BREWDOG

ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDING 2018


BREWDOG
PUNK IPA
POST MODERN

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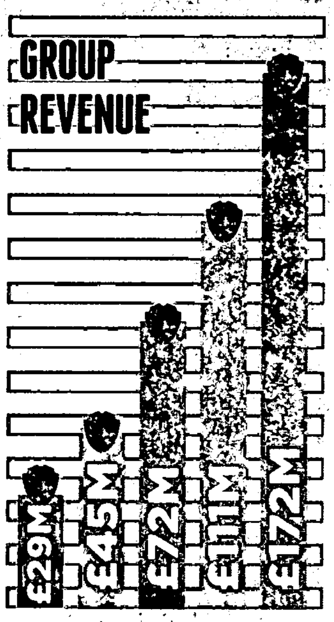
HIGHLIGHTS



NO.1 CRAFT BREWERY IN EUROPE

SHIPPED 136M BOTTLES*

BAR SALES GREW BY 95%

MORE THAN 97,000 EQUITY PUNKS

*Equivalent for illustrative purposes

2018 IN NUMBERS

IN 2018 WE GREW OUR GROUP SALES BY **55%**

INVESTED **£44.6M** IN INFRASTRUCTURE FOR FUTURE GROWTH

IN 2018 WE OPENED THE WORLD'S FIRST **BEER HOTEL**

IN 2018 WE INVESTED IN **34** NEW BARS WORLDWIDE

AND WE NOW HAVE MORE THAN **80** BARS GLOBALLY

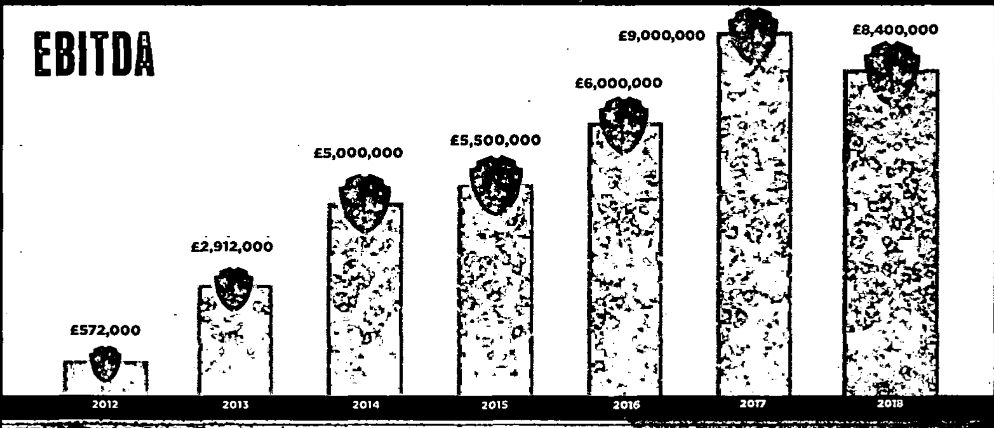
137 DIFFERENT BEERS BREWED

500K HL TOTAL BEER SHIPPED

GLOBALLY WE NOW EMPLOY OVER **1,450** PEOPLE

97,000 EQUITY PUNKS

EBITDA



PUNK IPA IS THE NO.1 CRAFT BEER IN THE UK

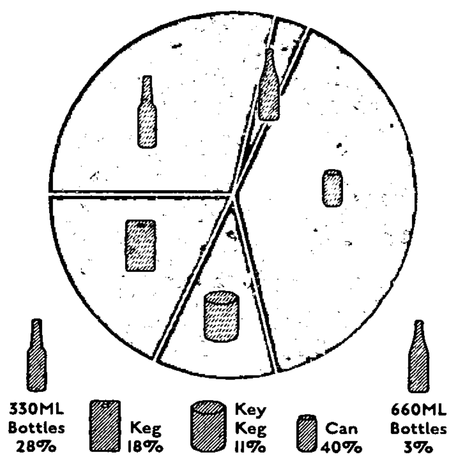
HOWEVER WE STILL ONLY ACCOUNT FOR 0.9% OF THE MARKET

6 OUT OF 10 OF THE TOP 10 BEST SELLING BEERS IN THE UK WERE BREWDOG

Total Coverage, Top 10 Craft Beer Brands by Value Sales, MAT TY - 05-01-2019

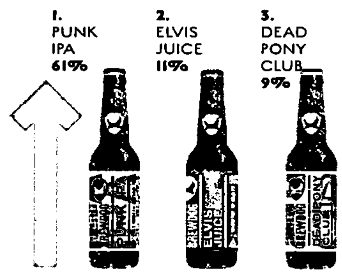
	BREWDOG PUNK IPA	BREWDOG ELVIS JUICE	BREWDOG DEAD PONY CLUB	CAMDEN HELLS	INNIS & GUNN LAGER	BREWDOG NANNY STATE	BROOKLYN LAGER	GOOSE ISLAND IPA	BREWDOG DOGPACK	BREWDOG INDIE ALE
Value % Change YA	+16.7%	+41.9%	+4.2%	+175.4%	+99.2%	+47.4%	+0.4%	+18.4%		-
Average £/l	£4.39	£4.54	£4.63	£4.37	£2.52	£3.57	£4.35	£4.57	£4.33	£4.10

2018 SALES SPLIT BY PACKAGE



GLOBAL BEST SELLING BEER

TOP TEN BEST SELLING BREWDOG BEERS AS % OF TOTAL SALES



4. Indie 5%
5. Nanny State 5%
6. SAM Saint 2%
7. Clockwork Tangerine (Seasonal) 2%
8. Lost Lager 2%
9. Jet Black Heart 2%
10. Hazy Jane 1%

CAPTAIN'S UPDATE

In 12 short years, driven by our passion, our mission and our community we have gone from 2 humans and a dog to a vibrant purpose-driven business, with almost 1,500 amazing crew on board the good ship BrewDog. Whilst by most conventional measures we are no longer a small company, we are still absolutely inconsequential in a beer industry dominated by behemoths, accounting for less than 0.9% of the total UK beer market.

2018 has been a roller coaster of a year for us on planet BrewDog focused on growth and investment in our future plans and capacity. Here are some of the absolute highlights:

- BrewDog Bars revenue is up 95% for 2018
- Hooked up with Hawkes, an awesome cidery and tap room based in London
- Brought Draft House into the BrewDog family, an awesome group of 14 pubs across London and the South East of England
- BrewDog USA smashed its targets
- The DogHouse Hotel launched as the world's first craft beer hotel, and has maintained industry-defying booking rates since opening its doors
- We launched beers like Pulp Patriot, Lost Lager, Quench Quake & Clockwork Tangerine
- We unleashed Fanzine, a completely new type of subscription beer club
- Launched the BrewDog Foundation, which aims to give back up to £1million to causes our teams care about every year
- Opened 21 new BrewDog bar sites globally like Franklinton in Ohio, our first brewing outpost in Tower Hill in London, and our second site in the Scottish capital
- We set a new world record for equity crowdfunding with Equity for Punks V, raising more than £26million from 50,000 hardcore craft beer renegades
- Punk IPA cemented its spot as the number 1 craft beer in the UK on & off trade
- We started construction on our Australian brewery
- Opened our fully chilled UK distribution centre, Hop Hub, near Glasgow

What we have built so far gives us an amazing opportunity; an opportunity to invest even more into our beer and our people and an opportunity to continue building a completely new type of business.

We are determined to continue making a stand for independence, a stand for quality and a stand for craft. Alongside our Equity Punks and incredible team, we will fight tooth and nail for the things we believe in as we aim to make a meaningful impact on both the world of beer and the world of business.

It has been a crazy ride, here's to the future.

AS PLANNED 2018 WAS A YEAR OF GROWTH & INVESTING FOR THE FUTURE. HIGHLIGHTS INCLUDE:

1 GROUP REVENUE UP 55%

In 2018 we grew our group revenue by 55%, driven by both organic growth and acquisitions. UK Brewing grew by 32% whilst USA Brewing increased 6 fold. Our awesome retail division recorded growth of 44% in the UK with US retail more than doubling and International more than tripling.

2 NO 1 CRAFT BEER IN THE UK

In 2018 BrewDog remained the No1 craft brewer in the UK with 6 out of the top 10 best selling beers off trade. Punk IPA held onto the number 1 craft beer position in the UK in the on trade & in the off trade.

3 VOLUME OF BEER SOLD

In 2018 our beer sales exceeded more than 500k HL globally, driven by a 34% increase in UK Brewing. This is still less than 50% of our potential global capacity – putting us in a strong position for the future.

4 WE GREW OUR BAR SALES BY 95%

BrewDog's Retail division has rocked an incredible year of growth, propelling our 2018 sales by over 95%. We opened some game-changing new sites this year, welcomed the awesome Draft House into the family, and delivered growth in our core business ahead of the market.

5 RECORD-BREAKING CROWDFUNDING INITIATIVE

Equity for Punks V closed in October 2018 with over £26.2 million invested by more than 50,000 hardcore craft beer fans. We're proud to have a community of 97,000 like-minded individuals joining us on this wild ride, sharing in our success and helping shape the business we become.

6 BREWDOG RANKED IN THE TOP 75 MOST VALUABLE BRANDS IN THE UK

BrewDog is the only beer brand to appear in the UK rankings of the BrandZ report* – quite an achievement considering we've only been around since 2007. BrewDog outperforms peers on a range of BrandZ measures that correlate with consumer love and high brand value.

7 LAUNCHED THE BREWDOG FOUNDATION

Back in 2016, we introduced the Unicorn Fund, which has seen us share 10% of our profits among all of our teams every year since. We have now introduced a charitable component that will see us give away up to £1m per year to charitable causes chosen by our teams and our Equity Punk community.

8 7TH CONSECUTIVE YEAR IN TIMES FAST TRACK 100

In 2018, we were listed in the Sunday Times Fast Track 100 for a record seventh consecutive year. No other company has ever achieved this, and this landmark is testament to our incredible growth both at home and internationally.

9 LAUNCHED BREWDOG BLUEPRINT

As a company, the things we care about most are our beer, our people, and our mission; we are going to increase our focus on all 3 going forward. Launched in 2018, our Blueprint is all about providing a roadmap to do just that.

10 INVESTING IN INNOVATION

In 2018 we continued to innovate and push the boundaries – brewing and releasing 137 different beers, launching Fanzine, investing in a state of the art chilled warehouse – 'Hop Hub', launching the worlds first Craft Beer Hotel in Columbus and selling out the first flight on BrewDog Airlines.

* http://brandz.com/report/uk/2018

WHAT ROCKED IN 2018

RAISED £26.2 MILLION WITH THE RECORD-BREAKING EQUITY FOR PUNKS V

OPENED THE DOGHOUSE HOTEL IN COLUMBUS

BREW

APPEARED ON THE SUNDAY TIMES FAST TRACK 100 FOR THE 7TH YEAR RUNNING

SECURED LOCATI
BREWDOG AUSTR

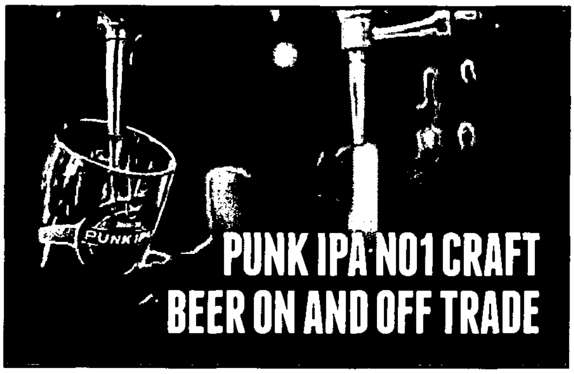

TY


ABERDEEN
TOKYO
LAUNCHED 21 NEW
BREWDOG BARS
WORLDWIDE


LAUNCHED
EWDOG AIRLINES


RELEASED THE
BREWDOG BLUEPRINT


TION FOR
TRALIA


PUNK IPA NO1 CRAFT
BEER ON AND OFF TRADE

OUR KEY STRENGTHS

OUR STRONG, RECOGNISABLE BRAND

The BrewDog brand is synonymous with the craft beer revolution in the UK, Europe and beyond. We are now well established as the leading craft brewer in Europe, and with our recent expansion into the US, and building commencing on our Australian brewery, BrewDog is well on its way to becoming a globally recognisable brand.

A BALANCED PORTFOLIO

We have developed a balanced portfolio to support Punk IPA, which has maintained its position as the leading craft beer in the UK in both the on trade and off-trade.

OUR TWO WORLD-CLASS BREWERIES

We now brew from two state-of-the-art breweries on both sides of the Atlantic with significant capacity for our future growth plans. We invest heavily in our brewing equipment and process to maintain standards of beer quality, stability and consistency. We also give significant focus to our office space and the environment in which our teams are based to further our goal of being the best company to work for in the world.

OUR GROWTH RATES & POTENTIAL

We have been one of the fastest growing food and drinks company in the UK for the last seven years, and are continuing to set the craft beer scene alight around planet Earth.

OUR EXPERIENCED, FOUNDER-LED TEAM

We have a brilliant and multi-talented team led by our founders, which includes some outstanding seasoned industry professionals. In 2018 we have invested in our senior talent to ensure that we are in set up for our anticipate future growth.

OUR EQUITY PUNK COMMUNITY

We have a community of just over 97,000 Equity Punk Investors. They are advocates, ambassadors, our best customers and the heart and soul of our business.

OUR EVOLVING CUSTOMER BASE

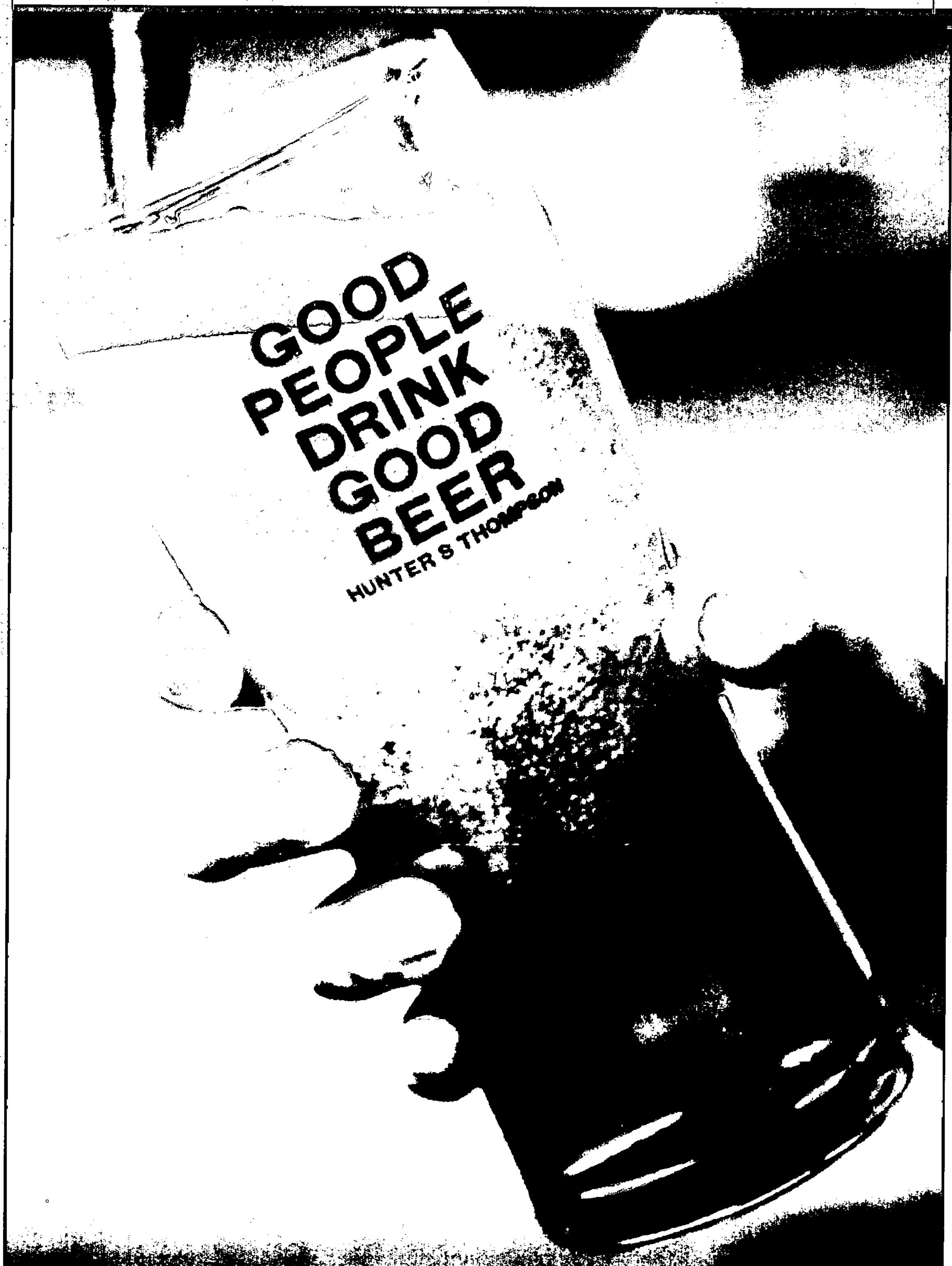
We have long established relationships with a fantastic network of importers and distributors internationally as well as on-trade and off-trade customers in the UK, allowing us to grow and diversify our customer base across the globe.

OUR SOLID PROFITABILITY

Our rapid growth has been underpinned by solid underlying profitability, which we have continued to reinvest in the two things we care most about: our beer and our people, driving future growth.

OUR BREWDOG BARS

We now have 80 BrewDog bars all over the planet including Draft House. They provide not only a retail outlet for the sales of our beers, but also a beacon for craft beer and allow us to expand our brand and connect with our customers, defining how we believe great craft beer should be served.


GOOD
PEOPLE
DRINK
GOOD
BEER
HUNTER S THOMPSON

GROWTH OPPORTUNITIES

The craft beer category is growing rapidly both in the UK and overseas. In 2018, we invested significantly in diversifying our product portfolio, expanding international sales and expanding distribution, allowing us to maintain our accelerated growth, and continue this into 2019.

We see the following as our main growth opportunities.

WIDER DISTRIBUTION

We recently increased our customer base to widen the number of locations and venues in which craft beer drinkers can enjoy our beer. The wider we cast this net, and the more countries we can extend into, the greater our opportunity to thrive worldwide.
In 2018 we also brought Draft House into the BrewDog family which allows us access to a wider section of the beer market.

INTERNATIONAL SALES

We have strong distribution networks in major European markets such as France, Italy, Spain, and across Scandinavia. We plan to continue to expand both our distribution and brand awareness across Europe and the USA in 2019 as well as exploring strategic opportunities in Asia and India.

DIVERSE PRODUCT PORTFOLIO

In 2018 we further diversified our portfolio with the launch of The OverWorks, our dedicated sour beer facility as well as investing in Hawkes, our Cider offering. Hawkes' approach to cider parallels our heritage with beer, and we see huge potential in the difference the business can make to a mass-market monopolised segment of the drinks scene. 2019 will see us continue to look at expanding our portfolio into new and growing products.

BREWDOG BARS

Growing our bar division is a key area of growth that we plan to focus on in 2019. We have 30 bar sites in the pipeline globally for 2019 including Paris, Dublin, New York and Shanghai. We also plan to continue to invest in our existing bar sites, improving draft systems, to bring people more of our great beer, in excellent condition.

INTERNATIONAL BREWERIES

With breweries operating in both the UK and America, we are well-positioned to drive significant growth opportunities across all our key markets. In order to further unlock the potential of our industry's appeal worldwide, we are launching a brewery in Australia and identifying additional sites in Asia. This will allow us to provide fresh craft beer, on the ground, in no time.

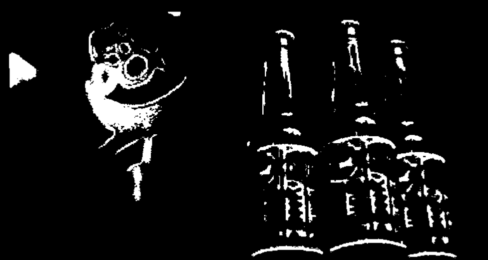
LONEWOLF & THE CRAFT CATEGORY

In 2017, we launched our new spirits division, LoneWolf. In 2018 we have seen solid growth as we expanded our range and distribution channels. 2019 we see further product innovation as it plans to release a range of rums and single malt whiskies.

OUR BREWERIES

LOCATED ON THE RUGGED NORTH EAST COAST SCOTLAND OUR ELLON HQ BREWERY IS ONE OF THE MOST TECHNOLOGICALLY ADVANCED AND ENVIRONMENTALLY FRIENDLY CRAFT BREWERIES IN THE WORLD. COMPLETED IN 2013 WE HAVE BEEN CONSTANTLY EXTENDING THE SITE AND ADDING CAPACITY EVER SINCE.

OUR 100,000 SQ FT COLUMBUS BREWERY IS LOCATED WITHIN 500 MILES OF 50% OF THE US POPULATION. THE BREWERY RELEASED ITS FIRST BEERS IN JUNE 2017, AND ALREADY ACHIEVED ITS FIRST AWARD AT THE GREAT AMERICAN BEER FESTIVAL FOR ELVIS JUICE.



WE HAVE BEGUN CONSTRUCTION OF OUR NEW BREWERY IN AUSTRALIA. THIS NEW FACILITY WILL PRODUCE BEER FOR THE AUSTRALIAN MARKETS AS WELL AS OTHER NEIGHBOURING MARKETS AND WILL LAUNCH BY THE END OF 2019.

WE ARE CURRENTLY LOOKING AT POTENTIAL SITES IN ASIA IN WHICH WE COULD OPEN A BREWERY TO SERVE THE ASIAN MARKET. CHINA IS ONE OF OUR BIGGEST EXPORT CUSTOMERS FROM THE UK, AND OFFERING GREAT, FRESH CRAFT BEER BREWED LOCALLY WILL ENABLE US TO MAKE THE BEST OF THIS OPPORTUNITY.

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 December 2018

	YEAR ENDED 31 December 2018 £000	YEAR ENDED 31 December 2017 £000
Gross Revenue	171,619	110,870
Duty	(31,966)	(16,960)
Net revenue	139,653	93,910
Cost of sales	(81,912)	(56,284)
Gross Profit	57,741	37,626
Overheads	(57,250)	(35,140)
Other operating income	341	218
Operating profit	832	2,704
Adjusted EBITDA*	8,382	8,979

* Adjusted for non cash foreign exchange transactions and share based payments

REVENUE

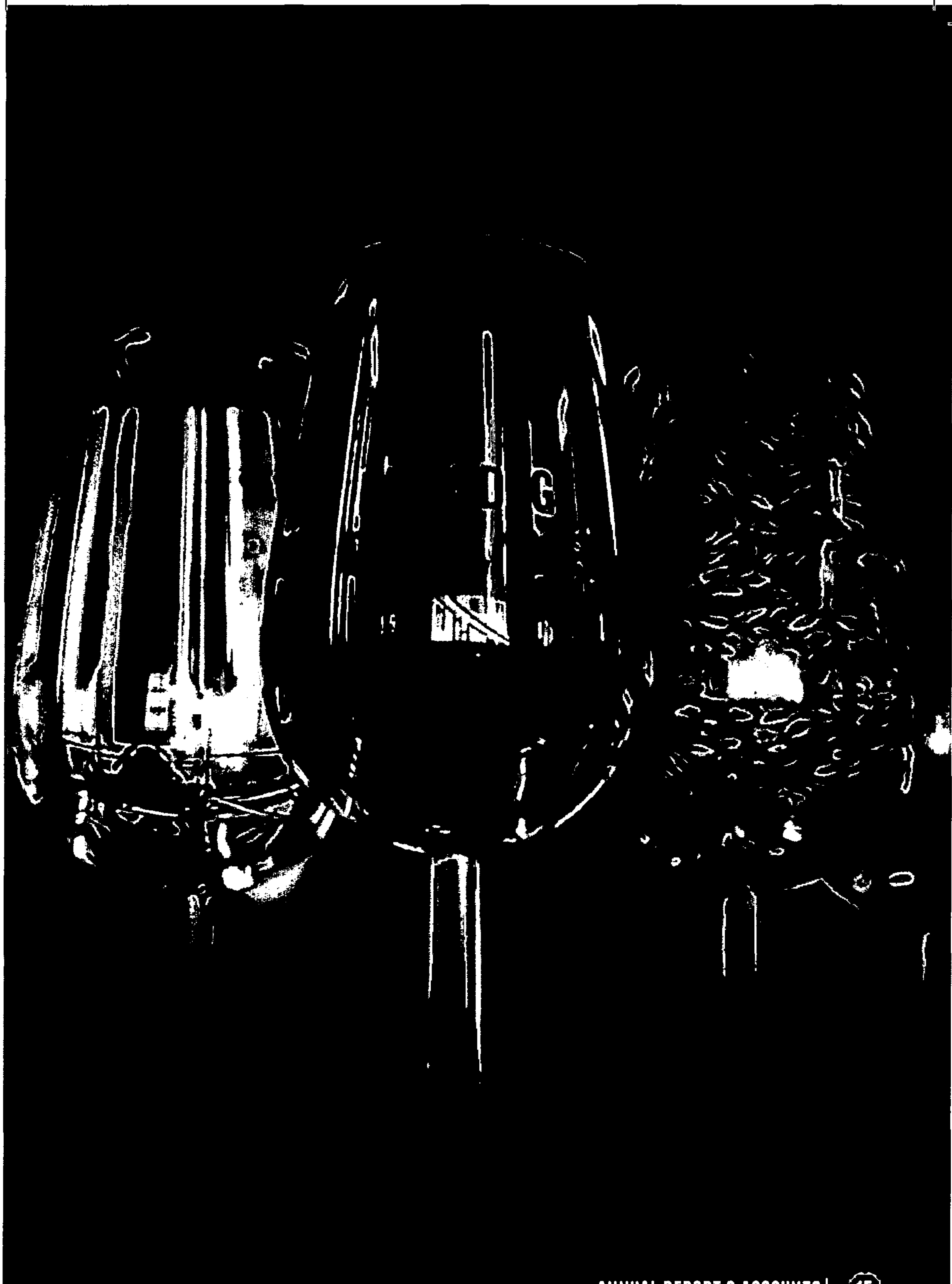
2018 was another year of strong growth, with gross revenue up 55% on 2017. This was driven by both organic growth and acquisitions.

OVERHEADS

As planned 2018 was a year of growth and investment, particularly in our senior people and teams, marketing, our increasing bar network both in the UK and overseas and in acquisitions. This led to an increase in overheads.

EBITDA

BrewDog generates strong underlying profits and cash flows. Although marginally below the previous year, the adjusted EBITDA reflects the significant reinvestment in the business to underpin future growth.



BREWDOG MANAGEMENT TEAM

JAMES WATT
Captain & Co-founder

James was a fully qualified deep sea Captain, having earlier completed an honours degree in Law & Economics. He traded in being a salty sea dog to become a BrewDog in 2007, pursuing his passion for great craft beer by setting up the company with Martin Dickie. James was awarded Great British Entrepreneur of the Year in 2014, and was Europe's first Master Cicerone.

MARTIN DICKIE
Beer Pirate & Co-founder

Martin Dickie has a first class honours degree in Brewing & Distilling from Herriot Watt University. He is a renegade artist on a mission to change people's perceptions about beer and challenge their taste-buds.

Along with James, Martin hosts the hit international TV show BrewDogs.

NEIL SIMPSON
Director

Neil Simpson joined BrewDog in August 2012 bringing with him over 20 years of experience, (10 of which were at partner level), advising and acting for a wide variety of businesses through the Ritson Smith accountancy practice. Neil is a qualified chartered accountant with the Institute of Chartered Accountants in Scotland.

ALLISON GREEN
Director of People

Ally joined BrewDog from B&M Retail (a FTSE 250 listed company) at the beginning of 2016 with the brief to make BrewDog the best employer. Ever. She is on a one-woman mission to convert rural Aberdeenshire pubs to stock Jack Hammer at all times.

DAVID MCDOWALL
Retail CEO

David joined BrewDog from G1 Group PLC, where he held the position of Group Operations Director for six years. He has experience managing over 50 sites in Scotland and heading up a team of over 2000 employees, and is now responsible for overseeing the strategic growth and management of the BrewDog bar division.

JASON MARSHALL
Chief Financial Officer

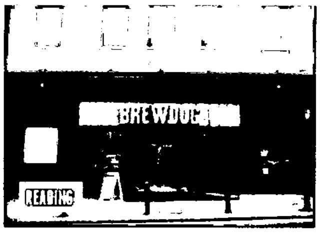
Jason joined BrewDog from Coca-Cola European Partners in early 2018. Jason worked in the Coca-Cola system for 20 years in increasingly senior roles including CFO for the GB Division and latterly European CFO for Supply Chain. Jason is a fellow of the Institute of Chartered Accountants in England and Wales.

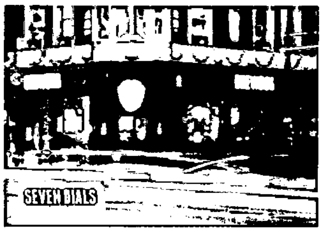
ANDY SHAW
CEO of Beer

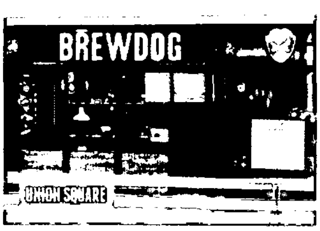
Andy Shaw was recently appointed to the role of CEO Beer. Andy brings with him a vast wealth in various senior roles at Red Bull, where he spent 14 years. Most recently, he held the position of Managing Director of Red Bull UK. Previous roles include MD of Spain and Portugal, and Sales and Marketing Manager for Europe.

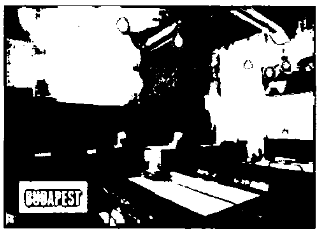
OUR BARS

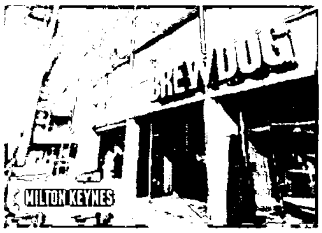
BrewDog now have now 80 bars globally, places where you can indulge in everything that is great about craft beer. Our amazing staff are knowledgeable and passionately evangelical when it comes to craft beers and we pride ourselves on showcasing only the best, most exciting and flavoursome craft beers that we can get our paws on from all over the planet. Our bars serve as key focal points in the craft beer revolution as we continue our mission to share the passion we have for everything craft beer.











GROUP STATEMENT OF COMPREHENSIVE INCOME

For year ended 31 December 2018

	NOTES	2018 £000	Restated 2017 £000
Gross Revenue	4	171,619	110,870
Duty		(31,966)	(16,960)
Net revenue		139,653	93,910
Cost of sales		(81,912)	(56,284)
Gross Profit		57,741	37,626
Administrative expenses		(57,250)	(35,140)
Other operating income		341	218
Operating Profit	5	832	2,704
Finance income		216	121
Finance costs	8	(1,321)	(1,273)
Loss on disposal of property, plant and equipment		(303)	(146)
(Loss)/Profit before taxation		(576)	1,406
Income tax expense	9	(917)	(536)
(Loss)/Profit for the year		(1,493)	870

Attributable to:		
Equity holders of the parent	(1,373)	957
Non-controlling interests	(120)	(87)
	(1,493)	870

OTHER COMPREHENSIVE INCOME

		Restated
Exchange differences on translation of foreign operations	(34)	345
Other comprehensive (loss)/income for the year, net of tax	(34)	345
Total comprehensive (loss)/income for the year, net of tax	(1,527)	1,215

Attributable to:		
Equity holders of the parent	(1,407)	1,302
Non-controlling interests	(120)	(87)
	(1,527)	1,215

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2018	NOTES	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	10	124,477	80,329
Intangible assets	11	17,016	2,146
Other non-current financial assets	12	-	52
		141,493	82,527
Current assets			
Trade and other receivables	14	37,364	24,498
Inventory	15	15,033	7,283
Corporation tax receivable		331	418
Cash and cash equivalents	16	38,978	88,498
		91,706	120,697
Total assets		233,199	203,224
Current liabilities			
Trade and other payables	17	35,967	21,482
Financial liabilities	18	10,776	8,451
		46,743	29,933
Non-current liabilities			
Deferred tax liabilities	9	2,399	1,965
Financial liabilities	18	16,555	22,310
Government grants	24	2,508	2,193
		21,462	26,468
Total liabilities		68,205	56,401
Net Assets		164,994	146,823
Equity			
Called up share capital	22	73	72
Share premium account	22	147,535	128,880
Treasury shares	23	(1,185)	(1,185)
Foreign currency translation reserve	23	514	548
Retained earnings		18,149	18,515
Equity attributable to equity holders of the parent		165,086	146,830
Non-controlling interests		(92)	(7)
Total Equity		164,994	146,823

Signed on behalf of the Board of Directors on 15 March 2019 J.B.Watt
Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	10	71,537	47,993
Intangible assets	11	1,294	1,294
Other non-current financial assets	12	28,098	12,291
		100,929	61,578
Current assets			
Trade and other receivables	14	76,860	45,086
Inventory	15	8,900	5,633
Corporation tax receivable		434	464
Cash and cash equivalents	16	34,633	86,804
		120,827	137,987
Total assets		221,756	199,565
Current liabilities			
Trade and other payables	17	18,948	15,381
Financial liabilities	18	10,690	8,451
		29,638	23,832
Non-current liabilities			
Deferred tax liabilities	9	2,241	1,812
Financial liabilities	18	16,555	22,310
Government grants	24	2,055	2,193
		20,851	26,315
Total liabilities		50,489	50,147
Net assets		171,267	149,418
Equity			
Called up share capital	22	73	72
Share premium account	22	147,535	128,880
Treasury shares	23	(1,185)	(1,185)
Retained earnings		24,844	21,651
Total Equity		171,267	149,418

The group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company income statement. The profit recorded by the company for the year was £3,193,000 (2017: £4,658,000).

Signed on behalf of the Board of Directors on 15 March 2019 J.B.Watt
Director

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained Earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 1 January 2017	63	23,188	(495)	203	14,631	37,590	15	37,605
Profit for the year	-	-	[illegible]	-	957	957	(87)	870
Other comprehensive income	[illegible]	-	[illegible]	345	[illegible]	345	-	345
Purchase of treasury shares	-	-	(690)	[illegible]	-	(690)	-	(690)
Issue of share capital	9	109,418	[illegible]	[illegible]	-	109,427	-	109,427
Issue of share capital in subsidiary	-	-	[illegible]	-	2,927	2,927	65	2,992
Transaction costs	-	(3,726)	[illegible]	[illegible]	-	(3,726)	-	(3,726)
At 31 December 2017	72	128,880	(1,185)	548	18,515	146,830	(7)	146,823
Loss for the year	-	[illegible]	[illegible]	-	(1,373)	(1,373)	(120)	(1,493)
Other comprehensive loss	-	[illegible]	[illegible]	(34)	-	(34)	-	(34)
Issue of share capital	1	19,143	[illegible]	[illegible]	-	19,144	-	19,144
Issue of share capital in subsidiary	-	[illegible]	[illegible]	-	1,007	1,007	35	1,042
Issue of share options	-	501	[illegible]	-	-	501	-	501
Transaction costs	-	(989)	[illegible]	-	-	(989)	-	(989)
At 31 December 2018	73	147,535	(1,185)	514	18,149	165,086	(92)	164,994

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £000	Share premium £000	Treasury shares £000	Retained Earnings £000	Total equity £000
At 1 January 2017	63	23,188	(495)	16,993	39,749
Profit for the year	-	-	-	4,658	4,658
Purchase of treasury shares	-	-	(690)	-	(690)
Issue of share capital	9	109,418	-	-	109,427
Transaction costs	-	(3,726)	-	-	(3,726)
At 31 December 2017	72	128,880	(1,185)	21,651	149,418
Profit for the year	-	-	-	3,193	3,193
Issue of share capital	1	19,143	-	-	19,144
Issue of share options	-	501	-	-	501
Transaction costs	-	(989)	-	-	(989)
At 31 December 2018	73	147,535	(1,185)	24,844	171,267

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 £000	2017 £000
Cashflows from operating activities			
(Loss)/Profit before tax		(576)	1,406
Adjustments to reconcile profit before tax to net cash flows:			
Loss on disposal of property, plant and equipment		303	143
Depreciation		7,855	4,640
Grant amortisation		(138)	(136)
Loss on disposal of associate		-	3
Foreign exchange		(1,651)	1,771
Write off of other payables		(37)	(803)
Financial Income		(216)	(121)
Financial charges		1,321	1,273
Share based payment expense		501	-
Working capital adjustments:			
Increase in inventory		(7,466)	(1,885)
Increase in trade and other receivables		(11,058)	(8,275)
Increase in trade and other payables		6,080	8,436
Interest received		217	121
Interest paid		(842)	(943)
Taxation paid		(400)	(820)
Taxation refunded		78	55
Net cash flow from operating activities		(6,029)	4,865
Investing activities			
Purchase of property, plant and equipment		(44,137)	(24,235)
Purchase of intangible assets		-	(35)
Purchase of treasury shares		-	(705)
Cash acquired on business combinations		20	-
Proceeds from disposal of associate		-	49
Acquisition of subsidiaries (net of cash acquired)		(13,091)	(290)
Net cash flow used in investing activities		(57,208)	(25,216)
Financing activities			
Issue of ordinary share capital		17,683	112,360
Transaction costs of issue of shares		(989)	(3,726)
Proceeds from exercise of share options		-	59
Proceeds from new borrowings		-	897
Proceeds from bond issue		-	10,000
Proceeds government grant		453	250
Repayment of bonds		(11)	-
Repayment of borrowings		(259)	(10,523)
Payments for finance leases and hire purchase contracts		(3,160)	(3,627)
Net cash flow from financing activities		13,717	105,690
Net (decrease)/increase in cash and cash equivalents		(49,520)	85,339
Cash and cash equivalents at beginning of year		88,498	3,159
Cash and cash equivalents at end of year		38,978	88,498

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTE	2018 £000	2017 £000
Cashflows from operating activities			
Profit before tax		3,974	5,091
Adjustments to reconcile loss before tax to net cash flows:			
Loss on disposal of property, plant and equipment		-	11
Loss on disposal of associate		-	3
Depreciation		3,065	2,186
Impairment		52	-
Grant amortisation		(138)	(136)
Foreign exchange		(938)	1,766
Finance Income		(804)	(121)
Finance Charges		1,308	1,264
Share based payment expense		501	-
Working capital adjustments:			
Increase in inventory		(3,267)	(735)
Increase in trade and other receivables		(9,113)	(11,864)
Increase in trade and other payables		3,567	5,635
Interest received		217	121
Interest paid		(975)	(935)
Taxation paid		(400)	(820)
Taxation refunded		78	55
Net cash flows (used in)/from in operating activities		(2,873)	1,701
Investing activities			
Proceeds from disposal of associate		-	49
Purchase of treasury shares		-	(705)
Loan provided to subsidiary		(22,574)	(6,712)
Acquisition of subsidiaries (net of cash acquired)		(12,856)	(280)
Purchase of property, plant and equipment		(26,109)	(13,553)
Net cash flows used in investing activities		(61,539)	(21,201)
Financing activities			
Issue of ordinary share capital		16,643	109,368
Transaction costs of issue of shares		(989)	(3,726)
Proceeds from exercise of share options		-	59
Proceeds from new borrowings		-	897
Proceeds from government grant		-	250
Proceeds from bond issue		-	10,000
Repayment of bond		(11)	-
Repayment of borrowings		(259)	(9,201)
Payments for finance leases and hire purchase contracts		(3,143)	(3,627)
Net cash flows used in financing activities		12,241	104,020
Net (decrease)/increase in cash and cash equivalents		(52,171)	84,520
Cash and cash equivalents at beginning of year		86,804	2,284
Cash and cash equivalents at end of year		34,633	86,804

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2018

1. GENERAL INFORMATION

The financial statements of BrewDog PLC and its subsidiaries (collectively, the group) for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 15 March 2019. The company is incorporated in the United Kingdom under the Companies Act 2006.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated and parent company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for other non-current financial assets that have been measured at fair value. The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

Change in presentation

The comprehensive income statement has been restated for 2017 in respect of contributions from non-controlling interests in a subsidiary, with the proceeds being recorded directly in equity. There is no change to the equity position of the group.

Basis of consolidation

The group financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cashflows relating to transactions between members of the group are eliminated in full on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company. This is presented within equity in the consolidated balance sheet, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

3. ACCOUNTING POLICIES

New standards and interpretations

The group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the group. The group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed as this date. The group elected to apply the standard to all contracts as at 1 January 2017.

The presentation of revenue in the statement of comprehensive income has changed to show revenue both gross and net of duty. Gross revenue is inclusive of duty, as this is a production tax, which is not passed to the customer with the risks and rewards of ownership (or as a performance obligation under a sales contract).

Porterage agreements are now treated as consignment agreements, with revenue recognised when the substantial risks and rewards of ownership are transferred to the final customers. Revenue in the previous period has not been restated as the impact would be immaterial.

There is no impact on the income statement other than to present gross and net revenue and there has been no requirement to restate opening reserves.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. The group has not restated the comparative information, which continues to be reported under IAS 39.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the group's business model for managing the assets; and whether the instrument's contractual cash flows represent 'solely payments of principal and interest' on the principal amounts outstanding.

The assessment of the group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flow on debt instruments are solely comprised of principal and interest based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the group. The group continues measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the group's financial assets:

- Trade receivables and other non-current financial assets previously classified as Loans and receivables are held to collect contractual

NOTES TO THE FINANCIAL STATEMENTS CONT...

cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 required the group to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets. The impact of the change adoption was not material and has not been adjusted.

New standards and interpretations - not yet adopted

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the group's accounting period beginning on or after 1 January 2019 or later periods. The group has not early adopted these standards:

- IFRS 16 Leases
- IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- IFRS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation
- Definition of a Business – Amendments to IFRS 3
- Definition of Material – Amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting

It is not anticipated that the application of these standards and amendments will have a material impact on the group's financial statements with the exception of IFRS 16.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. A right-of use asset and a corresponding lease liability will be recognised for all leases by the lessee except for short-term leases and leases of low value assets.

The group has commitments under operating leases in respect of property, plant and equipment which meet the definition of a lease under IFRS 16.

Additional disclosures will also be required under IFRS 16.

The group plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach whereby the cumulative impact of adopting the standard will be recognised in retained earnings as of 1 January 2019 and the comparative periods will not be restated. A right of use asset and corresponding lease liability will be recognised at 1 January 2019. Work is ongoing to quantify the impact of this change.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above and net of outstanding bank overdrafts.

Property, plant and equipment

Tangible fixed assets, other than land, are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows

Land	not depreciated
Buildings	2% on cost
Long-term leasehold property	over lease term
Plant and machinery	10 - 25% on reducing balance and 33 - 50% on cost
Computer equipment	33% on cost
Fixtures and fittings	25% on cost
Motor vehicles	25% on reducing balance
Assets under construction	not depreciated

Certain brewing equipment, included within plant and machinery, is depreciated at 10% on reducing balance method and has been allocated a residual value of between 10% and 55% of cost, dependant on the equipment's use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Non-current financial assets

Fixed asset investments are shown at cost less any provision for impairment. The company assesses at each reporting date whether there is any objective evidence that an asset is impaired.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition

Revenue comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of value added tax and trade discounts but inclusive of excise duty. Revenue is recognised in the financial statements when the risks and rewards of owning the goods have passed to the customer and when cash has been received or is receivable.

Cost of sales

Cost of sales comprises brewery, warehouse maintenance costs, ingredients, packaging and direct staff costs.

Taxation

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of comprehensive income. The principal foreign currencies used by the group are US dollars ($) and Euro (€).

Group companies

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Leases and hire purchase

Assets obtained under hire purchase contracts or finance leases are capitalised in the statement of financial position. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the statement of comprehensive income over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Financial assets

Financial assets are recognised when the company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss or loans and receivables, as appropriate. The company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial asset not at fair value through profit or loss, directly attributable transaction costs.

De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the company has neither transferred nor retained substantially all the risks and rewards of the asset, but had transferred control of the asset, or

- the company has transferred substantially all the risks and rewards of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Share-based payments

The group operates three equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount expensed over the vesting period is determined by reference to the fair value of the options at the date on which they were granted.

Fair value is determined with reference to the most recent non Equity for Punks share issue. Non-market performance vesting and service conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the company revises its estimates of the number of options that are expected to vest.

The company recognises the impact of the revision to original estimates, if any, in the income statement, with corresponding adjustment to equity. No expense is recognised for awards that do not ultimately vest.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised and new shares are issued.

Treasury shares

BrewDog PLC shares held by the group are deducted from equity as "treasury shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Inventories

Inventories are valued at the lower of cost and net realisable value.
Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials - Purchase cost on a first-in, first-out basis.

Finished goods and work in progress - Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans

Loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Loans are subsequently measured at their amortised cost applying the effective interest rate method.

Finance charges on the loans are recognised as finance costs in the income statement.

Pensions

The pension plan in place is a defined contribution plan. Pension contributions are charged to the income statement as an expense in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

4. REVENUE

Revenue represents the invoiced amount of goods and services supplied, inclusive of excise duty. Revenue is recognised when the risks and rewards of owning the goods has passed to the customers. All items are stated net of value added tax and trade discounts.

The analysis by geographical area of the group's revenue is set out as follows:

Geographical segment	2018 £000	2017 £000
UK	132,357	89,242
Europe	21,003	12,959
USA and Canada	13,314	3,964
Rest of the world	4,945	4,705
	171,619	110,870

NOTES TO THE FINANCIAL STATEMENTS CONT...

5. OPERATING PROFIT

This is stated after charging/(crediting):

	2018	2017
	£000	£000
Depreciation of tangible assets	7,855	4,640
Operating lease rentals	5,024	2,528
Auditors renumeration (see note 6)	258	101
(Profit)/loss on foreign exchange transactions	(1,497)	1,771
Research and development	244	550
Amortisation of government grants	(138)	(136)

6. AUDITORS' REMUNERATION

The group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the group:

	2018	2017
	£000	£000
Audit of the financial statements	161	91
Tax advisory services	24	10
Other advisory services	73	-
	258	101

7. STAFF COSTS AND DIRECTOR'S EMOLUMENTS

a. Staff Costs	2018	2017
	£000	£000
Wages and salaries	35,321	19,400
Pension costs	1,206	820
Social security costs	3,289	1,873
Share based payment expense	31	-
	39,847	22,093

The above excludes directors' remuneration. The company makes contributions to a defined contribution scheme for all eligible employees up to a maximum of 10% of salary. Contributions are charged to the income statement as incurred.

The average monthly number of employees during the year was made up as follows:

	2018	2017
	No.	No.
Directors	9	6
Administration	147	90
Production	199	155
Selling and distribution	98	60
Bar staff	794	466
	1,247	777

b. Director's remuneration	2018	2017
	£000	£000
Director's remuneration	1,119	992
Pension contributions	89	87
Share based payment expense	470	-
	1,678	1,079

In respect of the highest paid director:

	2018	2017
	£000	£000
Aggregate remuneration	237	195
Pension contributions	24	19
	261	214
Number of directors who received share options during the year.	3	-

8. FINANCE COST	2018	2017
	£000	£000
Bank loans and overdrafts	184	174
Hire purchase interest	212	253
Bond interest	925	846
Total finance costs	1,321	1,273

9. INCOME TAX

Group

a) Income tax on profit for the year	2018	2017
	£000	£000
UK corporation tax on the profit for the year	571	273
Amounts over provided in previous years	(37)	(121)
Foreign taxes	6	-
Total current income tax	540	153
Deferred income tax:		
Origination and reversal of temporary differences	510	377
Deferred tax adjustments in previous periods	(133)	7
Total deferred income tax charge	377	383
Income tax charge in the group statement of comprehensive income	917	536

b) Reconciliation of the total income tax charge	2018	2017
	£000	£000
(Loss)/profit from continuing operations	(576)	1,406
Tax calculated at UK standard rate of corporation tax of 19% (2017 – 19.25%)	(109)	271
Expenses not deductible for tax purposes	218	75
Other fixed asset related movements	326	124
Other timing differences	90	33
Foreign tax credits	6	-
Tax over provided in previous years	(37)	(114)
Change in tax laws and rate	(176)	(50)
Deferred tax not recognised	140	-
R&D expenditure	(47)	15
Non-taxable income	(174)	(26)
Unrecognised tax losses in other jurisdictions	690	816
Tax losses utilised	(10)	(155)
Share scheme deductions	-	(453)
Income tax charge in the group statement of comprehensive income	917	536

The income tax expense above is computed at profit before taxation multiplied by the effective rate of corporation tax in the UK of 19% (2017: 19.25%).

c) Deferred income tax

The deferred income tax included in the statement of financial position is as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
	£000	£000	£000	£000
Deferred tax liability				
Temporary differences relating to property, plant and equipment	2,471	1,965	2,241	1,812
Deferred tax asset				
Tax losses carried forward	(72)	-	-	-
Net deferred tax liability	2,399	1,965	2,241	1,812
Deferred tax in the income statement				
Temporary differences relating to property, plant and equipment	377	383	429	326
	377	383	429	326

10. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	Long term leasehold property	Fixtures and fittings	Motor vehicle
	£000	£000	£000	£000
Cost:				
At 1 January 2018	37,399	12,567	7,280	200
Additions	24,308	4,266	5,897	83
Acquisition of subsidiaries	-	5,232	641	7
Disposals	-	(134)	(125)	(2)
Transfers	(7,725)	(5,232)	-	-
Exchange differences	545	-	36	2
At 31 December 2018	54,527	16,699	13,729	290
Depreciation:				
At 1 January 2017	846	1,812	3,408	115
Charge for the year	608	745	2,777	33
On disposals	-	(24)	(84)	(2)
Exchange differences	-	-	-	1
At 31 December 2018	1,454	2,533	6,101	147
Net book value:				
At 31 December 2018	53,073	14,166	7,628	143
At 31 December 2017	36,553	10,755	3,872	85

NOTES TO THE FINANCIAL STATEMENTS CONT...

Group cont.	Plant and machinery	Computer equipment	Assets under construction	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2018	32,911	898	264	91,519
Additions	4,260	1,154	4,669	44,637
Acquisition of subsidiaries	384	84	-	6,348
Disposals	(152)	-	-	(413)
Transfers	13,221	-	(264)	-
Exchange differences	768	1	-	1,352
At 31 December 2018	51,392	2,137	4,669	143,443
Depreciation:				
At 1 January 2018	4,588	421	-	11,190
Charge for the year	3,301	391	-	7,855
On disposals	-	-	-	(110)
Exchange differences	30	-	-	31
At 31 December 2018	7,919	812	-	18,966
Net book value:				
At 31 December 2018	43,473	1,325	4,669	124,477
At 31 December 2017	28,323	477	264	80,329

Included above are assets held under finance leases or hire purchase contacts as follows:

	Plant and machinery	Motor vehicles	Total
	£000	£000	£000
Net book value:			
At 31 December 2018	15,116	-	15,116
At 31 December 2017	18,262	9	18,271
Depreciation charge for the year:			
31 December 2018	2,146	-	2,146
31 December 2017	1,556	3	1,559

Company	Long term leasehold property	Land and buildings	Fixtures and fittings	Motor vehicles
	£000	£000	£000	£000
Cost:				
At 1 January 2018	20,276	11	436	157
Additions	19,200	-	196	45
Disposals	-	-	-	-
At 31 December 2018	39,476	11	632	202
Depreciation:				
At 1 January 2018	681	1	315	101
Charge for the year	380	1	103	19
At 31 December 2018	1,061	2	418	120
Net book value:				
At 31 December 2018	38,415	9	214	82
At 31 December 2017	19,595	10	121	56

Company	Plant and machinery	Computer equipment	Assets under construction	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2018	32,301	867	-	54,048
Additions	3,133	912	4,669	26,609
At 31 December 2018	35,434	1,779	4,669	80,657
Depreciation:				
At 1 January 2018	4,549	408	-	6,055
Charge for the year	2,244	318	-	3,065
At 31 December 2018	6,793	726	-	9,120
Net book value:				
At 31 December 2018	28,641	1,053	4,669	71,537
At 31 December 2017	27,752	459	-	47,993

Included above are assets held under finance leases or hire purchase contracts as follows:

Company	Plant and machinery	Motor vehicles	Total
	£000	£000	£000
Net book value:			
At 31 December 2018	15,116	-	15,116
At 31 December 2017	18,262	9	18,271
Depreciation charge for the year:			
31 December 2018	2,146	-	2,146
31 December 2017	1,556	3	1,559

11. INTANGIBLE FIXED ASSETS

Group	Other	Goodwill	Distribution Rights	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2018	35	817	1,294	2,146
Additions	4	-	-	4
Acquisition of subsidiaries	115	14,751	-	14,866
At 31 December 2018	154	15,568	1,294	17,016

Company	Distribution rights
	£000
Cost:	
At 1 January 2018 and 31 December 2018	1,294

12. OTHER NON-CURRENT FINANCIAL ASSETS

Group	Unlisted investments
Cost	£000
At 1 January 2017	52
Impairment	(52)
At 31 December 2018	-
Net book value	
At 31 December 2018	-
At 31 December 2017	52

Company	Unlisted investments	Shares in group undertakings	Total
Cost	£000	£000	£000
At 1 January 2018	52	12,239	12,291
Additions	-	15,859	15,859
Impairment	(52)	-	(52)
At 31 December 2018	-	28,098	28,098
Net book value:			
At 31 December 2018	-	28,098	28,098
At 31 December 2017	52	12,239	12,291

For the year ended 31 December 2018, the following subsidiaries are entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies; Lone Wolf Spirits Limited and Hawkes Cider Limited.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

NOTES TO THE FINANCIAL STATEMENTS CONT...

Name of company	Holdings	Country of registration or incorporation	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
BrewDog Retail Limited (1)	Ordinary	Scotland	100%	Bar operator
BrewDog USA Inc (14)	Ordinary	USA	98%	Holding company
BrewDog GmbH (4)	Ordinary	Germany	100%	Bar operator
Lone Wolf Spirits Limited (1)	Ordinary	Scotland	100%	Spirits producer
BrewDog Group Australia Pty Ltd (5)	Ordinary	Australia	100%	Holding company
BD Casanova SL (11)	Ordinary	Spain	100%	Bar operator
BrewDog Belgium SPRL (7)	Ordinary	Belgium	100%	Bar operator
Overworks Limited (1)	Ordinary	Scotland	100%	Dormant
BrewDog International Limited (1)	Ordinary	Scotland	100%	Holding company
Draft House Holding Limited (2)	Ordinary	England	100%	Bar operator
BrewDog Admin Limited *(1)	Ordinary	Scotland	100%	Dormant
Hawkes Cider Limited (3)	Ordinary	England	100%	Cider producer
BrewDog do Brasil Comercio de Alimentos e Bebidas Ltda (6)	Ordinary	Brazil	100%	Bar operator
BrewDog Group HK Ltd (10)	Ordinary	Honk Kong	100%	Dormant
BrewDog Media Inc (14)	Ordinary	USA	100%	Holding company
BrewDog Bar Korea (13)	Ordinary	South Korea	70%	Bar operator

* Incorporated on 26 February 2018

Indirectly held		
BrewDog Columbus LLC (15)	Ordinary	USA
BrewDog Brewing Company LLC (14)	Ordinary	USA
BrewDog Brewing Company Franklinton LLC (14)	Ordinary	USA
BrewDog Dogtap LLC (14)	Ordinary	USA
BrewDog Doghouse LLC (14)	Ordinary	USA
BrewDog Short North LLC (14)	Ordinary	USA
BrewDog Verwaltungs UG (4)	Ordinary	Germany
BrewDog Brewing Australia Pty Ltd (5)	Ordinary	Australia
Draft House TB Limited (2)	Ordinary	England
Draft House NC Limited (2)	Ordinary	England
DrinkTV LLC (16)	Ordinary	USA
BrewDog Bars France SAS (9)	Ordinary	France
Bryggmester Bob AS (12)	Ordinary	Norway
BrewDog Canada Ltd (8)	Ordinary	Canada

(1) Registered office address; Balmacassie Commercial Park, Ellon, Aberdeen-shire, AB41 8BX

(2) Registered office address; 3rd and 4th Floor, Fergusson House, 124-128 City Road, London, EC1V 2NJ

(3) Registered office address; 92 and 96 Druid Street, London, SE1 2HQ

(4) Registered office address; Ackerstraße 29, 10115 Berlin

(5) Registered office address; Level 29/12 Creek Street, Brisbane City, QLD 4000

(6) Registered office address; 41 Rua Corope's – Pinheiros, Sao Paulo-SP, 05426-010, Brazil

(7) Registered office address; Putterie 20, 1000 Brussels, Belgium

(8) Registered office address; 2800 Park Place, 666 Burrard Street, Vancouver, BC V6C 2Z7

(9) Registered office address; 1 rue Favart, 75002 Paris

(10) Registered office address; Suites 3701-3710, 37/F Jardine House, 1 Connought Place, Central, Hong Kong

(11) Registered office address; Calle Casanova 69, 08011, Barcelona, Spain

(12) Registered office address; Markveien 57, 0505 Oslo

(13) Registered office address; (04780) 12, Seongsuil-ro 4-gil, Seongdong-gu, Seoul, Republic of Korea

(14) Registered office address; 96 Gender Rd, Canal Winchester, OH 43110

(15) Registered office address; PO Box 361715, Columbus, OH 43236

(16) Registered office address; 1209 Orange St, Wilmington, DE 19801

13. BUSINESS COMBINATIONS

Acquisitions in 2018

Acquisition of Draft House Holding Limited

On 26 March 2018, the Group acquired 100% of the voting shares of Draft House Holding Limited, an unlisted company based in London which operated bars, primarily in the London area.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Draft House Holding Limited as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Property, plant and equipment	5,938
Financial assets	1,325
Inventory	203
	7,466
Liabilities	
Financial liabilities	(6,253)
	(6,253)
Total identifiable net liabilities at fair value	1,213
Goodwill arising on acquisition	10,453
Purchase consideration transferred	11,666

The total consideration paid for the acquisition was £10,666,000, all cash settled. The remaining £1,000,000 is contingent upon Draft House meeting defined sales and EBITDA targets for the 12 months to 31 October 2019. These targets are expected to be met and so the full amount has been recognised in the consideration.

The revenue included in the consolidated income statement since 26 March 2018 contributed by Draft House was £9,782,000. Draft House incurred a profit of £89,000 over the same period.

Had Draft House been consolidated from 1 January 2018, the consolidated income statement would have included revenue of £12,597,000 and a loss of £83,000

Acquisition of Hawkes Brewing Company Ltd (name changed to Hawkes Cider Limited after acquisition)

On 4 April 2018, the Group acquired 100% of the voting shares of Hawkes Brewing Company Ltd, an unlisted company based in London which is a brewer of craft cider.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Hawkes Brewing Company Ltd as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Property, plant and equipment	343
Financial assets	300
Inventory	46
	689
Liabilities	
Financial liabilities	(384)
	(384)
Total identifiable net liabilities at fair value	305
Goodwill arising on acquisition	3,715
Purchase consideration transferred	4,020

The total consideration paid for the acquisition was £4,020,000. £2,020,000 of the consideration was settled in cash at the completion date, and the remaining £2,000,000 was settled by the issue of 84,211 shares to the owners of Hawkes in May 2018. The issue of shares to the owners of Hawkes related wholly to the acquisition of control, and none relates to the provision of future services by a shareholders who remained employed by BrewDog following the acquisition.

The revenue included in the consolidated income statement since 4 April 2018 contributed by Hawkes was £1,658,000. Hawkes incurred a pre-tax loss of £142,000 over the same period.

Had Hawkes been consolidated from 1 January 2018, the consolidated income statement would have included revenue of £1,914,000 and a loss of £186,000.

Acquisition of Bryggmester Bob AS

On 4 April 2018, the Group acquired 100% of the voting shares of Bryggmester Bob AS, an unlisted company based in Norway which operates a bar.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Bryggmester Bob AS as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Property, plant and equipment	42
Financial assets	80
Inventory	35
Cash and cash equivalents	20
	177
Liabilities	
Financial liabilities	(196)
	(196)
Total identifiable net liabilities at fair value	(19)
Goodwill arising on acquisition	274
Purchase consideration transferred	255

The revenue included in the consolidated income statement since 4 April 2018 contributed by the Company was £763,000. The loss incurred by the company over the period was £70,000.

Had Bryggmester Bob AS been consolidated from 1 January, the consolidated income statement would have included revenue of £1,017,000 and a loss of £93,000.

Acquisition of BrewDog do Brasil Comercio de Alimentos e Bebidas Ltda

On 4 January 2018, the Group acquired 100% of the voting shares of BrewDog do Brasil Comercio de Alimentos e Bebidas Ltda, an unlisted company based in Brazil which operates a bar.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of BrewDog do Brasil Comercio de Alimentos e Bebidas Ltda as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Property, plant and equipment	174
Financial assets	19
	193
Liabilities	
Financial liabilities	(64)
	(64)
Total identifiable net liabilities at fair value	129
Goodwill arising on acquisition	41
Purchase consideration transferred	170

Acquisition related costs of £24,000 were included within BrewDog's income statement for the year ended 31 December 2018.

The revenue included in the consolidated income statement since 4 January 2018 contributed by the Company was £489,000. The loss incurred by the company over the period was £89,000.

NOTES TO THE FINANCIAL STATEMENTS CONT...

Acquisitions in 2017

Acquisition of BrewDog Belgium SPRL

On 29 September 2017, the Group acquired 100% of the voting shares of BrewDog Belgium SPRL, an unlisted company based in Belgium which operates a bar.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of BrewDog Belgium SPRL as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Property, plant and equipment	677
Intangible assets	1
Other non-current financial assets	1
Trade and other receivables	16
Inventory	43
Cash and cash equivalents	40
	778
Liabilities	
Trade and other payables	(869)
Financial liabilities	(528)
Deferred tax liability	(27)
	(1,424)
Total identifiable net liabilities at fair value	(646)
Goodwill arising on acquisition	646
Purchase consideration transferred	-

From the date of acquisition, BrewDog Belgium SPRL contributed £308,000 of revenue and £803,351 to profit before tax from continuing operations of the Group.

Acquisition of BD Casanova SL

On 1 December 2017, the Group acquired 100% of the voting shares of BD Casanova SL, an unlisted company based in Spain which operates a bar.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of BD Casanova SL as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Property, plant and equipment	129
Trade and other receivables	29
Total identifiable net liabilities at fair value	158
Goodwill arising on acquisition	170
Purchase consideration transferred	328

Transaction costs of £19,000 were expensed and are included in administrative expenses.

14. TRADE AND OTHER RECEIVABLES

The carrying value of financial instruments approximates fair value. The carrying amount of these items represents the maximum credit exposure.

Group	2018	2017
	£000	£000
Trade receivables	27,206	19,201
Prepayments and other receivables	10,158	5,297
	37,364	24,498

Trade and other receivables due after one year amounted to £2,119,000 (2017 - £1,103,000)

Company	2018	2017
	£000	£000
Trade receivables	26,140	20,019
Prepayments and other receivables	5,462	2,383
Receivable from group undertakings	45,258	22,684
	76,860	45,086

Group		Neither past due not impaired	Past due but not impaired		
	Total	< 30 days	30-60 days	60-90 days	Over 90 days
	£000	£000	£000	£000	£000
2018	27,206	10,121	11,011	3,201	2,873
2017	19,201	6,807	8,061	2,017	2,316

Company		Neither past due not impaired	Past due but not impaired		
	Total	< 30 days	30-60 days	60-90 days	Over 90 days
	£000	£000	£000	£000	£000
2018	26,140	9,496	10,800	3,204	2,640
2017	20,019	7,616	8,070	2,017	2,316

15. INVENTORIES

Group	2018	2017
	£000	£000
Raw materials	3,067	2,069
Work in progress	1,730	865
Finished goods and goods for resale	10,236	4,349
	15,033	7,283

Company	2018	2017
	£000	£000
Raw materials	2,989	1,805
Work in progress	1,179	728
Finished goods and goods for resale	4,732	3,100
	8,900	5,633

16. CASH AND CASH EQUIVALENTS

Group	2018	2017
	£000	£000
Cash at bank and in hand	38,978	88,498

Company	2018	2017
	£000	£000
Cash at bank and in hand	34,633	86,804

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying value of financial instruments approximates fair value. The carrying amount of the above items represents the maximum credit exposure.

17. TRADE AND OTHER PAYABLES

The carrying value of financial instruments approximates fair value.

Group	2018	2017
	£000	£000
Trade and other payables	14,477	8,438
Taxes and social security	4,192	3,183
Other payables	17,298	9,861
	35,967	21,482

Company	2018	2017
	£000	£000
Trade and other payables	9,359	6,958
Taxes and social security	2,824	2,314
Other payables	6,765	6,109
	18,948	15,381

18.FINANCIAL LIABILITIES

Group	2018	2017
	£000	£000
Current:		
£1,820,000 bank loan	143	109
£2,000,000 bank loan	157	114
£5,000,000 bank loan	5,000	5,000
6.5% non-convertible bonds	2,300	-
Obligations under hire purchase contracts	3,176	3,228
Total current borrowings	**10,776**	**8,451**
Non-current:		
£1,820,000 bank loan	964	1,123
£2,000,000 bank loan	1,294	1,470
Obligations under hire purchase contracts	4,298	7,407
6.5% non-convertible bonds	-	2,310
7.5% non-convertible bonds	9,999	10,000
Total non-current borrowings	**16,555**	**22,310**

Company	2018	2017
	£000	£000
Current:		
£1,820,000 bank loan	143	109
£2,000,000 bank loan	157	114
£5,000,000 bank loan	5,000	5,000
6.5% non-convertible bonds	2,300	-
Obligations under hire purchase contracts	3,090	3,228
Total current borrowings	**10,690**	**8,451**
Non-current:		
£1,820,000 bank loan	964	1,123
£2,000,000 bank loan	1,294	1,470
Obligations under hire purchase contracts	4,298	7,407
6.5% non-convertible bonds	-	2,310
7.5% non-convertible bonds	9,999	10,000
Total non-current borrowings	**16,555**	**22,310**

NOTES TO THE FINANCIAL STATEMENTS CONT...

Bank loans

£1,820,000 bank loan

This fixed rate loan is in the name of the parent company, originally for a maximum of £1,820,000 and is repayable by monthly instalments until October 2027 and bears interest at 1.4% over the base rate.

£2,000,000 bank loan

This fixed rate loan is in the name of the parent company, originally for a maximum of £2,000,000 and is repayable by monthly instalments until May 2029 and bears interest at 1.4% over the base rate. This loan is secured by a mortgage over the land and buildings.

£5,000,000 bank loan

This fixed rate loan is in the name of the parent company, originally for a maximum of £5,000,000 and is repayable on demand. It bears interest at 1.4% over the base rate.

6.5% non-convertible bonds

In November 2015, the group issued £2,312,000 non-convertible bonds with a maturity in November 2019. During the year bonds totalling £9,000 were re-paid. The purpose of the bond was to finance expansion. The bonds were issued with an interest rate of 6.5%. Interest is paid bi-annually with subsequent repayment of £2,300,000 in November 2019.

7.5% non-convertible bonds

In January 2017, the group issued £10,000,000 non-convertible bonds with a maturity in January 2021. During the year bonds totalling £1,000 were re-paid. The purpose of the bond was to finance expansion. The bonds were issued with an interest rate of 7.5%. Interest is paid bi-annually with subsequent repayment of £10,000,000 in January 2021.

The bank loans are secured by standing and floating charges over the assets of the group. In addition, there is an unlimited cross guarantee between BrewDog PLC and BrewDog Retail Limited.

The carrying value of financial instruments approximates fair value.

19. CAPITAL COMMITMENT

Group	2018	2017
	£000	£000
Contracted for but not provided in the financial statements	9,656	14,449

Company	2018	2017
	£000	£000
Contracted for but not provided in the financial statements	6,095	9,122

20. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Obligations under finances leases and hire purchase contracts

The group uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Total future minimum lease payments under finance leases and hire purchase contracts are as follows:

Group and company	2018	2017
	£000	£000
Not later than one year	3,177	3,228
Later than one year but not later than five years	4,298	7,407
	7,475	10,635

Operating lease agreements where the group is lessee

The group has entered into commercial leases on certain land and buildings. These leases have an average duration of between 3 and 25 years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

Total future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2018	2017
	£000	£000
Not later than one year	5,975	2,012
Later than one year but not later than five years	21,985	9,103
Later than five years	54,071	19,723
	82,031	30,838

Company	2018	2017
	£000	£000
Not later than one year	452	257
Later than one year but not later than five years	724	734
Later than five years	766	847
	1,942	1,838

21. FINANCIAL INSTRUMENTS

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in Sterling against the US dollar and Euro exchange rates with all other variables held constant, of the group's profit before tax (due to foreign exchange translation of intercompany balances). The impact of translating the net assets of foreign operations into sterling is excluded from the sensitivity analysis. There are no effects on equity beyond those on profit before tax.

	Change in Sterling vs US Dollar / Euro rate	Effect on profit before tax £000
2018		
US Dollar/Sterling	+10%	(3,022)
	-10%	3,022
Euro/Sterling	+10%	153
	-10%	(153)
2017		
US Dollar/Sterling	+10%	(2,793)
	-10%	2,793
Euro/Sterling	+10%	(195)
	-10%	195

22. SHARE CAPITAL

Group and company	2018	2018	2017	2017
	No. 000	£000	No. 000	£000
Allotted called up and fully paid Ordinary A shares				
At 1 January	43,625	43	5,093	51
Issued through share options	-	-	2	-
Issue following resolution (see below)	-	-	45,855	-
Issued through share options	-	-	168	-
Conversion to Preferred C Ordinary shares	-	-	(8,384)	(8)
Issued during the year	-	-	891	-
	43,625	43	43,625	43

Group and company	2018	2018	2017	2017
	No. 000	£000	No. 000	£000
Allotted called up and fully paid Ordinary B shares				
At 1 January	12,076	12	1,177	12
Issue following resolution (see below)	-	-	10,610	-
Issued through Equity for Punks	825	1	289	-
At 31 December	12,901	13	12,076	12

Group and company	2018	2018	2017	2017
	No. 000	£000	£000	£000
Allotted called up and fully paid Ordinary C shares				
At 1 January	16,161	17	-	-
Conversion from Ordinary A shares	-	-	8,384	8
Issued during the year	-	-	7,777	9
At 31 December	16,161	17	16,161	17
Total	72,687	73	71,862	72

During the previous year a resolution to reduce the share capital nominal value from 1p each to 0.001p each was passed. During the previous year a resolution to covert 8,383,915 of the Ordinary A shares to Preferred 'C' Ordinary shares was passed.

During the year the company issued 825,000 Ordinary B shares to the public under its Equity for Punks V crowdfunding initiative with an issue price of £23.75 per share. This created additional share premium of £16,643,000 in the year.

All classes of shares rank equally in terms of rights to receive dividends, rights to participate in a distribution of the assets of the company and voting at general meetings, except that Preferred C shares have an 18% compounding liquidation preference in the event of certain conditions.

Equity for Punks members are entitled to certain additional rights in relation to product purchases and other membership benefits.

At the year-end £nil (2017 - £ nil) of share capital and share premium remains unpaid.

At the year-end there were 1,526,370 (2017 – 951,400) share options granted and not exercised.

Group and company	2018	2017
	Share premium account £000	Share premium account £000
At 1 January	128,880	23,188
Issued through Equity for Punks	16,643	6,867
Issued through share options	501	59
Issued during the year	2,500	102,492
Transaction costs	(989)	(3,726)
At 31 December	147,535	128,880

23. RESERVES

Treasury shares

Treasury shares represent the cost of BrewDog PLC shares purchased in the market and held by BrewDog PLC.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

24. GOVERNMENT GRANTS

Group	2018	2017
	£000	£000
At 1 January	2,193	2,079
Received during the year	453	250
Released to the statement of comprehensive income	(138)	(136)
At 31 December	2,508	2,193

	2018	2017
	£000	£000
Current	185	150
Non-current	2,323	2,043
	2,508	2,193

Company	2018	2017
	£000	£000
At 1 January	2,193	2,079
Received during the year	-	250
Released to the statement of comprehensive income	(138)	(136)
At 31 December	2,055	2,193

	2018	2017
	£000	£000
Current	138	150
Non-current	1,917	2,043
	2,055	2,193

Government grants have been received for the purchase of certain items of land, property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE FINANCIAL STATEMENTS CONT...

25. SHARE BASED PAYMENTS

The company operates three share based payment schemes for the benefit of senior management.

EMI, Approved and Unapproved Company Share Option Plans (CSOP)

Options granted under the EMI plan are exercisable four to ten years following the date of grant. One award under this scheme has only service vesting conditions, and the other also has a non market performance vesting condition attached to their exercise: annual net profit target of 10%. If not met in any year then an average can be applied over the term to meet target.

Options granted under the approved CSOP are exercisable four to eight years following the date of grant, subject to service vesting conditions.

Options granted under the unapproved CSOP are generally exercisable between two and five years, with two awards made under this scheme being exercisable on grant. One award only has service vesting conditions, the remaining have non market performance vesting conditions attached to their exercise, including achievement of a strong individual performance rating, and sales exceeding, or no less than 10% below, the target for the most recent financial year ending prior to the relevant vesting date.

The following table details the number, weighted average exercise price (WAEP) and weighted average contractual life (WACL) of share options for the approved and unapproved schemes as at the balance sheet date:

	EMI			Approved CSOP			Unapproved CSOP		
	Number	WAEP £	WACL Years	Number	WAEP £	WACL Years	Number	WAEP £	WACL Years
Outstanding at 31 January 2017	641,300	0.27	4.98	57,820	1.91	6.27	-	-	-
Granted during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Outstanding at 31 December 2017	641,300	0.27	4.98	57,820	1.91	6.27	-	-	-
Granted during the year	-	-	-	-	-	-	827,250	1.03	3.85
Exercised during the year	-	-	-	-	-	-	-	-	-
Outstanding at 31 December 2018	641,300	0.27	4.98	57,820	1.91	6.27	827,250	1.03	3.85
Exercisable at 31 December 2018	-	-		-	-		85,000	1.1	
Exercisable at 31 December 2017	-	-		-	-		-	-	

The weighted average fair value of unapproved options granted during the period was £5. The fair value has been calculated with reference to the most recent non Equity for Punks share issue.

26. RELATED PARTY TRANSACTIONS

Group

The financial statements include the financial statements of the group and the subsidiaries listed in note 12.

Sales and purchases between related parties are made at normal market prices. Outstanding balances are unsecured and cash settlement terms vary. The company has provided guarantees for a number of related party payables. The company has not made any provision for doubtful debts relating to amounts owed by related parties.

Company

The following table provides the total amount of transactions that have been entered into with related parties for the relevant year:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	£000	£000	£000	£000
Subsidiaries:				
BrewDog Retail Ltd				
2018	8,626	-	5,173	-
2017	6,084	-	10	-
BrewDog USA Inc				
2018	313	-	29,921	-
2017	243	-	20,673	-
BrewDog GMBH				
2018	111	-	633	-
2017	142	-	859	-
Lone Wolf Spirits Ltd				
2018	-	1,228	1,415	-
2017	-	543	286	-
BrewDog Belgium SPRL				
2018	133	-	701	-
2017	30	-	845	-
BD Casanova SL				
2018	45	-	273	-
2017	-	-	11	-
Draft House Holding Ltd				
2018	625	-	4,084	-
2017	-	-	-	-
Hawkes Cider Ltd				
2018	-	278	367	-
2017	-	-	-	-
BrewDog Korea				
2018	17	-	788	-
2017	-	-	-	-
BrewDog Brasil				
2018	1	-	25	-
2017	-	-	-	-
BrewDog Norway				
2018	-	-	95	-
2017	-	-	-	-
Other directors' interests				
2018	185	661	47	5
2017	9	74	16	9

Director's loan	Amounts owed by related parties £000	Amounts owed to related parties £000
2018	45	-
2017	23	-

Director's loan

Amounts due to directors are non-interest bearing and are repayable on demand.

Other directors' interests

During both 2018 and 2017, purchases at normal market prices were made by group companies from JBW (77) Limited and Musa 77 Limited, a company controlled by one of the directors.

During 2018 purchases at normal market prices were made by group companies from Jet Pack Pie Limited, 63FCMH LLC and Ten Tonne Mouse Inc, companies controlled by one of the directors.

27. POST BALANCE SHEET EVENTS

Subsequent to the year end the company acquired five bars in Sweden and one bar in Japan from the franchise partners in those countries. There have been no other events since the balance sheet date.

INDEPENDENT AUDITORS REPORT

To the members of BrewDog PLC

OPINION

We have audited the financial statements of BrewDog PLC ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise group and parent company statements of financial position, the group statement of comprehensive income, the group and parent company statements of cash flows, the group and parent company statements of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006: and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

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

USE OF OUR REPORT

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

CONCLUSIONS RELATING TO GOING CONCERN:

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

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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.

Ernst & Young LLP

Jamie Dixon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor), Aberdeen. 15 March 2019

Notes:

1. The maintenance and integrity of the BrewDog PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT

Registered No. SC311560

The Directors present their report and financial statements for the year ended 31 December 2018. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

RESULTS AND DIVIDENDS

The loss after taxation for the year amounted to £1,493,000 (2017 – profit of £870,000). No dividend has been paid or proposed (2017 - £nil).

REVIEW OF THE BUSINESS

The principal activity of the group continues to be that of brewing beer and operating bars. The results of the group show a pre-tax loss of £576,000 (2017 – pre-tax profit of £1,406,000) for the year and turnover of £171,619,000 (2017 - £110,870,000).

FUTURE DEVELOPMENTS

See growth opportunities section for strategy and future developments.

DIRECTORS

The directors who served the company during the year, and up to the date of signing, were as follows:

C K Greggor
N A Simpson
A M Dickie
J B Watt
D McDowall
A D Green
J L O'Hara
F B Jack
J K Marshall (appointed 14 September 2018)
A Shaw (appointed 15 February 2019)

GOING CONCERN

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

EVENTS SINCE THE BALANCE SHEET DATE

Subsequent to the year end the company acquired five bars in Sweden and one bar in Japan from the franchise partners in those countries. There have been no other events since the balance sheet date.

PRINCIPAL RISKS AND UNCERTAINTIES

We consider the key risks and uncertainties affecting the group to be the availability and cost of ingredients for our beers and the growing prominence of the craft beer market bringing with it more competition. In order to mitigate these risks and uncertainties, we continue to source quality hops and malt to brew our innovative beers and continue to look for opportunities to bring our beers to the wider public.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including liquidity and credit risk.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long, medium and short term debt finance. Forecasts are produced to assist management in identifying liquidity requirements and maintaining adequate reserves.

Credit risk

The group's financial assets are cash and cash equivalents and trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables for beer sales. The amounts presented in the balance sheet are net of an allowance for the expected credit loss. An allowance for impairment is made where there is an identified loss event which is evidence of a reduction in the recoverability of cash flows.

Beer sales are concentrated towards a number of key customers. Credit risk is managed through maintaining good customer relationships and the monitoring of credit levels and settlement periods.

The credit risk on liquid funds is limited because the counter party is a bank with an investment grade credit rating assigned by international credit rating agencies.

Brexit risk

The directors recognise that the ongoing Brexit negotiations represent uncertainty for certain trading relationships, due to the international nature of the business. In order to mitigate potential disruption, we have considered the impact on the business of potential tariff changes (import and export), the physical movement of goods (import and export), currency fluctuations, the movement of people and their right to work and any intellectual property implications.

DISABLED PERSONS

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

EMPLOYEE INVOLVEMENT

The group's policy is to consult and discuss with employees at meetings any matters likely to affect their interests. Information on matters of concern to employees is given through information bulletins and communications which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

RESEARCH AND DEVELOPMENT

During the year the group continued to undertake research and development on new brewing methods and techniques.

DIRECTORS' LIABILITY

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

By order of the Board of Directors

J B Watt
Director

15 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom company law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under UK Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the group and company for that period. In preparing those financial statements the directors are required to:

- adopt the going concern basis, unless it is inappropriate to do so;
- present fairly the financial position, financial performance and cash flows of the group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and the company's financial position and financial performance;
- state that the company and group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the UK Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

C K Greggor
N A Simpson
A M Dickie
J B Watt
D McDowall
A D Green
J L O'Hara
F B Jack
J K Marshall
A Shaw

SECRETARY

A M Dickie

AUDITORS

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