Tennent Caledonian Breweries Wholesale Limited

SC081527

Annual report and financial statements

For the year ended 28 February 2019

Tennent Caledonian Breweries Wholesale Limited

Year ended 28 February 2019

Annual report and financial statements

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Tennent Caledonian Breweries Wholesale Limited

Directors and other information

Directors	A Pozzi S Glancey E J Robertson R J Webster (appointed 05 December 2018) M Boulos (resigned 11 July 2018) D G Johnston (resigned 29 January 2019)
Secretary	C&C Management Services Limited
Principal bankers	Royal Bank of Scotland 69 High Street Irvine Ayrshire KA12 0AL
Solicitors	McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2
Auditor	Ernst & Young LLP G1, 5 George Square Glasgow G2 1DY
Registered office	10 Crompton Way North Newmoor Industrial Estate Irvine Ayrshire KA11 4HU
Registered number	SC081527

Tennent Caledonian Breweries Wholesale Limited

Strategic Report for the Year Ended 28 February 2019
The directors present their Strategic Report of Tennent Caledonian Breweries Wholesale Limited ("the company") for the year ended 28 February 2019.

Principal activities
The principal activity of the company is the wholesaling and distribution of alcoholic drinks to the licensed trade.

Business Review
The results for the year are satisfactory considering the economic climate. The company has achieved a profit before tax as a percentage of turnover of 9.7% with a turnover increase of 11% through several product and pricing initiatives along with some major account wins.

The company's key financial and other performance indicators during the year were as follows:

	Unit	Year Ended 28 February 2019	Year Ended 28 February 2018
Turnover	£	92,567,185	83,473,437
Turnover Growth	%	11	9
Profit before tax	£	9,018,881	7,809,151
Profit before tax as % of turnover	%	9.7	9.4
Net Assets Total	£	46,812,663	41,007,782

Increased turnover has been driven by leveraging the Group's procurement scale to deliver value to customers, excellence in service levels, including a streamlined ordering process with on-line ordering now accounting for 36% of volumes (2018: 24%). A focus on premium beers and ciders helped enhance value with volume growth of our premium portfolio at 58.4%. Increased operating costs in the year reflects the decision to bring the previously outsourced logistics operation in house for Scotland which will lower future costs. The big change this year in Scotland was the introduction on the 1 May 2018 of minimum unit pricing, a policy we have unequivocally supported since it was first mooted nearly ten years ago. Trading patterns were of course disrupted somewhat by consumer behaviour in buying ahead of the introduction and then through the World Cup and warm summer. In the event our volumes in the year were flat and we gained significant share as weaker brands and private label lost ground. We had planned ahead and sourced consumer insight on likely behavioural change. This ensured that our pack sizing and linked commercial strategy delivered both value and significant share gain.

Strategic Report (continued)

Principal risks and uncertainties

Risks & uncertainties	**Mitigation**
Consumers may shift away from larger brands towards more localised, premium and niche products.	Through diversification, innovation and strategic partnerships, we are developing our product portfolio to enhance our offering of niche and premium products to satisfy changing consumer requirements.
Input costs may be subject to volatility and inflation and the continuity of supply of raw materials may be affected by the weather and other factors.	The company seeks to mitigate some of these risks through long term or fixed price supply agreements.
Seasonal fluctuations in demand, especially an unseasonably bad summer in the UK could materially affect demand for cider products.	Brand diversification is helping to mitigate this risk.
Customers, particularly in the on-trade where the Group has exposure through advances to customers, may experience financial difficulties.	The company monitors the level of its exposure continuously

Brexit continues to be a significant issue for the company particularly the wine business in the UK. However, our contingency plans are well advanced and the scale and flexibility of our warehouse infrastructure and capital resources mean we can provide the surety of supply to our non-trade customers not afforded by our smaller distribution competitors. Our geographical spread of assets and markets gives us the flexibility to ensure that company will not suffer long term operational costs whatever the outcome of the current political impasse.

Strategic Report (continued)

Key Performance Indicators (KPI)

Strategy
Driving Growth
Growth is driven through marketing, innovation and product development alongside continued customer investment

Key Performance Indicator
Net Turnover £
The level of sales achieved in the year after discounts and duty are deducted. Net revenue increased 10.8%.

Strategy

Enhancing Margins
We intend to enhance our margins through operational improvement.

Key Performance Indicator

Net profit %
Based on the headline profit before tax, operating profit increased to 9.7% compared to 9.4% prior year as a result of decreased operational costs as a percentage of revenue.

On behalf of the board

A Pozzi
Director

28 November 2019

Tennent Caledonian Breweries Wholesale Limited

Directors' Report - For the year ended 28 February 2019

The directors present their report and the audited financial statements of the company for the year ended 28 February 2019.

As set out in note 1 to the financial statements, subsequent to the balance sheet date, the directors identified that a number of advances to customers were reported through a sister company, Tennent Caledonian Breweries UK Ltd but were contracted under Tennent Caledonian Wholesale Ltd. As a consequence, balances of £9.98m were restated in the balance sheet ending 28 February 2018 as advances to customers and a corresponding intercompany creditor with the sister company.

Directors, secretary and their interests
The directors and secretary who served at any time during the period are set out on page 1.

Dividend
The directors did not propose any dividends in the current or preceding financial year.

Future developments
In Scotland the company combines leading local brands with unrivalled production and distribution capabilities. These strong brand and geographic combinations provide the platform from which the company can deliver long term value from its key brand assets as well as build out its portfolio through targeted brand investments, product innovation, agency wins and acquisitions.

Employment of disabled persons
All applications for employment from disabled persons are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. Disabled persons are treated on equal terms with other employees with regards to training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure continuity of employment, and that appropriate training is given where necessary.

Employee involvement
Our people are central to the future development of the business. We communicate with our people to strive to reach the highest standards in all aspects of employment policy and practice and to ensure that our people are achieving their full potential.

Going Concern
The company has sufficient financial resources and therefore the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

No events affecting the company have occurred since the year end.

Financial Instruments

The company does not use complex financial instruments.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and therefore Ernst & Young LLP will continue in office.

Directors' Report (continued)

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements.

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

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 its profit or loss for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board

A Pozzi
Director

28 November 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENNENT CALEDONIAN BREWERIES LIMITED

Opinion

We have audited the financial statements of Tennent Caledonian Breweries Limited for the year ended 28 February 2019 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 February 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENNENT CALEDONIAN BREWERIES LIMITED (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENNENT CALEDONIAN BREWERIES LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
28 November 2019

Tennent Caledonian Breweries Wholesale Limited

Profit and Loss Account
for the year ended 28 February 2019

	Notes	**Year ended 28 February 2019**	Year ended 28 February 2018
		£	£
Turnover	2	**92,567,185**	83,473,437
Operating costs		**(83,548,304)**	(75,664,286)
Profit before taxation		**9,018,881**	7,809,151
Taxation on profit	5	**(3,214,000)**	267,000
Profit for the financial year		**5,804,881**	8,076,151

Statement of Other Comprehensive Income
for the year ended 28 February 2019

	Year ended 28 February 2019	Year ended 28 February 2018
	£	£
Profit for the financial year	**5,804,881**	8,076,151
Total comprehensive income for the year	**5,804,881**	8,076,151

The accompanying notes form part of the financial statements.

Tennent Caledonian Breweries Wholesale Limited

Balance Sheet
As at 28 February 2019

	Notes	2019	2018 As restated (Note 1)
		£	£
Fixed assets			
Tangible Fixed Assets	7	**730,300**	866,112
		730,300	866,112
Current Assets			
Stock	8	**10,917,065**	7,837,605
Debtors	9	**64,174,131**	30,767,241
Cash at bank and in hand		**7,492,645**	23,508,389
		82,583,841	62,113,235
Creditors			
Amounts falling due within one year			
Creditors: amounts due within one year	10	**(36,497,787)**	(21,950,874)
		(36,497,787)	(21,950,874)
Net current assets		**46,086,054**	40,162,361
Total assets less current liabilities		**46,816,354**	41,028,473
Provision for liabilities and charges	11	**(3,691)**	(20,691)
Net assets		**46,812,663**	41,007,782
Capital and reserves			
Share capital	13	**513,158**	513,158
Capital redemption reserve	13	**84,219**	84,219
Profit and loss account		**46,215,286**	40,410,405
		46,812,663	41,007,782

The accompanying notes form part of the financial statements.

The financial statements were approved by the board on 28 November 2019 and signed on its behalf by:

A Pozzi
Director
Company Registered Numbered: SC081527

Tennent Caledonian Breweries Wholesale Limited

Statement of Changes in Equity
For the year ended 28 February 2019

	Called Up Share Capital	Capital Redemption reserve	Profit and loss account	Total
	£	£	£	£
At 1 March 2017	**513,158**	**84,219**	**32,334,254**	**32,931,631**
Profit for the financial year	-	-	8,076,151	8,076,151
Total Comprehensive income for the year	-	-	8,076,151	8,076,151
At 28 February 2018	**513,158**	**84,219**	**40,410,405**	**41,007,782**
Total Comprehensive income for the year				
Profit of the financial year	-	-	5,804,881	5,804,881
Total Comprehensive income for the year	-	-	5,804,881	5,804,881
At 28 February 2019	**513,158**	**84,219**	**46,215,286**	**46,812,663**

The accompanying notes form part of the financial statements.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements - For the year ended 28 February 2019

1 – Statement of Accounting Policies

Tennent Caledonian Breweries Wholesale Limited is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC081527 and the registered address is 10 Crompton Way, North Newmoor Industrial Estate, Irvine, Ayrshire, KA11 4HU.

The accounting policies set out below, unless otherwise stated, have been applied consistently to all periods presented in these financial statements of the company.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements are prepared in Pound Sterling which is the functional currency and presentational currency of the entity.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate holding parent, C&C Group plc includes the company in its consolidated financial statements. The consolidated financial statements of C&C Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Companies Registration Office at 14 Parnell Square, Dublin 1, Republic of Ireland.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Comparative period reconciliations for tangible fixed assets and intangible assets.

As the consolidated financial statements of C&C Group plc include the equivalent disclosures, the company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; and
- Certain disclosures required by IFRS 2 Share Based Payments.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and the financial statements.

Turnover

Turnover comprises the fair value of goods supplied to external customers exclusive of VAT after allowing for discounts, rebates, allowances for customer loyalty, other pricing related incentives and excise duty. Provision is made for returns where appropriate. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company, that it can be reliably measured, and that the significant risks and rewards of ownership of the goods have passed to the buyer. This is deemed to occur on delivery.

The company has adopted IFRS 15 from 1 March 2018, using the modified retrospective approach and has not restated the prior year comparatives on adoption. At the date of adoption, the company assessed the impact on its Financial Statements resulting from the application of IFRS 15. The assessment resulted in an immaterial change for certain contract brewing and contract bottling arrangements, the performance obligation in such arrangements does not create an asset with an alternative use to the company and the company has an enforceable right to payment (cost plus a margin) for performance completed to date. In these circumstances, revenue is recorded over time rather than at a point in time.

Tangible fixed assets

Land and buildings are recognised at estimated fair value with the changes in the value of land and buildings reflected in the Statement of Other Comprehensive Income to the extent it does not reverse previously recognised losses or as an impairment loss in the profit and loss account to the extent it does not reverse previously recognised revalued gains. The fair value is based on estimated market value at the valuation date, being the estimated amount for which a property could be exchanged in an arm's length transaction, to the extent an active market exists. Such valuations are determined based on benchmarking against comparable transactions for similar properties in similar locations as those of the company or on the use of valuation techniques including the use of market yields on comparable properties. If no active market exists, fair value may be determined using a Depreciated Replacement Cost approach.

Plant and machinery is carried at its revalued amount. In view of the specialised nature of the company's plant and machinery and lack of comparable market-based evidence of similar plant sold on a going concern basis, as part of a continuing business, upon which to base a market approach of fair value, the company uses a depreciated replacement cost approach to determine a fair value of such assets.

Depreciated replacement cost is assessed, firstly, by the identification of the gross replacement cost for each class of plant & machinery. A depreciation factor derived from both the physical and functional

Tennent Caledonian Breweries Wholesale Limited

Notes
Forming part of the financial statements – continued

Tangible fixed assets - continued
obsolescence of each class of asset, taking into account estimated residual values at the end of the life of each class of asset, is then applied to the gross replacement cost to determine the net replacement cost. An economic obsolescence factor, which is derived based on current and anticipated capacity or utilisation of each class of plant & machinery as a function of total available production capacity, is applied to determine the depreciated replacement cost.

Motor vehicles and other equipment are stated at cost less accumulated depreciation.
Tangible fixed assets were depreciated during the current period on the following basis:

Buildings	2% straight line
Fixtures & Fittings	20% straight line
Computer Equipment	10% straight line
Motor vehicles & Other	25% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.
The assets valuations are reviewed every three years with the last review performed on 28 February 2018.

Measurement convention
The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade debtors
Trade debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade creditors
Trade creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Fair Value of financial instruments
Management have considered the book value of financial instruments and deem these to be in line with their fair value.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Accounting estimates and judgements

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements relate primarily to:

- the determination of carrying value or depreciated replacement cost, useful economic life and residual values in respect of the company's buildings, plant & machinery.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Advances to customers

Advances to customers which can be categorised as either an advance of discount or a repayment / annuity sales conditional on the achievement of contractual sales targets, are initially recognised at fair value, amortised to the profit and loss account (and classified within trade discounts as a reduction in turnover) over the relevant period to which the customer commitment is made and to which the customer commitment is made and subsequently carried at amortised cost less an impairment allowance.

Defined contribution plans

The company operates a defined contribution pension scheme.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Taxation including deferred tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Operating leases are principally in respect of plant and machinery, warehouses, cars and distribution vehicles. As set out in note 15 the company had operating lease commitments totalling £12.8m at 28 February 2019.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost comprises purchase price or direct production costs together with excise duties and manufacturing overheads as appropriate. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

Tennent Caledonian Breweries Wholesale Limited

Notes
Forming part of the financial statements - continued

Prior year reclassification

In respect of advances made to customers, management has determined that a number of advances reported under a sister company, Tennent Caledonian Breweries UK Ltd were contracted under Tennent Caledonian Breweries Wholesale Ltd. Accordingly, management has restated the balance sheet ending 28 February 2018 to include advances to customers of £9.98m along with a corresponding intercompany creditor with Tennent Caledonian Breweries UK Ltd.

The impact on the balance sheet as of 1 March 2017 is to increase advances to customers by £6.89m and decrease intercompany debtors by £6.89m.

2 - Turnover – continuing operations

	Year ended 28 February 2019 £	Year ended 28 February 2018 £
Alcoholic drinks	**92,567,185**	83,473,437

An analysis of operating profit and net assets by class of business and geographical area is not provided as, in the opinion of the directors, the disclosure of this information would be seriously prejudicial to the interests of the company.

3 - Expenses and auditor's remuneration
Included in the profit are the following:

	Year ended 28 February 2019 £	Year ended 28 February 2018 £
Depreciation	**135,812**	143,899
Gain on sale of tangible fixed assets	-	(43,554)
Staff costs (note 4)	**5,020,767**	4,837,584

Auditor remuneration of £38,000 (2018: £38,000) was borne by another group company on Tennent Caledonian Breweries Wholesale Ltd's behalf.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

4 – Staff numbers and costs

	Year ended 28 February 2019 No.	Year ended 28 February 2018 No.
The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:		
Administration & Support	64	61
Distribution	89	84
	153	145

The aggregate remuneration costs of these employees were:

	Year ended 28 February 2019 £	Year ended 28 February 2018 £
Wages and salaries	4,362,113	4,205,959
Social welfare costs	402,562	442,526
Other pension costs	256,092	189,099
	5,020,767	4,837,584

5. Directors remuneration

	Year Ended 28 February 2019 £	Year Ended 28 February 2018 £
Directors' remuneration	**54**	-
Company contributions to money purchase pension plans	-	-
Other pension costs	-	-

There are directors of the company who are also directors of the holding company and fellow subsidiaries. The directors received total remuneration for the year of £2,490,000 (2018: £1,356,000), all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

6 – Taxation

	Year ended 28 February 2019 £	Year ended 28 February 2018 £
Recognised in the profit and loss account		
UK Tax		
Current tax on income for the period	**1,692,000**	-
Adjustment in respect of prior periods	**1,539,000**	
Deferred Tax	**(17,000)**	(267,000)
	3,214,000	(267,000)

	Year ended 28 February 2019 £	Year ended 28 February 2018 £
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2018: 19%)	**1,713,574**	1,483,739
Adjustments to tax in respect of prior periods	**1,539,000**	(267,000)
Other	**18,000**	(135,737)
Group relief claimed	**(56,574)**	(1,348,002)
Total current tax expense reported in the income statement	**3,214,000**	(267,000)

The main rate of corporation tax will reduce to 17%, effective 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.

6 – Deferred Tax

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	2019 £	2018
Tangible fixed assets	3,691	20,691
Deferred tax liabilities	3,691	20,691

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

6 – Deferred Tax - continued

Movement in deferred tax during the year

	01 March 2018	Recognised in income	28 February 2019
	£	£	£
Tangible fixed assets	20,691	(17,000)	3,691
	20,691	(17,000)	3,691

Movement during the period

	01 March 2017	Recognised in income	28 February 2018
	£	£	£
Tangible fixed assets	20,691	0	20,691
	20,691	0	20,691

7 – Tangible Fixed Assets

	Freehold land & Buildings	Fixtures & fittings	Motor Vehicles & other	Computer equipment	Total
	£	£	£	£	£
Cost or valuation					
At 28 February 2018	1,323,964	437,571	1,654,573	37,861	3,453,969
Additions in year	-	-	-	-	-
Disposals in year	-	-	-	-	-
At 28 February 2019	**1,323,964**	**437,571**	**1,654,573**	**37,861**	**3,453,969**
Depreciation					
At 28 February 2018	571,488	433,648	1,545,487	37,233	2,587,857
Charge for the year	26,479	2,333	107,000	-	135,812
Disposals in year	-	-	-	-	-
At 28 February 2019	**597,967**	**435,981**	**1,652,487**	**37,233**	**2,723,669**
Net book value					
At 28 February 2019	**725,997**	**1,590**	**2,086**	**628**	**730,300**
Net book value					
At 28 February 2018	752,476	3,923	109,086	628	866,112

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Valuation – 28 February 2019

The directors have considered fluctuations in the property market since the last external valuation was completed twelve months ago. The carrying value of all the plant and machinery valued under the depreciated replacement method in the prior year was also reviewed. It was determined based on these reviews that there would not be a material variation to the current value of the tangible assets

8 – Stocks

	2019	2018
	£	£
Raw materials and consumables	-	-
Finished goods and goods for resale	10,917,065	7,837,605
	10,917,065	7,837,605

Raw materials, consumables and changes in finished goods and work in progress recognised as operating costs in the year amounted to £75,553,462 (2018: £67,551,390).

9 – Debtors – Amounts falling due within a year

	2019	2018 As restated (Note 1)
	£	£
Trade debtors	16,982,940	14,093,904
Amounts owed by group undertakings	35,776,539	6,332,355
Advances to customers	2,118,000	2,150,788
Prepayments and accrued income	536,693	361,658
	55,414,172	22,938,705
Debtors – Amounts falling due greater than a year		
Advances to customers	8,759,959	7,828,536
	64,174,131	30,767,241

Tennent Caledonian Breweries Wholesale Limited

Notes
Forming part of the financial statements – continued

10 – Creditors

	2019	2018
	£	£
Trade creditors	**15,960,864**	5,450,287
Corporation tax payable	**214,196**	3,265,017
Amounts owed to group undertakings	**20,253,254**	1,894,092
Accruals and deferred income	**69,473**	11,341,478
	36,497,787	21,950,874

The company has provided Standard Security and a Bond and Floating Charge over the property and undertakings of the company to the Royal Bank of Scotland.

11 – Provisions for liabilities and charges - deferred tax

	£
Balance at 29 February 2018 (note 6)	**20,691**
Charge during the year	**(17,000)**
Balance at 28 February 2019	**3,691**

Deferred tax arises on the timing difference between the tax written down value of assets and their net book value.

12 – Commitments due to Defined Contribution pension schemes

The company operated a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £256,092 (2018: £189,099).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

13 – Share Capital

	2019	2018
Allotted, called up & fully paid:	**£**	£
513,158 Ordinary shares of £1 each	**513,158**	513,158
	513,158	513,158

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Capital contribution reserve

	2019	2018
	£	£
Equity share based payments	**84,219**	84,219
	84,219	84,219

A C&C Group plc share scheme allows certain employees of its subsidiary companies to acquire shares in C&C Group plc. Employees of the company received such awards during the year and this has been accounted for as a capital contribution.

14 – Related parties

The company had the following balances outstanding with the following group entities at year end.

	Sales for the Year ending 28 February		Receivables outstanding 28 February		Purchases for the year ending 28 February		Creditors outstanding as at 28 February	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£	£	**£**	£	**£**	£	**£**	£
Drygate Brewing Company	**282,856**	304,802	**137,266**	154,936	**39,395**	449,018	**16,541**	187,733
Shanter Inns	**528,364**	357,751	**32,656**	36,112	**-**	-	**-**	-

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

15 – Commitments under operating leases

Annual amounts payable under non-cancellable operating leases at 28 February 2019 are payable as follows:

2019	**Land & Buildings**	**Other**	**Total**
	£	**£**	**£**
Within one year	1,127,500	315,697	1,443,197
Between two and five years	4,510,000	1,262,789	5,772,789
More than 5 years	4,922,500	631,394	5,553,894
	10,560,000	**2,209,880**	**12,769,880**

2018	Plant & machinery	Other	Total
	£	£	£
Within one year	94,496	163,681	258,177
Between two and five years	-	84,798	84,798
More than 5 years	-	-	-
	94,496	248,479	342,975

16 – Post balance sheet events

No events affecting the company have occurred since the year end.

17 – Ultimate parent undertaking

The company's intermediate parent undertaking is Wallaces Express Limited which has its registered office at Crompton Way, North Newmoor Industrial Estate, Irvine. The company's ultimate parent undertaking and controlling party is C&C Group plc, a company registered in the Republic of Ireland. The smallest and largest group in which the results of the company are consolidated is that headed by C&C Group plc and the consolidated financial statements are filed in the Companies Registration Office at 14 Parnell Square, Dublin 1, Republic of Ireland.