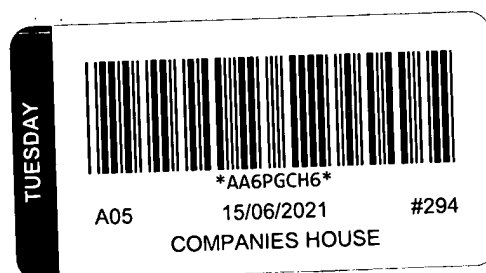


Registered number: 00052099

**S.A.BRAIN & COMPANY,LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 28 SEPTEMBER 2019**



**S.A.BRAIN & COMPANY,LIMITED**

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**S.A.BRAIN & COMPANY,LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

A W Darby  
J Bridge (appointed 1 October 2018)  
A Winning\* (appointed 17 June 2019)  
N T Cooke\* (appointed 8 February 2021)

\* Non-Executive Director

**COMPANY SECRETARY**

N Trebilcock

**REGISTERED NUMBER**

00052099

**REGISTERED OFFICE**

Dragon Brewery  
Pacific Road  
Cardiff  
CF24 5HJ

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
One Kingsway  
Cardiff  
CF10 3PW

**BANKERS**

Lloyds Bank Plc

HSBC Bank Plc

**SOLICITORS**

Hugh James

## **S.A.BRAIN & COMPANY,LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 28 SEPTEMBER 2019**

The directors present the Strategic Report of S.A.Brain & Company,Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 28 September 2019.

#### **BUSINESS REVIEW**

The COVID-19 pandemic over-shadows the following commentary related to our performance in the year to September 2019 and must be addressed first. In response to it we have taken decisive action to protect our people and our business by agreeing increased borrowing facilities with our banks, taking full advantage of Government support such as the Coronavirus Job Retention Scheme, working in partnership with our suppliers and reducing our cost base to preserve cash as much as we possibly can. We successfully re-opened over 95% of our pubs in a phased programme - during August and September 2020 focusing on the safety of our people and our customers, before a further subsequent lockdown in December 2020. Throughout this time and up to the current date we have continued to seek new ways to finance and operate the business that would be needed to mitigate any shortfall in working capital as a consequence of the pandemic. Dealing with the impact of COVID-19 on the business and the discussions with the Group's lenders resulted in the signing of the financial statements being significantly delayed.

On 23rd December 2020 S.A.Brain & Company,Limited announced that contracts had been exchanged with Marston's Plc (Marston's) to operate its portfolio of 145 pubs in Wales, on a combination of leased and management contract arrangements. Marston's commenced operating the 135 freehold pubs on a leasehold basis (majority being long leasehold agreements of 25 years), with effect from February 2021, with annual rent of £5.42m chargeable from April 2021 in advance. In addition, Marston's will operate the 10 short-leasehold sites on a management contract basis for a period of two years. The agreement with Marston's enabled SA Brain to safeguard the jobs of c1,300 employees who transferred to Marston's under TUPE regulations. Regrettably, the Group was required to make the decision to rationalize and downsize the support function of the business which culminated in a redundancy process which was concluded on 5th February 2021, this has resulted in significant cost savings within the overheads of the Group and the directors believe the remaining team is right sized for the future of the company. The Company continues to brew and supply its customers from the Dragon Brewery site in Cardiff. The impact of COVID-19 is explained in further detail throughout this report.

In relation to the 2018-19 financial year, a lot was achieved despite political uncertainty and a lack of big events in the previous year, such as the Royal Wedding and the FIFA World Cup. Significant corporate activity in the period included the sale of the majority of the Coffee#1 equity and our transaction with Rightacres Property at the Cardiff Brewery. These have combined to generate significant one-off profits, which gives an overly positive impression of what was a challenging year for the underlying business. We delivered £6.5m of adjusted EBITDA (including 4 months from Coffee #1) last year against closing debt of £63.7m, a debt to adjusted EBITDA ratio of 9.8x.

In last year's review it was reported that we had identified four immediate focus areas on which we wanted to concentrate our efforts, so as to drive a classic virtuous circle: the quality of our people across all areas of our operations; investment in our pubs, beer brands and infrastructure; the development of the operating models which we use to optimise the performance of our pubs; and a relentless drive for perfection. The simple idea being that great people, delivering great products and service safely and efficiently every day to our customers would drive sales and profit, which would in turn allow us to invest more in the business and create long term shareholder value. Whilst subsequent corporate developments post the balance sheet date have meant that these areas of focus will no longer be relevant for the Group on a going forward basis, they reflected our efforts throughout FY18/19.

#### **Quality people**

Our commitment to the development of our people was recognised when we won the Best Talent Management Initiative at the CIPD Wales awards 2019. This came on top of several awards we have won for innovation and regulatory excellence.

We started the project in partnership with Fourth Hospitality to upgrade our entire HR system which we commissioned just before lock-down. This has given us a tried and tested modern HR system with a host of features that enable us to better engage with our teams, which has proved invaluable during lock-down, in addition to helping our compliance with the ever-expanding list of employment obligations.

## **S.A.BRAIN & COMPANY,LIMITED**

### **GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019**

We stepped up recognition of the efforts of our teams by introducing new reward schemes, a Chef of the Year competition and conferences for our Managed House Assistant Managers and Head Chefs.

#### **Investment**

Our investment in the Dragon Brewery came to fruition in the year. Whilst we had to deal with a number of teething issues early on, we now have every reason to be proud of our modern brewing facility. To celebrate the new brewery, we brewed a new beer, Red Dragon, and followed it up with our 'G' summer beer in partnership with Geraint Thomas and Rising Sun for the Rugby World Cup.

We began a programme of pub investments and completed important refurbishments at the Red Dragon (Bridgend), Crwys, Old Arcade and Three Arches (Cardiff), Lamb & Flag (Abergavenny), Sycamore Tree (Vale of Glamorgan) and Blinkin' Owl (Cwmbran). Prior to lockdown we added four new rooms at The Maltsters, Llandaff and refurbished the Black Boy at Swansea, and we were delighted to open in August a new bedroom block at the Penwig, Newquay, created from our closed Dolau pub. We were achieving returns on capital in excess of our 25% hurdle rate before lockdown.

In the course of the year we sold two pubs, which had been closed for some time for which we did not consider further investment economically worthwhile, and one flat.

#### **Drive for perfection: results**

Coffee#1's results feature for only four months of the 2018-19 financial year. It continued to perform well after the sale of our majority stake to Caffè Nero and achieved the significant milestone of reaching 100 stores just before Christmas.

Managed pubs grew like-for-like sales year-on-year by 0.8%, helped by a particularly strong first half performance of 2.6%. However, this was insufficient to offset rising costs and divisional contribution declined by 3.5%. Partnership pubs fell back by the same amount and we lost some ground in the Sales Division. Central overheads were controlled well with the benefits of the 2018 reorganisation flowing through. Overall, in a year of significant change, our results were satisfactory.

#### **Corporate Activity and Events Subsequent to the Balance Sheet Date**

A 67% majority stake in Coffee#1 was sold to Caffè Nero in February 2019. £19m of the proceeds of this sale was used to reduce bank debt, which gave the ability to draw down funds later in the year to reinvest in the core pub and beer businesses. The Company retained 33% of the equity so that we can benefit from the future anticipated upside generated by the continuing roll-out of Coffee#1 stores and the synergies created by Caffè Nero's greater buying power.

After some unfortunate setbacks during the construction phase, we started production at our new Dragon Brewery. We were delighted to welcome HRH the Duke of Cambridge on Saturday 16th March 2019 to officially open it. Having given the Dragon Brewery a period of time to bed-in, we ceased brewing at the Cardiff Brewery at the end of April 2019 and decommissioned it such that we were able to hand over the site to our investment partner, Rightacres, at the end of September so that demolition could commence. Having received £7.6m two years ago as an initial payment for the land from Rightacres, we received a further £5m in the year. A final payment of £3.0m was made by Rightacres to us in February in 2020 bringing total receipts after consideration of VAT of 13.9m and producing an overall profit (after land costs and intercompany adjustments) of £12.8m. Any further value creation will be through the remaining share in our overage arrangement with Rightacres, the quantum of which will be dependent on the pace of the redevelopment of the site.

Following on from the Coffee#1 deal, we agreed new terms with our banks, HSBC and Lloyds, which we finalised at the end of September 2019, just after the balance sheet date. This gave us facilities of £67m in place for the next four years, to enable us to execute the three-year growth plan which we had agreed with them at that time.

Subsequently our banks have extended an additional £11m of facilities to enable us to operate the business during lock-down. The 'air-cover' of these funds allowed us to continue to meet our obligations to execute the new agreement with Marston's, as outlined on page 2 and in further detail on page 6 of the Directors' report.

## **S.A.BRAIN & COMPANY,LIMITED**

### **GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019**

#### **Dividend**

In order to invest in our pub estate to drive growth and to reduce the amount of debt the Company has, we decided to transition to a new ordinary share dividend policy which would be driven by the generation of spare cash in any one year. We briefed shareholders in August and September 2019 that we would phase-out the current dividend to allow time for adjustment by paying 83p in September 2019 and 41.5p on 6th April 2020 before adopting the new policy thereafter. The huge impact of COVID-19 on our trading in March 2020 led us to cancel payment of that final dividend of 41.5p and we recognise that the new policy will mean that we will be unlikely to be able to pay an ordinary share dividend for the foreseeable future. We are very grateful for the support of our shareholders as we took the necessary steps to preserve cash in response to the pandemic.

#### **Share valuation**

In September 2019 we commissioned Smith & Williamson to review our share valuation in the light of this dividend policy change. They assessed this to be £32.09 taking into account significant factors such as the substantial open market value of the Company's freehold pubs, which was estimated to be in excess of £120m in Avison Young's recent review, somewhat offset by the illiquidity of the share register. This compares to the previous £37.05 share valuation in February 2019. It must be noted that both of these valuation exercises took place before the Coronavirus pandemic began and if they were undertaken now it is highly unlikely that they would result in the same conclusions.

#### **Future Outlook**

Our plan to future-proof Brains has two key revised targets: to refinance our existing banking facilities; and to maximise the proceeds from the realization of assets to meet our ongoing financial obligations and repay our banking facilities. Good progress has been made on the refinancing and we have now signed Heads of Terms for our new facility arrangement, more details of which can be found on page 8.

Obtaining the Marston's agreement and the Group restructuring provides relative certainty over the results for the Group and the portfolio estate. This enables the Group to focus on its strategic outlook of firstly maximize the realization of cash from the sales of assets in order to repay the bank debt and other financial obligations. The directors have sought external advice on the approach and are moving into a process which will see an experienced advisor being appointed to execute the sale of the core 99 group pubs. Significant interest to date has been generated with a number of off-market offers being received for a number of 'packages' of assets and single asset sales, a number of which have been moved to Heads of Terms, giving the directors confidence in the ability to fulfil this initial strategic goal.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

At the balance sheet date, the directors considered that the principal risks and uncertainties for the business relate primarily to the performance of the UK (and specifically Welsh) economy; changes to excise duty and taxation, the decline in the national on-trade beer market and associated competition. Subsequent to the balance sheet date, COVID-19 has had a significant impact on the Group and will continue to do so whilst the UK and the rest of the World recovers from its effects. Whilst the strategic approach of the Group has changed as a result of the Marston's transaction, the possibility of future lockdowns and other restrictions may continue to impact the Group.

The directors will continually monitor the principal and other risks and uncertainties for the business. The directors will closely monitor business performance, including through the use of monthly key performance indicator reports, and will take appropriate action, including further amendments to its business model, if and when required.

**S.A.BRAIN & COMPANY,LIMITED**

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**KEY PERFORMANCE INDICATORS**

The directors use a number of key performance indicators to manage the business, examples of which are shown below. Further indicators are used at an operating division level as outlined in the Group Strategic Report.

	Year ended 28 September 2019 £000	Year ended 29 September 2018 £000
<b>Profit and dividends</b>		
Turnover	96,834	116,947
Turnover decrease	(17.1) %	(5.2)%
Operating profit before exceptional items	1,971	4,074
Operating profit	22,034	1,073
Total exceptional items (including profit on sale of fixed assets)	20,063	(3,001)
(Loss)/profit for the financial year before exceptional items	(1,932)	909
Profit/loss for the financial year	18,131	(2,092)
Operating profit as a % of turnover	22.8%	0.9%
Operating profit before exceptional costs as a % of turnover	2.0%	3.5%
Adjusted EBITDA <sup>1</sup>	6,534	10,742
Adjusted EBITDA as % of turnover	6.7%	9.2%
<b>Balance Sheet</b>		
Tangible fixed assets	150,874	163,806
Net debt	63,735	90,741
Net assets	88,417	75,852
Net assets excluding pension deficit	92,689	75,944
Gearing	74.5%	119.9%

<sup>1</sup>Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items.

This report was approved by the Board and signed on its behalf by:



**A Winning**  
Director

Date: 15 June 2021

## **S.A.BRAIN & COMPANY,LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 2019**

The directors present their report and the audited consolidated financial statements for the year ended 28 September 2019.

#### **PRINCIPAL ACTIVITIES**

The Group carries on business as brewers, wine and spirit merchants, coffee retailers and licensed property owners and managers.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £18,131,000 (2018: loss £2,092,000).

Final dividends in respect of the 2017 financial year of £808,000, equivalent to 83p per share and interim dividends in respect of the 2018 financial year of 83p, equivalent to 83p per share have been paid in the year (2018: £808,000 were paid, equivalent to 83p per share in respect of the final dividend for the 2016 financial year and £808,000 were paid, equivalent to 83p per share in respect of the interim dividend for the 2017 financial year).

A final dividend in respect of the 2018 financial year of £808,000, equivalent to 83p per share has been approved by the Board and was paid on 1 October 2019. This will be reflected in the financial statements for the following year.

As noted in the Strategic Report, an interim dividend of 41.5p per share (totalling £414,000) for the year ended 28 September 2019 was proposed but in light of the impact of COVID-19 this proposed dividend has been cancelled.

#### **GOING CONCERN**

The directors note that the Group has recognised a profit after tax of £18.1 million for the period ended 29 September 2019 and as at that date, had net assets of £88.4 million and external bank debt of £66.5 million.

The directors recognised that the Government imposed COVID-19 trading restrictions would result in a need for more working capital funding than that available under the £67m existing facilities entered into on 30 September 2019. As a result, the directors engaged Evercore as its financial advisers and entered into an extensive search to find alternative sources of financing that would be needed to mitigate any shortfall in working capital and, where necessary, to seek additional funds from external sources or through other actions such as the selling of freehold pubs.

The directors have continued to review the strategic objectives of the Group alongside its ongoing financial obligations and has continued to positively engage with the banks over the last eighteen months. This included receiving covenant waivers for the periods March 2020, June 2020, September 2020, December 2020, March 2021 and June 2021. On 23rd December 2020 an amendment to the existing facilities was signed, providing a further £4m to the Group which was drawn down on 15th January 2021. The increase in facilities was provided to meet all ongoing working capital and liquidity requirements of the Group in January 2021 and to facilitate completion of the Marston's Plc transaction.

On 23rd December 2020 S.A.Brain & Company,Limited announced that contracts had been exchanged with Marston's Plc (Marston's) to operate its portfolio of 145 pubs in Wales, on a combination of leased and management contract arrangements. Marston's commenced operating the 135 freehold pubs on a leasehold basis (majority being long leasehold agreements of 25 years), with effect from February 2021, with annual rent chargeable from April 2021 in advance of £5.42m. In addition, Marston's will operate the 10 short-leasehold sites on a management contract basis for a period of two years. The agreement with Marston's enabled S.A.Brain & Company,Limited to safeguard the jobs of c1,300 employees who transferred to Marston's under TUPE regulations. Regrettably, the Group was required to make the decision to rationalize and downsize the support function of the business which culminated in a redundancy process which was concluded on the 5th February 2021, this has resulted in significant cost savings within the overheads of the Group and the directors believe the remaining team is right sized for the future of the company. The Company continues to brew and supply its customers from the Dragon Brewery site in Cardiff.



## **S.A.BRAIN & COMPANY,LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019**

The directors are pleased to announce that on 28 May 2021, it has concluded a revised financing arrangement with its banking partners. Heads of Terms have been signed for a £76.4m term loan, with a repayment period of 2.5 years and a margin of 3.55% subject to debt reduction. The financial covenants include a minimum liquidity test and a Loan to Value covenant on the property estate. The Loan to Value covenant will not be agreed until an updated valuation is undertaken by advisors who are to be appointed with Lender approval. The directors acknowledge that whilst the formal legal paperwork is yet to be finalised, including the Loan to Value covenant, they are confident that the positive and collaborative spirit in which the banks and the Group have been working in will be continued and full legal documentation will be signed in the coming weeks. If the full legal documentation is not signed in the forthcoming weeks, the directors would need to commence seeking alternative financing.

The Board has prepared its anticipated performance against the May 2021 facility requirements and known covenants through detailed board approved forecasts, including a monthly cash flow forecast until at least November 2022. In preparing these forecasts, the directors have modelled a range of scenarios which look at the realisation of funds through the sale of assets in order to repay the bank facility and other liabilities as and when they fall due. The scenarios reflect a range of differing asset disposal programmes which could be executed. The directors have reviewed each scenario and even in the sensitised worst case scenario the directors have confidence that despite a longer time period in which the asset values are realised the Group is able to meet its ongoing financial obligations and will have sufficient funds available to meet its liabilities as they fall due for the next twelve months from the date of approval of the financial statements.

The future strategic outlook for the Group is to firstly maximize the realization of cash from the sales of assets in order to repay the bank debt and other financial obligations. The directors have sought external advice on the approach and are moving into a process which will see an experienced advisor being appointed to execute the sale of the core 99 group pubs. Significant interest to date has been generated with a number of off-market offers being received for a number of 'packages' of assets and single asset sales, a number of which have been moved to Heads of Terms, giving the directors confidence in the ability to fulfil this initial strategic goal.

The directors have considered the risk of further Covid-19 Government restrictions and the impact this may have on asset values for the forthcoming sales programmes. Wales has made significant progress with its vaccination programme which is positive. It is felt that the likelihood of a further lockdown is small, however, the scenario analysis reviewed by the directors does look at a range of assumptions for the main sales programme commencing from July 2021 to as late as Dec 2021. If further restrictions were imposed with a potential impact on market values of the assets, the directors, along with its advisors, will review the timeline of the sales programme accordingly to ensure maximum asset value is achieved.

The Directors have every expectation that the Group and Company will continue as a going concern. However, there are uncertainties in making that assessment, specifically around the finalisation of the legal paperwork for the new term facility, including the agreement of the Loan to Value covenant, and if a further lockdown or Covid-19 related event were to significantly delay the realisation of assets beyond December 2021. For these reasons, while the directors have a reasonable expectation that the Company and Group have adequate resources to continue operating for the foreseeable future, they have concluded that there exists material uncertainties, as explained above, which may cast significant doubt on the Company's and Group's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company or Group were unable to continue as a going concern.

#### **EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

Immediately following the year end, a new loan facility agreement commenced on 30th September 2019. The agreement comprises a £25m term loan and £42m RCF both of which are fully repayable in 2023 with interest payable at LIBOR and a fixed margin rate.

Since the end of the year ended for which these financial statements have been drawn, the COVID-19 global pandemic has impacted the business. Measures put in place to protect the workforce and the subsequent impact on customers and suppliers relationships have been outlined in the Group Strategic and Directors' Report in these financial statements and the wider impact of COVID-19 on the financial requirements of the Group have been further outlined in note 3.3, as well as outlined above.

## **S.A.BRAIN & COMPANY,LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019**

Subsequent to the balance sheet date the Group has disposed of 19 pubs and properties, realising net proceeds of £6.9m.

On 23rd December 2020 S.A.Brain & Company,Limited announced that contracts had been exchanged with Marston's Plc (Marston's) to operate its portfolio of 145 pubs in Wales, on a combination of leased and management contract arrangements. Marston's will operate the 135 freehold pubs on a leasehold basis (majority being long leasehold agreements of 25 years), with effect from February 2021, with annual rent chargeable from April 2021 in advance of £5.42m. In addition, Marston's will operate the 10 short-leasehold sites on a management contract basis for a period of two years. The agreement with Marston's enabled the Company to safeguard the jobs of c1,300 employees who transferred to Marston's under TUPE regulations. Regrettably, the Group was required to make the decision to rationalize and downsize the support function of the business which culminated in a redundancy process which was concluded on the 5th February 2021, this has resulted in significant cost savings within the overheads of the Group and the directors believe the remaining team is right sized for the future of the company.

On the 23rd December 2020 S.A.Brain & Company,Limited entered into an unconditional agreement for the sale of eight pubs realizing proceeds of £4.5million, receivable in July 2021.

On 23rd December 2020 an amendment to the facilities entered into on 30 September 2019 was signed, providing a further £4m to the Group which was drawn down on 15th January 2021. The increase in facilities was provided to meet all ongoing working capital and liquidity requirements of the Group in January 2021 and to facilitate completion of the Marston's transaction as discussed above.

On 28 May 2021, the Group concluded a revised financing arrangement with its banks. Heads of Terms have been signed for a £76.4m term loan, with a repayment period of 2.5 years and a margin of 3.55% subject to debt reduction. The directors acknowledge that whilst the formal legal paperwork is yet to be finalised, they are confident that the positive spirit in which the banks and the Group have been working in will be continued and full legal documentation will be signed in the coming weeks.

All of the above occurred subsequent to the balance sheet date and related to events and circumstances that did not exist at the balance date. Accordingly, the directors are satisfied that all of the above are non-adjusting post balance sheet events.

### **DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

J F W Rhys (resigned 5 February 2021)  
J S Waddington (resigned 26 October 2018)  
M S Reed (resigned 28 June 2019)  
C N Brain (resigned 5 February 2021)  
A G Arkley (resigned 28 June 2019)  
P J Wilson (resigned 31 March 2019)  
A W Darby  
J Bridge (appointed 1 October 2018)  
H P Heath (appointed 24 October 2019, resigned 5 February 2021)  
A Winning (appointed 17 June 2019)  
N T Cooke (appointed 8 February 2021)

### **DIRECTORS' INDEMNITIES**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance.

**S.A.BRAIN & COMPANY,LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Company remains committed to its corporate social responsibility and has maintained its best practice from previous years whilst also looking to improve its approach in the financial year.

We continued to support a range of brewery and pub industry initiatives to highlight the potential negative effects of the misuse of alcohol and are engaged with the Portman Group to ensure alcoholic products are always marketed to our customers responsibly.

In addition to our pubs supporting smaller local charities the Company commenced its relationship with its Wales-based main charity partner Welsh Hearts, whose mission is to provide access and training for defibrillators across Wales; the Company has installed 19 defibrillators across the estate. Coffee#1's Commitment to the Community continued through supporting local and regional charities both directly and through its Gingerbread Man scheme. Coffee#1 has supported Macmillan Cancer Support since its infancy and continued to do so, including taking part in the World's Biggest Coffee Morning.

Environmental Responsibility remains an important part of our ethos and we have continued to demonstrate this in a number of ways. The Company is registered with the Energy Saving Opportunity Scheme where we continually identify and implement opportunities to reduce energy consumption. Following the commissioning of the new Dragon Brewery there has been a significant improvement in energy and water usage. We also took action to reduce energy usage in our pub properties including improving insulation, use of energy efficient lighting and the installation of more efficient kitchen equipment. We worked in partnership with our food supplier, Castell Howell, to reduce food wastage, as well as working with other suppliers to reduce packaging. Coffee#1 continued to implement their many environmental initiatives including selling the re-useable Coffee#1 Keep Cups, which sit alongside the branded double-walled biodegradable cup with compostable PLA lid for the take away customers.

The Company's partnership with Cardiff Metropolitan University, Gower College and Cardiff and Vale College helps to develop relevant skills with students for potential future employment within our sector. A number of the students we have supported have gone on to develop careers with the Company. The Company works with third sector organisations, which include the Job Centre and HMP Parc Prison, running a catering apprenticeship programme to provide unemployed people with relevant skills with the intention of them finding a job within the Company or elsewhere. We worked with Remploy and found employment for some of those with additional needs. In addition, the Company worked in partnership with both Cardiff Commitment and Career Wales providing advice and training to school aged children to obtain employment or go on to further education.

**S.A.BRAIN & COMPANY,LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**PAYMENT OF CREDITORS**

It is the Group's policy, in respect of its suppliers, to agree the terms of payment with each supplier as appropriate. Otherwise the Company's standard settlement terms are the end of the calendar month following the supplier's invoice date. At 28 September 2019 the Group's creditor days, compared to the value of suppliers' invoices received in the year was 29 (2018: 29).

**TREASURY POLICIES**

The Company had a small Treasury team consisting of the Finance Director and Head of Finance at the balance sheet date.

The objectives of the Treasury team were to manage the Group's financial risk, secure cost effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on cash flows of the Group.

The Group finances its activities with a combination of cumulative preference shares, cash and secured bank borrowings as disclosed in note 24. Working capital is financed through revolving credit facilities and cash. Other financial assets and liabilities, such as trade receivables and payables, arise directly from the Group's operating activities. The Group also enters into limited interest rate swaps in order to manage interest rate risk arising from the Group's operations. The Group does not trade in financial instruments.

**Interest rate risk**

The Group's policy is to manage its cost of borrowings using a mixture of fixed and variable interest rates. Fixed rates do not expose the Group to cash flow interest rate risk, but do not enjoy a reduction in borrowing costs in markets where rates are falling. On the other hand, floating rate borrowings expose the Group to cash flow risk following rises in interest rates.

**Foreign currency risk**

The Group buys a limited amount of goods and services denominated in non-sterling currencies, principally Euros. The levels of these purchases are such that the directors do not consider the Group to be exposed to significant foreign currency risk.

## **S.A.BRAIN & COMPANY,LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019**

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the 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 United Kingdom Accounting Standards, comprising FRS 102, 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 Group will continue in business.

The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### **EMPLOYEE INVOLVEMENT**

The directors are fully cognisant of the need to make employees aware of, and involve them in, factors which influence the Group's success.

The main channels of communication are companywide with communications delivered on a regular basis including face-to-face, departmental meetings, employee presentations and electronically. Subsequent to the Covid-19 pandemic, communications were delivered remotely.

Prior to lockdown we continually strived to improve and enhance the flow of communication across the business, ensuring the opportunity for the dissemination of key information and two-way feedback. This included acting on the information to improve our ability to attract and retain quality employees as well as enhance employee benefits, create organisational values and develop course content. The Company commenced the implementation of a new HR system which will allow the efficient management of employee information from application through to leaving, as well as improved two-way communication.

The Company's appraisal system continued to operate and included objectives to ensure that all team member annual reviews correlated with the factors that are critical to the success of the business. This process also identified training requirements and a number of training courses were undertaken during the year to develop and enhance employee skills.

**S.A.BRAIN & COMPANY,LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

The Company's values and behavioural framework were embedded to ensure that individuals have clarity on the unique identity of the Company and its values. The behaviour framework articulates those behaviours that are important to contribute to the vision and culture and ultimately to deliver the Company's objectives.

The Company understands, and is committed to, its obligations to promote equality and inclusiveness. Full and fair consideration has been, and will always be, given to employment applications from disabled persons having regard to their particular aptitudes and abilities. If an appropriate vacancy is available then, where practicable, arrangements will be made to continue employment of an employee who has become disabled. Disabled employees are given fair consideration for training, career development and promotion. The belief is borne out by our approach to recruitment, promotion and training where all prospective applicants and current employees are judged on their merits.

We are committed to our social responsibilities and support activities that allow us to engage with our communities particularly through our partnership with charities. The focus on our charity partnership in the last twelve months has provided an opportunity to further develop the "one team" culture across the Company as well as raise a significant amount of money.

It was pleasing to be awarded the Best Talent Management Initiative at the CIPD Wales Awards 2019 and to win the Industry Innovator of the Year at the Foodservice Equipment Awards 2019 for its comprehensive food safety system.

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

**INDEPENDENT AUDITORS**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the Board and signed on its behalf by:



**A Winning**  
Director

Date: 15 June 2021

## **S.A.BRAIN & COMPANY,LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.A.BRAIN & COMPANY,LIMITED**

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, S.A.Brain & Company,Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 28 September 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 28 September 2019; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Material uncertainty related to going concern - Group & Company**

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In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.3 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The impact of the COVID-19 pandemic has required the Company to seek covenant waivers and additional funding from its financial institutions subsequent to the balance sheet date. On 28 May 2021, new Heads of Terms have been entered into for a revised financing package for £76.4m. The Directors have applied a number of downside scenarios to the revised finance package and believe that, even under the worst case scenario, the obligations of the revised finance package will be met. However, the revised finance package is not presently a legally binding commitment and a Loan to Value covenant for the property estate is still to be agreed. If the the finance package (including agreement of the Loan to Value covenant) is not subsequently legally committed to by all parties, the Group will need to obtain alternative financing which they have currently not explored. The Directors also recognise that their assumptions on the on-going impact of COVID-19 reflects their best estimate of an uncertain scenario, however the outcome remains uncertain. Accordingly, for the reasons outlined above there can be no certainty that the funds required by S.A.Brain & Company,Limited will be made available. These conditions, along with the other matters explained in note 3.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

**S.A.BRAIN & COMPANY,LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.A.BRAIN & COMPANY,LIMITED  
(CONTINUED)**

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Group Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Group Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and Directors' Report for the year ended 28 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Group Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

*Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**S.A.BRAIN & COMPANY,LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.A.BRAIN & COMPANY,LIMITED  
(CONTINUED)**

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**Other required reporting**

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**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Stuart Couch*

Stuart Couch (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
15 June 2021

**S.A.BRAIN & COMPANY,LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Note	Continuing operations 2019 £000	Discontinued operations 2019 £000	Total 2019 £000	Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000
Turnover	5	84,960	11,874	96,834	86,166	30,781	116,947
Cost of sales		(74,007)	(10,068)	(84,075)	(74,162)	(27,317)	(101,479)
Exceptional cost of sales	66	(1,513)	-	(1,513)	(1,187)	-	(1,187)
<b>GROSS PROFIT</b>		<b>9,440</b>	<b>1,806</b>	<b>11,246</b>	<b>10,817</b>	<b>3,464</b>	<b>14,281</b>
Distribution costs		(2,756)	-	(2,756)	(3,023)	-	(3,023)
Administrative expenses		(7,335)	(775)	(8,110)	(6,398)	(2,070)	(8,468)
Exceptional administrative expenses	66	(4,651)	-	(4,651)	(485)	(109)	(594)
Other operating income	7	78	-	78	97	-	97
Profit/(loss) on sale/disposal of fixed assets	66	11,565	14,662	26,227	(1,220)	-	(1,220)
<b>OPERATING PROFIT</b>	<b>8</b>	<b>6,341</b>	<b>15,693</b>	<b>22,034</b>	<b>(212)</b>	<b>1,285</b>	<b>1,073</b>
Interest receivable and similar income	12	232	-	232	271	-	271
Interest payable and similar expenses	13	(3,441)	(81)	(3,522)	(2,890)	(209)	(3,099)
Other finance income/(expense)	14	10	-	10	(150)	-	(150)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>3,142</b>	<b>15,612</b>	<b>18,754</b>	<b>(2,981)</b>	<b>1,076</b>	<b>(1,905)</b>
Tax on profit/(loss)	15	(623)	-	(623)	285	(472)	(187)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>2,519</b>	<b>15,612</b>	<b>18,131</b>	<b>(2,696)</b>	<b>604</b>	<b>(2,092)</b>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>							
Owners of the parent		1,041	17,090	18,131	(2,696)	604	(2,092)

The notes on pages 28 to 66 form part of these financial statements.

**S.A.BRAIN & COMPANY,LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
Profit/(loss) for the year		<u>18,131</u>	<u>(2,092)</u>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>			
Actuarial (loss)/gain on defined benefit schemes		(4,390)	5,220
Movement on deferred tax relating to pension (loss)/gain		746	(887)
Change in value of cash flow hedge		(369)	444
Deferred tax credit/(charge) on (expense)/income in value of cash flow hedge		63	(76)
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR/PERIOD</b>		<u>(3,950)</u>	<u>4,701</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>14,181</u></u>	<u><u>2,609</u></u>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the parent Company		<u><u>18,131</u></u>	<u><u>(2,092)</u></u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent Company		<u><u>14,181</u></u>	<u><u>2,609</u></u>

The notes on pages 28 to 66 form part of these financial statements.

**S.A.BRAIN & COMPANY,LIMITED**  
**REGISTERED NUMBER: 00052099**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 28 SEPTEMBER 2019**

		28 September 2019 £000	28 September 2019 £000	29 September 2018 £000	29 September 2018 £000
	<b>Note</b>				
<b>FIXED ASSETS</b>					
Intangible assets	17		649		6,435
Tangible assets	18		150,874		163,806
Investments	19		5,501		626
			<u>157,024</u>		<u>170,867</u>
<b>CURRENT ASSETS</b>					
Stocks	20	2,680		3,723	
Debtors	21	14,599		11,336	
Cash at bank and in hand	22	5,446		905	
		<u>22,725</u>		<u>15,964</u>	
Creditors: amounts falling due within one year	23	(12,182)		(14,042)	
<b>NET CURRENT ASSETS</b>			<u>10,543</u>		<u>1,922</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>167,567</u>		<u>172,789</u>
Creditors: amounts falling due after more than one year	24		(69,885)		(91,826)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred taxation	26	(1,538)		(2,203)	
Other provisions	27	(3,455)		(2,816)	
			<u>(4,993)</u>		<u>(5,019)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<u>92,689</u>		<u>75,944</u>
Pension liability	32		(4,272)		(92)
<b>NET ASSETS</b>			<u>88,417</u>		<u>75,852</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	28		974		974
Cash flow hedging reserve	29		(600)		(294)
Other reserves	29		22,479		22,479
Profit and loss account	29		65,564		52,693
<b>TOTAL SHAREHOLDERS' FUNDS</b>			<u>88,417</u>		<u>75,852</u>

**S.A.BRAIN & COMPANY,LIMITED**  
**REGISTERED NUMBER: 00052099**

**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 28 SEPTEMBER 2019**

The financial statements on pages 16 to 66 were approved and authorised for issue by the Board and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Winning', with a stylized flourish at the end.

**A Winning**  
**Director**

**Date: 15 June 2021**

The notes on pages 28 to 66 form part of these financial statements.

**S.A.BRAIN & COMPANY,LIMITED**  
**REGISTERED NUMBER: 00052099**

**COMPANY BALANCE SHEET**  
**AS AT 28 SEPTEMBER 2019**

		28 September 2019 £000	28 September 2019 £000	29 September 2018 £000	29 September 2018 £000
	Note				
<b>FIXED ASSETS</b>					
Intangible assets	17		585		824
Tangible assets	18		150,874		147,304
Investments	19		17,078		23,096
			<u>168,537</u>		<u>171,224</u>
<b>CURRENT ASSETS</b>					
Stocks	20	2,680		3,280	
Debtors	21	14,938		27,959	
Cash at bank and in hand	22	5,428		366	
		<u>23,046</u>		<u>31,605</u>	
Creditors: amounts falling due within one year	23	(21,870)		(20,781)	
<b>NET CURRENT ASSETS</b>			<u>1,176</u>		<u>10,824</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>169,713</u>		<u>182,048</u>
Creditors: amounts falling due after more than one year	24		(69,173)		(83,664)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred taxation	26	-		(1,861)	
Other provisions	27	(3,455)		(2,525)	
			<u>(3,455)</u>		<u>(4,386)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<u>97,085</u>		<u>93,998</u>
Pension liability	32		(4,272)		(92)
<b>NET ASSETS</b>			<u>92,813</u>		<u>93,906</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	28		974		974
Cash flow hedging reserve	29		(600)		(294)
Other reserves	29		22,479		22,479
Profit and loss account brought forward		70,747		71,311	
Profit/(loss) for the financial year		4,474		(3,281)	
Other changes in the profit and loss account		(5,260)		2,717	
			<u>69,960</u>		<u>70,747</u>
<b>Profit and loss account carried forward</b>			<u>69,960</u>		<u>70,747</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>			<u>92,813</u>		<u>93,906</u>

**S.A.BRAIN & COMPANY,LIMITED**  
**REGISTERED NUMBER: 00052099**

**COMPANY BALANCE SHEET (CONTINUED)**  
**AS AT 28 SEPTEMBER 2019**

The financial statements on pages 16 to 66 were approved and authorised for issue by the Board and were signed on its behalf by:



**A Winning**  
**Director**

**Date: 15 June 2021**

**The notes on pages 28 to 66 form part of these financial statements.**

**S.A.BRAIN & COMPANY,LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Called up share capital	Cash flow hedging reserve	Other reserves	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 29 September 2018	974	(294)	22,479	52,693	75,852
<b>COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR</b>					
Profit for the financial year	-	-	-	18,131	18,131
Actuarial losses on pension scheme, net of tax	-	-	-	(3,644)	(3,644)
Change in value of cash flow hedge	-	(369)	-	-	(369)
Deferred tax charge on change in value of cash flow hedge	-	63	-	-	63
<b>OTHER COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR</b>	-	(306)	-	(3,644)	(3,950)
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	-	(306)	-	14,487	14,181
<b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b>					
Dividends declared and paid	-	-	-	(1,616)	(1,616)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	-	(1,616)	(1,616)
<b>AT 28 SEPTEMBER 2019</b>	<b>974</b>	<b>(600)</b>	<b>22,479</b>	<b>65,564</b>	<b>88,417</b>

The notes on pages 28 to 66 form part of these financial statements.



**S.A.BRAIN & COMPANY,LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 29 SEPTEMBER 2018**

	Called up share capital	Cash flow hedging reserve	Other reserves	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 October 2017	974	(662)	22,479	52,068	74,859
<b>COMPREHENSIVE (EXPENSE)/INCOME FOR THE FINANCIAL YEAR</b>					
Loss for the financial year	-	-	-	(2,092)	(2,092)
Actuarial gains on pension scheme, net of tax	-	-	-	4,333	4,333
Change in value of cash flow hedge	-	444	-	-	444
Deferred tax charge on change in value of cash flow hedge	-	(76)	-	-	(76)
<b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	-	368	-	4,333	4,701
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	-	368	-	2,241	2,609
<b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b>					
Dividends declared and paid	-	-	-	(1,616)	(1,616)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	-	(1,616)	(1,616)
<b>AT 29 SEPTEMBER 2018</b>	<b>974</b>	<b>(294)</b>	<b>22,479</b>	<b>52,693</b>	<b>75,852</b>

The notes on pages 28 to 66 form part of these financial statements.

**S.A.BRAIN & COMPANY,LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Called up share capital	Cash flow hedging reserve	Other reserves	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 29 September 2018	974	(294)	22,479	70,747	93,906
<b>COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR</b>					
Profit for the financial year	-	-	-	4,474	4,474
Actuarial losses on pension scheme, net of tax	-	-	-	(3,644)	(3,644)
Change in value of cash flow hedge	-	(369)	-	-	(369)
Deferred tax charge on change in value of cash flow hedge	-	63	-	-	63
<b>OTHER COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR</b>	-	(306)	-	(3,644)	(3,950)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR</b>	-	(306)	-	830	524
<b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b>					
Dividends declared and paid	-	-	-	(1,616)	(1,616)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	-	(1,616)	(1,616)
<b>AT 28 SEPTEMBER 2019</b>	<b>974</b>	<b>(600)</b>	<b>22,479</b>	<b>69,961</b>	<b>92,814</b>

The notes on pages 28 to 66 form part of these financial statements.

**S.A.BRAIN & COMPANY,LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 29 SEPTEMBER 2018**

	Called up share capital	Cash flow hedging reserve	Other reserves	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 October 2017	974	(662)	22,479	71,311	94,102
<b>COMPREHENSIVE (EXPENSE)/INCOME FOR THE FINANCIAL YEAR</b>					
Loss for the financial year	-	-	-	(3,281)	(3,281)
Actuarial gains on pension scheme, net of tax	-	-	-	4,333	4,333
Change in value of cash flow hedge	-	444	-	-	444
Deferred tax charge on change in value of cash flow hedge	-	(76)	-	-	(76)
<b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	-	368	-	4,333	4,701
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	-	368	-	1,052	1,420
<b>CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS</b>					
Dividends declared and paid	-	-	-	(1,616)	(1,616)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	-	(1,616)	(1,616)
<b>AT 29 SEPTEMBER 2018</b>	<b>974</b>	<b>(294)</b>	<b>22,479</b>	<b>70,747</b>	<b>93,906</b>

The notes on pages 28 to 66 form part of these financial statements.

**S.A.BRAIN & COMPANY,LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Year ended 28 September 2019 £000	Year ended 29 September 2018 £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the financial year	18,131	(2,092)
<b>ADJUSTMENTS FOR:</b>		
Taxation charge	623	187
Interest receivable	(232)	(271)
Interest payable	3,522	3,099
Other finance (income)/expense	(10)	150
Amortisation of bank loan issue costs	(410)	147
Loss on disposal of tangible assets	(11,565)	1,220
Profit on disposal of subsidiary	(14,667)	-
Amortisation of intangible assets	386	739
Depreciation of tangible assets	4,177	5,930
Decrease/(increase) in stocks	757	(40)
Decrease/(increase) in debtors	1,673	(1,436)
Increase/(decrease) in creditors	2,463	(1,255)
Increase/(decrease) in provisions	1,067	(1,394)
Difference between pension charge and cash contributions	(200)	(840)
Corporation tax received	233	1
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>5,948</b>	<b>4,145</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible assets	(8,694)	(12,048)
Sale of tangible assets	5,066	7,599
Repayment of trade loans	3	4
Net cash on disposal of subsidiary	22,024	-
Interest received	232	271
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>18,631</b>	<b>(4,174)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of Revolving Credit Facility loans	4,800	8,400
Repayment of Revolving Credit Facility loans	(19,251)	(7,700)
Dividends paid	(1,616)	(1,616)
Interest paid	(3,971)	(2,585)
Preference share dividends paid to shareholders	-	(164)
Preference share dividends paid to minority interests	-	(107)
Buyout of interest rate SWAP derivatives	-	(56)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(20,038)</b>	<b>(3,828)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,541</b>	<b>(3,857)</b>
Cash and cash equivalents at beginning of year	905	4,762

**S.A.BRAIN & COMPANY,LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	<b>28 September 2019 £000</b>	<b>29 September 2018 £000</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>5,446</b>	<b>905</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	<b>5,446</b>	<b>905</b>

The notes on pages 28 to 66 form part of these financial statements.

## **S.A.BRAIN & COMPANY,LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019**

#### **1. GENERAL INFORMATION**

S.A.Brain & Company,Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the business as brewers, wine and spirit merchants, coffee retailers and licensed property owners and managers.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is: Dragon Brewery, Pacific Road, Cardiff, United Kingdom, CF24 5HJ.

#### **2. STATEMENT OF COMPLIANCE**

The Group and individual financial statements of S.A.Brain & Company,Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3. ACCOUNTING POLICIES**

##### **3.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 4).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The format of the Consolidated Balance Sheet has been amended to represent accruals and deferred income as creditors due within one year rather than a separate line on the face of the Consolidated Balance Sheet.

The following principal accounting policies have been applied consistently throughout the year:

##### **3.2 Basis of consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets and liabilities acquired are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

## S.A.BRAIN & COMPANY,LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019

#### 3. ACCOUNTING POLICIES (CONTINUED)

##### 3.2 Basis of consolidation (continued)

The financial statements of the Group consolidate the results and financial position of its subsidiary undertakings, being Coffee #1 Limited, Crown Buckley Limited, Crown Brewery Plc, Crown Buckley Taverns Limited, Filbuk 313 Limited, Brain Crown Buckley Limited, The Good Pub Company Limited, Laing Holdings Limited, Ablemade Limited, S A Brain & Company Ventures Limited, S.A.B Property Company Limited and The Bowl Inn Limited.

##### 3.3 Going concern

The directors note that the Group has recognised a profit after tax of £18.1 million for the period ended 29 September 2019 and as at that date, had net assets of £88.4 million and external bank debt of £66.5 million.

The directors recognised that the Government imposed COVID-19 trading restrictions would result in a need for more working capital funding than that available under the £67m existing facilities entered into on 30 September 2019. As a result, the directors engaged Evercore as its financial advisers and entered into an extensive search to find alternative sources of financing that would be needed to mitigate any shortfall in working capital and, where necessary, to seek additional funds from external sources or through other actions such as the selling of freehold pubs.

The directors have continued to review the strategic objectives of the Group alongside its ongoing financial obligations and has continued to positively engage with the banks over the last eighteen months. This included receiving covenant waivers for the periods March 2020, June 2020, September 2020, December 2020, March 2021 and June 2021. On 23rd December 2020 an amendment to the existing facilities was signed, providing a further £4m to the Group which was drawn down on 15th January 2021. The increase in facilities was provided to meet all ongoing working capital and liquidity requirements of the Group in January 2021 and to facilitate completion of the Marston's Plc transaction.

On 23rd December 2020 SA Brain Co Limited announced that contracts had been exchanged with Marston's Plc (Marston's) to operate its portfolio of 145 pubs in Wales, on a combination of leased and management contract arrangements. Marston's will operate the 135 freehold pubs on a leasehold basis (majority being long leasehold agreements of 25 years), with effect from February 2021, with annual rent chargeable from April 2021 in advance of £5.42m. In addition, Marston's will operate the 10 short-leasehold sites on a management contract basis for a period of two years. The agreement with Marston's enabled SA Brain to safeguard the jobs of c1,300 employees who transferred to Marston's under TUPE regulations. Regrettably, the Group was required to make the decision to rationalize and downsize the support function of the business which culminated in a redundancy process which was concluded on the 5th February 2021, this has resulted in significant cost savings within the overheads of the Group and the directors believe the remaining team is right sized for the future of the company. The Company continues to brew and supply its customers from the Dragon Brewery site in Cardiff.

The directors are pleased to announce that on 28 May 2021, it has concluded a revised financing arrangement with its banking partners. Heads of Terms have been signed for a £76.4m term loan, with a repayment period of 2.5 years and a margin of 3.55% subject to debt reduction. The financial covenants include a minimum liquidity test and a Loan to Value covenant on the property estate. The Loan to Value covenant will not be agreed until an updated valuation is undertaken by advisors who are to be appointed with Lender approval. The directors acknowledge that whilst the formal legal paperwork is yet to be finalised, including the Loan to Value covenant, they are confident that the positive and collaborative spirit in which the banks and the Group have been working in will be continued and full legal documentation will be signed in the coming weeks. If the full legal documentation is not signed in the forthcoming weeks, the directors would need to commence seeking alternative financing.

## **S.A.BRAIN & COMPANY,LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019**

#### **3. ACCOUNTING POLICIES (CONTINUED)**

##### **3.3 Going concern (continued)**

The Board has prepared its anticipated performance against the May 2021 facility requirements and known covenants through detailed board approved forecasts, including a monthly cash flow forecast until at least November 2022. In preparing these forecasts, the directors have modelled a range of scenarios which look at the realisation of funds through the sale of assets in order to repay the bank facility and other liabilities as and when they fall due. The scenarios reflect a range of differing asset disposal programmes which could be executed. The directors have reviewed each scenario and even in the sensitised worst case scenario the directors have confidence that despite a longer time period in which the asset values are realised the Group is able to meet its ongoing financial obligations and will have sufficient funds available to meet its liabilities as they fall due for the next twelve months from the date of approval of the financial statements.

The future strategic outlook for the Group is to firstly maximize the realization of cash from the sales of assets in order to repay the bank debt and other financial obligations. The directors have sought external advice on the approach and are moving into a process which will see an experienced advisor being appointed to execute the sale of the core 99 group pubs. Significant interest to date has been generated with a number of off-market offers being received for a number of 'packages' of assets and single asset sales, a number of which have been moved to Heads of Terms, giving the directors confidence in the ability to fulfil this initial strategic goal.

The directors have considered the risk of further Covid-19 Government restrictions and the impact this may have on asset values for the forthcoming sales programmes. Wales has made significant progress with its vaccination programme which is positive. It is felt that the likelihood of a further lockdown is small, however, the scenario analysis reviewed by the directors does look at a range of assumptions for the main sales programme commencing from July 2021 to as late as Dec 2021. If further restrictions were imposed with a potential impact on market values of the assets, the directors, along with its advisors, will review the timeline of the sales programme accordingly to ensure maximum asset value is achieved.

The Directors have every expectation that the Group and Company will continue as a going concern. However, there are uncertainties in making that assessment, specifically around the finalisation of the legal paperwork for the new term facility, including the agreement of the Loan to Value covenant, and if a further lockdown or Covid-19 related event were to significantly delay the realisation of assets beyond December 2021. For these reasons, while the directors have a reasonable expectation that the Company and Group have adequate resources to continue operating for the foreseeable future, they have concluded that there exists material uncertainties, as explained above, which may cast significant doubt on the Company's and Group's ability to continue as a going concern. However, the directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of the adjustments required if the Company or Group were unable to continue as a going concern.

##### **3.4 Turnover**

Turnover comprises net retail sales including contract brewing and packaging fees, property rental income associated with the tenanted estate and income from gaming machines and vending machines. Turnover is stated after relevant discounts and is exclusive of Value Added Tax. Turnover is also stated after excise duty relating to the brewing and packaging of certain products. Retail turnover and contract packaging fees are all recognised on dispatch or sale of the products to the customer. Property rental income, gaming and vending machine income is recognised on an accrual basis.



**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.5 Intangible assets**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life of 20 years, which is based on forecasts of future demand in the acquired companies.

**Computer software**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of five years, on a straight line or reducing balance basis. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

**3.6 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold buildings	- Over 50 years on a straight line basis
Long term leasehold property	- Coffee shops over 10 years or term of lease if shorter, other properties over term of lease on a straight line basis
Short term leasehold property	- Over term of lease on a straight line basis
Plant and machinery	- Over periods of 5 to 10 years on a combination of straight line and reducing balance
Freehold land	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.6 Tangible assets (continued)**

and are recognised in the Consolidated Profit and Loss Account.

On transition to FRS 102 the Company has applied the transitional arrangements of Section 35 of FRS 102 and used a valuation on the date of transition as the deemed cost for its freehold buildings. Property is now being depreciated over the remainder of its useful life making an allowance for expected residual value.

**3.7 Impairment**

At each Balance Sheet date, the Group considers whether there are any indicators that fixed assets may be impaired. Where such indicators exist, the Group reviews the carrying amounts of the relevant fixed assets to determine whether there is any evidence that those assets have suffered an impairment loss. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the income-generating unit to which the asset belongs.

If the recoverable amount of an asset or income-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or income-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Recoverable amount is the higher of realisable value less costs to sell and value in use.

- Realisable value less costs to sell is the best estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This estimate is determined on the basis of available market information taking into account specific circumstances.
- Value in use is assessed by estimating future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses the carrying amount of the asset or income generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or income-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

**3.8 Investments**

- (i) **Subsidiary undertakings** - Investments in subsidiaries are valued at cost less provision for any permanent diminution in value.
- (ii) **Joint ventures** - Investments in joint ventures are stated at the Group's share of net liabilities or assets. The Group's share of the profits or losses of the joint ventures is included in the Consolidated Statement of Comprehensive Income using the equity accounting basis.
- (iii) **Trade loans** - Trade loans made to customers are included at cost less any provision for bad and doubtful debt and are amortised over their estimated useful economic lives unless repaid earlier.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.9 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a standard cost basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**3.10 Operating lease income**

Income from properties under operating leases is recognised on a straight line basis over the life of the lease.

**3.11 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**3.12 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**3.13 Financial Instruments**

The Group has applied section 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

The Group enters into both basic and complex financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and derivatives.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.13 Financial Instruments (continued)**

asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, made up of interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Company currently applies hedge accounting for interest rate derivatives.

**3.14 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**3.15 Hedge accounting**

The Group uses interest rate swaps to manage its exposure to cash flow risk on its bank loans. These derivatives are measured at fair value at each Balance Sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in other comprehensive income for the year.

**3.16 Finance costs**

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument, and are subsequently amortised over the life of the debt instrument.

**3.17 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**3.18 Operating leases**

Rentals paid under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.19 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**Defined benefit pension plan**

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Balance Sheet date less the fair value of plan assets at the Balance Sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in net pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as an 'other finance expense/income'.

**3.20 Interest income**

Interest income is recognised in the Consolidated Profit and Loss Account using the effective interest method.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.21 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Profit and Loss Account within 'interest receivable and similar income' or 'interest payable and similar charges'. All other foreign exchange gains and losses are presented in the Consolidated Profit and Loss Account within 'administrative expenses'.

**3.22 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Profit and Loss Account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**3. ACCOUNTING POLICIES (CONTINUED)**

**3.23 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

- The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

**3.24 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**4.1 Key sources of estimation uncertainty**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 18 for the carrying amount of the property plant and equipment, and note 3.6 for the useful economic lives for each class of assets.

**(ii) Impairment of debtors**

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors, security and historical experience. See note 21 for the net carrying amount of the debtors and associated impairment provision.

**(iii) Uncertainty in provisions**

The Company makes provision for onerous property leases and property dilapidations. When calculating the onerous lease provision, the directors' estimate the net unrecovered costs during the remaining period of the leases. The unrecovered costs are included net of expected rental income from subletting the properties, and the inflows from the rental income that are included as part of the provision are estimated and uncertain. See note 27 for the carrying amount of the provision and its utilisation.

**(iv) Defined benefit pension scheme**

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Balance Sheet. The assumptions reflect historical experience and current trends. See note 32 for the disclosures relating to the defined benefit pension scheme.

**5. TURNOVER**

The whole of the turnover is attributable to its principal activities and is all considered to relate to sale of goods.

All turnover arose within the United Kingdom.



**S.A.BRAIN & COMPANY,LIMITED**

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**6. EXCEPTIONAL ITEMS**

	28 September 2019 £000	29 September 2018 £000
<b>Exceptional cost of sales</b>		
Restructuring costs (a)	(255)	-
Brewery losses (b)	(1,258)	(1,187)
	<u>(1,513)</u>	<u>(1,187)</u>
<b>Exceptional administrative expenses</b>		
Restructuring costs (a)	(1,150)	(594)
Financing arrangement fees	(1,421)	-
Write off of prior year financing arrangement fees	(410)	-
Onerous lease charges	(1,195)	-
Fine relating to breach of Health & Safety legislation	(156)	-
Fine relating to National Minimum Wage legislation	(319)	-
	<u>(4,651)</u>	<u>(594)</u>
<b>Profit/(loss) on sale/disposal of fixed assets</b>		
Loss on sale/disposal of fixed assets	(1,213)	(1,220)
Profit on sale of Cardiff Brewery site	12,778	-
Profit on sale of Coffee#1 Limited	14,662	-
	<u>26,227</u>	<u>(1,220)</u>
<b>Total exceptional items</b>	<u>20,063</u>	<u>(3,001)</u>

- (a) **Restructuring costs** – These costs relate to accrued redundancy costs associated with the ongoing restructuring of the Group's operations and administrative functions.
- (b) **Brewery losses** – This relates to the losses incurred in the Beer division since January 2018 due to the strategic decision to continue operating out of the existing brewery, which may have been avoided under other strategies, after committing to moving to a new site.

**7. OTHER OPERATING INCOME**

	2019 £000	2018 £000
Other operating income	<u>78</u>	<u>97</u>

Other operating income is comprised of £60,000 (2018: £74,000) of unlicensed income from betting offices and £18,000 (2018: £23,000) miscellaneous income which primarily consists of contributions towards branding and marketing from suppliers.

**S.A.BRAIN & COMPANY,LIMITED**

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**8. OPERATING PROFIT**

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible assets	4,177	5,930
Amortisation of intangible assets, including goodwill	386	739
Operating lease rentals	3,051	3,381

**9. AUDITORS' REMUNERATION**

	2019 £000	2018 £000
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	86	63

**FEES PAYABLE TO THE GROUP'S AUDITORS IN RESPECT OF:**

The audit of the parent Company financial statements	78	41
The audit of the subsidiary companies financial statements	8	22
Audit-related assurance services	7	-
Preparation of statutory financial statements	6	6
All other services	140	-
	239	69

**S.A.BRAIN & COMPANY,LIMITED**

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**10. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	<b>Group 28 September 2019 £000</b>	<b>Group 29 September 2018 £000</b>	<b>Company 28 September 2019 £000</b>	<b>Company 29 September 2018 £000</b>
Wages and salaries	28,042	34,078	24,619	24,938
Social security costs	1,885	2,343	1,696	1,870
Other pension costs	1,046	844	1,010	783
	<b>30,973</b>	<b>37,265</b>	<b>27,325</b>	<b>27,591</b>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2019 Number</b>	<b>2018 Number</b>
Retail operations	1,807	2,294
Brewing, sales and administration	133	166
	<b>1,940</b>	<b>2,460</b>

The average number of full time equivalent employees during the year was 1,314 (2018: 1,666).

In addition to the above, the Group has accrued restructuring costs as disclosed in note 6.

**S.A.BRAIN & COMPANY,LIMITED**

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**11. DIRECTORS' REMUNERATION**

The Group's remuneration policy is to ensure that the remuneration of directors is sufficiently competitive to enable the Group to retain and motivate existing directors and attract high quality performers in the future. The Group undertakes an annual review of market practice and considers the remuneration levels of directors in companies of similar size within the industry sector.

	2019 £000	2018 £000
Aggregate directors' remuneration	910	1,016
Company contributions to defined contribution pension schemes	33	15
Company contributions to defined benefit schemes	49	143
Compensation for loss of office	313	-
	<u>1,305</u>	<u>1,174</u>

Retirement benefits are accruing to two directors under the Company's money purchase pension scheme (2018: one) and to zero directors under a defined benefit scheme (2018: three).

The highest paid director received remuneration of £303,000 (2018: £368,000).

The total accrued pension provision of the highest paid director at 28 September 2019 amounted to £Nil (2018: £37,000).

The amount of the accrued lump sum in respect of the highest paid director at 28 September 2019 amounted to £Nil (2018: £164,000).

During the year, £260,000 (2018: £346,000) was accrued as compensation due to loss of office to a director of the Group.

**Key management personnel**

The key management personnel are considered to be the same as the directors, and as such the compensation payable to the key management personnel is disclosed above.

**12. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019 £000	2018 £000
Other interest receivable	<u>232</u>	<u>271</u>

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019 £000	2018 £000
Bank interest payable	2,325	2,033
Other loan interest payable	926	795
Preference share dividends	271	271
	<u>3,522</u>	<u>3,099</u>

**14. OTHER FINANCE INCOME**

	2019 £000	2018 £000
Interest income on pension scheme assets	2,370	2,260
Net interest on net defined benefit liability	(2,360)	(2,410)
	<u>10</u>	<u>(150)</u>

**15. TAX ON PROFIT/(LOSS)**

	2019 £000	2018 £000
<b>CORPORATION TAX</b>		
Current tax on profit/(loss) for the year	-	-
Adjustments in respect of prior years	138	-
<b>TOTAL CURRENT TAX</b>	<u>138</u>	<u>-</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	514	262
Adjustments in respect of prior years	(29)	(75)
<b>TOTAL DEFERRED TAX</b>	<u>485</u>	<u>187</u>
<b>TOTAL TAX</b>	<u>623</u>	<u>187</u>

**S.A.BRAIN & COMPANY,LIMITED**

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**15. TAX ON PROFIT/(LOSS) (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) before taxation	18,754	(1,905)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	3,563	(362)
<b>EFFECTS OF:</b>		
Permanent differences	2,050	168
Adjustments in respect of prior years	(109)	(75)
Non-taxable income	(4,604)	-
Difference between accounting and tax value of land	(848)	-
Depreciation and loss on disposal on assets ineligible for capital allowances	425	487
Change in tax rates	146	(31)
<b>TOTAL TAX CHARGE FOR THE YEAR/PERIOD</b>	<b>623</b>	<b>187</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**16. DIVIDENDS**

	28 September 2019 £000	29 September 2018 £000
<b>Equity - Ordinary - Paid</b>		
Interim paid 83p (2018: 83p) per £1 share	808	808
<b>Equity - Ordinary - Declared but not Paid</b>		
Final dividend accrued 83p (2018: 83p) per £1 share	808	808
	<b>1,616</b>	<b>1,616</b>

The directors proposed a dividend of 41.5p per share, totaling £414,000 for the year ended 28 September 2019, to be paid on 6 April 2020. In light of the COVID-19 pandemic this proposal was subsequently withdrawn.

**S.A.BRAIN & COMPANY,LIMITED**

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**17. INTANGIBLE ASSETS**

**Group**

	<b>Computer software £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>COST</b>			
At 29 September 2018	1,532	8,894	10,426
On disposal of subsidiaries	(308)	(8,820)	(9,128)
At 28 September 2019	<u>1,224</u>	<u>74</u>	<u>1,298</u>
<b>ACCUMULATED AMORTISATION</b>			
At 29 September 2018	524	3,467	3,991
Charge for the year	239	147	386
On disposal of subsidiaries	(124)	(3,604)	(3,728)
At 28 September 2019	<u>639</u>	<u>10</u>	<u>649</u>
<b>NET BOOK VALUE</b>			
At 28 September 2019	<u>585</u>	<u>64</u>	<u>649</u>
At 29 September 2018	<u>1,008</u>	<u>5,427</u>	<u>6,435</u>

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**17. INTANGIBLE ASSETS (CONTINUED)**

**Company**

	<b>Computer software £000</b>
<b>COST</b>	
At 29 September 2018	<b>1,224</b>
At 28 September 2019	<b>1,224</b>
<b>ACCUMULATED AMORTISATION</b>	
At 29 September 2018	<b>400</b>
Charge for the year	<b>239</b>
At 28 September 2019	<b>639</b>
<b>NET BOOK VALUE</b>	
At 28 September 2019	<b>585</b>
At 29 September 2018	<b>824</b>



**S.A.BRAIN & COMPANY,LIMITED**

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**18. TANGIBLE ASSETS**

**Group**

	Freehold land and buildings £000	Long term leasehold property £000	Short term leasehold property £000	Plant and machinery £000	Work in progress £000	Total £000
<b>COST</b>						
At 29 September 2018	121,193	9,795	13,188	75,710	5,857	225,743
Additions	3,274	-	675	3,808	937	8,694
Disposals	(3,567)	(346)	-	(3,799)	-	(7,712)
Disposal of subsidiary	-	-	(8,382)	(15,765)	-	(24,147)
Transfers between classes	-	-	-	5,857	(5,857)	-
At 28 September 2019	120,900	9,449	5,481	65,811	937	202,578
<b>ACCUMULATED DEPRECIATION</b>						
At 29 September 2018	2,870	3,535	5,063	50,469	-	61,937
Charge for the year	291	112	653	3,121	-	4,177
Disposals	(1,058)	-	-	(3,763)	-	(4,821)
Disposal of subsidiary	-	-	(2,917)	(6,672)	-	(9,589)
At 28 September 2019	2,103	3,647	2,799	43,155	-	51,704
<b>NET BOOK VALUE</b>						
At 28 September 2019	118,797	5,802	2,682	22,656	937	150,874
At 29 September 2018	118,323	6,260	8,125	25,241	5,857	163,806

**S.A.BRAIN & COMPANY,LIMITED**

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**18. TANGIBLE ASSETS (CONTINUED)**

**Company**

	Freehold land and buildings £000	Long term leasehold property £000	Short term leasehold property £000	Plant and machinery £000	Work in progress £000	Total £000
<b>COST</b>						
At 29 September 2018	118,670	9,795	4,965	60,207	5,857	199,494
Additions	3,274	-	516	3,546	937	8,273
Disposals	(1,044)	(346)	-	(3,799)	-	(5,189)
Transfers between classes	-	-	-	5,857	(5,857)	-
At 28 September 2019	<u>120,900</u>	<u>9,449</u>	<u>5,481</u>	<u>65,811</u>	<u>937</u>	<u>202,578</u>
<b>ACCUMULATED DEPRECIATION</b>						
At 29 September 2018	1,966	3,535	2,590	44,099	-	52,190
Charge for the year	291	112	209	2,819	-	3,431
Disposals	(154)	-	-	(3,763)	-	(3,917)
At 28 September 2019	<u>2,103</u>	<u>3,647</u>	<u>2,799</u>	<u>43,155</u>	<u>-</u>	<u>51,704</u>
<b>NET BOOK VALUE</b>						
At 28 September 2019	<u>118,797</u>	<u>5,802</u>	<u>2,682</u>	<u>22,656</u>	<u>937</u>	<u>150,874</u>
At 29 September 2018	<u>116,704</u>	<u>6,260</u>	<u>2,375</u>	<u>16,108</u>	<u>5,857</u>	<u>147,304</u>

**S.A.BRAIN & COMPANY,LIMITED**

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**19. INVESTMENTS**

**Group**

	<b>Trade loans £000</b>	<b>Other fixed asset investments £000</b>	<b>Total £000</b>
<b>COST</b>			
At 29 September 2018	130	577	707
Additions	-	4,878	4,878
Disposals	(3)	-	(3)
At 28 September 2019	<u>127</u>	<u>5,455</u>	<u>5,582</u>
<b>IMPAIRMENT</b>			
At 29 September 2018	81	-	81
At 28 September 2019	<u>81</u>	<u>-</u>	<u>81</u>
<b>NET BOOK VALUE</b>			
At 28 September 2019	<u>46</u>	<u>5,455</u>	<u>5,501</u>
At 29 September 2018	<u>49</u>	<u>577</u>	<u>626</u>

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**19. INVESTMENTS (CONTINUED)**

**Company**

	Investments in subsidiary companies £000	Trade loans £000	Other fixed asset investments £000	Total £000
<b>COST</b>				
At 29 September 2018	22,470	130	577	23,177
Additions	-	-	4,878	4,878
Disposals	(9,565)	(3)	-	(9,568)
At 28 September 2019	12,905	127	5,455	18,487
<b>IMPAIRMENT</b>				
At 29 September 2018	-	81	-	81
Charge for the year	1,328	-	-	1,328
At 28 September 2019	1,328	81	-	1,409
<b>NET BOOK VALUE</b>				
At 28 September 2019	11,577	46	5,455	17,078
At 29 September 2018	22,470	49	577	23,096

Included within other fixed asset investments is 237,789 (2018: 237,789) ordinary shares of £1 each held at a cost of £551,000 (2018: £551,000) in The Welsh Whisky Company Limited, representing 5.3% (2018: 5.3%) of that Company's equity share capital, and Welsh Rugby Union debentures, held at a cost of £26,000 (2018: £26,000). The directors believe that that carrying value of the investments is supported by their underlying net assets or by future projected cash flows.

**DIRECT SUBSIDIARY UNDERTAKINGS**

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Crown Buckley Limited	Holding Company	Ordinary	100%
S.A. Brain and Company Ventures Limited	Dormant	Ordinary	100%
The Bowl Inn Limited	Dormant	Ordinary	100%
Brain Crown Buckley Limited	Dormant	Ordinary	100%
Filbuk 313 Limited	Dormant	Ordinary	100%
The Good Pub Company Limited	Dormant	Ordinary	100%
Lalng Holdings Limited	Dormant	Ordinary	100%
Ablemade Limited	Dormant	Ordinary	100%
S.A.B Property Company Limited	Property Developer	Ordinary	100%

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**19. INVESTMENTS (CONTINUED)**

**INDIRECT SUBSIDIARY UNDERTAKINGS**

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Crown Buckley Taverns Limited*	Dormant	Ordinary	100%
Crown Brewery Plc**	Dormant	Ordinary	100%

\* Indirectly owned - Share capital held by Crown Brewery Plc.

\*\* Indirectly owned - Share capital held by Crown Buckley Limited.

The registered office of all subsidiary companies is Dragon Brewery, Pacific Road, Cardiff, CF24 5HJ.

**20. STOCKS**

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Raw materials	369	612	369	612
Work in progress	112	481	112	308
Finished goods and goods for resale	2,199	2,630	2,199	2,360
	<u>2,680</u>	<u>3,723</u>	<u>2,680</u>	<u>3,280</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**S.A.BRAIN & COMPANY,LIMITED**

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**21. DEBTORS**

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Trade debtors	3,111	4,015	3,111	4,015
Amounts owed by group undertakings	-	-	3,152	17,729
Amounts owed by joint ventures and associated undertakings	-	440	-	440
Other debtors	9,605	932	6,610	915
Tax recoverable	-	-	-	308
Prepayments and accrued income	1,883	5,949	1,883	4,552
Deferred taxation	-	-	182	-
	<u>14,599</u>	<u>11,336</u>	<u>14,938</u>	<u>27,959</u>

Trade debtors is stated net of a provision for impairment of £200,000 (2018: £342,000).

Amounts owed by group undertakings primarily relates to amounts receivable from S.A.B Property Company Limited in relation to the sale of the brewery land.

**22. CASH AT BANK AND IN HAND**

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Cash at bank and in hand	<u>5,446</u>	<u>905</u>	<u>5,428</u>	<u>366</u>

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**23. CREDITORS: amounts falling due within one year**

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Trade creditors	2,937	4,540	2,937	3,761
Amounts owed to group undertakings	-	-	9,827	9,974
Proposed dividend	808	808	808	808
Corporation tax	-	96	-	-
Other taxation and social security	4,002	3,588	4,002	2,629
Other creditors	421	2,838	419	1,904
Accruals and deferred income	4,014	2,172	3,877	1,705
	<u>12,182</u>	<u>14,042</u>	<u>21,870</u>	<u>20,781</u>

Amounts due to subsidiary undertakings are unsecured, interest free and repayable on demand.

Deferred income relates to payments received in advance in respect of certain contractual arrangements for the supply of goods and services in the normal course of business.

**24. CREDITORS: amounts falling due after more than one year**

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Bank loans	66,500	81,361	66,500	81,361
Other loans	350	7,799	350	349
Crown Buckley Limited preference shares of £1 each	712	712	-	-
Cumulative preference shares treated as debt	1,601	1,601	1,601	1,601
Financial instruments	722	353	722	353
	<u>69,885</u>	<u>91,826</u>	<u>69,173</u>	<u>83,664</u>

Disclosure of the terms and conditions attached to the non-equity Crown Buckley Limited preference shares and the cumulative preference shares is made in note 28.

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**24. CREDITORS: amounts falling due after more than one year (continued)**

Included within the above are amounts falling due as follows:

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>				
Bank loans	66,500	81,361	66,500	81,361
Other loans	350	7,799	350	349
	<u>66,850</u>	<u>89,160</u>	<u>66,850</u>	<u>81,710</u>
<b>AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS</b>				
Crown Buckley Limited preference shares of £1 each	712	712	-	-
Cumulative preference shares treated as debt	1,601	1,601	1,601	1,601
	<u>2,313</u>	<u>2,313</u>	<u>1,601</u>	<u>1,601</u>
	<u>69,163</u>	<u>91,473</u>	<u>68,451</u>	<u>83,311</u>



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**24. CREDITORS: amounts falling due after more than one year (continued)**

**Bank loans**

The loan facility is fully repayable in 2022 and interest is payable at LIBOR plus a margin depending on the financial performance of the Group. The financial performance is measured four times a year against agreed bank covenants.

All the bank loans are secured by a floating charge over the Group's assets and undertakings. On 31 August 2018 the Group also registered a fixed charge over the Dragon Brewery premises.

Group and Company bank loans are stated net of unamortised issue costs of £Nil (2018: £339,000).

In the prior year, the Group had entered into certain interest rate swap transactions which have the effect of fixing interest rates as follows:

- £10,000,000 of borrowings at an interest rate of 1.55% between September 2016 and September 2021. The mark to market value of the interest rate swap at 28 September 2019 was a liability of £192,000 (2018: £101,000).
- £10,000,000 of borrowings at an interest rate of 1.55% between September 2016 and September 2021. The mark to market value of the interest rate swap at 28 September 2019 was a liability of £192,000 (2018: £101,000).
- £10,000,000 of borrowings at an interest rate of 1.69% between September 2016 and September 2022. The mark to market value of the interest rate swap at 28 September 2019 was a liability of £338,000 (2018: £151,000).

Cash flows on both the loan and the interest rate swaps are paid quarterly until 2021. During 2019, a hedging loss of £369,000 (2018: gain of £444,000) was recognised in other comprehensive income on recognition of the fair value of the interest rate swaps.

**Other loans**

Other loans relates to a £350,000 loan from Elevens Group Limited in relation to the development of Elevens Bar and Grill. This loan bears no interest and is repayable in line with profits made by Elevens Bar and Grill.

**Preference shares**

Disclosure of the terms and conditions attached to the non-equity shares is made in note 28.

**S.A.BRAIN & COMPANY,LIMITED**

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**25. FINANCIAL INSTRUMENTS**

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
<b>FINANCIAL ASSETS</b>				
Financial assets that are debt instruments measured at amortised cost	<u>14,492</u>	<u>5,387</u>	<u>14,644</u>	<u>23,099</u>
<b>FINANCIAL LIABILITIES</b>				
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(722)	(353)	(722)	(353)
Financial liabilities measured at amortised cost	<u>(77,344)</u>	<u>(100,036)</u>	<u>(86,320)</u>	<u>(99,679)</u>
	<u>(78,066)</u>	<u>(100,389)</u>	<u>(87,042)</u>	<u>(100,032)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by group undertakings, amounts owed by joint ventures and accrued income.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps. Details regarding these swaps are provided in note 24.

Financial liabilities measured at amortised cost comprise bank loans, other loans, trade creditors, amounts owed to group undertakings, other creditors, proposed dividends, preference shares and accruals.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**26. DEFERRED TAXATION**

**Group**

	2019 £000
At beginning of year	2,203
Charged to profit and loss	485
Credited to other comprehensive income	(809)
Derecognised on disposal of subsidiary	(341)
	<u>1,538</u>

**Company**

	2019 £000
At beginning of year	1,861
Credited to profit and loss	(1,234)
Credited to other comprehensive income	(809)
	<u>(182)</u>

The provision for deferred taxation is made up as follows:

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Accelerated capital allowances	3,171	3,343	3,171	3,001
Other timing differences	(14)	(12)	(13)	(12)
Utilised tax losses	(2,529)	(1,052)	(2,491)	(1,052)
Defined benefit pension scheme	(726)	(16)	(726)	(16)
Financial instruments	(123)	(60)	(123)	(60)
Deferred gain	1,759	-	-	-
	<u>1,538</u>	<u>2,203</u>	<u>(182)</u>	<u>1,861</u>

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**27. OTHER PROVISIONS**

**Group**

	Onerous lease provisions £000	Property dilapidation £000	Restructuring provision £000	Total £000
At 30 September 2018	1,993	271	552	2,816
Charged to profit or loss	1,162	137	620	1,919
Transferred on disposal of subsidiary	-	(408)	(20)	(428)
Utilised in year	(320)	-	(532)	(852)
<b>AT 28 SEPTEMBER 2019</b>	<b>2,835</b>	<b>-</b>	<b>620</b>	<b>3,455</b>

**Company**

	Onerous lease provisions £000	Property dilapidation £000	Restructuring provision £000	Total £000
At 30 September 2018	1,993	-	532	2,525
Charged to profit or loss	1,162	-	620	1,782
Utilised in year	(320)	-	(532)	(852)
<b>AT 28 SEPTEMBER 2019</b>	<b>2,835</b>	<b>-</b>	<b>620</b>	<b>3,455</b>

**Onerous property leases**

Following the disposal of the free trade business in 2009 and the subsequent restructuring of the Group's logistics operation certain leasehold warehouses have been vacated. The vacant property provision relates to the onerous leases associated with the vacated warehouses and represents the directors' estimate of the net unrecovered costs during the remaining period of the leases. The unrecovered costs are included net of expected rental income from subletting the properties, and these inflows are included as part of the provision are estimated and uncertain.

**Property dilapidation**

Property provisions relate to dilapidation obligations required under the terms of the leases of certain premises following the acquisition of Coffee #1 Limited. These costs will be incurred over the period of the leases.

**Restructuring provision**

The restructuring provision relates to expected costs associated with the restructuring of the Group's operations and administrative functions, primarily redundancy payments.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**28. CALLED UP SHARE CAPITAL**

	<b>28 September 2019 £000</b>	<b>29 September 2018 £000</b>
<b>Shares classified as capital</b>		
<b>Allotted, called up and fully paid</b>		
973,426 (2018: 973,426) ordinary shares of £1 (2018: £1) each	<b>974</b>	<b>974</b>
	<b>28 September 2019 £000</b>	<b>29 September 2018 £000</b>
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
1,376,320 (2018: 1,376,320) 11% cumulative preference shares of £1 (2018: £1) each	<b>1,376</b>	<b>1,376</b>
22,500 (2018: 22,500) 4% cumulative preference shares of £10 (2018: £10) each	<b>225</b>	<b>225</b>
	<b>1,601</b>	<b>1,601</b>

**S.A.BRAIN & COMPANY,LIMITED**

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**28. CALLED UP SHARE CAPITAL (continued)**

All preference shares are non-installment debt.

**S.A.Brain & Company,Limited preference shares**

**Rights to dividends**

- 4% cumulative preference shares of £10 each - 4% cumulative dividend payable half yearly on amount paid up.
- 11% second cumulative preference shares of £1 each - 11% cumulative dividend payable half yearly on amount paid up.

**Rights to redemption**

- 4% cumulative preference shares of £10 each - none.
- 11% second cumulative preference shares of £1 each - none.

**Rights on winding up**

The assets of the Company remaining after all liabilities and costs have been discharged are to be distributed in the event of a winding up as follows:

- Firstly, in paying to 4% preference shareholders any arrears of dividends;
- Secondly, in paying to 11% preference shareholders any arrears of dividends;
- Thirdly, in paying to 4% preference shareholders the amount paid up on their shares;
- Fourthly, in paying to 11% preference shareholders the amount paid up on their shares, including any premium;
- Fifthly, any balance of assets to be paid to ordinary shareholders in the proportion of shares held.

**Voting rights**

- 4% cumulative preference shares of £10 each - none.
- 11% second cumulative preference shares of £1 each - none.
- Ordinary shares of £1 each – full voting rights.

**Crown Buckley Limited 15% "A" preference shares not held by S.A.Brain & Company,Limited**

**Rights to dividend**

- 15% cumulative dividend, payable half yearly on amount paid up.

**Rights to redemption**

- Redeemable at the option of the Company in certain circumstances.

**Rights on winding up**

- The rights to distribution in the event of a winding up (after all liabilities and costs have been discharged) in respect of any arrears of dividends and the amounts paid up on shares rank pari passu with the "B" preference shares (held by the Company) and before the ordinary and preferred ordinary shares (held by the Company).

**Voting rights**

- Right to vote at separate class meetings only.

**S.A.BRAIN & COMPANY,LIMITED**

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**29. RESERVES**

**Cash flow hedging reserve**

The cash flow hedging reserve reflects all movements in the fair value of fully hedged swap derivatives.

**Other reserves**

Other reserves consist of capital redemption reserves of £403,000 (2018: £402,000) and distributable property reserves of £22,077,000 (2018: £22,077,000).

**Profit and loss account**

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

**30. DISCONTINUED OPERATIONS**

During the year, the Group disposed of its subsidiary company, Coffee#1 Limited which has consequently been classified as discontinued.

	£000
<b>Consideration:</b>	
Cash proceeds	23,280
Deferred consideration	4,846
Shares in trade investment	4,878
<b>TOTAL CONSIDERATION</b>	<b>33,004</b>
<b>Assets and liabilities disposed:</b>	
Intangible assets (including goodwill)	5,400
Tangible assets	14,558
Stocks	286
Debtors	800
Cash	1,256
Creditors	(3,194)
Deferred taxation	(341)
Provisions	(428)
<b>NET ASSETS DISPOSED</b>	<b>(18,337)</b>
<b>PROFIT ON DISPOSAL BEFORE TAX</b>	<b>14,667</b>

The net inflow of cash in respect of the sale of Coffee#1 Limited is as follows:

	£000
Cash consideration	23,280
Cash transferred on disposal	(1,256)
<b>NET INFLOW OF CASH</b>	<b>22,024</b>

## **S.A.BRAIN & COMPANY,LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019**

#### **31. CAPITAL COMMITMENTS**

At 28 September 2019 and 29 September 2018 the Group and Company had capital commitments as follows:

	Group 28 September 2019 £000	Group 29 September 2018 £000	Company 28 September 2019 £000	Company 29 September 2018 £000
Contracted for but not provided in these financial statements	719	1,831	719	1,831

#### **32. PENSION COMMITMENTS**

The Group operates a Defined Benefit Pension Scheme.

Pension costs amounted to £556,000 (2018: £717,000).

##### **Defined contribution**

The Group operates a defined contribution section of the S.A.Brain & Company,Limited Group Pension Scheme and the Crown Buckley Limited Pension Scheme. The assets of the defined contribution pension scheme are held separately from those of the Group under independent administration. The pension cost charge for the scheme represents contributions payable by the Group to the scheme in the year amounting to £196,000 (2018: £197,000).

Workplace pensions auto-enrolment came into effect on 1 October 2012, and the Company started auto-enrolling eligible employees from 1 December 2013.

##### **Defined benefit**

The Group operated two fully funded defined benefit pension schemes: the S.A.Brain & Company,Limited Group Pension Scheme and the Crown Buckley Limited Pension Scheme. The assets of both schemes are held in separate trustee administered funds. The most recent actuarial valuation of the S.A.Brain & Company,Limited Group Pension Scheme was at 1 July 2018 and was carried out using the projected unit method by a professionally qualified actuary employed by Quantum Advisory Limited.

The most recent actuarial valuation of the Crown Buckley Limited Pension Scheme was at 1 July 2018 and was carried out using the projected unit method by a professionally qualified actuary employed by Quantum Advisory Limited.

Certain overhead costs relating to the Group's pension schemes were paid on their behalf by S.A.Brain & Company,Limited. These were, on behalf of the S.A.Brain & Company,Limited Group Pension Scheme £291,000 (2018: £311,000) and on behalf of the Crown Buckley Limited Pension Scheme £129,000 (2018: £132,000).

The following information is provided in accordance with FRS 102 and represents combined information for the two defined benefit schemes operated by the Company. The information is based on approximate actuarial updates carried out at the Balance Sheet date by the respective actuaries.



**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**32. PENSION COMMITMENTS (CONTINUED)**

Reconciliation of present value of plan liabilities:

	28 September 2019 £000	29 September 2018 £000
<b>RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES</b>		
At the beginning of the year	87,546	91,396
Current service cost	360	520
Interest cost	2,360	2,410
Actuarial loss / (gain)	14,140	(2,630)
Benefits paid	(6,280)	(4,150)
<b>AT THE END OF THE YEAR</b>	<b>98,126</b>	<b>87,546</b>

Reconciliation of present value of plan assets:

	28 September 2019 £000	29 September 2018 £000
At the beginning of the year	87,454	85,394
Interest income	2,370	2,260
Actuarial gains	9,750	2,590
Contributions	700	1,470
Benefits paid	(6,280)	(4,150)
Non-investment expenses	(140)	(110)
<b>AT THE END OF THE YEAR</b>	<b>93,854</b>	<b>87,454</b>

Composition of plan assets:

	28 September 2019 £000	29 September 2018 £000
Equities	24,370	26,014
Bonds	10,720	12,090
GARS Fund	2,190	4,590
Dynamic growth fund	9,490	9,810
Other	47,084	34,950
<b>TOTAL PLAN ASSETS</b>	<b>93,854</b>	<b>87,454</b>

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

**32. PENSION COMMITMENTS (CONTINUED)**

Scheme assets include 54,490 (2018: 54,490) ordinary shares in S.A.Brain & Company,Limited. The schemes have not invested in any of the properties occupied by S.A.Brain & Company,Limited or in any other assets used by the Group.

	28 September 2019 £000	29 September 2018 £000
Fair value of plan assets	93,854	87,454
Present value of plan liabilities	(98,126)	(87,546)
<b>NET PENSION SCHEME LIABILITY</b>	<b>(4,272)</b>	<b>(92)</b>

	28 September 2019 £000	29 September 2018 £000
Current service cost	(360)	(520)
Interest on obligation	(2,360)	(2,410)
Expected return on scheme assets	2,370	2,260
Non-investment expense	(140)	(110)
<b>TOTAL</b>	<b>(490)</b>	<b>(780)</b>
Actual return on scheme assets	12,120	4,850

	2019 %	2018 %
Discount rate	1.75	2.80
- S.A.Brain & Company,Limited Group Pension Scheme	2.25 - 3.25	2.10 - 3.10
- Crown Buckley Limited Pension Scheme	2.25 - 3.25	1.90 - 3.05
Inflation assumption	2.25	2.10
Mortality rates:		
- for a male aged 65 now	20.5	20.9
- at 65 for a male aged 45 now	21.5	21.9
- for a female aged 65 now	22.4	22.8
- at 65 for a female aged 45 now	23.6	24.0

## **S.A.BRAIN & COMPANY,LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019**

#### **32. PENSION COMMITMENTS (CONTINUED)**

##### **Future cash funding**

The most recent full actuarial valuations were as at 1 July 2018 and were completed using the Projected Unit valuation method. The valuation revealed deficits at the valuation date. Accordingly, the expected contributions by the firm to the defined benefit section of the schemes over the next 12 months are £243,500 for S.A.Brain & Company,Limited Group Pension Scheme and £266,000 for Crown Buckley Limited Pension Scheme. The next actuarial valuation has an effective date of 1 July 2021. Contribution requirements will be reviewed as part of the 2021 valuation.

#### **33. COMMITMENTS UNDER OPERATING LEASES**

At 28 September 2019 and 29 September 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 28 September 2019 £000</b>	<b>Group 29 September 2018 £000</b>	<b>Company 28 September 2019 £000</b>	<b>Company 29 September 2018 £000</b>
Not later than 1 year	629	4,140	629	621
Later than 1 year and not later than 5 years	2,073	11,736	2,073	2,066
Later than 5 years	1,068	5,630	1,068	1,570
	<b>3,770</b>	<b>21,506</b>	<b>3,770</b>	<b>4,257</b>

#### **34. RELATED PARTY TRANSACTIONS**

##### **Directors**

Consultancy fees were paid to an entity controlled by J F W Rhys (a director of the Company) during the year amounting to £39,000 (2018: £42,000). There were £4,000 amounts outstanding at the year end (2018: £Nil).

##### **Pension schemes**

Certain overhead costs relating to the Group's pension schemes were paid on their behalf by S.A.Brain & Company,Limited. These were, on behalf of the S.A.Brain & Company,Limited Group Pension Scheme £291,000 (2018: £311,000) and on behalf of the Crown Buckley Limited Pension Scheme £129,000 (2018: £132,000). At the year end there was a creditor of £29,000 (2018: £28,000) relating to the S.A.Brain & Company,Limited Group Pension Scheme and a creditor of £18,000 (2018: £18,000) relating to the Crown Buckley Limited Pension Scheme outstanding at the year end.

**S.A.BRAIN & COMPANY,LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**35. POST BALANCE SHEET EVENTS**

Immediately following the year end, a new loan facility agreement commenced on 30th September 2019. The agreement comprises a £25m term loan and £42m RCF both of which are fully repayable in 2023 with interest payable at LIBOR and a fixed margin rate.

Since the end of the year ended for which these financial statements have been drawn, the COVID-19 global pandemic has impacted the business. Measures put in place to protect the workforce and the subsequent impact on customers and suppliers relationships have been outlined in the Group Strategic and Directors' Report in these financial statements and the wider impact of COVID-19 on the financial requirements of the Group have been further outlined in note 3.3.

Subsequent to the balance sheet date the Group has disposed of 19 pubs and properties, realising net proceeds of £6.9m.

On 23rd December 2020 S.A.Brain & Company,Limited announced that contracts had been exchanged with Marston's Plc (Marston's) to operate its portfolio of 145 pubs in Wales, on a combination of leased and management contract arrangements. Marston's will operate the 135 freehold pubs on a leasehold basis (majority being long leasehold agreements of 25 years), with effect from February 2021, with annual rent chargeable from April 2021 in advance of £5.42m million. In addition, Marston's will operate the 10 short-leasehold sites on a management contract basis for a period of two years. The agreement with Marston's enabled the Company to safeguard the jobs of c1,300 employees who transferred to Marston's under TUPE regulations. Regretfully, the Group was required to make the decision to rationalize and downsize the support function of the business which culminated in a redundancy process which was concluded on the 5th February 2021, this has resulted in significant cost savings within the overheads of the Group and the directors believe the remaining team is right sized for the future of the company.

On the 23rd December 2020 S.A.Brain & Company,Limited entered into an unconditional agreement for the sale of eight pubs realizing proceeds of £4.5million, receivable in July 2021.

On 23rd December 2020 an amendment to the facilities entered into on 30 September 2019 was signed, providing a further £4m to the Group which was drawn down on 15th January 2021. The increase in facilities was provided to meet all ongoing working capital and liquidity requirements of the Group in January 2021 and to facilitate completion of the Marston's transaction as discussed above.

On 28 May 2021, the Group concluded a revised financing arrangement with its banks. Heads of Terms have been signed for a £76.4m term loan, with a repayment period of 2.5 years and a margin of 3.55% subject to debt reduction. The directors acknowledge that whilst the formal legal paperwork is yet to be finalised, they are confident that the positive spirit in which the banks and the Group have been working in will be continued and full legal documentation will be signed in the coming weeks.

All of the above occurred subsequent to the balance sheet date and related to events and circumstances that did not exist at the balance date. Accordingly, the directors are satisfied that all of the above are non-adjusting post balance sheet events.

**36. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

There is no ultimate controlling party in the opinion of the directors. The consolidated financial statements of this Group are available to the public and may be obtained from Dragon Brewery, Pacific Road, Cardiff, CF24 5HJ.