                                           | 15   | 1,764                              | 2,100                              |
| Cash at bank and in hand                                       |      | <u>2,453</u>                       | <u>902</u>                         |
|                                                                |      | <u>38,196</u>                      | <u>33,914</u>                      |
| <b>Creditors: Amounts falling due within one year</b>          | 16   | <u>(26,395)</u>                    | <u>(25,009)</u>                    |
| <b>Net current assets</b>                                      |      | <u>11,801</u>                      | <u>8,905</u>                       |
| <b>Total assets less current liabilities</b>                   |      | <u>172,853</u>                     | <u>163,316</u>                     |
| <b>Creditors: Amounts falling due after more than one year</b> | 17   | <u>(53,868)</u>                    | <u>(50,624)</u>                    |
| <b>Net pension liability</b>                                   | 25   | <u>(9,844)</u>                     | <u>(12,034)</u>                    |
| <b>Net assets</b>                                              |      | <u>109,141</u>                     | <u>100,660</u>                     |
| <b>Capital and reserves</b>                                    |      |                                    |                                    |
| Called-up share capital                                        | 22   | 1,692                              | 1,692                              |
| Capital redemption reserve                                     |      | 1,108                              | 1,108                              |
| Profit and loss account                                        |      | <u>106,341</u>                     | <u>97,860</u>                      |
| <b>Shareholders' funds</b>                                     |      | <u>109,141</u>                     | <u>100,660</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 29 December 2018 of £8,891,000 (30 December 2017: £9,699,000).

The financial statements of St Austell Brewery Company Limited, registered number 107021, were approved by the Board of Directors and authorised for issue on 25<sup>th</sup> March 2019. They were signed on its behalf by:



James Staughton

Chief Executive

25<sup>th</sup> March 2019

# St Austell Brewery Company Limited

## Consolidated statement of changes in equity

At 29 December 2018

| Group and Company                                   | Called-up<br>share capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Profit and<br>loss account<br>£'000 | Total<br>£'000 |
|-----------------------------------------------------|-------------------------------------|-------------------------------------------|-------------------------------------|----------------|
| At 31 December 2017                                 | 1,692                               | 1,108                                     | 97,860                              | 100,660        |
| Profit for the financial period                     |                                     |                                           | 8,891                               | 8,891          |
| Remeasurement of net defined benefit liability      |                                     |                                           | 2,809                               | 2,809          |
| Tax relating to items of other comprehensive income |                                     |                                           | (477)                               | (477)          |
| <b>Total comprehensive income</b>                   |                                     |                                           | <b>11,223</b>                       | <b>11,223</b>  |
| Dividends paid on equity shares                     |                                     |                                           | (2,742)                             | (2,742)        |
| <b>At 29 December 2018</b>                          | <b>1,692</b>                        | <b>1,108</b>                              | <b>106,341</b>                      | <b>109,141</b> |

# St Austell Brewery Company Limited

## Consolidated cash flow statement

For the 52-week period ended 29 December 2018

|                                                               |       | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------------------------------------------------------|-------|---------------------------------------------------|---------------------------------------------------|
|                                                               | Note  |                                                   |                                                   |
| Net cash flows from operating activities                      | 23    | 13,804                                            | 14,746                                            |
| <b>Cash flows from investing activities</b>                   |       |                                                   |                                                   |
| Interest received                                             | 4     | 41                                                | 39                                                |
| Interest paid                                                 | 4     | (1,426)                                           | (1,300)                                           |
| Preference dividends paid                                     |       | (4)                                               | (4)                                               |
| Proceeds from sale of tangible fixed assets                   |       | 398                                               | 703                                               |
| Purchase of tangible fixed assets and intangible fixed assets | 11,12 | (13,450)                                          | (15,679)                                          |
| <b>Net cash flows from investing activities</b>               |       | <b>(14,441)</b>                                   | <b>(16,241)</b>                                   |
| <b>Cash flows from financing activities</b>                   |       |                                                   |                                                   |
| Dividends paid                                                |       | (2,741)                                           | (2,708)                                           |
| Drawdown of borrowings                                        |       | 72,000                                            | 51,500                                            |
| Repayment of borrowings                                       |       | (72,000)                                          | (51,500)                                          |
| Repayments of obligations under finance lease                 |       | (45)                                              | (89)                                              |
| Increase in revolving credit facilities                       |       | 4,000                                             | 5,000                                             |
| <b>Net cash inflow from financing</b>                         |       | <b>1,214</b>                                      | <b>2,203</b>                                      |
| <b>Net increase in cash and cash equivalents</b>              |       | <b>577</b>                                        | <b>708</b>                                        |
| <b>Cash and cash equivalents at beginning of period</b>       |       | <b>(2,532)</b>                                    | <b>(3,240)</b>                                    |
| <b>Cash and cash equivalents at end of period</b>             |       | <b>(1,955)</b>                                    | <b>(2,532)</b>                                    |
| <b>Reconciliation to cash at bank and in hand</b>             |       |                                                   |                                                   |
| Cash at bank and in hand                                      |       | 2,453                                             | 902                                               |
| Cash equivalents                                              |       | (4,408)                                           | (3,434)                                           |
| <b>Cash and cash equivalents</b>                              |       | <b>(1,955)</b>                                    | <b>(2,532)</b>                                    |

### Analysis in change of debt

|                             | 30 December<br>2017<br>£'000 | Cash flows<br>£'000 | 29 December<br>2018<br>£'000 |
|-----------------------------|------------------------------|---------------------|------------------------------|
| Cash at bank and in hand    | 902                          | 1,551               | 2,453                        |
| Bank overdraft              | (3,434)                      | (974)               | (4,408)                      |
|                             | <u>(2,532)</u>               | <u>577</u>          | <u>(1,955)</u>               |
| Revolving credit facilities | (47,000)                     | (4,000)             | (51,000)                     |
| Finance lease obligations   | (59)                         | 45                  | (14)                         |
| <b>Debt due</b>             | <b>(49,591)</b>              | <b>3,378</b>        | <b>(52,969)</b>              |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 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 69. The nature of the Companies operations and its principal activities are set out in the strategic report on pages 11 to 24.

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 29 December 2018

### 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 criterion 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 25 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 29 December 2018

### *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 29 December 2018

### 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 29 December 2018

### 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 29 December 2018

### **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 29 December 2018

### 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 9.5% (30 December 2017: 9.5%). 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 is the discount rate of 6.64% (30 December 2017: 6.64%) and also includes gross margin in the managed estate and the rent projections in the tenanted estate.

During the 52 week period 29 December 2018 a net impairment of £nil was recognised in the profit and loss account. Impairment of three CGU's (The Ten Tors, Kingsteignton, Graze, Cirencester and Rose & Crown, Yealmpton) totalling £480,000 was recognised where their asset values exceeded their value in use. The impairment loss was due to the adverse performance of these three pubs. Following an improvement in performance three sites which were previously impaired have had reversals (The Tavern, Newquay, Crown Hotel, Lynton and Three Crowns, Chagford) totalling £480,000 recognised in the profit and loss account.

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 3. Turnover

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

|                 | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|-----------------|---------------------------------------------------|---------------------------------------------------|
| Turnover:       |                                                   |                                                   |
| Regional brewer | 179,645                                           | 169,307                                           |

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

|                   | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|-------------------|---------------------------------------------------|---------------------------------------------------|
| Turnover:         |                                                   |                                                   |
| UK                | 178,779                                           | 168,643                                           |
| Rest of the world | 866                                               | 664                                               |
|                   | 179,645                                           | 169,307                                           |

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

|               | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------|---------------------------------------------------|---------------------------------------------------|
| Sale of goods | 174,290                                           | 164,091                                           |
| Rental income | 5,355                                             | 5,216                                             |
|               | 179,645                                           | 169,307                                           |

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 29 December 2018

### 4. Finance costs (net)

#### Interest receivable

|                                              | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|----------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Other interest receivable and similar income | 41                                                | 39                                                |

#### Interest payable and similar charges

|                                                         | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Bank loans and overdrafts                               | 1,413                                             | 1,290                                             |
| 5% Cumulative preference share dividends                | 4                                                 | 4                                                 |
| Other loans                                             | 13                                                | 10                                                |
|                                                         | <u>1,430</u>                                      | <u>1,304</u>                                      |
| Fair value movement of interest rate swap (see note 21) | (718)                                             | (318)                                             |
|                                                         | <u>712</u>                                        | <u>986</u>                                        |

#### Other finance costs on pension scheme

|                                                         | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Net interest on defined benefit liability (see note 25) | 288                                               | 358                                               |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 5. Profit on ordinary activities before taxation

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

|                                                             | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|-------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Depreciation of tangible fixed assets (note 12)             | 5,662                                             | 5,390                                             |
| Impairment of tangible fixed assets                         | 480                                               | 157                                               |
| Reversal of past impairment losses on tangible fixed assets | (480)                                             | (157)                                             |
| Amortisation of goodwill (note 11)                          | 213                                               | 235                                               |
| Amortisation of other intangible assets (note 11)           | 242                                               | 242                                               |
| Operating lease rentals                                     | 1,157                                             | 920                                               |

The Group annually assesses 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 three pubs from the estate.

The reversal of past impairment losses arises from the same process above however, there is an improved performance of three 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<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <b>Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts</b> | 65                                                | 65                                                |
| <b>Total audit fees</b>                                                                                    | 65                                                | 65                                                |
| Taxation compliance services                                                                               | 12                                                | 10                                                |
| Other non-audit services                                                                                   | 25                                                | -                                                 |
| <b>Total non-audit fees</b>                                                                                | 37                                                | 10                                                |

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 29 December 2018

### **6. Staff numbers and costs**

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

|                         | 52 weeks<br>ended 29<br>December<br>2018<br>Number | 52 weeks<br>ended 30<br>December<br>2017<br>Number |
|-------------------------|----------------------------------------------------|----------------------------------------------------|
| Brewery and depots      | 471                                                | 428                                                |
| Hotel and public houses | 1,048                                              | 1,125                                              |
|                         | <u>1,519</u>                                       | <u>1,553</u>                                       |

Their aggregate remuneration comprised:

|                       | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|-----------------------|---------------------------------------------------|---------------------------------------------------|
| Wages and salaries    | 29,173                                            | 28,268                                            |
| Social security costs | 2,423                                             | 2,341                                             |
| Other pension costs   | 1,392                                             | 1,035                                             |
|                       | <u>32,988</u>                                     | <u>31,644</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 29 December 2018

### 7. Directors' remuneration and transactions

|                                                               | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <b>Directors' remuneration</b>                                |                                                   |                                                   |
| Emoluments                                                    | 919                                               | 858                                               |
| Company contributions to defined benefit pension scheme       | 35                                                | 27                                                |
| Company contributions to defined contribution pension scheme  | 14                                                | 7                                                 |
|                                                               | <u>968</u>                                        | <u>892</u>                                        |
|                                                               | Number                                            | Number                                            |
| <b>The number of directors who:</b>                           |                                                   |                                                   |
| 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>5</u>                                          | <u>3</u>                                          |
|                                                               | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
| <b>Remuneration of the highest paid director:</b>             |                                                   |                                                   |
| Salary                                                        | 194                                               | 189                                               |
| Salary in lieu of pension contribution                        | 36                                                | 36                                                |
| Benefits in kind                                              | 15                                                | 13                                                |
|                                                               | <u>245</u>                                        | <u>238</u>                                        |

### 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 29 December 2018

### 8. Tax on profit on ordinary activities

The tax charge comprises:

|                                                     | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <b>Current tax on profit on ordinary activities</b> |                                                   |                                                   |
| UK corporation tax                                  | 2,445                                             | 2,608                                             |
| Adjustments in respect of prior periods             | (13)                                              | -                                                 |
| <b>Total current tax</b>                            | <u>2,432</u>                                      | <u>2,608</u>                                      |
| <b>Deferred tax</b>                                 |                                                   |                                                   |
| Origination and reversal of timing differences      | (73)                                              | (9)                                               |
| Adjustment in respect of prior periods              | (11)                                              | 19                                                |
| Effect of changes in tax rate                       | 8                                                 | 1                                                 |
| <b>Total deferred tax (see note 19)</b>             | <u>(76)</u>                                       | <u>11</u>                                         |
| <b>Total tax on profit on ordinary activities</b>   | <u>2,356</u>                                      | <u>2,619</u>                                      |

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (30 December 2017: 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015. During the year beginning 30 December 2018, 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 29 December 2018

### 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<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Group profit on ordinary activities before tax                                                                            | 11,247                                            | 12,318                                            |
| Tax on Group profit on ordinary activities at standard UK<br>corporation tax rate of 19.00% (30 December 2017:<br>19.25%) | 2,137                                             | 2,371                                             |
| Effects of:                                                                                                               |                                                   |                                                   |
| - Expenses not deductible for tax purposes                                                                                | 237                                               | 547                                               |
| - Income not taxable in determining taxable profit                                                                        | (1)                                               | (318)                                             |
| - Tax rate changes                                                                                                        | 8                                                 | 1                                                 |
| - Adjustments to tax charge in respect of prior periods                                                                   | (25)                                              | 19                                                |
| Other                                                                                                                     | -                                                 | (1)                                               |
| Group total tax charge for period                                                                                         | 2,356                                             | 2,619                                             |

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 29 December 2018

### 9. Dividends on equity shares

|                                                                           | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|---------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Interim dividend paid of 70p per ordinary share (30 December 2017: 70p)   | 1,184                                             | 1,184                                             |
| Proposed final dividend of 92p per ordinary share (30 December 2017: 92p) | 1,557                                             | 1,557                                             |
|                                                                           | <u>2,741</u>                                      | <u>2,741</u>                                      |

Amount of dividends recognised in the current year is £2,741,662

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<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|--------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Write off of ERP implementation costs                              | -                                                 | (207)                                             |
| Write off of project development fees                              | -                                                 | (309)                                             |
| Write off of pre opening brewery costs                             | (249)                                             | -                                                 |
| (Loss) / Profit on sale of tangible fixed assets                   | (147)                                             | 331                                               |
| Interest payable and similar charges – fair value movement in swap | 718                                               | 318                                               |
| Other finance income on pension scheme (note 25)                   | (288)                                             | (358)                                             |
| Past service cost on pension scheme (note 25)                      | (400)                                             | -                                                 |
| <b>Total other items</b>                                           | <u>(366)</u>                                      | <u>(225)</u>                                      |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 11. Intangible fixed assets

|                                           | <u>Group</u>            |                           |                        | <u>Company</u>          |                           |                        |
|-------------------------------------------|-------------------------|---------------------------|------------------------|-------------------------|---------------------------|------------------------|
|                                           | <b>Brands<br/>£'000</b> | <b>Goodwill<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>Brands<br/>£'000</b> | <b>Goodwill<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>Cost</b>                               |                         |                           |                        |                         |                           |                        |
| At 30 December 2017 & 29<br>December 2018 | 4,847                   | 3,389                     | 8,236                  | 4,725                   | 3,284                     | 8,009                  |
| Additions                                 | -                       | 25                        | 25                     | -                       | 25                        | 25                     |
|                                           | <u>4,847</u>            | <u>3,414</u>              | <u>8,261</u>           | <u>4,725</u>            | <u>3,309</u>              | <u>8,034</u>           |
| At 29 December 2018                       | <u>4,847</u>            | <u>3,414</u>              | <u>8,261</u>           | <u>4,725</u>            | <u>3,309</u>              | <u>8,034</u>           |
| <b>Amortisation</b>                       |                         |                           |                        |                         |                           |                        |
| At 30 December 2017                       | 364                     | 1,612                     | 1,976                  | 242                     | 1,507                     | 1,749                  |
| Charge for the period                     | 242                     | 213                       | 455                    | 242                     | 213                       | 455                    |
|                                           | <u>606</u>              | <u>1,825</u>              | <u>2,431</u>           | <u>484</u>              | <u>1,720</u>              | <u>2,204</u>           |
| At 29 December 2018                       | <u>606</u>              | <u>1,825</u>              | <u>2,431</u>           | <u>484</u>              | <u>1,720</u>              | <u>2,204</u>           |
| <b>Net book value</b>                     |                         |                           |                        |                         |                           |                        |
| At 29 December 2018                       | <u>4,241</u>            | <u>1,589</u>              | <u>5,830</u>           | <u>4,241</u>            | <u>1,589</u>              | <u>5,830</u>           |
| 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>           |

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

| <b>Intangible asset</b> | <b>Net book<br/>value<br/>£'000</b> | <b>Estimated<br/>remaining<br/>useful life</b> |
|-------------------------|-------------------------------------|------------------------------------------------|
| Gem                     | 2,960                               | 17.5                                           |
| Bath Ales               | 1,281                               | 17.5                                           |
|                         | <u>4,241</u>                        |                                                |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 12. Tangible fixed assets

| Group and Company        | Freehold<br>£'000 | Long<br>leasehold<br>£'000 | Short<br>leasehold<br>£'000 | Plant,<br>machinery<br>and<br>furniture<br>£'000 | Assets in the<br>course of<br>construction<br>£'000 | Total<br>£'000 |
|--------------------------|-------------------|----------------------------|-----------------------------|--------------------------------------------------|-----------------------------------------------------|----------------|
| <b>Cost or valuation</b> |                   |                            |                             |                                                  |                                                     |                |
| At 30 December 2017      | 118,992           | 5,135                      | 3,022                       | 58,666                                           | 7,149                                               | 192,964        |
| Additions                | 5,678             | -                          | 687                         | 5,012                                            | 2,048                                               | 13,425         |
| Disposals                | (195)             | -                          | (72)                        | (918)                                            | (149)                                               | (1,334)        |
| Transfers                | 216               | -                          | 2,515                       | 3,157                                            | (5,888)                                             | -              |
| At 29 December 2018      | <u>124,691</u>    | <u>5,135</u>               | <u>6,152</u>                | <u>65,917</u>                                    | <u>3,160</u>                                        | <u>205,055</u> |
| <b>Depreciation</b>      |                   |                            |                             |                                                  |                                                     |                |
| At 30 December 2017      | 6,477             | 571                        | 648                         | 37,115                                           | -                                                   | 44,811         |
| Charge for the period    | 598               | 139                        | 201                         | 4,724                                            | -                                                   | 5,662          |
| Disposals                | (10)              | -                          | (51)                        | (579)                                            | -                                                   | (640)          |
| At 29 December 2018      | <u>7,065</u>      | <u>710</u>                 | <u>798</u>                  | <u>41,260</u>                                    | <u>-</u>                                            | <u>49,833</u>  |
| <b>Net book value</b>    |                   |                            |                             |                                                  |                                                     |                |
| At 29 December 2018      | <u>117,626</u>    | <u>4,425</u>               | <u>5,354</u>                | <u>24,657</u>                                    | <u>3,160</u>                                        | <u>155,222</u> |
| 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> |

Included within Freehold is land at a cost of £33,859,000 (30 December 2017: £33,903,000 which is not depreciated).

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

|                                | 29 December<br>2018<br>£'000 | 30 December<br>2017<br>£'000 |
|--------------------------------|------------------------------|------------------------------|
| Plant, machinery and furniture | 47                           | 59                           |

The depreciation charge for fixed assets held under finance leases was £12,332 (30 December 2017: £88,400).

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 13. Fixed asset investments

#### Principal Group investments

At 29 December 2018 the parent Company and the Group had investments in the following subsidiary undertakings.

|                                             | Country of<br>incorporation or<br>principal business<br>address | Principal<br>activity | Holding         | %   |
|---------------------------------------------|-----------------------------------------------------------------|-----------------------|-----------------|-----|
| <b>Subsidiary undertakings</b>              |                                                                 |                       |                 |     |
| 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 Ciders Limited                         | UK                                                              | Dormant               | Ordinary shares | 100 |
| Bath Ales Limited                           | UK                                                              | Dormant               | Ordinary shares | 100 |

All held directly by St Austell Brewery Company Limited.

All the subsidiary undertakings have the same registered address as the company. For details of the registered address, refer to page 69.

#### Subsidiary undertakings - Company

|                                     | 29<br>December<br>2018<br>£'000 | 30<br>December<br>2017<br>£'000 |
|-------------------------------------|---------------------------------|---------------------------------|
| <b>Cost</b>                         |                                 |                                 |
| At 31 December 2017/ 1 January 2017 |                                 | 1,506                           |
| Dividend paid up by subsidiary      |                                 | (1,506)                         |
| <b>Carrying value - Company</b>     | -                               | -                               |

# **St Austell Brewery Company Limited**

## **Notes to the financial statements**

For the 52-week period ended 29 December 2018

### **14. Stocks**

#### **Group and Company**

|                                     | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|-------------------------------------|------------------------------------|------------------------------------|
| Raw materials and consumables       | 1,270                              | 1,474                              |
| Work in progress                    | 162                                | 130                                |
| Finished goods and goods for resale | 7,064                              | 6,664                              |
|                                     | <u>8,496</u>                       | <u>8,268</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 and Company**

|                                               | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|-----------------------------------------------|------------------------------------|------------------------------------|
| Amounts falling due within one year:          |                                    |                                    |
| Trade debtors                                 | 21,083                             | 17,953                             |
| Other debtors                                 | 160                                | 537                                |
| Prepayments and accrued income                | 4,240                              | 4,154                              |
|                                               | <u>25,483</u>                      | <u>22,644</u>                      |
| Amounts falling due after more than one year: |                                    |                                    |
| Trade loans                                   | 1,153                              | 1,031                              |
| Other debtors                                 | 611                                | 805                                |
| Deferred tax asset (see note 19)              | -                                  | 264                                |
|                                               | <u>1,764</u>                       | <u>2,100</u>                       |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 16. Creditors – amounts falling due within one year

#### Group and Company

|                                                                               | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|-------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Bank loans and overdrafts (see note 17)                                       | 4,408                              | 3,434                              |
| Obligations under finance leases and hire purchase contracts<br>(see note 18) | 14                                 | 45                                 |
| Trade creditors                                                               | 7,960                              | 8,923                              |
| Corporation tax                                                               | 1,207                              | 1,349                              |
| Other taxation and social security                                            | 4,168                              | 3,007                              |
| Accruals and deferred income                                                  | 8,501                              | 8,251                              |
| Deferred tax liability (see note 19)                                          | 137                                | -                                  |
|                                                                               | <u>26,395</u>                      | <u>25,009</u>                      |

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

#### Group and Company

|                                                                               | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|-------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Bank loans                                                                    | 51,000                             | 47,000                             |
| Tenants' deposits                                                             | 1,012                              | 1,036                              |
| Interest rate swap (note 21)                                                  | 1,780                              | 2,498                              |
| 5% preference shares of £1 each                                               | 76                                 | 76                                 |
| Obligations under finance leases and hire purchase contracts<br>(see note 18) | -                                  | 14                                 |
|                                                                               | <u>53,868</u>                      | <u>50,624</u>                      |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

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

#### Group and Company

Borrowings are repayable as follows:

|                                        | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------|------------------------------------|------------------------------------|
| Between two and five years             | 51,000                             | 47,000                             |
|                                        | 51,000                             | 47,000                             |
| On demand or within one year (note 16) | 4,408                              | 3,434                              |
|                                        | 55,408                             | 50,434                             |

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 and Company

|                                     | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|-------------------------------------|------------------------------------|------------------------------------|
| <b>Amounts payable</b>              |                                    |                                    |
| Within one year (note 16)           | 14                                 | 45                                 |
| Between one and two years (note 17) | -                                  | 14                                 |
|                                     | 14                                 | 59                                 |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 19. Deferred tax liability/(asset)

#### Group and Company

|                                        | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------|------------------------------------|------------------------------------|
| <b>Deferred taxation</b>               |                                    |                                    |
| At 31 December 2017 / 1 January 2017   | (264)                              | (458)                              |
| Charged to profit and loss account     | (65)                               | (8)                                |
| Adjustment in respect of prior periods | (11)                               | 19                                 |
| Pension deferred tax movement          | 477                                | 183                                |
|                                        | <hr/>                              | <hr/>                              |
| At 29 December 2018 / 30 December 2017 | 137                                | (264)                              |
|                                        | <hr/>                              | <hr/>                              |

### 19. Deferred tax liability/(asset) (continued)

Deferred tax is calculated as follows:

|                                | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|--------------------------------|------------------------------------|------------------------------------|
| <b>Group and Company</b>       |                                    |                                    |
| Accelerated capital allowances | 1,442                              | 1,394                              |
| Short-term timing differences  | (38)                               | (15)                               |
| Derivative contracts           | (315)                              | (360)                              |
| Non-goodwill intangibles       | 721                                | 763                                |
| Deferred tax on pension scheme | (1,673)                            | (2,046)                            |
|                                | <hr/>                              | <hr/>                              |
| <b>Deferred tax asset</b>      | 137                                | (264)                              |
|                                | <hr/>                              | <hr/>                              |

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 29 December 2018

### 20. Financial instruments

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

|                                                | <b>Group</b>          |                 |
|------------------------------------------------|-----------------------|-----------------|
|                                                | <b>At 29 December</b> | <b>At 30</b>    |
|                                                | <b>2018</b>           | <b>December</b> |
|                                                | <b>£'000</b>          | <b>2017</b>     |
|                                                |                       | <b>£'000</b>    |
| <b>Financial assets</b>                        |                       |                 |
| Debt instruments measured at amortised cost    |                       |                 |
| Long-term loans receivable (see note 15)       | 1,153                 | 1,031           |
| Measured at undiscounted amount receivable     |                       |                 |
| Trade and other debtors (see note 15)          | 21,243                | 18,490          |
|                                                | <u>22,396</u>         | <u>19,521</u>   |
| <b>Financial liabilities</b>                   |                       |                 |
| Measured at amortised cost                     |                       |                 |
| Loans payable (see note 17)                    | 51,000                | 47,000          |
| Cumulative preference shares (see note 17)     | 76                    | 76              |
| Obligations under finance leases (see note 18) | 14                    | 59              |
| Measured at undiscounted amount payable        |                       |                 |
| Bank overdraft (see note 16)                   | 4,408                 | 3,434           |
| Trade and other creditors (see note 16)        | 20,629                | 20,181          |
|                                                | <u>76,127</u>         | <u>70,750</u>   |

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

|                                                                                                 | <b>Group</b>          |                 |
|-------------------------------------------------------------------------------------------------|-----------------------|-----------------|
|                                                                                                 | <b>At 29 December</b> | <b>At 30</b>    |
|                                                                                                 | <b>2018</b>           | <b>December</b> |
|                                                                                                 | <b>£'000</b>          | <b>2017</b>     |
|                                                                                                 |                       | <b>£'000</b>    |
| <b>Interest income and expense</b>                                                              |                       |                 |
| Total interest income for financial assets at amortised cost (note 4)                           | 41                    | 39              |
| Total interest expense for financial liabilities at amortised cost                              | (1,430)               | (1,304)         |
| <b>Fair value gains and losses</b>                                                              |                       |                 |
| On financial assets (including listed investments) measured at fair value through profit & loss | 718                   | 318             |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 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<br>fixed interest rate |                                | Notional principal<br>value        |                                    | Fair value                         |                                    |
|-------------------|-----------------------------------------|--------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                   | At 29<br>December<br>2018<br>%          | At 30<br>December<br>2017<br>% | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
| Two to five years | 5.56%                                   | 5.56%                          | 10,000                             | 10,000                             | 1,735                              | 2,265                              |
| Over five years   | 1.327%                                  | 1.327%                         | 15,000                             | 15,000                             | 45                                 | 233                                |
|                   |                                         |                                |                                    |                                    | 1,780                              | 2,498                              |

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 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|------------------------------------------------------------------|------------------------------------|------------------------------------|
| Allotted, called-up and fully-paid<br>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 29 December 2018

### 23. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

|                                                        | 52 weeks<br>ended 29<br>December<br>2018<br>£'000 | 52 weeks<br>ended 30<br>December<br>2017<br>£'000 |
|--------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Operating profit                                       | 12,353                                            | 13,292                                            |
| Adjustment for:<br>Depreciation and amortisation       | 6,156                                             | 5,867                                             |
| Operating cash flow before movement in working capital | 18,509                                            | 19,159                                            |
| Increase in stocks                                     | (228)                                             | (366)                                             |
| Increase in debtors                                    | (2,767)                                           | (2,979)                                           |
| Increase/(decrease) in creditors                       | 423                                               | 1,568                                             |
| Adjustment for pension funding                         | 440                                               | (56)                                              |
| Corporation tax paid                                   | (2,573)                                           | (2,580)                                           |
| Cash generated by operations                           | 13,804                                            | 14,746                                            |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 24. Financial commitments

Capital commitments are as follows:

|                                     | Group                              |                                    | Company                            |                                    |
|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                     | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
| Contracted for but not provided for | 2,253                              | 4,344                              | 2,253                              | 4,344                              |

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

|                                 | At 29<br>December<br>2018<br>£'000 | At 29<br>December<br>2018<br>£'000 | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2018<br>£'000 | At 30<br>December<br>2018<br>£'000 | At 30<br>December<br>2018<br>£'000 |
|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                 | Land and<br>buildings              | Plant and<br>machinery             | Total                              | Land and<br>buildings              | Plant and<br>machinery             | Total                              |
| <b>Group and Company</b>        |                                    |                                    |                                    |                                    |                                    |                                    |
| - within one year               | 1,169                              | 240                                | 1,409                              | 1,022                              | -                                  | 1,022                              |
| - between one and five<br>years | 4,202                              | 960                                | 5,162                              | 4,112                              | -                                  | 4,112                              |
| - after five years              | 14,723                             | 240                                | 14,963                             | 14,971                             | -                                  | 14,971                             |
|                                 | <u>20,094</u>                      | <u>1,440</u>                       | <u>21,534</u>                      | <u>20,105</u>                      | <u>-</u>                           | <u>20,105</u>                      |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 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 £523,135 (52 weeks ended 30 December 2017: £481,696). 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 have been made at 21% of pensionable earnings and the employee contributions rate at 7% of pensionable earnings during the period.

|                          | At 30<br>December<br>2017 | At 30<br>December<br>2017 |
|--------------------------|---------------------------|---------------------------|
| Key assumptions used:    | %                         | %                         |
| Discount rate            | 2.80                      | 2.40                      |
| Future pension increases | 3.00                      | 3.00                      |
| Inflation                | 2.10                      | 2.50                      |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 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 29<br>December<br>2018<br>Years | At 30<br>December<br>2017<br>Years |
|-----------------------|------------------------------------|------------------------------------|
| Retiring today:       |                                    |                                    |
| Males                 | 87.2                               | 87.2                               |
| Females               | 89.1                               | 89.1                               |
| Retiring in 20 years: |                                    |                                    |
| Males                 | 88.3                               | 88.3                               |
| Females               | 90.3                               | 90.3                               |

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

|                                                          | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------------------------|------------------------------------|------------------------------------|
| Current service cost                                     | (633)                              | (640)                              |
| Net interest cost                                        | (288)                              | (358)                              |
| Past service cost                                        | (400)                              | -                                  |
|                                                          | <u>(1,321)</u>                     | <u>(998)</u>                       |
| Recognised in other comprehensive income                 | <u>2,809</u>                       | <u>1,078</u>                       |
| Total income / (cost) relating to defined benefit scheme | <u>1,488</u>                       | <u>80</u>                          |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

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 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------------|------------------------------------|------------------------------------|
| Present value of defined benefit obligations | (57,129)                           | (62,541)                           |
| Fair value of scheme assets                  | 47,285                             | 50,507                             |
| Net deficit recognised in the balance sheet  | <u>(9,844)</u>                     | <u>(12,034)</u>                    |

### 25. Retirement benefit schemes (continued)

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

|                                        | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|----------------------------------------|------------------------------------|------------------------------------|
| At the start of the period             | 62,541                             | 60,157                             |
| Service cost                           | 633                                | 640                                |
| Interest cost                          | 1,490                              | 1,668                              |
| Actuarial gains and losses             | (6,376)                            | 1,912                              |
| Contributions from scheme participants | 134                                | 144                                |
| Benefits paid                          | (1,693)                            | (1,980)                            |
| Past service cost                      | 400                                | -                                  |
| At the end of the period               | <u>57,129</u>                      | <u>62,541</u>                      |

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

|                                                                         | At 29<br>December<br>2018<br>£'000 | At 30<br>December<br>2017<br>£'000 |
|-------------------------------------------------------------------------|------------------------------------|------------------------------------|
| At the start of the period                                              | 50,507                             | 47,347                             |
| Interest income                                                         | 1,202                              | 1,310                              |
| Return on plan assets (excluding amounts included in net interest cost) | (3,567)                            | 2,990                              |
| Contributions from the employer                                         | 702                                | 672                                |
| Contributions from scheme participants                                  | 134                                | 155                                |
| Benefits paid                                                           | (1,693)                            | (1,980)                            |
| At the end of the period                                                | <u>47,285</u>                      | <u>50,507</u>                      |

# St Austell Brewery Company Limited

## Notes to the financial statements

For the 52-week period ended 29 December 2018

### 25. Retirement benefit schemes (continued)

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

|                              | Fair value of assets               |                                    |
|------------------------------|------------------------------------|------------------------------------|
|                              | At<br>29 December<br>2018<br>£'000 | At<br>30 December<br>2017<br>£'000 |
| Equity instruments           | 23,220                             | 25,167                             |
| Bonds                        | 9,127                              | 9,675                              |
| Property                     | 3,087                              | 2,970                              |
| Target return                | 11,643                             | 12,455                             |
| Value of insurance annuities | 66                                 | 77                                 |
| Cash                         | 142                                | 163                                |
|                              | <u>47,285</u>                      | <u>50,507</u>                      |

### 26. Related party transactions

J B Neame is a director of Shepherd Neame Limited and was a director of St Austell Brewery Company Limited until 11 May 2018. In the period to 11 May 2018 the Group purchased goods in the normal course of business from Shepherd Neame Limited for £21,000 (30 December 2017: £81,000). During the period to 11 May 2018 the Group sold goods in the normal course of business to Shepherd Neame Limited for £nil (30 December 2017: £6,000).

During the period the Group purchased services in the normal course of business from Michelmores LLP for £28,000 (30 December 2017: £140,000). W F Michelmores is a director of St Austell Brewery Company Limited and until 31 December 2018 was a partner at Michelmores LLP.

During the period the Group sold goods in the normal course of business to Bedruthan Hotel Limited for £36,000 (30 December 2017: £26,000) and Scarlet Hotel Limited for £11,000 (30 December 2017: £15,000). C J Stratton is a director of St Austell Brewery Company Limited and he has a close family member who is a director of both Bedruthan Hotel Limited and Scarlet Hotel Limited. At the year-end St Austell Brewery Company Limited was owed £7,000 by Bedruthan Hotel Limited (30 December 2017: £3,000) and £1,000 by Scarlet Hotel Limited (30 December 2017: £2,000).

During the period the Group sold goods in the normal course of business to Admiral Taverns Limited for £85,000 (30 December 2017: £80,000). K R Georgel is a director of Admiral Taverns Limited and St Austell Brewery Company Limited. At the year-end St Austell Brewery Company Limited was owed £6,000 by Admiral Taverns Limited (30 December 2017: £12,000).

All the transactions referred to above were made in the ordinary course of business and outstanding balances were not overdue.

## **St Austell Brewery Company Limited**

### **Notes to the financial statements**

For the 52-week period ended 29 December 2018

#### **27. Controlling party**

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

# St Austell Brewery Company Limited

## Five Year Summary

For the 52-week period ended 30 December 2017

|                                            | 52 weeks<br>ended<br>29 December<br>2018<br>£'000 | 52 weeks<br>ended<br>30<br>December<br>2017<br>£'000 | 52 weeks<br>ended<br>31<br>December<br>2016<br>£'000 | 53 weeks<br>ended<br>2 January<br>2016<br>£'000 | 52 weeks<br>ended 27<br>December<br>2014<br>£'000 |
|--------------------------------------------|---------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|
| <b>Turnover</b>                            | 179,645                                           | 169,307                                              | 153,226                                              | 137,351                                         | 125,354                                           |
| <b>Operating profit before other items</b> | 13,002                                            | 13,808                                               | 13,961                                               | 13,518                                          | 12,349                                            |
| Net interest                               | (1,389)                                           | (1,265)                                              | (977)                                                | (896)                                           | (911)                                             |
| Other items*                               | (366)                                             | (225)                                                | 1,004                                                | (194)                                           | 1,009                                             |
| <b>Profit before taxation</b>              | 11,247                                            | 12,318                                               | 13,988                                               | 12,428                                          | 12,447                                            |
| Taxation                                   | (2,356)                                           | (2,619)                                              | (2,725)                                              | (2,630)                                         | (2,773)                                           |
| <b>Profit after taxation</b>               | 8,891                                             | 9,699                                                | 11,263                                               | 9,798                                           | 9,674                                             |
| Dividends per share<br>Interim and final   | 162p                                              | 162p                                                 | 159p                                                 | 142p                                            | 115p                                              |
| Dividend cover                             | 3.3                                               | 3.5                                                  | 4.2                                                  | 4.1                                             | 5.0                                               |
| Dividend cover (excl. other items**)       | 3.4                                               | 3.6                                                  | 3.8                                                  | 4.2                                             | 4.5                                               |
| Earnings per share                         | £5.26                                             | £5.73                                                | £6.66                                                | £5.79                                           | £5.72                                             |
| Earnings per share (excl. other items**)   | £5.47                                             | £5.86                                                | £6.06                                                | £5.91                                           | £5.12                                             |
| Net debt (£ million)                       | 53.0                                              | 49.6                                                 | 45.4                                                 | 29.1                                            | 25.2                                              |
| Capital expenditure (£ million)            | 13.5                                              | 15.7                                                 | 25.9                                                 | 16.6                                            | 9.7                                               |
| Shareholders' funds (£ million)            | 109.1                                             | 100.7                                                | 92.8                                                 | 91.5                                            | 84.                                               |
| Net pension scheme deficit (£ million)     | 9.8                                               | 12.0                                                 | 12.8                                                 | 3.8                                             | 4.4                                               |
| Average number of employees                | 1,519                                             | 1,553                                                | 1,381                                                | 1,170                                           | 1,068                                             |

\* 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 29 December 2018

### **DIRECTORS**

W F Michelmore (Chairman)  
S J Staughton (Chief Executive)  
C J Stratton  
T A Luck  
P M Thompson  
J B Neame  
G H Barnes  
K R Georgel (Retired 11 May 2018)  
J Caseberry (Appointed 1 May 2018)  
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