BREWDOG

ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDING 2017

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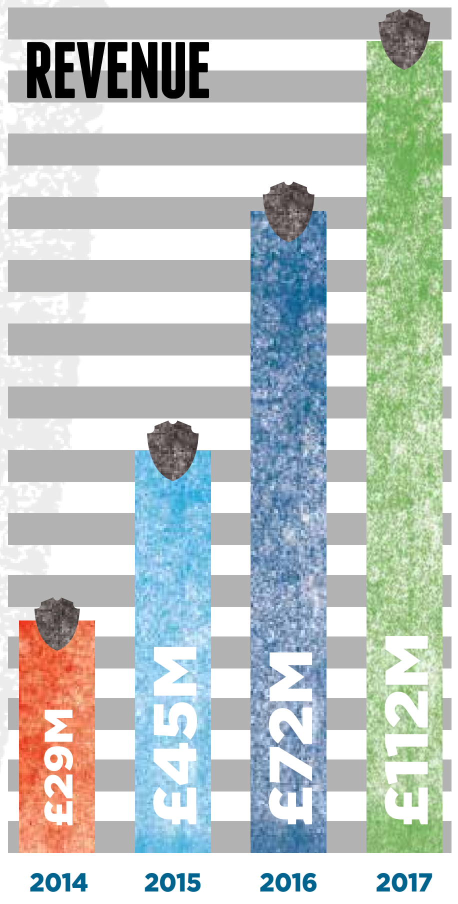
HIGHLIGHTS

NO.1 CRAFT BREWERY IN THE UK

SALES GROWTH OF 78% IN THE UK

SHIPPED 104M BOTTLES



2017 IN NUMBERS

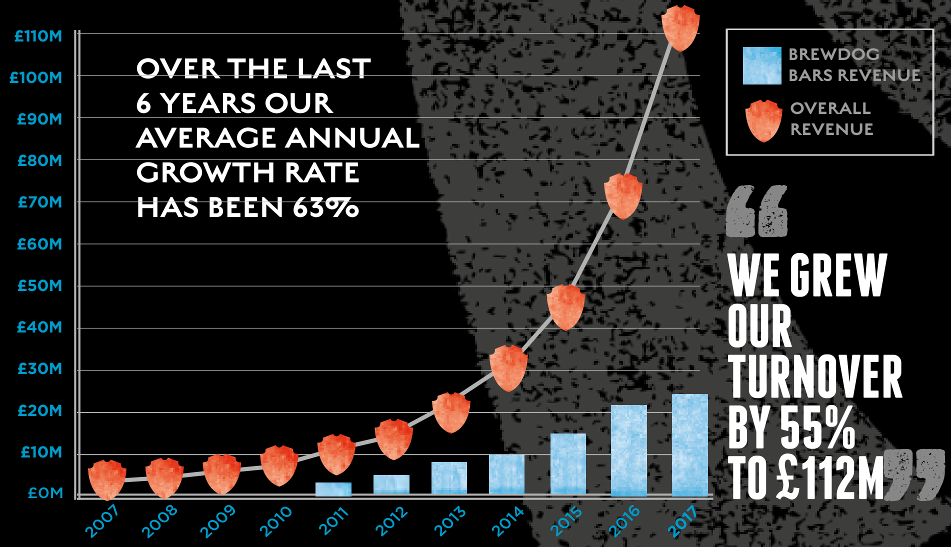
IN 2017 WE GREW OUR UK SALES BY **78%**

WE SHIPPED THE EQUIVALENT OF **104M BOTTLES** OF HOPPY CRAFT BEERS

IN 2017 WE OPENED **1 BREWERY**

WE NOW EMPLOY OVER **800 PEOPLE**

NO.1 CRAFT BREWERY IN THE UK



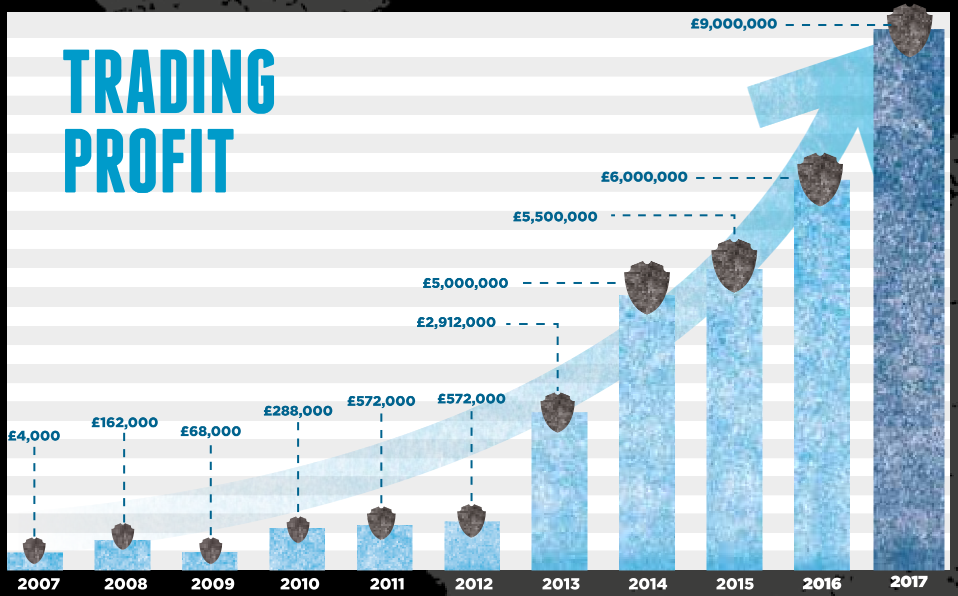
OVER THE LAST 6 YEARS OUR AVERAGE ANNUAL GROWTH RATE HAS BEEN 63%

"WE GREW OUR TURNOVER BY 55% TO £112M"

OVER THE LAST 6 YEARS OUR AVERAGE ANNUAL OPERATING PROFIT GROWTH HAS BEEN 76%

WE STILL ONLY ACCOUNT FOR **0.80%** OF THE UK BEER MARKET

TRADING PROFIT



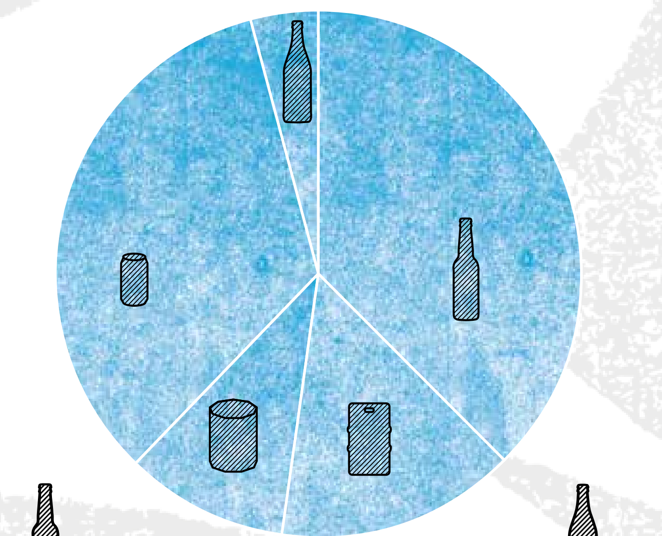
NIELSEN DATA – CRAFT BEER OFF TRADE SALES IN THE UK

PUNK IPA CONTINUES TO DRIVE CATEGORY GROWTH, ADDING £16.1M IN THE LAST 12 MONTHS

Total Coverage, Top 10 Craft Beer Brands by Value Sales, MAT TY - 30.12.2017

Brand	Value Sales	Value % Change YA	Average £/l
BREWDOG PUNK IPA	£35.4m	+83.7%	£4.51
BREWDOG DEAD PONY CLUB	£8.6m	+1113.7%	£4.82
BREWDOG ELVIS JUICE	£6.4m	+488.9%	£4.61
BROOKLYN LAGER	£4.1m	+10.2%	£4.82
BREWDOG DOGPACK	£3.9m	+367.2%	£4.22
GOOSE ISLAND IPA	£3.1m	+91.8%	£4.53
BREWDOG NANNY STATE	£3.0m	+143.4%	£3.69
SIERRA NEVADA PALE ALE	£2.8m	+12.1%	£5.16
BLUE MOON	£2.8m	+26.6%	£5.05
INNIS & GUNN LAGER	£2.5m	+37.7%	£2.44

2017 SALES SPLIT



- 330ML Bottles 38%
- Keg 15%
- Key Keg 10%
- Can 34%
- 660ML Bottles 4%

BEST SELLING BEERS

TOP TEN BEST SELLING BREWDOG BEERS AS % OF TOTAL SALES

1. PUNK IPA **60%**
2. DEAD PONY CLUB **11%**
3. ELVIS JUICE **9%**
4. Mixed Cases **5%**
5. Nanny State **4%**
6. Kingpin **2%**
7. 5AM Saint **2%**
8. Vagabond Pale Ale **2%**
9. Jack Hammer **2%**
10. Jet Black Heart **1%**

FRANCE SALES GROWTH **+102%**

96 DIFFERENT BEERS BREWED

30 UK BREWDOG BARS

344,387HL TOTAL BEER SHIPPED

46 BREWDOG BARS GLOBALLY

CAPTAIN'S UPDATE

2017 saw us shifting it up a gear across planet Earth. With BrewDog USA firing on all cylinders, we released our first beers into the American market and started to make strides to really cement our position alongside the incredible breweries of Ohio. We also locked and loaded plans for an epic craft beer hotel in our American home away from home, with The DogHouse pitched for launch in Columbus in late 2018. Equity for Punks USA closed out with more than 7,000 amazing craft beer fans backing our US business, and over $7million raised in 12 short months. Back in Scotland, we opened our fifth round of crowdfunding and raised our target £10million in under 90 days. We also ramped up production capacity (again) in order to further support our continued growth, and introduced one of the most exciting, groundbreaking projects to date; The Unicorn Fund.

The past 12 months were an absolute rollercoaster of a ride as we sought to build a brand new blueprint for business. The Unicorn Fund was our way to really instil what we meant by this, as we committed to sharing 20% of our profits every single year, splitting these with our teams as well as the charities that they chose.

We also advanced on one of our major goals – to become the best company to work for. Ever. Our benchmark for success here is the Sunday Times 'Best Companies to Work For' annual list, and this year we clocked in at number 75 – jumping 5 spots ahead of our previous position, and setting us on course for an even higher place in 2018. Our people are the heart and soul of our business. Without the efforts of every single person who puts their blood sweat and tears into BrewDog, we are nothing. It's our people who we want steering this ship, and the more ownership we can hand them, the more committed they will be to our business' future. That's why The Unicorn Fund means so much to us, and to me, and to our people.

In America, DogTap Columbus continues to perform outstandingly well, with craft beer fans travelling from far and wide to enjoy amazing beer in our inimitable space in Columbus. Elvis Juice also took home its first medal at the Great American Beer Festival – an incredible feat for our fledgling business, and a huge milestone for BrewDog and this brilliant, grapefruit riot of a beer.

Without the people who make up our crew, we wouldn't have been able to launch our biggest ever bar in Columbus Ohio, and announce our first ever brewpub, which will open in London in 2018. It's our crew who also enabled us to log our sixth consecutive year in the Sunday Times Fast Track 100, take on rapid expansion into key international markets, and recruit some incredible people around the world.

Roll on 2018!

HIGHLIGHTS OF 2017 INCLUDE

1 WE GREW OUR UK SALES BY 78%

We have further cemented our position within the rapidly ever-growing UK craft beer industry. Our exceptional sales team across the UK has maintained and grown our listings, securing strong accounts with major outlets across the country, strengthening our position and allowing us to engage with new and emerging audiences and markets effectively and quickly.

2 WE LAUNCHED OUR BREWERY IN AMERICA

In 2016, we built our new brewery in Columbus, Ohio, to ensure our beer gets to the US tasting as amazing as possible, and as of 2017 we are now brewing it right there on American soil. From our site in Columbus we can reach 50% of the US population within 500 miles, meaning we can take everything we have learned in Ellon and replicate it in the world's most exciting craft beer landscape.

3 WE RAISED $7MILLION IN AMERICA, AND £10MILLION IN THE UK

2017 saw us close our first round of crowdfunding in the USA, in which we raised $7million in Equity for Punks USA, and opened our fifth round of Equity for Punks in the UK, which in less than three months raised over £10million.

4 WE BECAME THE FASTEST GROWING FOOD & DRINKS COMPANY 6 YEARS RUNNING

In 2017, we were listed in the Sunday Times Fast Track 100 for a record sixth-consecutive year. No other company has ever done this, and this landmark inclusion is testament to our incredible growth both at home and internationally.

5 WE LAUNCHED PUPPY PAWTERNITY LEAVE

We became the first company to give our staff a full working week's paid leave on us, to help settle a new dog into their home.

6 WE LAID CLAIM TO OUR FIRST AWARD FOR ELVIS JUICE

We had some amazing news from Colorado, as Elvis Juice – our grapefruit-infused IPA – received its first accolade at the Great American Beer Festival! We think this is the first time a primarily UK-based business has won an award at GABF, which is renowned as the industry-standard contest for beer quality in the US.

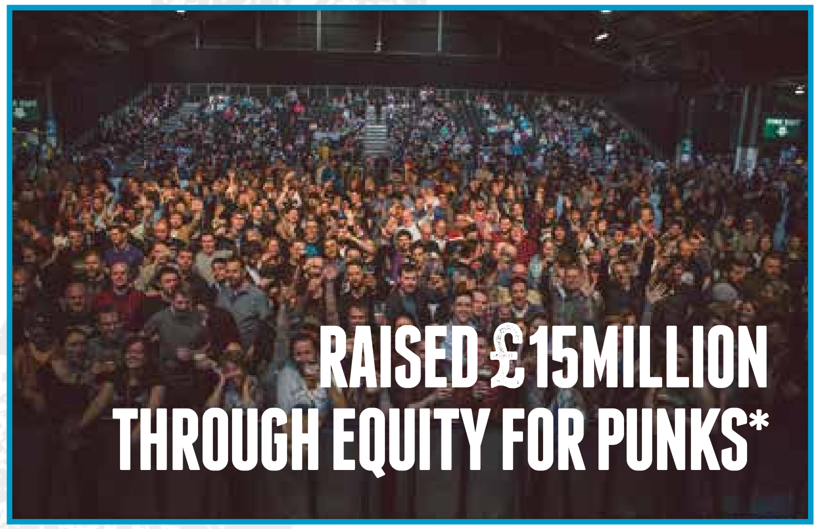
2017 HIGHLIGHTS

ANNOUNCED THE DOGHOUSE USA

DEVELOPED OUR BAR DIVISION TO 50 VENUES WORLDWIDE

OPENED OUR US BREWERY

ANNOUNCED OUR FIRST BREWPUB IN LONDON


RAISED £15MILLION THROUGH EQUITY FOR PUNKS*

APPEARED ON THE SUNDAY TIMES FAST TRACK 100 FOR THE SIXTH YEAR RUNNING


LAUNCHED PUPPY PAWTERNITY LEAVE


ANNOUNCED PLANS FOR BREWERIES IN ASIA & AUSTRALIA

1. *Combined for Equity for Punks USA & Equity for Punks V

OUR KEY STRENGTHS

OUR STRONG, RECOGNISABLE BRAND

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

OUR FLAGSHIP BEER, PUNK IPA

Punk IPA has maintained its position as the leading craft beer in the UK off-trade, accounting for over 60% of our production.

OUR TWO WORLD-CLASS BREWERIES

With the opening of our second brewery in Columbus, Ohio, we now brew from two state-of-the-art breweries on both sides of the Atlantic. 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 the fastest growing food and drinks company in the UK for the last six 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.

OUR EQUITY PUNK COMMUNITY

We have a community of just over 70,000 Equity Punk Investors. They are advocates, ambassadors, our best customers and the heart and soul of our business.

OUR EVOLVING CUSTOMER BASE

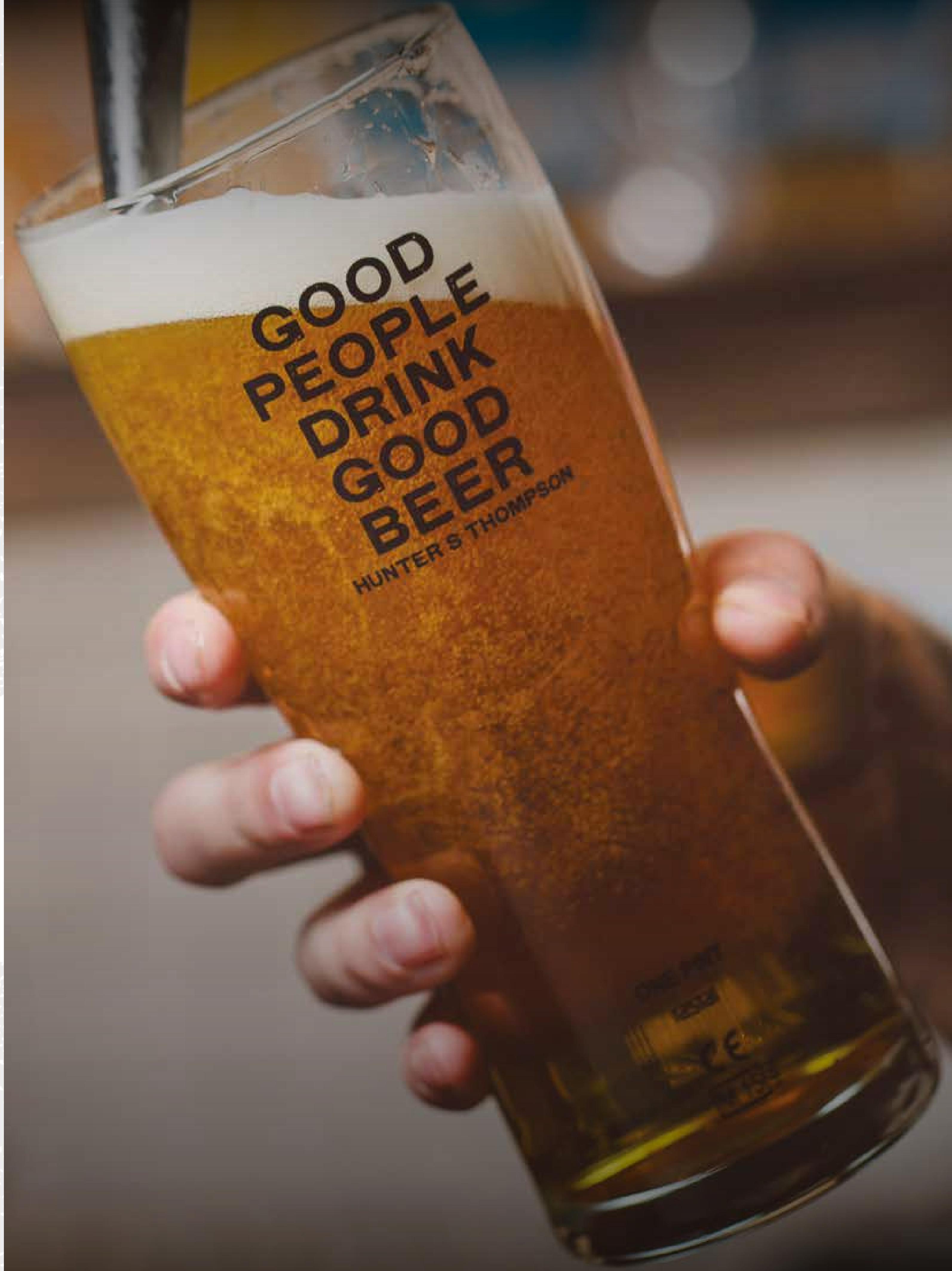
We have long established relationships with a fantastic network of importers and distributors internationally as well as on-trade and off-trade customers in the UK, allowing us to grow and diversify our customer base across the globe.

OUR SOLID PROFITABILITY

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

OUR BREWDOG BARS

We now have 46 BrewDog bars all over the planet. 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.



GROWTH OPPORTUNITIES

The craft beer category is growing rapidly both in the UK and overseas. In 2017, 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 2018.

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.

INTERNATIONAL SALES

We have good distribution networks in major European markets such as France, Italy, Spain, and across Scandinavia. In 2018, we plan to expand both our distribution and brand awareness across Europe, Asia and the USA.

DIVERSE PRODUCT PORTFOLIO

2018 will see us launch The OverWorks, our dedicated sour beer facility. This facility, alongside expansion of new product development will allow us to maintain and grow a diverse product portfolio in the future.

BREWDOG BARS

Growing our bar division is a key area of growth that we plan to focus on in 2018. We have 8 bar launches in the pipeline globally for the first half of 2018 alone, and we have also invested and 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. We have seen exceptional sales in the first few months of this fledgling arm of our business, and we are expecting that growth to continue, as we expand our range and distribution channels into 2018.

OUR BREWERIES

LOCATED ON THE RUGGED NORTH EAST COAST SCOTLAND OUR ELLON HQ BREWERY IS ONE OF THE MOST TECHNOLOGICALLY ADVANCED AND ENVIRONMENTALLY FRIENDLY 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 LOCATED A SITE IN BRISBANE ON WHICH WE WILL LAUNCH OUR AUSTRALIA BREWERY AND TAPROOM. THIS NEW FACILITY WILL PRODUCE BEER FOR THE AUSTRALIAN MARKETS AS WELL AS OTHER NEIGHBOURING MARKETS, AND WILL LAUNCH BY 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 2017

	YEAR ENDED 31 DECEMBER 2017 £000	YEAR ENDED 31 December 2016 £000
Revenue	111,551	71,850
Cost of sales	(73,925)	(47,075)
Gross Profit	37,626	24,775
Overheads	(35,140)	(20,691)
Other operating income	218	293
Adjusted EBITDA*	8,979	6,095

* adjusted for foreign exchange transactions - see note 5

REVENUE

2017 was another year of continued growth with our overall revenue up 55% on 2016. We are forecasting further strong revenue growth for 2018 as we take advantage of a full years production from our Columbus brewery, continued international expansion and further strong UK revenue growth in both the On Trade and Off Trade channels.

OVERHEADS

As planned our overheads increased significantly on 2016. This reflects continued investment in our senior people and teams as well as the impact of new bars together with the full year effect of Columbus and our Lone Wolf distillery.

EBITDA

Our 2017 adjusted EBITDA performance is strong and shows good growth on 2016. This validates our strategy of investing heavily in new capacity to scale the business whilst maintaining healthy profitability. We continue to re-invest these profits in our beer and people to underpin future revenue growth and solid profitability.

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
Finance 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 & International Commercial Director

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 Director

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.

OUR BARS

BrewDog bars are 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 2017	NOTES	2017 £000	2016 £000
Revenue	4	111,551	71,850
Cost of sales		(73,925)	(47,075)
Gross Profit		37,626	24,775
Administrative expenses		(35,140)	(20,691)
Other operating income		218	293
Operating Profit	5	2,704	4,377
Finance income		121	-
Finance costs	8	(1,273)	(560)
Loss on disposal of property, plant and equipment		(146)	(56)
Profit before taxation		1,406	3,761
Income tax expense	9	(536)	(592)
Profit for the year		870	3,169
Attributable to:			
Equity holders of the parent		957	3,176
Non-controlling interests		(87)	(7)
		870	3,169

OTHER COMPREHENSIVE INCOME

Contribution from non-controlling interests		2,927	1,626
Exchange differences on translation of foreign operations		345	189
Other comprehensive income for the year, net of tax		3,272	1,815
Total comprehensive income for the year, net of tax		4,142	4,984
Attributable to:			
Equity holders of the parent		4,229	4,991
Non-controlling interests		(87)	(7)
		4,142	4,984

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2017	NOTES	2017 £000	Restated 2016 £000
Non-current assets			
Property, plant and equipment	10	80,329	61,469
Intangible assets	11	2,146	646
Other non-current financial assets	12	52	52
Investments in associates	14	-	100
		82,527	62,267
Current assets			
Trade and other receivables	15	24,498	15,827
Inventory	16	7,283	5,354
Corporation tax receivable		418	-
Cash and cash equivalents	17	88,498	3,159
		120,697	24,340
Total assets		203,224	86,607
Current liabilities			
Trade and other payables	18	21,482	11,680
Current tax payable		-	194
Financial liabilities	19	8,451	18,534
		29,933	30,408
Non-current liabilities			
Deferred tax liabilities	9	1,965	1,556
Financial liabilities	19	22,310	14,959
Government grants	25	2,193	2,079
		26,468	18,594
Total liabilities		56,401	49,002
Net Assets		146,823	37,605
Equity			
Called up share capital	23	72	63
Share premium account	23	128,880	23,188
Treasury shares	24	(1,185)	(495)
Foreign currency translation reserve	24	548	203
Retained earnings		18,515	14,631
Equity attributable to equity holders of the parent		146,830	37,590
Non-controlling interests		(7)	15
Total Equity		146,823	37,605

Signed on behalf of the Board of Directors on 16 March 2018

J.B. Watt
Director

N.A. Simpson
Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	10	47,993	37,460
Intangible assets	11	1,294	646
Other non-current financial assets	12	12,291	7,763
Investments in associates	14	-	100
		61,578	45,969
Current assets			
Trade and other receivables	15	45,086	31,843
Inventory	16	5,633	4,898
Corporation tax receivable		464	-
Cash and cash equivalents	17	86,804	2,284
		137,987	39,025
Total assets		199,565	84,994
Current liabilities			
Trade and other payables	18	15,381	8,769
Current tax payable		-	194
Financial liabilities	19	8,451	17,758
		23,832	26,721
Non-current liabilities			
Deferred tax liabilities	9	1,812	1,486
Financial liabilities	19	22,310	14,959
Government grants	25	2,193	2,079
		26,315	18,524
Total liabilities		50,147	45,245
Net assets		149,418	39,749
Equity			
Called up share capital	23	72	63
Share premium account	23	128,880	23,188
Treasury shares	24	(1,185)	(495)
Retained earnings		21,651	16,993
Total Equity		149,418	39,749

Signed on behalf of the Board of Directors on 16 March 2018

J.B. Watt
Director

N.A. Simpson
Director

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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 2016	61	16,902	-	14	9,829	26,806	-	26,806
Profit for the year	-	-	-	-	3,176	3,176	(7)	3,169
Other comprehensive income	-	-	-	189	1,626	1,815	-	1,815
Purchase of treasury shares	-	-	(495)	-	-	(495)	-	(495)
Issue of share capital	2	6,522	-	-	-	6,524	-	6,524
Issue of share capital in subsidiary	-	-	-	-	-	-	22	22
Transaction costs	-	(236)	-	-	-	(236)	-	(236)
At 31 December 2016	63	23,188	(495)	203	14,631	37,590	15	37,605
Profit for the year	-	-	-	-	957	957	(87)	870
Other comprehensive income	-	-	-	345	2,927	3,272	-	3,272
Issue of share capital	9	109,418	-	-	-	109,427	-	109,427
Issue of share capital in subsidiary	-	-	-	-	-	-	65	65
Transaction costs	-	(3,726)	-	-	-	(3,726)	-	(3,726)
Purchase of treasury shares	-	-	(690)	-	-	(690)	-	(690)
At 31 December 2017	72	128,880	(1,185)	548	18,515	146,830	(7)	146,823

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £000	Share premium £000	Treasury shares £000	Retained Earnings £000	Total equity £000
At 1 January 2016	61	16,902	-	11,785	28,748
Profit for the year	-	-	-	5,208	5,208
Issue of share capital	2	6,522	-	-	6,524
Transaction costs	-	(236)	-	-	(236)
Purchase of treasury shares	-	-	(495)	-	(495)
At 31 December 2016	63	23,188	(495)	16,993	39,749
Profit for the year	-	-	-	4,658	4,658
Issue of share capital	9	109,418	-	-	109,427
Transaction costs	-	(3,726)	-	-	(3,726)
Purchase of treasury shares	-	-	(690)	-	(690)
At 31 December 2017	72	128,880	(1,185)	21,651	149,418

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 £000	2016 £000
Cashflows from operating activities			
Profit before tax		1,406	3,761
Adjustments to reconcile profit before tax to net cash flows:			
Loss on disposal of property, plant and equipment		143	56
Depreciation		4,640	2,918
Foreign exchange losses/(gains)		1,771	(1,071)
Write off of other payables		(803)	-
Financial Income		(121)	-
Financial Expense		1,273	560
Grant amortisation		(136)	(129)
Loss on disposal of associate		3	-
Working capital adjustments:			
Increase in inventory		(1,885)	(1,742)
Increase in trade and other receivables		(8,275)	(7,491)
Increase in trade and other payables		8,436	1,416
Interest received		121	-
Interest paid		(943)	(560)
Taxation paid		(820)	(98)
Taxation refunded		55	115
Net cash flow from operating activities		4,865	(2,265)
Investing activities			
Purchase of property, plant and equipment		(24,235)	(20,336)
Purchase of intangible assets		(35)	-
Purchase of treasury shares		(705)	(495)
Transaction costs of purchase of treasury shares		-	(17)
Proceeds from disposal of associate		49	-
Acquisition of subsidiaries (net of cash acquired)		(290)	-
Proceeds from disposal of property, plant and equipment		-	137
Net cash flow used in investing activities		(25,216)	(20,711)
Financing activities			
Issue of ordinary share capital		112,360	8,172
Transaction costs of issue of shares		(3,726)	(236)
Proceeds from exercise of share options		59	-
Proceeds from new borrowings		897	16,181
Proceeds from government grant		250	778
Proceeds from bond issue		10,000	-
Repayment of bonds		-	(2)
Repayment of borrowings		(10,523)	(226)
Payments for finance leases and hire purchase contracts		(3,627)	(2,247)
Net cash flow from financing activities		105,690	22,420
Net increase/(decrease) in cash and cash equivalents		85,339	(556)
Cash and cash equivalents at beginning of year		3,159	3,715
Cash and cash equivalents at end of year		88,498	3,159

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017 £000	2016 £000
Cashflows from operating activities			
Profit before tax		5,091	5,869
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	1,616
Depreciation		2,186	(129)
Foreign exchange losses/(gains)		1,766	(1,071)
Financial Income		(121)	-
Financial Expense		1,264	273
Grant amortisation		(136)	(129)
Working capital adjustments:			
Increase in inventory		(735)	(1,615)
Increase in trade and other receivables		(11,684)	(9,196)
Increase in trade and other payables		5,635	2,728
Interest received		121	-
Interest paid		(935)	(273)
Taxation paid		(820)	(98)
Taxation refunded		55	115
Net cash flows from/(used in) operating activities		1,701	(1,725)
Investing activities			
Proceeds from disposal of associate		49	-
Purchase of treasury shares		(705)	(495)
Transaction costs of purchase of treasury shares		-	(17)
Loan provided to subsidiary		(6,712)	(13,961)
Acquisition of subsidiaries (net of cash acquired)		(280)	-
Proceeds from disposal of property, plant and equipment		-	137
Purchase of property, plant and equipment		(13,553)	(5,287)
Net cash flows used in investing activities		(21,201)	(19,623)
Financing activities			
Issue of ordinary share capital		109,368	6,524
Transaction costs of issue of shares		(3,726)	(236)
Proceeds from exercise of share options		59	-
Proceeds from new borrowings		897	16,181
Proceeds from government grant		250	778
Proceeds from bond issue		10,000	-
Repayment of bond		-	(2)
Repayment of borrowings		(9,201)	(226)
Payments for finance leases and hire purchase contracts		(3,627)	(2,247)
Net cash flows from financing activities		104,020	20,772
Net increase/(decrease) in cash and cash equivalents		84,520	(576)
Cash and cash equivalents at beginning of year		2,284	2,860
Cash and cash equivalents at end of year		86,804	2,284

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

1. GENERAL INFORMATION

The financial statements of BrewDog PLC and its subsidiaries (collectively, the group) for the year ended 31 December 2017 were authorised for issue by the Board of Directors 16 March 2018. The company is incorporated in the United Kingdom under the Companies Act 2006.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated 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 otherwise indicated.

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 £4,658,000 (2016: £5,208,000).

The capital contributions from non-controlling interests in a subsidiary results in an increase in retained earnings from other Comprehensive Income.

Change in Presentation

The comparative retained earnings have been restated in respect of contributions from non-controlling interests in a subsidiary resulting in an increase in retained earnings from other comprehensive income.

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 and is presented separately 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 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 2018 or later periods, but the group has not early adopted them:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

IFRS 15 is not expected to have a material impact on the group's financial statements. IFRS 16, which is effective from 1 January 2019, eliminates the classification of leases as either operating leases or finance leases for a lessee, and all leases are 'capitalised' by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements in IFRS 16 will be an increase in lease assets and financial liabilities.

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 tank'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 their 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 comprehensive income 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

NOTES TO THE FINANCIAL STATEMENTS CONT...

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.

Investments in associates

Investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associate's profit or losses while the group's share of the net assets of the associate is shown in the consolidated statement of financial position.

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 IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 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 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 by 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. Where 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 company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.
In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

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

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

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.

Available-for-sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value though profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other expenses and removed from the unrealised gains and losses reserve.

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, during the year. Revenue is recognised when the risks and rewards of owning the goods have 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 turnover is set out as below:

	2017	2016
Geographical segment	£000	£000
UK	89,923	58,497
Europe	12,959	9,785
USA and Canada	3,964	-
Rest of the world	4,705	3,568
	111,551	71,850

NOTES TO THE FINANCIAL STATEMENTS CONT...

5. OPERATING PROFIT

This is stated after charging

	2017	2016
	£000	£000
Depreciation of tangible assets	4,640	2,918
Loss on disposal of tangible assets	143	56
Loss on disposal of associate	3	-
Operating lease rentals	2,528	1,811
Fees payable to the group's auditors (see note 6)	101	50
Loss on foreign exchange transactions	1,771	-
Research and development	550	550
and after crediting:		
Government grants	136	129
Profit on foreign exchange transactions	-	1,071

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.

	2017	2016
	£000	£000
Audit of the financial statements	91	50
Tax advisory services	10	-
	101	50

7. STAFF COSTS AND DIRECTOR'S EMOLUMENTS

a. Staff Costs	2017	2016
	£000	£000
Wages and salaries	19,400	12,758
Pension costs	820	643
Social security costs	1,873	1,398
	22,093	14,799

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:

	2017	2016
	No.	No.
Directors	6	7
Administration	90	74
Production	155	119
Selling and distribution	60	38
Bar staff	466	355
	777	593

b. Director's remuneration	2017	2016
	£000	£000
Director's remuneration	992	1,042
Pension contributions	87	80
	1,079	1,122

In respect of the highest paid director:

	2017	2016
	£000	£000
Aggregate remuneration	195	167
Pension contributions	19	17
	214	184
Number of directors who received share options during the year.	-	-

8. FINANCE COST

	2017	2016
	£000	£000
Bank loans and overdrafts	174	192
Hire purchase interest	253	210
Bond interest	846	158
Total finance costs	1,273	560

9. INCOME TAX

Group

a) Income tax on profit on ordinary activities	2017	2016
	£000	£000
UK corporation tax on the profit for the year	273	561
Amounts over provided in previous years	(121)	(136)
Total current income tax	153	425
Deferred income tax:		
Origination and reversal of temporary differences	377	262
Impact of change in tax laws and rates	-	(76)
Deferred tax adjustments in previous periods	7	(19)
Total deferred income tax charge	383	167
Income tax charge in the group statement of comprehensive income	536	592

b) Reconciliation of the total income tax charge	2017	2016
	£000	£000
Profit from continuing operations	1,406	3,761
Tax calculated at UK standard rate of corporation tax of 19.25% (2016 – 20%)	271	752
Expenses not deductible for tax purposes	75	73
Other fixed asset related movements	124	26
Other timing differences	33	1
Tax over provided in previous years	(114)	(155)
Change in tax laws and rate	(50)	(122)
Reduction for R&D expenditure	-	(143)
R&D expenditure credits	15	–
Non-taxable income	(26)	(26)
Unrecognised tax losses in other jurisdictions	816	186
Tax losses utilised	(155)	-
Share scheme deductions	(453)	–
Income tax charge in the group statement of comprehensive income	536	592

The income tax expense above is computed at profit before taxation multiplied by the effective rate of corporation tax in the UK of 19.25% (2016: 20%).

c) Deferred income tax

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

	Group 2017	Group 2016	Company 2017	Company 2016
	£000	£000	£000	£000
Deferred tax liability				
Temporary differences relating to property, plant and equipment	1,965	1,610	1,812	1,486
Deferred tax asset				
Tax losses carried forward	-	54	-	-
Net deferred tax liability	1,965	1,556	1,812	1,486
Deferred tax in the income statement				
Temporary differences relating to property, plant and equipment	383	167	326	236
	383	167	326	236

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 2017	15,907	5,844	5,126	190
Additions	6,799	6,842	2,224	12
Disposals	(17)	(133)	(80)	-
Transfers	15,430	-	-	-
Exchange differences	(721)	14	10	(2)
At 31 December 2017	37,399	12,567	7,280	200
Depreciation:				
At 1 January 2017	443	841	2,130	88
Charge for the year	403	1,004	1,342	27
On disposals	-	(33)	(64)	-
At 31 December 2017	846	1,812	3,408	115
Net book value:				
At 31 December 2017	36,553	10,755	3,872	85
At 31 December 2016	15,464	5,003	2,996	102

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 2017	24,942	715	15,430	68,154
Additions	8,705	358	264	25,205
Disposals	(50)	(175)	-	(455)
Transfers	-	-	(15,430)	-
Exchange differences	(686)	-	-	(1,385)
At 31 December 2017	32,911	898	264	91,518
Depreciation:				
At 1 January 2017	2,963	220	-	6,685
On disposals	(38)	(1)	-	(136)
Charge for the year	1,663	201	-	4,640
At 31 December 2017	4,588	421	-	11,189
Net book value:				
At 31 December 2017	28,323	477	264	80,329
At 31 December 2016	21,979	495	15,430	61,469

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 2017	18,262	9	18,271
At 31 December 2016	18,089	16	18,105
Depreciation charge for the year:			
31 December 2017	1,556	3	1,559
31 December 2016	2,033	36	2,069

Company	Long term leasehold property	Land and buildings	Fixtures and fittings	Motor vehicles
	£000	£000	£000	£000
Cost:				
At 1 January 2017	25	15,149	393	157
Additions	-	5,127	43	-
Disposals	(14)	-	-	-
At 31 December 2017	11	20,276	436	157
Depreciation:				
At 1 January 2017	3	443	205	82
On disposals	(3)	-	-	-
Charge for the year	1	238	110	19
At 31 December 2017	1	681	315	101
Net book value:				
At 31 December 2017	10	19,595	121	56
At 31 December 2016	22	14,706	188	75

Company	Plant and machinery	Computer equipment	Total
	£000	£000	£000
Cost:			
At 1 January 2017	24,942	704	41,370
Additions	8,038	337	13,545
Disposals	(679)	(174)	(867)
At 31 December 2017	32,301	867	54,048
Depreciation:			
At 1 January 2017	2,963	214	3,910
On disposals	(38)	-	(41)
Charge for the year	1,624	194	2,186
At 31 December 2017	4,549	408	6,055
Net book value:			
At 31 December 2017	27,752	459	47,993
At 31 December 2016	21,979	490	37,460

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 2017	18,262	9	18,271
At 31 December 2016	18,089	16	18,105
Depreciation charge for the year:			
31 December 2017	1,556	3	1,559
31 December 2016	2,033	36	2,069

11. INTANGIBLE ASSETS

Group	Other	Goodwill	Distribution Rights	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2017	-	-	646	646
Additions	35	817	648	1,500
At 31 December 2017	35	817	1,294	2,146

Company	Distribution rights
	£000
Cost:	
At 1 January 2017	646
Additions	648
At 31 December 2017	1,294

12. OTHER NON-CURRENT FINANCIAL ASSETS

Group	Unlisted investments
Cost	£000
At 1 January 2017 and 31 December 2017	52
Net book value	
At 31 December 2017	52
At 31 December 2016	52

NOTES TO THE FINANCIAL STATEMENTS CONT...

Company	Unlisted investments	Shares in group undertakings	Total
Cost	£000	£000	£000
At 1 January 2017	52	7,711	7,763
Additions	-	4,528	4,528
At 31 December 2017	52	12,239	12,291
Net book value:			
At 31 December 2017	52	12,239	12,291
At 31 December 2016	52	7,711	7,763

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:

Name of company	Holdings	Country of registration or incorporation	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
BrewDog Retail Limited	Ordinary	Scotland	100%	Bar operator
BrewDog USA Inc	Ordinary	USA	98%	Holding company
BrewDog GmbH	Ordinary	Germany	100%	Bar operator
Lone Wolf Spirits Limited	Ordinary	Scotland	100%	Spirits producer
BrewDog Group Australia Pty Ltd	Ordinary	Australia	100%	Dormant
BD Casanova SL	Ordinary	Spain	100%	Bar operator
BrewDog Belgium SPRL	Ordinary	Belgium	100%	Bar operator
Overworks Limited *	Ordinary	Scotland	100%	Dormant
BrewDog International Limited **	Ordinary	Scotland	100%	Dormant

* Incorporated on 26 October 2017
** Incorporated on 27 October 2017

Indirectly held		
BrewDog Columbus LLC	Ordinary	USA
BrewDog Brewing Company LLC	Ordinary	USA
BrewDog Brewing Company Franklinton LLC	Ordinary	USA
BrewDog Dogtap LLC	Ordinary	USA
BrewDog Doghouse LLC	Ordinary	USA
BrewDog Short North LLC	Ordinary	USA
BrewDog Verwaltungs UG	Ordinary	Germany
BrewDog Brewing Australia Pty Ltd	Ordinary	Australia

13. BUSINESS COMBINATIONS

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

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 assets 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. INVESTMENTS IN ASSOCIATES

Group & Company	Total
Cost	£000
At 1 January 2017	100
Disposals	(100)
At 31 December 2017	-

During the year, BrewDog PLC disposed of its investment in Third Wave Coffee Limited, which is a coffee shop operator.

15. TRADE AND OTHER RECEIVABLES

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

Group	2017	2016
	£000	£000
Trade receivables	19,201	13,529
Prepayments and other receivables	5,297	2,298
	24,498	15,827

Trade and other receivables due after one year amounted to £1,103,000 (2016 - £1,027,000)

Company	2017	2016
	£000	£000
Trade receivables	20,019	13,529
Prepayments and other receivables	2,383	431
Receivable from group undertakings	22,684	17,883
	45,086	31,843

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
2017	19,201	6,807	8,061	2,017	2,316
2016	13,529	6,114	4,306	1,877	1,232

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
2017	20,019	7,615	8,070	2,017	2,316
2016	13,529	6,114	4,306	1,877	1,232

NOTES TO THE FINANCIAL STATEMENTS CONT...

16. INVENTORIES

Group	2017	2016
	£000	£000
Raw materials	2,069	1,265
Work in progress	865	692
Finished goods and goods for resale	4,349	3,397
	7,283	5,354

Company	2017	2016
	£000	£000
Raw materials	1,805	1,265
Work in progress	728	692
Finished goods and goods for resale	3,100	2,941
	5,633	4,898

17. CASH AND CASH EQUIVALENTS

Group	2017	2016
	£000	£000
Cash at bank and in hand	88,498	3,159

Company	2017	2016
	£000	£000
Cash at bank and in hand	86,804	2,284

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.

18. TRADE AND OTHER PAYABLES

The carrying value of financial instruments approximates fair value.

Group	2017	2016
	£000	£000
Trade and other payables	8,438	4,290
Taxes and social security	3,183	2,786
Other payables	9,861	4,604
	21,482	11,680

Company	2017	2016
	£000	£000
Trade and other payables	6,958	3,548
Taxes and social security	2,314	2,108
Other payables	6,109	3,113
	15,381	8,769

19.FINANCIAL LIABILITIES

Group	2017	2016
	£000	£000
Current:		
£800,000 loan	-	776
£1,820,000 bank loan	109	109
£2,000,000 bank loan	114	114
£5,000,000 bank loan	5,000	5,000
£2,500,000 bank loan	-	2,500
Obligations under hire purchase contracts	3,228	3,557
Invoice financing	-	6,478
	8,451	18,534
Non-current:		
£1,820,000 bank loan	1,123	1,244
£2,000,000 bank loan	1,470	1,597
Obligations under hire purchase contracts	7,407	9,808
6.5% non-convertible bonds	2,310	2,310
7.5% non-convertible bonds	10,000	-
Total non-current borrowings	**22,310**	**14,959**

Company	2017	2016
	£000	£000
Current:		
£1,820,000 bank loan	109	109
£2,000,000 bank loan	114	114
£5,000,000 bank loan	5,000	5,000
£2,500,000 bank loan	-	2,500
Obligations under hire purchase contracts	3,228	3,557
Invoice financing	-	6,478
	8,451	17,758
Non-current:		
£1,820,000 bank loan	1,123	1,244
£2,000,000 bank loan	1,470	1,597
Obligations under hire purchase contracts	7,407	9,808
6.5% non-convertible bonds	2,310	2,310
7.5% non-convertible bonds	10,000	-
Total non-current borrowings	**22,310**	**14,959**

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 1.40% 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 1.40% over the base rate. This loan is secured by a mortgage over the land and buildings.

£800,000 loan
This fixed rate loan is in the name of the subsidiary, BrewDog Retail Limited, originally for a maximum of £800,000. It bears interest at 2.31% over the base rate and was re-paid during the year.

£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 30 September 2018. It bears interest at 1.40% over the base rate.

£2,500,000 bank loan
During the previous year the parent company drew down the loan, originally for a maximum of £2,500,000. The loan was repaid during the year and bore interest at 2.75% over the base rate.

Invoice financing
During the previous year the parent company entered into an agreement for the purchase of debt, for a maximum £8,500,000. This facility attracts a financing fee of 1.65%. This arrangement ceased during the year.

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 previous year bonds totalling £2,000 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 £2,310,000 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. 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 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.

20. CAPITAL COMMITMENT

Group	2017	2016
	£000	£000
Contracted for but not provided in the financial statements	14,449	7,301

Company	2017	2016
	£000	£000
Contracted for but not provided in the financial statements	9,122	1,333

21. 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	2017	2016
	£000	£000
Not later than one year	3,228	3,557
In one to five years	7,407	9,808
	10,635	13,365

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	2017	2016
	£000	£000
Not later than one year	2,012	1,595
In one to five years	9,103	6,442
In over five years	19,723	13,411
	30,838	21,448

Company	2017	2016
	£000	£000
Not later than one year	257	319
In one to five years	734	1,093
In over five years	847	1,274
	1,838	2,686

NOTES TO THE FINANCIAL STATEMENTS CONT...

22. FINANCIAL INSTRUMENTS

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the 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
2017		
US Dollar/Sterling	+10%	(2,793)
	-10%	2,793
Euro/Sterling	+10%	(195)
	-10%	195
2016		
US Dollar/Sterling	+10%	(1,722)
	-10%	1,722
Euro/Sterling	+10%	(100)
	-10%	100

23. SHARE CAPITAL

Group and company	2017 No. 000	2017 £000	2016 No. 000	2016 £000
Allotted called up and fully paid Ordinary A shares				
At 1 January	5,093	51	5,075	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	5,075	51

Group and company	2017 No. 000	2017 £000	2016 No. 000	2016 £000
Allotted called up and fully paid Ordinary B shares				
At 1 January	1,177	12	1,039	10
Issue following resolution (see below)	10,610	-	-	-
Issued through Equity for Punks	289	-	138	2
At 31 December	12,076	12	1,177	12

Group and company	2017 No. 000	2017 £000	2016 No. 000	2016 £000
Allotted called up and fully paid Ordinary C shares				
At 1 January	-	-	-	-
Conversion from Ordinary A shares	8,384	8	-	-
Issued during the year	7,777	9	-	-
At 31 December	16,161	17	-	-

During the year a resolution to reduce the share capital nominal value from 0.01p each to 0.001p each was passed. During the year a resolution to convert 8,383,915 of the Ordinary A shares to Preferred 'C' Ordinary shares was passed.

During the year the company issued 891,383 Ordinary A Shares at par value.

During the year the company issued 289,124 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 £6,866,406 in the year.

During the year the company also issued 7,776,934 Preferred C Ordinary shares with an issue price of £13.18 per share. This created additional share premium of £102,492,213 in the year.

Both A and B Ordinary 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 (2016 - £ nil) of share capital and share premium remains unpaid.

At the year-end there were 951,400 (2016 – 51,546) share options granted and not exercised.

Group and company	2017 Share premium account £000	2016 Share premium account £000
At 1 January	23,188	16,902
Issued through Equity for Punks	6,867	6,522
Issued through share options	59	-
Issued during the year	102,492	-
Transaction costs	(3,726)	(236)
At 31 December	128,880	23,188

24. RESERVES

Treasury shares

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

During the year the Group acquired 53,493 of its own shares at a cost of £13.18 per share

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.

25. GOVERNMENT GRANTS

Group and company	2017 £000	2016 £000
At 1 January	2,079	1,430
Received during the year	250	778
Released through the statement of comprehensive income	(136)	(129)
At 31 December	2,193	2,079

	2017 £000	2016 £000
Current	150	146
Non-current	2,043	1,933
	2,193	2,079

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.

26. RELATED PARTY TRANSACTIONS

Group

The financial statements include the financial statements of the group and the subsidiaries listed following:

Name	Country of Incorporation	% Interest
BrewDog Retail Limited	Scotland	100
BrewDog USA Inc	USA	98
BrewDog GMBH	Germany	100
BrewDog Columbus LLC	USA	100
BrewDog Brewing Company LLC	USA	100
Lone Wolf Spirits Limited	Scotland	100
BD Casanova SL	Spain	100
BrewDog Belgium SPRL	Belgium	100

Sales and purchases between related parties are made at normal market prices. Outstanding balances are unsecured and cash settlement terms vary between 30 and 90 days. 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 £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Wholly owned subsidiaries:				
BrewDog Retail Ltd				
2017	6,084	-	10	-
2016	6,231	-	2,273	-
BrewDog USA Inc				
2017	243	-	20,673	-
2016	-	-	13,961	-
BrewDog GMBH				
2017	142	-	859	-
2016	12	-	862	-
Lone Wolf Spirits Ltd				
2017	-	543	286	-
2016	-	-	-	-
BrewDog SPRL				
2017	30	-	845	-
2016	-	-	-	-
BD Casanova SL				
2017	-	-	11	-
2016	-	-	-	-
Other directors' interests				
2017	9	74	16	9
2016	30	43	18	39

Director's loan	Amounts owed by related parties £000	Amounts owed to related parties £000
2017	23	-
2016	-	9

Director's loan

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

Other directors' interests

During both 2017 and 2016, purchases at normal market prices were made by group companies from JBW (77) Limited, a company controlled by one of the directors.

During both 2017 and 2016, sales and purchases at normal market prices were made by group companies to and from Musa 77 Limited, a company controlled by one of the directors.

27. POST BALANCE SHEET EVENTS

Subsequent to the year end the company concluded a lease for the construction of a new brewery in Brisbane, Australia.

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 2017 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 2017 and of the group's profit 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 42, 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.

Jamie Dixon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor), Aberdeen. 19 March 2018

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 2017. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

RESULTS AND DIVIDENDS

The profit after taxation for the year amounted to £870,000 (2016 - £3,169,000). No dividend has been paid or proposed (2016 - £nil).

REVIEW OF THE BUSINESS

The principle activity of the group continues to be that of brewing beer and operating bars. The results of the group show a pre-tax profit of £1,406,000 (2016 - £3,761,000) for the year and turnover of £111,551,000 (2016 - £71,850,000).

FUTURE DEVELOPMENTS

See Captains report for strategy and growth opportunities.

DIRECTORS

The directors who served the company during the year were as follows:

C K Greggor
N A Simpson
A M Dickie
J B Watt
D McDowall
A D Green
G Bath (resigned 30 June 2017)
L G Garrido (resigned 7 July 2017)
J L O'Hara (appointed 6 April 2017)
F B Jack (appointed 6 April 2017)

GOING CONCERN

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the forseeable 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 concluded a lease for the construction of a new brewery in Brisbane, Australia.

PRINCIPAL RISKS AND UNCERTAINTIES

We consider the key 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 allowances for doubtful receivables. 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.

The group's market is such that 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.

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.

PURCHASE OF OWN SHARES

During the year the Group acquired 53,493 of its own Ordinary B shares at a cost of £13.18 per share. The shares have a nominal value of 0.001p and the acquisition represents less than 0.004% of the Ordinary B shares in issue. The shares were acquired as part of a share issue to provide liquidity to investors.

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

16 March 2018

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 and Article 4 of the IAS Regulations. 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

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SECRETARY

A M Dickie

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