

Tennent Caledonian Breweries Wholesale Limited

SC081527

Annual report and financial statements

For the year ended 29 February 2020



Tennent Caledonian Breweries Wholesale Limited

Year ended 29 February 2020

Annual report and financial statements

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Tennent Caledonian Breweries Wholesale Limited

Directors and other information

Directors	A Pozzi (resigned 3 January 2020) S Glancey (resigned 3 January 2020) E J Robertson (resigned 12 March 2020) R J Webster D Frew (appointed 3 January 2020 and resigned 21 April 2020) K Gray (appointed 3 January 2020) R Heffernan (appointed 3 January 2020)
Secretary	C&C Management Services Limited
Principal bankers	Bank of Scotland Head Office Edinburgh EH1 1YH
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

The directors present their Strategic Report of Tennent Caledonian Breweries Wholesale Limited ("the company") for the year ended 29 February 2020.

Principal activities

The principal activity of the company is the wholesaling and distribution of alcoholic drinks to the licenced trade.

Business review and future developments

Financial performance and company developments

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 0.5% with a turnover increase of 19% through several product and pricing initiatives along with some major account wins. The operating loss includes a charge of £7.25m to the income statement in respect of the effects of Covid-19, which are explained in further detail within the strategic report and the notes to the accounts.

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

		Year Ended	Year Ended
	Unit	29 February 2020	28 February 2019
Turnover	£	110,240,329	92,567,185
Turnover Growth	%	19	11
Profit before tax	£	259,895	9,018,881
Profit before tax as % of turnover	%	0.2	9.7
Net Assets Total	£	5,146,516	46,812,663

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 37% of volumes (2019: 36%). A new warehouse management system was implemented during the year throughout our Scottish depot network, which caused some disruption during the spring and summer of 2019. Our commitment to the resolution of this disruption and enhanced customer service in the immediate subsequent period allowed us to deliver revenue growth of 19% however. The decrease in profit in the current year is driven by the significant one-off cost arising from Covid-19 of £7.25m, and also increased depreciation (per Note 3) and group transfer pricing of £1.88m (2019: nil).

Sales of Tennent's branded goods during the financial year were sold through another group entity, namely Tennent Caledonian Breweries UK Limited.

Conscious of our commitment to our local communities, in 2019 the Tennent's companies within C&C Group plc launched the "Because Life is Bigger than Beer" sustainability campaign behind the Tennent's brand, discussed further later in the strategic report.

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

Covid-19

Prior to the year-end, the emergence of Covid-19 began to have an impact on global economies and on businesses generally. This impact has increased significantly since the end of the 2020 financial year on 29 February. Similar to businesses across many sectors and specifically the drinks industry, Government-imposed restrictions, while necessary to slow the spread of Covid-19, have had a significant impact on many of the company's customers, principally the on-trade, as well as the company's employees, many of whom have been furloughed.

The Covid-19 Pandemic represents a challenge of unprecedented scale for our industry and supply chain partners alike. From the outset of the virus, our priority has been protecting the health and wellbeing of our people, customers, suppliers, business partners and community. We are continuously monitoring the advice provided by the health authorities and in line with that guidance, the company has implemented an extensive range of measures to provide the safest environment we can for our stakeholders.

These include ensuring that those who can work from home are doing so. We have also reiterated a number of key resources that employees can access to aid personal wellbeing. The company's supply chain facilities remain partially operational (with some facilities temporarily closed until normal trading resumes). To protect our colleagues and customers, this is being achieved in line with government guidelines, in an environment that sees stringent ongoing audits to ensure that all areas of our business adhere to the latest government direction on safe social distancing and compliance with all other health and safety requirements.

We remain proactive in taking necessary measures to mitigate downside risk as much as possible. We entered this period of uncertainty from a position of balance sheet strength and the overall C&C Group have since sought to bolster this position with additional liquidity enhancing actions. The directors believe that the existing liquidity position, with support from parent company C&C Group plc, is more than sufficient for current and expected needs.

The company, in common with the wider C&C Group plc, has considered the Covid-19 pandemic an adjusting post balance sheet event and consequently the directors have undertaken assessments of key balance sheet line items including inventory, expected credit losses, and prepayments, with an overall charge to the income statement of £7.25m across these items.

Brexit

Brexit has the potential to be a significant issue for the company particularly in respect of our supply chain, and for the procurement of wines and spirits in particular, and for the movement of goods into the UK from C&C group plc's production facilities in Ireland in respect of cider. However, our contingency plans are well advanced and the scale and flexibility of our warehouse infrastructure and capital resources mean we can provide the security of supply to our customers. Being a part of the wider C&C Group plc, whose geographical spread of assets and markets gives us the flexibility to try to ensure that the company will not suffer long term operational costs whatever the outcome of UK-EU negotiations.

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

Principal risks and uncertainties

Risks & uncertainties	Mitigation
Covid-19 Pandemic represents a challenge for the company and industry.	The company has implemented an extensive range of measures to provide the safest environment for our stakeholders and will continue to work with customers to offer support where possible and overcome these difficulties together.
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.
Changes in legislation	The company engages with legislative bodies to understand and manage risks arising from new legislation.

Key Performance Indicators (KPIs)	
The company's KPIs have been developed to align to parent company and management objectives in line with our annual budgeting and three year plan cycles.	
Strategy: Driving Growth	
<i>Growth is driven through marketing, innovation and product development alongside continued customer investment</i>	
KPI: Net Turnover	
The level of sales achieved in the year after discounts and duty are deducted. Net revenue increased 19%.	
Strategy: Enhancing margins	
<i>We intend to enhance our margins through operational improvement.</i>	
KPI: Operating profit %	
Based on the headline profit before tax, operating profit decreased to 0.5% compared to 9.7% prior year as a result of decreased operational costs as a percentage of revenue.	

Section 172 statement

Statement by the directors in performance of their statutory duties in accordance with section 172 of the Companies Act 2006

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

The Companies (Miscellaneous Reporting) Regulations 2018, introduced a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the directors of the company are required to give a statement which describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

The directors acknowledge and understand their duties and responsibilities, including that, under section 172 of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between shareholders of the company.

This statement has been prepared in accordance with the requirements of The Companies (Miscellaneous Reporting) Regulations 2018, which require the company to describe how the directors have had regard to the matters set out in section 172 of the Companies Act 2006 during the financial year under review. It is noted that the directors have always acted in accordance with such duties in their decision making and they will continue to do so. In light of the additional disclosure requirements, we have set out below further detail on how the directors have fulfilled their duties.

Engaging with Stakeholders

Meaningful engagement with stakeholder groups supports the ethos of section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the company for the benefit of its members as a whole. Details of how the company engages with its stakeholders, and how these activities influence the company, are set out below:

1) Employees – the success of the company is built on the hard work of its employees and maintaining that relationship is fundamental to the ongoing operation and development of the company;

2) Suppliers – the company enjoys close relationships with its suppliers which range from large multinational companies to small local independent suppliers. Knowledge of their products and services and working closely with them is key for the success of both parties;

3) Customers – the company has a diverse range of customers, broadly categorised into Scottish regional multiples, C&C group plc companies, multi-national and regional brewers and small pubs and chains. The company separates itself from its competition by tailoring products and service offerings to its customers' needs and working with them to develop their business as well as our own – indeed, the ongoing success of the company's customers is fundamentally linked to our own success; and

4) Community – the company has significant presence in Scotland, and in particular in Glasgow

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

where it is a significant employer. The company recognises its need to act responsibly for the wider community.

Key Decisions

The company regularly makes decisions which directly impact its Stakeholders, however there are occasionally certain key decisions which can have a significant impact. In making such decisions the directors are always conscious of, and have regard to, the impact on the stakeholders. We consult and engage with stakeholders on an ongoing basis.

Employees

The directors actively consider the interest of employees and 'People' is a regular agenda item at management meetings where a whole spectrum of employee issues are identified and discussed. Employees are involved in key decisions and kept up to date with significant announcements.

Regulations

We have well developed policies in place to ensure compliance with applicable laws and related codes of practice. These cover a wide range of employment issues such as disciplinary, grievance, harassment, discrimination, stress, anti-bribery, anti-corruption and whistle-blowing and are part of C&C Group plc codes.

Training

We continually strive to support our colleagues in achieving their full potential and have created a variety of development opportunities this year. This year there was an emphasis on apprenticeships with programmes running across a range of disciplines in various parts of the business. This included apprenticeship training in Sales, Team Leadership, Management, Health and Safety, Engineering, Packaging, Brewing, Logistics, Digital Marketing, People Services, Warehousing and Quality. Our 'Raising the Bar', initiative continued in Tennent's this year. The aim of this programme is to ensure colleagues have the skills, confidence and knowledge to deliver, developing them personally and professionally. This year the focus was on leadership training within our management and team leader populations.

Health & Safety

The prevention of harm to employees, contractors, member of the public and protection of business assets is a key priority for the company. The company has well developed health and safety management and reporting to ensure the company and its employees meet all internal and external requirements and standards. Internally, reporting on lost time accidents and near misses is published and is a key KPI for manufacturing and distribution operations management.

Employee health and wellbeing

The company encourages colleagues to manage their wellbeing and makes available advice on how to improve their health and wellbeing generally. There has continued to be a focus on mental health with initiatives - for example, interactive workshops were facilitated where teams explored the impact mental health has on our daily working lives and how to identify and support a colleague or friend suffering with mental health challenges and events took place around 'Time to Talk Day' and 'Health and Well Being Day'.

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

The Health and Safety Day in January 2020 had a significant impact regarding the engagement of employees. There was a series of presentations delivered by internal and external speakers on topics including mental health and workplace transport. Of significant impact was a presentation delivered by a survivor of the Piper Alpha disaster who spoke openly about the impact the event had on him and his mental health.

As a consequence of Covid-19, the company has implemented its business continuity planning and restricted all unnecessary access to its operations in line with government and health service guidelines and consistent with industry best-practice. All travel has been suspended unless business critical, gatherings (such as customer tastings) are suspended and visitors are no longer allowed on site. Staff are also not allowed to move between production facilities to minimise exposure risk. The company is ensuring that all employees who can work from home are doing so. The company is also offering support to employees who have children in school and has put in place additional measures to aid personal wellbeing.

Employee feedback and consultation

As part of a C&C group exercise, all employees take part in an anonymous annual employee engagement survey. The level of response was high and has given insights on areas where the company is performing well and others where improvements are required. We regularly consult with employees and their representatives via a variety of channels including monthly team meetings, annual conferences, and employee relations forums.

Inclusion and diversity

We are committed to increasing the diversity of our workforces and want to attract the best talent without regard for gender, age, sexual orientation, disability, ethnicity or other factors.

Employee Reward

We provide a wide range of benefits to employees including: participation in the C&C Group plc Share Incentive Plan, cycle to work scheme, private medical insurance, death in service insurance, and participation in workplace pensions.

Modern Slavery Statement

The company is committed to human and labour rights and to eliminating modern slavery that could in any way be connected to our business. We welcomed the introduction of the Modern Slavery Act 2015.

Community and Environmental

Environment

The company is proactive in tracking and reducing its environmental impact. Many of our environmental commitments were captured in the year by our 'Because Life is Bigger than Beer' campaign. Being a distributor, a significant environmental impact from the company is from the delivery of goods to our customers, and to mitigate the impact of this we seek to ensure distribution systems are optimised to minimise empty running, eliminate unnecessary journeys and minimise fuel consumption. We are also exploring the use of liquid propane gas fuelled vehicles for both primary and secondary distribution.

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

Community

In common with the wider C&C group, we are a sector leader in promoting enhanced public policy on responsible alcohol consumption and the company works with local and national bodies with a particular focus on the Minimum Unit Pricing ("MUP") of alcohol – indeed we were strong supporters of the Scottish Government's introduction of MUP, which the company believes is a responsible measure to help reduce the misuse of alcohol in society. We are encouraged by the early, positive impact of this legislation.

Customer and suppliers: High standards and business conduct

The company always seeks to maintain the highest standards and business conduct with its suppliers and customers and recognises the importance of this in maintaining these key relationships.

Furthermore, as part of C&C Group plc, the company is exposed to the Corporate Governance practices adopted by its Ultimate Parent. Further details can be found in the Corporate Governance Report within C&C Group Plc annual report.

Commitment to customers

Serving customers is the basic threshold for the company, and we aim to go above this. In partnering with our customers, we aspire to provide unrivalled value adding services to form a collaboration that enhances our competitive advantage. In doing so, we seek to build a loyal customer base to whom we offer a spectrum of services which ranges from capital loans to data driven market insight. We lend on a secured basis to independent free trade to help our customers grow their business. In some instances this is to help refurbish existing facilities, or in other cases, to assist in the acquisition of new premises. In return, customers commit to buying our product for their outlets. Our long-term support for trade customers is normally recognised through increased customer loyalty and the lifetime value is higher than for those customers that trade without a tie.

We also operate Scotland's leading alcohol distribution network offering a modern, flexible and highly skilled service for a wide range of industry requirements to service the demands of brand owners and those seeking a route to market in Scotland.

Commitment to suppliers

We are always looking for ways to improve our working relationships with our existing supplier and contractors – as well as establishing new ones. We have a broad, diverse and far-reaching supply chain and our suppliers have a key role to play in the success of the company. As a large company, our payment practices performance is published on <https://www.gov.uk/check-when-businesses-pay-invoices>

Covid-19

While it remains too early to fully assess the impact of the Covid-19 crisis, it is clear that a short term, adverse impact will be experienced by the company. Our priority is the health and wellbeing of our people, customers, suppliers, business partners and community and the company has implemented an extensive range of measures to provide the safest environment we can for our stakeholders.

Tennent Caledonian Breweries Wholesale Limited

Strategic Report

The Covid-19 crisis does not change the company's strategy and we remain committed to supporting our on-trade customers and the industry generally. We will act responsibly with the interests of our employees and trade relationships' at the core of the decisions we make.

We will continue to work with our customers who face significant challenges to offer our support where possible to overcome these difficulties together. Collaborating with our suppliers, we have been able to implement a range of initiatives to support our customers – in particular, the company has introduced a six month holiday on capital and interest repayments to loan customers, full credit or 'new for old' on un-broached kegs, together with a dedicated helpline to offer advice and guidance around government support initiatives that have been introduced and how to access them.

Covid-19 has seen an increase in off-trade demand and the company was able to redeploy resources quickly to support this channel in light of the overnight shift in consumer dynamics, with the company's staff responding to this challenge which has provided security of supply of the company's brands into the off-trade.

On behalf of the board

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

R J Webster

25 June 2020

Tennent Caledonian Breweries Wholesale Limited

Directors' Report

The directors present their report and the audited financial statements of the company for the year ended 29 February 2020.

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 proposed and paid a dividend of £41.922m in the current financial year (2019: Nil).

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. This is set out in further detail in the strategic report.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the company will be able to meet its liabilities as they fall due for at least the next twelve months. In making this assessment, the directors recognise that Covid-19 has had a significant impact on the post year end trading and liquidity of the company. The going concern basis has been applied as C&C Group plc, the company's ultimate parent undertaking whose financial statements for the year ended 29 February 2020 were approved by its directors on 3 June 2020 having adopted the going concern basis of preparation, has confirmed that it will provide or procure such funds as necessary to enable the company to settle its liabilities as they fall due for at least the next twelve months from the date of approval of the financial statements.

Post balance sheet events

The company, in common with the wider C&C Group plc, has considered the Covid-19 pandemic an adjusting post balance sheet event and consequently the directors have undertaken assessments of key balance sheet line items including inventory, expected credit losses and prepayments – the impact of this is explained in the strategic report and in the notes to the financial statements.

Tennent Caledonian Breweries Wholesale Limited

Directors' Report

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.

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:

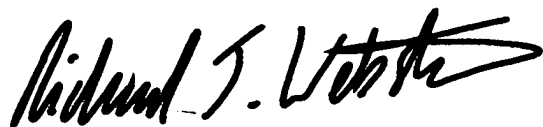
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Tennent Caledonian Breweries Wholesale Limited

Directors' Report

On behalf of the board

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

R J Webster
Director

25 June 2020

Tennent Caledonian Breweries Wholesale Limited

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

Opinion

We have audited the financial statements of Tennent Caledonian Breweries Wholesale Limited for the year ended 29 February 2020 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 19, 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 29 February 2020 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.

Emphasis of matter – effects of Covid-19

We draw attention to notes 1 and 18 of the financial statements, which describe the financial and operational consequences the company is facing as a result of Covid-19 which is impacting consumer demand in the on-trade business. Our opinion is not modified in respect of this matter.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 11, 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.

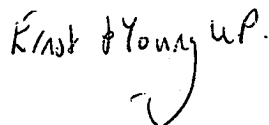
Auditor's responsibilities for the audit of the financial statements

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.



Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
26 June 2020

Tennent Caledonian Breweries Wholesale Limited

Profit and Loss Account

for the year ended 29 February 2020

	Notes	Year ended 29 February 2020	Year ended 28 February 2019
		£	£
Turnover	2	110,240,329	92,567,185
Operating costs		(109,980,434)	(83,548,304)
Profit before taxation		259,895	9,018,881
Taxation on profit	6	(3,922)	(3,214,000)
Profit for the financial year		255,973	5,804,881

Statement of Other Comprehensive Income

for the year ended 29 February 2020

	Year ended 29 February 2020	Year ended 28 February 2019
	£	£
Profit for the financial year	255,973	5,804,881
Other comprehensive income	-	-
Total comprehensive income for the year	255,973	5,804,881

The accompanying notes form part of the financial statements.

Tennent Caledonian Breweries Wholesale Limited

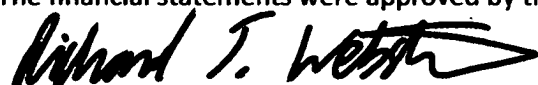
Balance Sheet

As at 29 February 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible Fixed Assets	8	3,951,832	730,300
		3,951,832	730,300
Current Assets			
Stock	9	6,000,426	10,917,065
Debtors	10	30,306,215	64,174,131
Cash at bank and in hand		6,505,999	7,492,645
		42,812,640	82,583,841
Creditors			
Creditors: amounts due within one year	11	(38,689,159)	(36,497,787)
		(38,689,159)	(36,497,787)
Net current assets		4,123,481	46,086,054
Total assets less current liabilities		8,075,313	46,816,354
Creditors: amounts due after more than one year	11	(2,928,797)	-
Provision for liabilities and charges	12	-	(3,691)
Net assets		5,146,516	46,812,663
Capital and reserves			
Share capital	14	513,158	513,158
Capital redemption reserve	14	84,219	84,219
Profit and loss account		4,549,139	46,215,286
		5,146,516	46,812,663

The accompanying notes form part of the financial statements.

The financial statements were approved by the board on 25 June 2020 and signed on its behalf by:



R Webster

Director

Company Registered Numbered: SC081527

Tennent Caledonian Breweries Wholesale Limited

Statement of Changes in Equity For the year ended 29 February 2020

	Called Up Share Capital £	Capital Redemption reserve £	Profit and loss account £	Total £
Balances at March 1, 2019, as previously reported	513,158	84,219	46,215,286	46,812,663
Impact of adoption of IFRS 16	-	-	(120)	(120)
Balances at March 1, 2019 as adjusted	513,158	84,219	46,215,166	46,812,543
Profit of the financial year	-	-	255,973	255,973
Dividends paid	-	-	(41,922,000)	(41,922,000)
Balances at 29 February 2020	<u>513,158</u>	<u>84,219</u>	<u>4,549,139</u>	<u>5,146,516</u>

	Called Up Share Capital £	Capital Redemption reserve £	Profit and loss account £	Total £
Balances at 1 March 2018	513,158	84,219	40,410,405	41,007,782
Profit for the financial year	-	-	5,804,881	5,804,881
Balances at 28 February 2019	<u>513,158</u>	<u>84,219</u>	<u>46,215,286</u>	<u>46,812,663</u>

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 29 February 2020

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

The directors recognise that Covid-19 has had a significant impact on the post year end trading and liquidity of the company's on-trade business. In view of this the directors have confirmed that C&C Group plc, the company's ultimate parent undertaking whose financial statements for the year ended 29 February 2020 were approved by its directors on 3 June 2020 having adopted the going concern basis of preparation, has confirmed that it will provide or procure such funds as necessary to enable the company to settle its liabilities as they fall due for at least the next twelve months from the date of approval of the financial statements.

After considering these factors, including the financial and operational ability of the ultimate parent company to continue as a going concern, 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 for preparing 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.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Tangible fixed assets - continued

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 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 29 February 2020.

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.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

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.

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.

IFRS 16 - Leases

The company adopted IFRS16 from 1 March 2019 by applying the modified retrospective approach. Under this method, the impact of the standard is calculated retrospectively, however, the cumulative effect arising from the new leasing rules is recognised in the opening balance sheet at the date of initial application. Accordingly, the comparative information presented for FY2019 has not been restated. As part of the initial application of IFRS 16, the company chooses to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the Balance Sheet immediately before the date of initial application. The company recognises the right-of-use asset at the date of initial application at its carrying amount as if the Standard has been applied since the lease commencement date, but discounted using the incremental borrowing rate at the date of initial application, for the top twenty-five largest leases by lease liability value. The remaining leases recognise the right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of initial application. The company applied the recognition exemption for both short-term leases and leases of low value assets.

The company enters into leases for a range of assets, principally relating to freehold land & buildings, plant & machinery and motor vehicles & other equipment. These leases have varying terms, renewal rights and escalation clauses. A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. A right-of-use asset and lease liability are recognised at the commencement date for contracts containing a lease, with the exception of leases with a term of 12 months or less and leases where the underlying asset is of low value. The commencement date is the date at which the asset is made available for use by the company.

In accordance with IFRS 16 the company has applied the carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application, the company applied this approach to the top 25 leases. The difference between the

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

lease liability and the lower right-of-use assets is posted as a reserves adjustment on transition. For the remaining leases an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of initial application has been applied. The lease liability is initially measured at the present value of the future minimum lease payments, discounted using the incremental borrowing rate or the interest rate implicit in the lease, if this is readily determinable, over the remaining lease term. Lease payments include fixed payments, variable payments that are dependent on a rate or index known at the commencement date, payments for an optional renewal period and purchase and termination option payments, if the company is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal, termination or purchase option will be exercised. Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease and the term and currency of the lease.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future minimum lease payments or when the company changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset. The right-of-use asset is initially measured at cost, which comprises the lease liability adjusted for any payments made at or before the commencement date, initial direct costs incurred, lease incentives received and an estimate of the cost to dismantle or restore the underlying asset or the site on which it is located at the end of the lease term. The right-of-use asset is depreciated over the lease term or, where a purchase option is reasonably certain to be exercised, over the useful economic life of the asset in line with depreciation rates for owned property, plant and equipment. The right-of-use asset is tested periodically for impairment if any impairment indicator is considered to exist. The company chooses whether or not to include certain non-lease components, such as maintenance costs, in the measurement of the right of use asset and lease liability on an underlying asset class as afforded by the practical expedients in the standard. Where the non-lease components are not included, the costs are separated from minimum lease payments and are expensed as incurred.

Leases pre 1 March 2019

Where the company has entered into lease arrangements on land & buildings the lease payments are allocated between land & buildings and each component is assessed separately to determine whether it is a finance or operating lease. Finance leases, which transfer to the company substantially all the risks and rewards of ownership of the leased asset, are recognised in property, plant & equipment at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Income Statement as part of finance expense. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

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.

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

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

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.

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:

- **Impact of Covid-19:** there is a significant judgement in determining whether the impact of Covid-19 should be considered in the measurement of assets and liabilities at year-end. This judgement is based on whether Covid-19 is considered an adjusting or non-adjusting event, which is based on the facts and circumstances at the balance sheet date. The directors have assessed that the facts and circumstances impacting the company's business existed as at the year-end and consequently concluded that the impact of Covid-19 should be reflected in the measurement of assets and liabilities in the balance sheet;
- **Expected credit losses:** estimates have been made in respect of the credit losses expected to be incurred by the company as a result of the impact of Covid-19. In determining the expected credit losses, the directors have considered different sources of financial information, including credit default rates for comparable companies as an appropriate proxy for expected credit losses;
- **Carrying value of inventory:** the directors have considered the carrying value of inventory with no alternate use or right of return to the supplier, and which is not expected to be sold during lockdown, by reference to the shelf life of products in comparison to the expected period of lockdown;
- the determination of carrying value or depreciated replacement cost, useful economic life and residual values in respect of the company's buildings, plant & machinery; and
- the assessment of goodwill and intangible assets for impairment.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

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.

2 - Turnover – continuing operations

	Year ended 29 February 2020 £	Year ended 28 February 2019 £
Alcoholic drinks	110,240,329	92,567,185

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 29 February 2020 £	Year ended 28 February 2019 £
Depreciation	473,782	135,812
Staff costs (note 4)	5,321,180	5,020,767

Auditor remuneration of £49,500 (2019: £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 29 February 2020 No.	Year ended 28 February 2019 No.
The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:		
Administration & Support	59	64
Distribution	130	89
	189	153

The aggregate remuneration costs of these employees were:

	Year ended 29 February 2020 £	Year ended 28 February 2019 £
Wages and salaries	4,690,933	4,362,113
Social welfare costs	315,960	402,562
Other pension costs	314,287	256,092
	5,321,180	5,020,767

5. Directors' remuneration

	Year Ended 29 February 2020 £	Year Ended 28 February 2019 £
Directors' remuneration	80,328	54,000
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 £3,532,880 (2019: £2,490,000), 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 29 February 2020 £	Year ended 28 February 2019 £
(a) Analysis of the charge in the year		
Current tax		
Current tax on income for the period	-	1,692,000
Adjustment in respect of previous years	28,905	1,539,000
Total current tax	28,905	3,231,000
Deferred tax		
Originating/reversal of temporary differences	(40,393)	(17,000)
Adjustments in respect of previous years	15,410	-
Total deferred tax	(24,983)	(17,000)
Tax on profit	3,922	3,214,000
(b) Reconciliation of effective tax rate		
Profit for the financial year	255,973	5,804,881
Total tax (charge)	(3,922)	(3,214,000)
Profit excluding taxation	259,895	9,018,881
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	49,380	1,713,574
Expenses not deductible for tax purposes	(80)	-
Adjustments to tax in respect of prior periods	44,315	1,539,000
Other	-	18,000
Group relief (claimed)	(94,445)	(56,574)
Impact of deferred tax at a different rate	4,752	-
Total tax expense reported in the Income Statement	3,922	3,214,000

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

(c) Factors that may affect future changes

Legislation to reduce the standard rate of corporation tax to 17% from 1 April 2020 was included in Finance Act 2016 and was enacted in a previous period. Accordingly, deferred tax has been provided at 19% or 17% depending upon when the temporary difference is expected to reverse (2019: 19% or 17%). The March 2020 Budget cancelled the planned reduction to 17% so the UK statutory tax rate will remain at 19% from 1 April 2020. The legislation was not enacted during the year so deferred tax has been provided using the 17% rate. If deferred tax was calculated using the 19% rate, the net deferred tax asset recognised at the reporting date would be increased from £21,017 to £23,490.

7 – Deferred Tax

Recognised deferred tax (assets) / liabilities

Deferred tax (assets) / liabilities are attributable to the following:

	Assets 2020 £	Assets 2019 £	Liabilities 2020 £	Liabilities 2019 £	Net 2020 £	Net 2019 £
Tangible fixed assets	-	-	27,705	3,691	27,705	3,691
Other short term timing differences	(48,722)	-	-	-	(48,722)	-
	<u>(48,722)</u>	<u>-</u>	<u>27,705</u>	<u>3,691</u>	<u>(21,017)</u>	<u>3,691</u>

Movement in deferred tax during the year

	01 March 2019 £	Recognised in income £	29 February 2020 £
Tangible fixed assets	3,691	24,014	27,705
Other short term timing differences	-	(48,722)	(48,722)
	<u>3,691</u>	<u>(24,708)</u>	<u>(21,017)</u>

Movement in deferred tax during the prior year

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

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

8 – Tangible Fixed Assets

	Freehold land & Buildings £	Fixtures & fittings £	Motor Vehicles & other £	Computer equipment £	Total £
Cost or valuation					
At 28 February 2019	1,323,964	437,571	1,654,573	37,861	3,453,969
Additions in year	-	-	-	-	-
Disposals in year	-	(437,571)	(1,654,573)	(37,861)	(2,130,005)
At 29 February 2020	1,323,964	-	-	-	1,323,964
Depreciation					
At 28 February 2019	597,967	435,981	1,652,487	37,233	2,723,668
Charge for the year	26,479	1,590	2,086	628	30,783
Disposals in year	-	(437,571)	(1,654,573)	(37,861)	(2,130,005)
At 29 February 2020	624,446	-	-	-	624,446
Net book value					
At 29 February 2020	699,518	-	-	-	699,518
Net book value					
At 28 February 2019	725,997	1,590	2,086	628	730,301

Leased right-of-use assets

	Freehold land & Buildings £	Fixtures & fittings £	Motor Vehicles & other £	Computer equipment £	Total £
At 29 February 2020, Net carrying amount (note 17)	2,121,606	-	1,130,708	-	3,252,314
Total right-of-use assets	2,821,124	-	1,130,708	-	3,951,832

Valuation – 29 February 2020

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

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

9 – Stocks

	2020 £	2019 £
Raw materials and consumables	-	-
Finished goods and goods for resale	6,000,426	10,917,065
	<u>6,000,426</u>	<u>10,917,065</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as operating costs in the year amounted to £93,125,203 (2019: £75,553,462).

10 – Debtors – Amounts falling due within a year

	2020 £	2019 £
Trade debtors	13,474,400	16,982,940
Amounts owed by group undertakings	2,669,138	35,776,539
Advances to customers	244,981	2,118,000
Prepayments and accrued income	2,873,412	536,693
Deferred tax asset (Note 12)	21,017	-
	<u>19,282,948</u>	<u>55,414,172</u>

Debtors – Amounts falling due greater than a year

Advances to customers	11,023,267	8,759,959
	<u>30,306,215</u>	<u>64,174,131</u>

11 – Creditors- Amounts falling due within one year

	2020 £	2019 £
Trade creditors	8,715,447	15,960,864
Corporation tax payable	1,159,545	214,196
Amounts owed to group undertakings	25,795,100	20,253,254
Lease Liabilities	391,787	-
Accruals and deferred income	2,627,280	69,473
	<u>38,689,159</u>	<u>36,497,787</u>

Creditors– Amounts falling due greater than a year

Lease Liabilities	2,928,797	-
	<u>2,928,797</u>	<u>-</u>

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.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

12 – Provisions for liabilities and charges - deferred tax

	£
Balance at 28 February 2019 (note 7)	3,691
Charge during the year	(24,708)
Balance at 29 February 2020 (note 10)	(21,017)

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

13 – 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 £314,286 (2019: £256,092).

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

14 – Share Capital

	2020	2019
	£	£
Allotted, called up & fully paid:		
513,158 Ordinary shares of £1 each	513,158	513,158
	<u>513,158</u>	<u>513,158</u>

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.

Capital contribution reserve

	2020	2019
	£	£
Equity share based payments	84,219	84,219
	<u>84,219</u>	<u>84,219</u>

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.

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

15 – Dividends

The following dividends were recognised and paid during the period:

	2020	2019
	£	£
Wallaces Express Ltd	41,922,000	-
	41,922,000	-

16 – Related parties

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

	Sales for the Year ending <u>29 / 28 February</u>		Receivables outstanding <u>29 / 28 February</u>		Purchases for the year ending <u>29 / 28 February</u>		Creditors outstanding as <u>at 29 / 28 February</u>	
	2020	2019	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£	£	£
Drygate Brewing Company	394,647	282,856	141,381	137,266	489,498	39,395	233,311	16,541
Shanter Inns	444,379	528,364	33,151	32,656	-	-	-	-

Tennent Caledonian Breweries Wholesale Limited

Notes

Forming part of the financial statements – continued

17 – Leases

The company adopted IFRS16 Leases from 1 March 2019 and has lease contracts for various items of freehold land & buildings, plant & machinery and motor vehicles and other equipment.

Set out below are the carrying amounts of right-of-use assets (included under tangible fixed asset note 8) recognised and the movements during the year:

	Land & Buildings £	Motor Vehicles and Other equipment £	Total £
Leased right-of-use assets			
At 1 March 2019, net carrying amount	2,277,543	1,417,770	3,695,313
Additions	-	-	-
Depreciation charge for the period	(155,937)	(287,062)	(442,999)
At 29 February 2020	2,121,606	1,130,708	3,252,314
Leased Liabilities			
At 1 March 2019, net carrying amount	(2,278,401)	(1,417,770)	(3,696,171)
Additions to lease liabilities	-	-	-
Payments	220,000	315,697	535,697
Discount unwinding	(110,384)	(49,726)	(160,110)
At 29 February 2020	(2,168,785)	(1,151,799)	(3,320,584)

18 – Post balance sheet events

The company, in common with the wider C&C Group plc, has considered the Covid-19 pandemic an adjusting post balance sheet event and consequently the directors have undertaken assessments of key balance sheet line items including inventory, expected credit losses, and prepayments, with an overall charge to the income statement of £7.25m across these items.

19 – 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.