ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDING 2019

BREWDOG

LET'S ENSURE WE HAVE A PLANET TO BREW BEER ON.

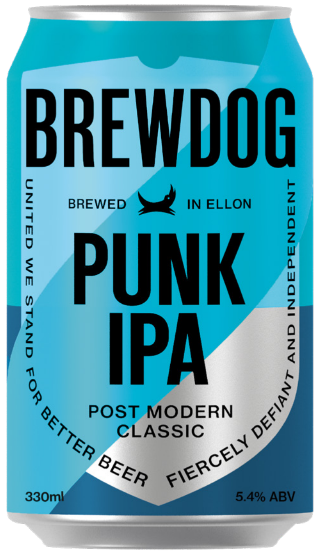
BREWDOG HAS COME A LONG WAY.

We've grown, and we've grown up.

We have always believed that business should be a force for good and that brave thinking and bold actions are the only way to make real impact.

Today, we are in the middle of a climate crisis. It is a crisis of our own design, driven by big business. We recognise our contribution and the limitations of our industry.

CHANGE ISN'T HAPPENING FAST ENOUGH.



NOW IS THE TIME TO BE RADICAL IN EVERYTHING WE DO.

We believe the best solutions will come through transparency, collaboration and community. It's the only way to accelerate the change we need.

ACTIONS NOT PROMISES.

We don't have all the answers, but in 2020 we are changing the way we do things. We will start by launching six major initiatives that put our money where our heart is.

We're committed to making great beer, and ensuring we have a planet to drink it on.

THE NEW BREWDOG STARTS HERE.

#1. CANS FOR EQUITY

During our most recent crowdfunding round, we enabled people to trade in 50 of their empty BrewDog cans to become an Equity Punk.

#2. INDIE TRASH CANS

Giving waste cans a second life with our upcycling revolution (so don't be surprised if your beer comes in a cola can.)

#3. ONCE BEER VODKA

Imperfect beer makes great vodka. Instead of throwing it out, we distil it. All for less waste, and higher standards.

#4. DIY DOG

Responsible brewing at home means no liquid transport miles. Brew your own goddamn beer.

#5. BREWDOG FREEHOUSE

Making all our beer knowledge available and open-source, from recipes and new brew standards, to Dog Impact accountability reports.

#6. TOMORROW FUND

Investing up to £1m a year in research and initiatives that help our industry have a positive impact on the world.

CHANGE IS BREWING.

BREWDOG.COM / TOMORROW

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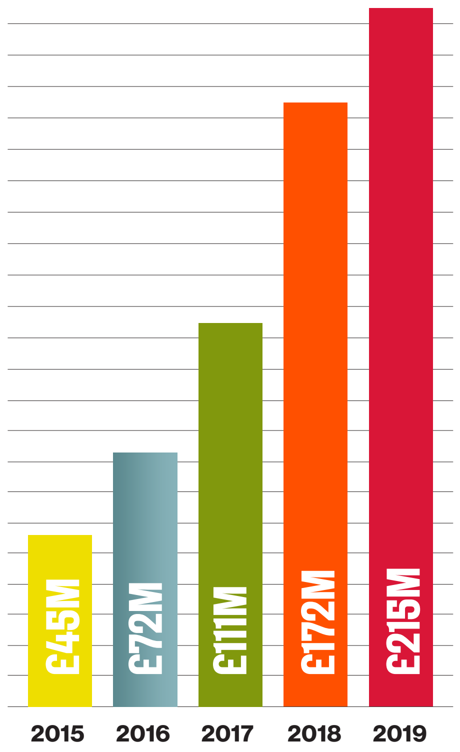
HIGHLIGHTS

GROUP REVENUE



SHIPPED 183 MILLION CANS

1 CRAFT BREWERY IN THE UK

MORE THAN 130,000 EQUITY PUNKS

BAR SALES GREW BY 48%

*Equivalent for illustrative purposes

2019 IN NUMBERS

IN 2019 WE GREW OUR GROUP SALES BY

25%

INVESTED

£26.9M

IN INFRASTRUCTURE FOR FUTURE GROWTH

IN 2019 WE HOSTED THE MAIDEN VOYAGE OF

BREWDOG AIRLINES

GLOBALLY, WE EMPLOY ALMOST

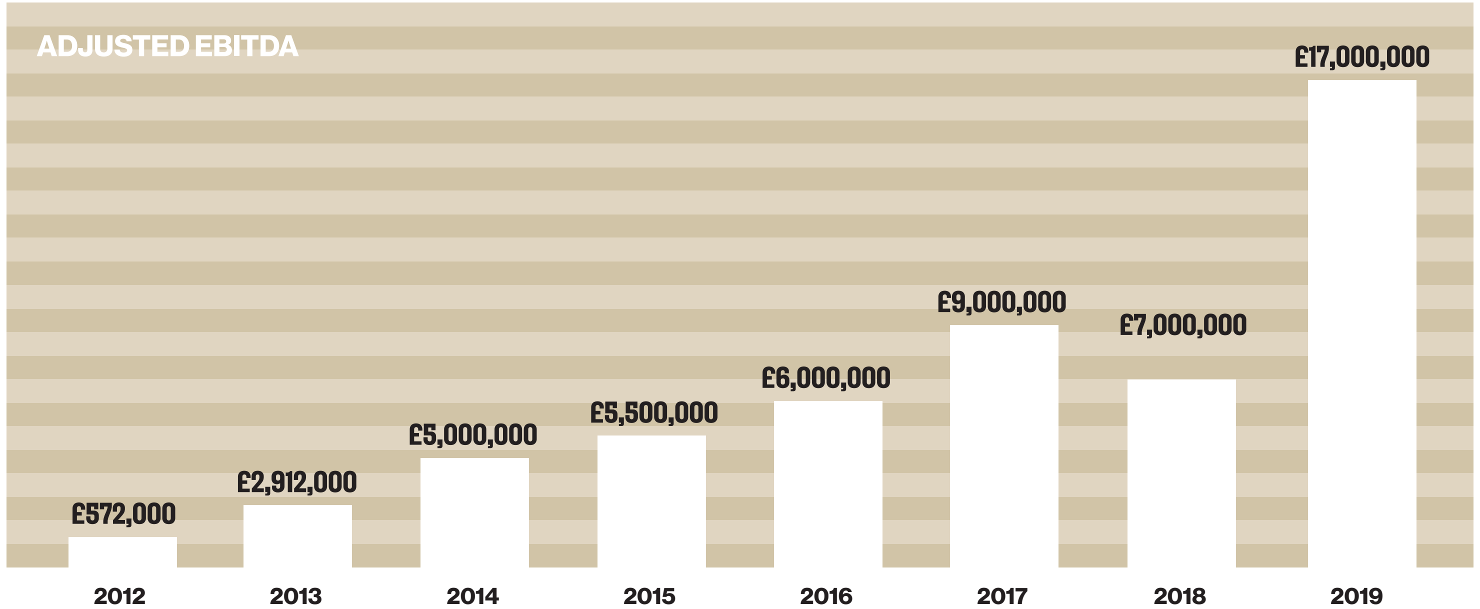
2,000 PEOPLE

THERE ARE NOW OVER

130K EQUITY PUNKS

INCREASED OUR CANNING CAPACITY BY

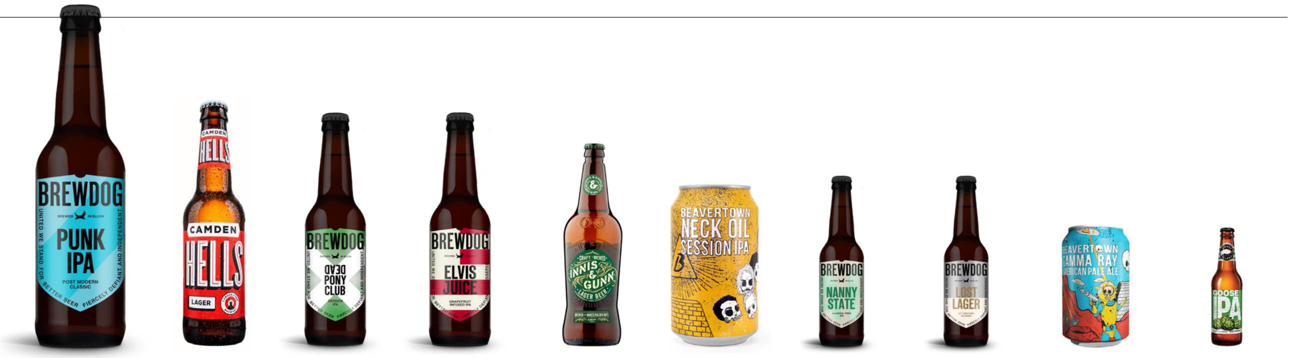
116%



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

HOWEVER WE STILL ONLY ACCOUNT FOR 0.9% OF THE MARKET

TOTAL COVERAGE TOP 10 BRANDS BY VALUE SALES (M) % CHG. VS. YA, PRICE PER LITRE MATTY TO W.E. 04.01.20



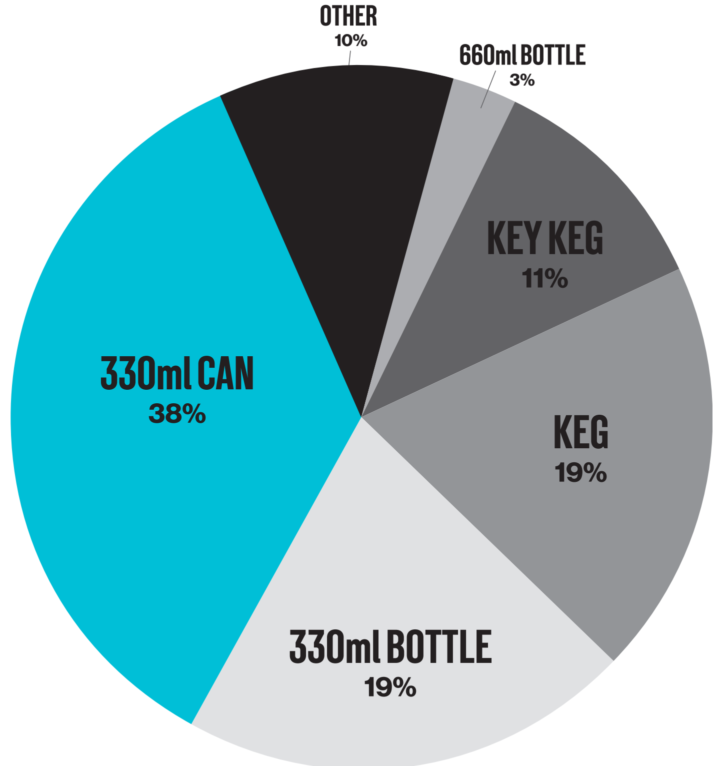
TOTAL COVERAGE	BREWDOG PUNK IPA	CAMDEN HELLS LAGER	BREWDOG DEAD PONY CLUB	BREWDOG ELVIS JUICE	INNIS & GUNN LAGER	BEAVERTOWN NECK OIL SESSION IPA	BREWDOG NANNY STATE	BREWDOG LOST LAGER	BEAVERTOWN GAMMA RAY	GOOSE ISLAND IPA
VALUE SALES ('M)	45.8	10.3	8.3	8.1	6.0	5.6	5.3	4.7	4.3	4.3
VALUE % CHG YA	9.7	56.2	-9.3	-11.5	18.1	342.6	18.7	348.6	232.4	17.1
PRICE PER l/KG	£4.27	£4.14	£4.49	£4.56	£2.54	£6.37	£3.55	£3.10	£6.87	£4.46

GLOBAL BEST SELLING BEER

TOP TEN BEST SELLING BREWDOG BEERS AS % OF TOTAL SALES

1. PUNK IPA 49%
2. ELVIS JUICE 10%
3. DEAD PONY CLUB 6%
4. LOST LAGER 5%
5. NANNY STATE 4%
6. INDIE 3%
7. CLOCKWORK TANGERINE 3%
8. HAZY JANE 2%
9. PUNK AF 1%
10. VAGABOND PALE ALE 1%

2019 SALES SPLIT BY PACKAGE



CAPTAIN'S UPDATE

2019 was our biggest year to date. It also marked a turning point for us in our evolution as a business, as we evolved mission, our branding and our position in the world. Our roots remain untouched. We are still here to make other people as passionate about great craft beer as we are. But the ways in which we bring that to life, the investment we make in our beer and our people, and the ambitious goals we set ourselves have never been so bold.

As we enter our 13th year, we are renewing our focus on sustainability and transparency, and we're owning our position as one of the world's largest independent, community-owned businesses by continuing to focus on our amazing people and our amazing community members.

In 2019 we saw a very solid year of growth in the UK, in our bars and in key international markets. Our US business has also gone from strength to strength as we increased sales stateside by 57%. In Australia, we built a brand new brewery, and we purchased a state of the art brewery in Berlin, Germany as well as launching into key emerging craft beer markets such as India and Russia.

Our 2019 business plan has been built on reinvestment, and we have continued to invest in our people, our beer, our infrastructure and our brewery, building the foundations for future growth and paving the way for us to become the first truly global craft beer business. Our slightly reduced 2019 EBITDA reflects our high growth rate and our global investments and infrastructure build-out as we now have 4 major breweries globally.

Alcohol free has been an emerging trend for the past couple of years and is becoming an ever increasing part of our business, and we now are the world's leading producer of non-alcoholic craft beers. In 2019, Punk AF was named the 'best booze-free beer in Britain'. Our commitment to offering incredible alcohol-free craft beer is further reinforced by new additions to the AF range, which will be unleashed in 2020.

In the past 12 months, we have thrown open the doors to some incredible new craft beer venues, including Dublin, (marking our 100th site, our outpost brewing location on the banks of the river Liffey), DogTap Brisbane, and the unprecedented launch of BrewDog Berlin – taking on a major, beautiful space in the south of the German capital, and creating a new European hub for incredible craft beer in the historic home of brewing. These are just a handful of highlights from a standout year for our retail division.

2020 has been challenging all round so far with Covid-19 having a big impact on businesses all over the planet. Despite the difficulties we have managed to weather the storm better than expected with very strong grocery sales and very strong online sales compensating for the temporary closures of our bars and the closure of our on-premise wholesale channel. As I write this, all our bars are back open again and off-trade and digital sales continue to be very strong and we are optimistic about the remainder of 2020.

Throughout the pandemic we also wanted to show that business could be a force for good. To that end we made and donated over 500,000 units of hand sanitiser to the NHS, Health Care Charities and key workers. We also made a special Help NHS Heroes 12 pack and created a digital online bar.

After a strong 2019 and coming through the challenges of early 2020 strongly we are excited to see where we can take this thing over the rest of 2020 and beyond.

Hold Fast,

James

2019 WAS A GREAT YEAR FOR US

HERE ARE SOME OF THE HIGHLIGHTS

1. SUNDAY TIMES FAST TRACK 100

We were named in this esteemed list of the UK's fastest-growing businesses for the 8th consecutive year. No other business has appeared so often.

2. THE BRAND FINANCE REPORT

We were voted the 19th most valuable beer brand on the planet on this list. This is such a huge achievement, as we were also the only craft brand, the only UK brand and the only independent brand on that list. Oh, and the youngest too!

3. DISRUPTOR BRAND OF THE DECADE

We were named "Most disruptive brand of the decade" by the influential publication, PR Week. A huge achievement and recognition of all of the work that has gone into building our incredible brand over the years.

4. INTERNATIONAL PERFORMANCE

France and Sweden are both highlights from the past 12 months, with these key export markets seeing increases of 30% compared to the previous year.

5. BREWDOG DISTILLING GREW 142%

After realigning our strategy in this part of our business, we released a series of new products including Rogue Wave Vodka, Zealot's Heart, and LoneWolf Cloudy Lemon Gin, and saw sales grow by 142% in 2019.

6. THE DOGHOUSE

Our crowdfunded craft beer hotel located inside our Columbus brewery was named as one of TIME's 100 best places on the planet.

7. EQUITY FOR PUNKS

We now have more than 130,000 craft beer crusaders in our ranks, propelling our business forward and sharing their passion for craft beer beyond their own community.

THE BEST OF 2019

LAUNCHED OUR 100TH CRAFT BEER BAR WORLDWIDE

ANNOUNCED THE BREWDOG CREWPRINT FOR OUR TEAMS

APPEARED IN THE SUNDAY TIMES FAST TRACK 100 FOR THE 8TH CONSECUTIVE YEAR

RELEASED OUR AF BEER RANGE

LAUNCHED DOGTAP BRISBANE

OUTPERFORMED US MARKET GROWTH RATE BY 57%

OUR KEY STRENGTHS

OUR BRAND

In 2020, our business will update its branding to keep ahead of the ever changing and evolving market we exist within. Recognition for the BrewDog name worldwide continues to climb at a fast and growing pace, and updating our branding in line with broadening appeal and awareness will enable us to maintain a competitive advantage.

We also were ranked as the 2nd fastest growing UK brand by Kantar in 2019, adding an amazing 40% to our brand value in the last 12 months. Brand finance also named us as 19th most valuable beer brand on the planet, appearing as the only craft brand, only UK brand, and only independent brand. We were also the youngest in the list.

OUR GLOBAL FOOTPRINT

Our business exports to 60 countries globally. We have breweries in 4 countries, and over 100 bars worldwide. Our ability to reach more people than any other craft brewer, with incredible beer, that is brewed fresh and locally, is unparalleled. Our expansion plans will bring additional regions within our reach, and further build on our existing brewery sites to optimise their efficiency, capacity and distribution.

OUR RETAIL BUSINESS

Now operating 100 craft beer bars worldwide, including 7 with brewing facilities attached, we continue to buck the trend by outperforming industry expectations. We do this by providing awesome experiences for our customers, and investing in training and facilities to serve the best possible beer in the most memorable way.

OUR FOUNDER-LED TEAM

James Watt & Martin Dickie, who co-founded the business in 2007, remain at the helm of BrewDog, and drive our ambitious strategy every day. Supported by our Mission Control team of experienced directors around the world, their vision is brought to life by a close-knit team of high-performing individuals who are BrewDog to the bone.

INNOVATION

In 2019, we proved that releasing an alcohol-free range made good business sense, as we picked up more than 7,500* distribution points for a relatively new category. We have innovated in this field, investing in techniques and trials to achieve the best quality beers imaginable, without the alcohol. We also brewed over 109 different beers, adding range to our portfolio, and offering more choice to our customers and fans. *UK off-trade

OUR QUALITY FOCUS

We have always been steadfastly focused on the quality of our beer, and this attitude influences everything we do as a company. From opening our distillery to new brewing facilities around the globe, our obsessive attention to detail when it comes to quality, our focus on innovation, and our experience in modern, technologically-advanced brewing give us a great advantage globally.

OUR PEOPLE

BrewDog is built on a commitment to its workforce. Our people are the beating heart of our business, they are the reason we exist and the thing we must work hardest to protect and develop.

In 2019, we introduced the BrewDog Crewprint, outlining the range of initiatives we offer our teams. Alongside the Real Living Wage, private medical, Pawternity leave, enhanced parental leave, Cicerone training & bonuses for all staff, our profit sharing scheme the Unicorn Fund, and 'Hop Stock' share options, we have introduced a series of new benefits for our teams including:

SALARY CAP

As we seek to promote internally, no new hires can earn more than 7 times our entry level positions.

WAGESTREAM

Empowering our teams to unlock their wages when they need them, we introduced this salary benefit to all staff in 2019.

BREWDOG FOUNDATION

We will give away up to £1m per year to charities chosen by our teams.

BREWDOG ACADEMY

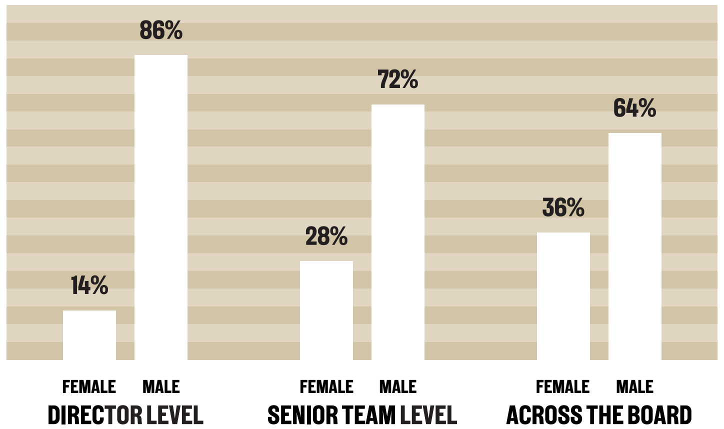
A series of lectures and Q&A sessions with our business leaders and guest speakers.

GIVING BACK

We will fund 1 day of charity work for each team member per year, and match charitable giving up to £200.

GENDER DIVERSITY

Gender diversity is a key priority for us as a business, and we are conscious we need to focus on balance here. Although our balance is currently not where we would like, we are committed to inspiring and supporting the next generation of female leaders.



FINANCIAL REVIEW

For year ended 31 December 2019

	Year Ended 31st December 2019 £'000	Year Ended 31st December 2018 £'000
Gross Revenue	214,896	171,619
Duty	(40,290)	(31,966)
Net revenue	174,606	139,653
Cost of sales	(99,167)	(81,912)
Gross Profit	75,439	57,741
Operating expenses	(88,677)	(58,021)
Gain on acquisition of Berlin Brewery and Taproom	14,249	-
Gain/(Loss) on disposal of property, plant and equipment	766	(303)
Other operating income	1,956	974
Operating profit	3,733	391
Adjusted EBITDA*	17,075	6,988

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

REVENUE

2019 was another year of strong growth, with gross revenue up 25% on 2018. This was driven by organic growth and acquisitions.

OPERATING EXPENSES

As planned 2019 was another year of growth and investment, particularly in our teams, marketing, our increasing bar network both in the UK and overseas and in acquisitions. This led to an increase in overheads.

ADJUSTED EBITDA AND OPERATING PROFIT

The gain on the acquisition of the Berlin brewery and taproom contributed to the improvement in adjusted EBITDA and operating profit. The adjusted EBITDA and operating profit excluding the Berlin brewery gain are down on 2018 but reflect the continued significant reinvestment in the business to underpin future growth.

OUR BREWERIES

Located in our homeland of Scotland, our Ellon HQ continues to be one of the most technologically-advanced brewing sites in Europe. The global headquarters for our business, this site also employs more than 250 people in Scotland.

Launched in 2017, our site in Columbus now brews beer for a total of 13 American states, as well as being the home of our biggest DogTap worldwide, and The DogHouse hotel, named as one of TIME magazine's top 100 places on the planet.

Our brewing facility in Brisbane will begin operating in 2020, but we previewed the launch by opening DogTap Brisbane in 2019. The response from the local community blew us away, as sales tripled forecast in the first few weeks alone.

This brewing facility in the capital of Germany offers us a site on mainland Europe from which to distribute BrewDog-brewed beer. The site itself is also home to a destination craft beer bar and educational centre for homebrewers.

OUR BARS

BrewDog now have now more than 100 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 2019

	NOTES	2019 £000	2018 £000
Gross Revenue	4	214,896	171,619
Duty		(40,290)	(31,966)
Net revenue		174,606	139,653
Cost of sales		(99,167)	(81,912)
Gross Profit		75,439	57,741
Operating expenses		(88,677)	(58,021)
Gain on acquisition of Berlin brewery and taproom	15	14,249	-
Gain/(Loss) on disposal of property, plant and equipment		766	(303)
Other operating income	5	1,956	974
Operating Profit	6	3,733	391
Finance income	9	1,053	354
Finance costs	10	(3,671)	(1,321)
Profit / (Loss) before taxation		1,115	(576)
Income tax expense	11	(65)	(917)
Profit / (Loss) for the year		1,050	(1,493)

Attributable to:		
Equity holders of the parent	1,162	(1,373)
Non-controlling interests	(112)	(120)
	1,050	(1,493)

OTHER COMPREHENSIVE INCOME

Exchange differences on translation of foreign operations	(344)	(34)
Other comprehensive (loss) for the year, net of tax	(344)	(34)
Total comprehensive income / (loss) for the year, net of tax	706	(1,527)

Attributable to:		
Equity holders of the parent	818	(1,407)
Non-controlling interests	(112)	(120)
	706	(1,527)

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	12	145,192	124,477
Right-of-use asset	22	98,464	-
Intangible assets	13	21,102	17,016
Other non-current financial assets	14	157	-
		264,915	141,493
Current assets			
Trade and other receivables	16	45,923	37,364
Inventory	17	14,653	15,033
Corporation tax receivable		904	331
Cash and cash equivalents	18	35,164	38,978
		96,644	91,706
Total assets		361,559	233,199
Current liabilities			
Trade and other payables	19	40,418	35,967
Lease liabilities	22	7,791	-
Financial liabilities	20	10,583	10,776
		58,792	46,743
Non-current liabilities			
Deferred tax liabilities	11	2,653	2,399
Lease liabilities	22	97,922	-
Financial liabilities	20	21,828	16,555
Government grants	26	3,304	2,508
		125,707	21,462
Total liabilities		184,499	68,205
Net Assets		177,060	164,994
Equity			
Called up share capital	24	73	73
Share premium account	24	158,226	147,535
Treasury shares	25	(1,185)	(1,185)
Foreign currency translation reserve	25	170	514
Retained earnings		19,955	18,149
Equity attributable to equity holders of the parent		177,239	165,086
Non-controlling interests		(179)	(92)
Total Equity		177,060	164,994

Signed on behalf of the Board of Directors on 28th August 2020

J.B.Watt
Director

N.A.Simpson
Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	12	68,575	71,537
Right-of-use assets	22	7,001	-
Intangible assets	13	2,101	1,294
Other non-current financial assets	14	31,096	28,098
		108,773	100,929
Current assets			
Trade and other receivables	16	98,689	76,860
Inventory	17	10,853	8,900
Corporation tax receivable		499	434
Cash and cash equivalents	18	29,479	34,633
		139,520	120,827
Total assets		248,293	221,756
Current liabilities			
Trade and other payables	19	22,741	18,948
Lease liabilities	22	705	-
Financial liabilities	20	10,540	10,690
		33,986	29,638
Non-current liabilities			
Deferred tax liabilities	11	2,400	2,241
Lease liabilities	22	12,122	-
Financial liabilities	20	21,828	16,555
Government grants	26	2,157	2,055
		38,507	20,851
Total liabilities		72,493	50,489
Net assets		175,800	171,267
Equity			
Called up share capital	24	73	73
Share premium account	24	158,226	147,535
Treasury shares	25	(1,185)	(1,185)
Retained earnings		18,686	24,844
Total Equity		175,800	171,267

The group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company income statement. The loss after tax recorded by the company for the year was £6,158,000 (2018: profit of £3,193,000).

Signed on behalf of the Board of Directors on 28 August 2020

J.B.Watt
Director

N.A.Simpson
Director

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	72	128,880	(1,185)	548	18,515	146,830	(7)	146,823
Loss for the year	-	-	-	-	(1,373)	(1,373)	(120)	(1,493)
Other comprehensive loss	-	-	-	(34)	-	(34)	-	(34)
Issue of share capital	1	19,143	-	-	-	19,144	-	19,144
Issue of share capital in subsidiary	-	-	-	-	1,007	1,007	35	1,042
Share options granted	-	501	-	-	-	501	-	501
Transaction costs	-	(989)	-	-	-	(989)	-	(989
At 1 January 2019	73	147,535	(1,185)	514	18,149	165,086	(92)	164,994
Profit for the year	-	-	-	-	1,162	1,162	(112)	1,050
Other comprehensive loss	-	-	-	(344)	-	(344)	-	(344)
Issue of share capital	-	10,667	-	-	-	10,667	-	10,667
Issue of share capital in subsidiary	-	-	-	-	644	644	25	669
Share options granted	-	642	-	-	-	642	-	642
Share options exercised	-	87	-	-	-	87	-	87
Transaction costs	-	(705)	-	-	-	(705)	-	(705)
At 31 December 2019	73	158,226	(1,185)	170	19,955	177,239	(179)	177,060

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital £000	Share premium £000	Treasury shares £000	Retained Earnings £000	Total equity £000
At 1 January 2018	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
Share options granted	-	501	-	-	501
Transaction costs	-	(989)	-	-	(989)
At 1 January 2019	73	147,535	(1,185)	24,844	171,267
Loss for the year	-	-	-	(6,158)	(6,158)
Issue of share capital	-	10,667	-	-	10,667
Share options granted	-	642	-	-	642
Share options exercised	-	87	-	-	87
Transaction costs	-	(705)	-	-	(705)
At 31 December 2019	73	158,226	(1,185)	18,686	175,800

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 £000	2018 £000
Cashflows from operating activities			
Profit/(Loss) before tax		1,115	(576)
Adjustments to reconcile profit before tax to net cash flows:			
(Gain) / Loss on disposal of property, plant and equipment		(1,567)	303
Release of contingent consideration		(1,000)	-
Gain on Acquisition of Berlin brewery & taproom		(14,249)	-
Depreciation		11,014	7,855
Amortisation of ROU assets		6,902	-
Impairment		614	-
Grant amortisation		(149)	(138)
Foreign exchange		1,585	(1,651)
Financial income		(1,053)	(216)
Financial charges		3,671	1,321
Share based payment expense		642	501
Working capital adjustments:			
Decrease / (increase) in inventory		380	(7,466)
Increase in trade and other receivables		(8,559)	(11,058)
Increase in trade and other payables		5,486	6,043
Interest received		903	217
Interest paid		(1,640)	(842)
Taxation paid		(271)	(400)
Taxation refunded		876	78
Net cash flow from / (used in) operating activities		4,700	(6,029)
Investing activities			
Purchase of property, plant and equipment		(26,888)	(44,137)
Proceeds from sale of property, plant and equipment		14,769	-
Purchase of intangible assets		(428)	-
Investment in an unlisted entity		(157)	-
Acquisition of subsidiaries (net of cash acquired)		(2,022)	(13,071)
Net cash flow used in investing activities		(14,726)	(57,208)
Financing activities			
Issue of ordinary share capital		9,016	17,683
Transaction costs of issue of shares		(705)	(989)
Proceeds from government grants		251	453
Repayment of bonds		(1,659)	(11)
Repayment of borrowings		(247)	(259)
Principle elements of lease payments		(7,430)	-
Hire purchase Payments / (Receipts)		6,986	(3,160)
Net cash flow from financing activities		6,212	13,717
Net decrease in cash and cash equivalents		(3,814)	(49,520)
Cash and cash equivalents at beginning of year		38,978	88,498
Cash and cash equivalents at end of year		35,164	38,978

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTE	2019 £000	2018 £000
Cashflows from operating activities			
(Loss)/Profit before tax		(5,918)	3,974
Adjustments to reconcile loss before tax to net cash flows:			
Gain on disposal of property, plant and equipment		(1,567)	-
Release of contingent consideration		(1,000)	-
Depreciation		4,008	3,065
Amortisation of ROU assets		441	-
Impairment		1,479	52
Grant amortisation		(149)	(138)
Foreign exchange loss/(gain)		1,555	(938)
Finance income		(1,053)	(804)
Finance Charges		1,753	1,308
Share based payment expense		642	501
Working capital adjustments:			
Increase in inventory		(1,953)	(3,267)
Increase in trade and other receivables		(3,802)	(9,113)
Increase in trade and other payables		2,787	3,567
Interest received		903	217
Interest paid		(1,622)	(975)
Taxation paid		(271)	(400)
Taxation refunded		876	78
Net cash flows used in operating activities		(2,891)	(2,873)
Investing activities			
Investment in Subsidiary		-	-
Purchase of property, plant and equipment		(8,845)	(26,109)
Proceeds from sale of property, plant and equipment		14,769	-
Purchase of intangible assets		(386)	-
Loan provided to subsidiaries		(18,517)	(22,574)
Investment in an unlisted associate		(157)	-
Acquisition of subsidiaries (net of cash acquired)		(1,674)	(12,856)
Net cash flows used in investing activities		(14,810)	(61,539)
Financing activities			
Issue of ordinary share capital		8,372	16,643
Transaction costs of issue of shares		(705)	(989)
Proceeds from government grants		251	-
Repayment of bond		(1,659)	(11)
Repayment of borrowings		(247)	(259)
Principal elements of lease payments		(494)	-
Hire Purchase Receipts / (Payments)		7,029	(3,143)
Net cash flows from financing activities		12,547	12,241
Net decrease in cash and cash equivalents		(5,154)	(52,171)
Cash and cash equivalents at beginning of year		34,633	86,804
Cash and cash equivalents at end of year		29,479	34,633

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

1. GENERAL INFORMATION

The financial statements of BrewDog PLC and its subsidiaries (collectively, the group) for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 28 August 2020. 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.

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.

Going concern

The directors continue to closely monitor the Coronavirus outbreak, with particular regard to the wellbeing of their people and their ability to make, distribute and sell great beers.

Widespread protective measures have been put in place throughout the Group globally to respond to the pandemic. All bars were closed and brewing facilities adjusted operating procedures to ensure social distancing was maintained. Staff who are not currently required given the reduced operations have been furloughed. For our office staff many were furloughed or are working from home.

These actions have significantly impacted the cash flows generated; however, the impact has been mitigated by the expansion of online sales and increased distribution through major retailers due to changes in consumers demands, and the utilisation of Government schemes such as the Coronavirus Job Retention Scheme and the deferral of HMRC payments. Such preparation and planning has allowed the Directors to maximise cash resources available to the Group and, as far as possible, mitigate the impact of the virus on the business.

As lockdown restrictions ease and we start to be allowed to reopen bars across our network we have put in place a number of protective measures to ensure we are complying with various governments guidelines on social distancing, track and trace, face coverings and also further enhanced our hygiene practices. Our brewing facilities continue to operate with our adjusted procedures and operation of shift patterns allows us to limit the number of staff onsite.

The directors do not yet know what further measures may need to be put in place to contain this virus, but are continuing to review and make plans to minimise the likelihood of transmission within BrewDog workplaces and retail outlets.

Management have performed stress testing of cashflow forecasts to take account of the potential impacts of Covid-19, including adjustments to capacity and expansion plans, and are satisfied in the most severe, yet plausible, 'Downside' scenario, including the potential for a second pandemic wave that would impact the group for a longer period including into 2021, that the group has access to sufficient liquidity through the going concern period. As such, 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.

3. ACCOUNTING POLICIES

New standards and interpretations

The company has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the year ending 31 December 2019. Where the changes affect the company, the relevant application and disclosure has been made during the year to 31 December 2019. The new and amended IFRSs during the year are as detailed below:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRS 16: Leases
- IFRIC 23 Uncertainty over Income Tax Treatments.

Several other amendments and interpretations apply for the first time in 2019, 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 16 Leases

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.23%.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS CONT...

The group has also elected not to reassess whether a contract is, or contains a, lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The lease liabilities of the Group as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	£000
Operating lease commitments as at 31 December 2018	82,031
Less: Impact of discounting	(21,151)
Add: Extension and termination options reasonably certain to be exercised	6,365
Lease liabilities at 1 January 2019	67,245

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 company's accounting period beginning on or after 1 January 2020 or later periods, but the company has not early adopted them:

- References to Conceptual Framework in IFRS Standards (1 January 2020)
- IFRS 3 Business Combinations. References to Conceptual Framework in IFRS Standards and Definition of a Business
- IFRS 7 Financial Instruments: Disclosures. Interest rate benchmark reform (1 January 2020)
- IFRS 9 Financial Instruments. Interest Rate Benchmark Reform
- IAS 1 Presentation of Financial Statements. Definition of material (1 January 2020), References to Conceptual Framework in IFRS Standards and classification of liabilities as current or non-current (1 January 2022)
- IAS 8 Accounting policies, changes in accounting estimates and errors. Definition of material and References to Conceptual Framework in IFRS Standards (1 January 2020)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement. Interest rate benchmark reform (1 January 2020).

It is not anticipated that the application of the above standards and amendments will have any material impact on the company's financial statements.

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	20 - 50% 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 operating 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.

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 ($), Euro (€) and Australian dollars (AUS $).

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.

As indicated in note 2 above, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.23%.

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

NOTES TO THE FINANCIAL STATEMENTS CONT...

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 calculated with reference to the last substantial share purchase. 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 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 60-90 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 below:

	2019	2018
Geographical segment	£000	£000
UK	154,981	132,357
Europe	30,062	21,003
USA and Canada	21,004	13,314
Rest of the world	8,849	4,945
	214,896	171,619

5. OTHER OPERATING INCOME

	2019	2018
	£000	£000
Release of contingent consideration	1,000	-
R&D tax credit	384	633
Other income	572	341
	1,956	974

6. OPERATING PROFIT

This is stated after charging/(crediting)

	2019	2018
	£000	£000
Depreciation of tangible assets (note 12)	11,014	7,855
Amortisation of right-of-use assets (note 22)	6,902	-
Operating lease rentals	-	5,024
Auditors remuneration (note 7)	307	258
Research and development	3,200	3,187
Loss/(profit) on foreign exchange	1,585	(1,497)
Impairment - property, plant and equipment (note 12)	337	
Impairment - goodwill (note 13)	277	-
Share based payment expense (note 24)	642	501

7. 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:

	2019	2018
	£000	£000
Audit of the financial statements	230	161
Tax advisory services	2	24
Other advisory services	75	73
	307	258

8. STAFF COSTS AND DIRECTOR'S EMOLUMENTS

a. Staff Costs	2019	2018
	£000	£000
Wages and salaries	48,104	35,321
Pension costs	1,659	1,206
Social security costs	4,181	3,289
Share based payment expense	350	31
	54,294	39,847

The previous 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:

	2019	2018
	No.	No.
Directors	8	9
Administration	180	147
Production	232	199
Selling and distribution	193	98
Bar staff	1,154	794
	1,767	1,247

b. Director's remuneration	2019	2018
	£000	£000
Director's remuneration	1,639	1,119
Pension contributions	123	89
Share based payment expense	292	470
	2,054	1,678

In respect of the highest paid director:

	2019	2018
	£000	£000
Aggregate remuneration	442	237
Pension contributions	43	24
	485	261

Payments include an extended notice payment agreed on taking on a new role and are non-recurring

	2019	2018
	£000	£000
Number of directors who received share options during the year.	1	3

NOTES TO THE FINANCIAL STATEMENTS CONT...

9. FINANCE INCOME

	2019	2018
	£000	£000
Bank interest received	904	216
Capital grant release (note 26)	149	138
Total finance income	1,053	354

10. FINANCE COST

	2019	2018
	£000	£000
Bank loans and overdrafts	417	184
Lease interest from adoption of IFRS 16 (note 22)	2,031	-
Hire purchase interest	300	212
Bond interest	923	925
Total finance costs	3,671	1,321

11. INCOME TAX

Group

a) Income tax on profit for the year	2019	2018
	£000	£000
UK corporation tax on the profit for the year	-	571
Amounts over provided in previous years	(103)	(37)
Foreign taxes	(33)	6
Total current income tax	(136)	540
Deferred income tax:		
Origination and reversal of temporary differences	337	510
Deferred tax adjustments in previous periods	(136)	(133)
Total deferred income tax charge	201	377
Income tax charge in the group statement of comprehensive income	65	917

b) Reconciliation of the total income tax charge	2019	2018
	£000	£000
Profit / (Loss) from continuing operations	1,115	(576)
Tax calculated at UK standard rate of corporation tax of 19% (2018 – 19%)	212	(109)
Expenses not deductible for tax purposes	471	218
Other fixed asset related movements	55	326
Other timing differences	(471)	90
Foreign tax credits	5	6
Tax over provided in previous years	(267)	(37)
Change in tax laws and rate	2	(176)
Deferred tax not recognised	(2,161)	140
R&D expenditure	73	(47)
Non-taxable income	(28)	(174)
Unrecognised tax losses in other jurisdictions	873	690
Tax losses utilised	-	(10)
Chargeable Gains	1,301	-
Income tax charge in the group statement of comprehensive income	65	917

The income tax expense above is computed at profit before taxation multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%).

c) Deferred income tax

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

	Group 2019	Group 2018	Company 2019	Company 2018
	£000	£000	£000	£000
Deferred tax liability				
Temporary differences relating to property, plant and equipment	3,712	2,471	3,459	2,241
Deferred tax asset				
Tax losses carried forward	(1,059)	(72)	(1,059)	-
Net deferred tax liability	2,653	2,399	2,400	2,241
Deferred tax in the income statement				
Temporary differences relating to property, plant and equipment	201	377	159	429
	201	377	159	429

12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	Long term leasehold property	Fixtures and fittings	Motor vehicle	Plant and machinery	Computer equipment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost:								
At 1 January 2019	54,527	16,699	13,729	290	51,392	2,137	4,669	143,443
Additions	1,462	9,432	8,982	135	5,725	682	470	26,888
Acquisition of subsidiaries	-	-	7,376	-	7,954	-	-	15,330
Disposals	(7,591)	(891)	(731)	(57)	(688)	(5)	-	(9,963)
Transfers	1,230	30	6,905	-	(3,572)	76	(4,669)	-
Exchange differences	(498)	110	(50)	(2)	(475)	(11)	-	(926)
At 31 December 2019	49,130	25,380	36,211	366	60,336	2,879	470	174,772
Depreciation:								
At 1 January 2019	1,454	2,533	6,101	147	7,919	812	-	18,966
Charge for the year	1,099	946	5,467	47	2,676	779	-	11,014
On disposals	(78)	(129)	(324)	-	(68)	(3)	-	(602)
Impairment	-	337	-	-	-	-	-	337
Transfers	-	(2)	2,237	-	(2,235)	-	-	-
Exchange differences	(1)	(14)	(66)	(1)	(51)	(2)	-	(135)
At 31 December 2019	2,474	3,671	13,415	193	8,241	1,586	-	29,580
Net book value:								
At 31 December 2019	46,656	21,709	22,796	173	52,095	1,293	470	145,192
At 31 December 2018	53,073	14,166	7,628	143	43,473	1,325	4,669	124,477

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

	Plant and machinery
	£000
Net book value:	
At 31 December 2019	22,714
At 31 December 2018	15,116
Depreciation charge for the year:	
31 December 2019	2,764
31 December 2018	2,146

NOTES TO THE FINANCIAL STATEMENTS CONT...

Company	Land and buildings	Long term leasehold property	Fixtures and fittings	Motor vehicle	Plant and machinery	Computer equipment	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost:								
At 1 January 2019	37,929	11	632	202	35,434	1,779	4,669	80,656
Additions	1,476	123	1,845	78	4,723	600	-	8,845
Disposals	(7,591)	-	(285)	-	-	-	-	(7,876)
Transfers	1,337	-	6,828	-	(3,572)	76	(4,669)	-
At 31 December 2019	33,151	134	9,020	280	36,585	2,455	-	81,625
Depreciation:								
At 1 January 2019	1,061	2	418	120	6,793	726	-	9,120
Charge for the year	433	5	1,492	35	1,416	627	-	4,008
Disposals	(78)	-	-	-	-	-	-	(78)
Transfers	-	-	2,234	-	(2,234)	-	-	-
At 31 December 2019	1,416	7	4,144	155	5,975	1,353	-	13,050
Net book value:								
At 31 December 2019	31,735	127	4,876	125	30,610	1,102	-	68,575
At 31 December 2018	36,868	9	214	82	28,641	1,053	4,669	71,537

Included previous are assets held under hire purchase contacts as follows:

	Plant and machinery
	£000
Net book value:	
At 31 December 2019	22,628
At 31 December 2018	15,116
Depreciation charge for the year:	
31 December 2019	2,754
31 December 2018	2,146

13. INTANGIBLE FIXED ASSETS

Group	Other	Goodwill	Brand development	Distribution Rights	Total
	£000	£000	£000		£000
Cost:					
At 1 January 2019	154	15,568	-	1,294	17,016
Additions	-	-	768	42	810
Acquisition of subsidiaries	-	3,706	-	-	3,706
Transfer	(39)	-	39	-	-
At 31 December 2019	115	19,274	807	1,336	21,532
Amortisation					
At 1 January 2019	-	-	-	-	-
Amortisation	115	38	-	-	153
Impairment	-	277	-	-	277
At 31 December 2019	115	315	-	-	430
Net book value:					
At 31 December 2019	-	18,959	807	1,336	21,102
At 31 December 2018	154	15,568	-	1,294	17,016

During the year to 31 December 2019, Goodwill relating to international retail cash generating units was impaired by £277,000. This was due to trading in these bars not meeting the company's expectations.

Company	Brand development	Distribution Rights	Total
	£000		£000
Cost:			
At 1 January 2019	-	1,294	1,294
Additions	768	-	768
Transfer from another group at cost	39	-	39
At 31 December 2019	807	1,294	2,101

14. OTHER NON-CURRENT FINANCIAL ASSETS

Group	Unlisted investments
Cost	£000
At 1 January 2019	-
Addition of Crown & Hops	157
At 31 December 2019	157
Net book value	
At 31 December 2019	157
At 31 December 2018	-

Company	Unlisted investments	Shares in group undertakings	Total
Cost	£000	£000	£000
At 1 January 2019	-	28,098	28,098
Additions	-	500	500
Acquisition of associate	157	-	157
Acquisition of subsidiaries	-	3,820	3,820
At 31 December 2019	157	32,418	32,575
Depreciation	£000	£000	£000
At 1 January 2019	-	-	-
Impairment	-	1,479	1,479
At 31 December 2019	-	1,479	1,479
Net book value:			
At 31 December 2019	157	30,939	31,096
At 31 December 2018	-	28,098	28,098

During the year to 31 December 2019, investments in international retail cash generating units were impaired by £229,000. This was due to trading in these bars not meeting our expectations.

The trading and net assets of Lone Wolf Spirits Limited was transferred to the Company during the year, and the investment in Lone Wolf was fully impaired, resulting in a charge to the Company income statement of £1,250,000.

For the year ended 31 December 2019, 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, Hawkes Cider Limited and BrewDog International Limited.

NOTES TO THE FINANCIAL STATEMENTS CONT...

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 (1)	Ordinary	Scotland	100%	Bar operator
Lone Wolf Spirits Limited (1)	Ordinary	Scotland	100%	Dormant
BrewDog Admin Limited (1)	Ordinary	Scotland	100%	Dormant
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
Hawkes Cider Limited (3)	Ordinary	England	100%	Cider producer
BrewDog GmbH (4)	Ordinary	Germany	100%	Bar operator & brewery
BrewDog Group Australia Pty Ltd (5)	Ordinary	Australia	100%	Holding company
BrewDog do Brasil Comercio de Alimentos e Bebidas Ltda (6)	Ordinary	Brazil	100%	Bar operator
BrewDog Belgium SPRL (7)	Ordinary	Belgium	100%	Bar operator
BrewDog Group HK Ltd (10)	Ordinary	Hong Kong	100%	Holding company
BD Casanova SL (11)	Ordinary	Spain	100%	Bar operator
BrewDog Bar Korea (13)	Ordinary	South Korea	70%	Bar operator
BrewDog USA Inc (14)	Ordinary	USA	97%	Holding company
BrewDog Media Inc (14)	Ordinary	USA	100%	Holding company
BrewDog Sweden AB (20)	Ordinary	Sweden	100%	Holding company

Indirectly held		
Draft House TB Limited (2)	Ordinary	England
Draft House NC Limited (2)	Ordinary	England
BrewDog Verwaltungs UG (4)	Ordinary	Germany
BrewDog Brewing Australia Pty Ltd (5)	Ordinary	Australia
BrewDog Canada Ltd (8)	Ordinary	Canada
BrewDog Bars France SAS (9)	Ordinary	France
Bryggmester Bob AS (12)	Ordinary	Norway
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	Ordinary	USA
BrewDog Licensing LLC (14)	Ordinary	USA
BrewDog Pittsburgh LLC (14)	Ordinary	USA
BrewDog Indianapolis LLC (14) USA	Ordinary	USA
BrewDog NYC LLC (14)	Ordinary	USA
BrewDog Columbus LLC (15)	Ordinary	USA
DrinkTV LLC (16)	Ordinary	USA
Drink TV Inc (16)	Ordinary	USA
BrewDog Ireland Ltd (17)	Ordinary	Ireland
Kabushi Kaisha BrewDog Japan (18)	Ordinary	Japan
BrewDog Italy S.R.L (19)	Ordinary	Italy
BruDog Malmo AB (20)	Ordinary	Sweden
BruDog Bar GBG AB (20)	Ordinary	Sweden
BruDog Norrkoping AB (20)	Ordinary	Sweden
BruDog Sodermalm AB (20)	Ordinary	Sweden
BruDog Bar St Eriksgatan AB (20)	Ordinary	Sweden

(1) Registered office address; Balmacassie Commercial Park, Ellon, Aberdeenshire, 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; IM Marienpark 23, 12107, Berlin, Germany

(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

(17) Registered office address; 2 Grand Canal Square, Dublin, Ireland, D02 A342

(18) Registered office address; Saitoh Building 1F, 5-3-2, Roppongi, Minato-ku, Tokyo

(19) Registered office address; Corso Vercelli 40, 20145, Milan

(20) Registered office address; Baltzarsgatan 25 211 36 MALMÖ

15. BUSINESS COMBINATIONS

Acquisitions in 2019

Acquisition from Stone Brewing GmbH

On 30 April 2019, the Group acquired certain assets and employees from Stone Brewing GmbH.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisition were

Assets	Fair value recognised on acquisition £000
Tangible fixed assets	15,029
Financial assets	514
	15,543
Liabilities	
Financial liabilities	(1,237)
	(1,237)
Total identifiable net assets at fair value	14,306
Gain on acquisition	14,249
Purchase consideration	58

The total consideration paid was £58,000 and was cash settled. The fair value of net assets acquired was £14,306,000, resulting in a gain of £14,249,000. This gain has been disclosed separately on the face of the income statement.

The revenue included in the consolidated income statement since 30 April 2019 contributed by the assets acquired was £3,317,000, with a loss of £1,375,000.

Had the assets been acquired and consolidated from 1 January 2019, the consolidated income statement would have included revenue of £4,976,000 and a loss of £2,063,000.

Stone operated the site in Berlin for three years, and despite best efforts, struggled to make inroads to the German market. This coupled with the ability of BrewDog to move quickly and complete the acquisition resulted in the purchase gain.

Acquisition of Brudog Sweden AB

On 1 March 2019, BrewDog plc acquired 100% of the voting shares of Brudog Sweden AB, an unlisted holding company based in Sweden. This company owns the share capital of five subsidiaries, each responsible for operating a bar in Sweden.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Brudog Sweden AB as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Fixtures and Fittings	242
Other assets	119
Inventory	32
Cash & Cash Equivalents	146
	539
Liabilities	
Financial liabilities	(353)
	(353)
Total identifiable net assets at fair value	186
Goodwill arising on acquisition	3,635
Purchase consideration	3,821

The total consideration paid for the acquisition was £3,821,000, with £1,821,000 settled in cash, and the remaining balance of £2,000,000 being settled by the issue of 84,211 shares to the owners of Brudog Sweden AB. The issue of shares to the owners of Brudog Sweden related wholly to the acquisition of control.

The revenue included in the consolidated income statement since 1 March 2019 were contributed by Brudog Sweden was £2,425,000. Brudog Sweden incurred a pretax profit of £23,000 over the same period.

Had Brudog Sweden been consolidated from 1 January 2019, the consolidated income would have included revenue of £2,910,000 and a profit of £28,000.

NOTES TO THE FINANCIAL STATEMENTS CONT...

Acquisition of Kabushiki Kaisha BrewDog Japan

On 8 January 2019, the Group acquired 100% of the share capital of Kabushiki Kaisha BrewDog Japan, an unlisted company that operates a bar in Roppongi, Japan.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Kabushiki Kaisha BrewDog Japan as at the date of acquisition were:

Assets	Fair value recognised on acquisition £000
Fixtures and fittings	59
Financial assets	203
Inventory	19
Cash & Cash Equivalents	75
	356
Liabilities	
Financial liabilities	(63)
	(63)
Total identifiable net assets at fair value	293
Goodwill arising on acquisition	71
Purchase consideration	364

The total consideration paid for the acquisition was £364,000 and was cash settled.

The revenue included in the consolidated income statement since 8 January 2019 contributed from the Company was £710,000. The Company incurred a pre-tax loss of £68,000 over the same period.

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	11,666

The total consideration paid for the acquisition was £10,666,000, all cash settled. The remaining £1,000,000 was contingent upon Draft House meeting defined sales and EBITDA targets for the 12 months to 31 October 2019. As these targets were not met this amount has been recognised in the income statement in 2019.

The revenue included in the 2018 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 post 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 assets 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 shareholder who remained employed by BrewDog following the acquisition.

The revenue included in the 2018 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

In February 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 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 2018 consolidated income statement since February 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 2018, 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 assets at fair value	129
Goodwill arising on acquisition	41
Purchase consideration	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.

16. TRADE AND OTHER RECEIVABLES

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

Group	2019	2018
	£000	£000
Trade receivables	34,132	27,206
Prepayments and other receivables	11,791	10,158
	45,923	37,364

Trade and other receivables due after one year amounted to £2,295,000 (2018: £2,119,000)

Company	2019	2018
	£000	£000
Trade receivables	31,918	26,140
Prepayments and other receivables	3,486	5,462
Receivable from group undertakings	63,285	45,258
	98,689	76,860

Group		Neither past due not impaired			Past due but not impaired	
	Total	< 30 days	30-60 days	60-90 days	60-90 days	Over 90 days
	£000	£000	£000	£000	£000	£000
2019	34,132	12,480	12,050	2,664	1,706	5,232
2018	27,206	10,121	11,011	1,570	1,631	2,873

Company		Neither past due not impaired			Past due but not impaired	
	Total	< 30 days	30-60 days	60-90 days	60-90 days	Over 90 days
	£000	£000	£000	£000	£000	£000
2019	31,918	11,967	11,922	2,539	1,706	3,784
2018	26,140	9,496	10,800	1,573	1,631	2,640

NOTES TO THE FINANCIAL STATEMENTS CONT...

17. INVENTORY

Group	2019	2018
	£000	£000
Raw materials	4,483	3,067
Work in progress	1,183	1,730
Finished goods and goods for resale	8,987	10,236
	14,653	15,033

Company	2019	2018
	£000	£000
Raw materials	3,158	2,989
Work in progress	1,056	1,179
Finished goods and goods for resale	6,639	4,732
	10,853	8,900

18. CASH AND CASH EQUIVALENTS

Group	2019	2018
	£000	£000
Cash at bank and in hand	35,164	38,978

Company	2019	2018
	£000	£000
Cash at bank and in hand	29,479	34,633

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.

19. TRADE AND OTHER PAYABLES

The carrying value of financial instruments approximates fair value.

Group	2019	2018
	£000	£000
Trade payables	10,431	14,477
Accruals and other payables	23,390	17,298
Taxes and social security	6,597	4,192
	40,418	35,967

Company	2019	2018
	£000	£000
Trade payables	4,502	9,359
Accruals and other payables	14,576	6,765
Taxes and social security	3,663	2,824
	22,741	18,948

20. FINANCIAL LIABILITIES

Group	2019	2018
	£000	£000
Current:		
£1,820,000 bank loan	143	143
£2,000,000 bank loan	157	157
£5,000,000 bank loan	5,000	5,000
6% non-convertible bonds	641	2,300
Obligations under hire purchase contracts	4,642	3,176
Total current borrowings	10,583	10,776
Non-current:		
£1,820,000 bank loan	844	964
£2,000,000 bank loan	1,167	1,294
Obligations under hire purchase contracts	9,818	4,298
7.5% non-convertible bonds	9,999	9,999
Total non-current borrowings	21,828	16,555

Company	2019	2018
	£000	£000
Current:		
£1,820,000 bank loan	143	143
£2,000,000 bank loan	157	157
£5,000,000 bank loan	5,000	5,000
6% non-convertible bonds	641	2,300
Obligations under hire purchase contracts	4,599	3,090
Total current borrowings	10,540	10,690
Non-current:		
£1,820,000 bank loan	844	964
£2,000,000 bank loan	1,167	1,294
Obligations under hire purchase contracts	9,818	4,298
7.5% non-convertible bonds	9,999	9,999
Total non-current borrowings	21,828	16,555

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, which matured in November 2019. During the year bonds totalling £1,658,000 were re-paid. The purpose of the bond was to finance expansion. The bonds were issued with an interest rate of 6.5%, paid bi-annually. The amounts not repaid of £642,000 were reinvested into the new four year 6% bond. Applications for this new bond finalised in January 2020 and therefore at year end, these amounts were repayable on demand.

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 £10,000,000 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.

21. CAPITAL COMMITMENT

Group	2019	2018
	£000	£000
Contracted for but not provided in the financial statements	1,835	9,656

Company	2019	2018
	£000	£000
Contracted for but not provided in the financial statements	213	6,095

22. LEASES

Lease agreements where the group is lessee

The group has entered into commercial leases on certain land, buildings and equipment. These leases have an average duration of between 3 and 25 years. Certain 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 lease payments under leases:

Group *Amounts recognised in the balance sheet*	31 Dec 2019	1 Jan 2019
	£000	£000
Right-of-use assets net book value		
Buildings	97,709	66,709
Vehicles	535	297
Equipment	220	239
	98,464	67,245

	31 Dec 2019	1 Jan 2019
	£000	£000
Lease liabilities		
Current	7,791	5,400
Non-current	97,922	61,845
	105,713	67,245

Additions to the right-of-use assets during the 2019 financial year were £38,122,000.

NOTES TO THE FINANCIAL STATEMENTS CONT...

Group	2019	2019
Amounts recognised in the statement of profit or loss	£000	£000
Amortisation of right-of-use assets		
Buildings	6,646	-
Vehicles	208	-
Equipment	48	-
Amortisation included in operating profit (note 6)	6,902	-

	2019	2019
	£000	£000
Interest expense included in finance costs (note 10)	2,031	-

Company	31 Dec 2019	1 Jan 2019
Amounts recognised in the balance sheet	£000	£000
Right-of-use assets net book value		
Buildings	6,367	416
Vehicles	494	228
Equipment	140	148
	7,001	792

	31 Dec 2019	1 Jan 2019
	£000	£000
Lease liabilities		
Current	705	363
Non-current	12,122	429
	12,827	792

Additions to the right-of-use assets during the 2019 financial year were £6,175,000. During the year a gain of £1,567,000 was recognised on the Sale and Leaseback of Hop Hub. Cash consideration of £14,769,000 was received for this property, which was acquired in June 2018 for £7,591,000.

Company	2019	2019
Amounts recognised in the statement of profit or loss	£000	£000
Amortisation of right-of-use assets		
Buildings	223	-
Vehicles	182	-
Equipment	36	-
Amortisation included in operating profit	441	-

	2019	2019
	£000	£000
Interest expense included in finance costs	131	-

23. 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
2019		
US Dollar/Sterling	+10%	(3,196)
	-10%	3,196
Euro/Sterling	+10%	799
	-10%	(799)
2018		
US Dollar/Sterling	+10%	(3,022)
	-10%	3,022
Euro/Sterling	+10%	153
	-10%	(153)

24. SHARE CAPITAL

Group and company	2019	2019	2018	2018
	No. 000	£000	No. 000	£000
Allotted called up and fully paid Ordinary A shares				
At 1 January	43,625	43	43,625	43
Share options exercised	81	-	-	-
Issued during the year	85	-	-	-
	43,791	43	43,625	43

Group and company	2019	2019	2018	2018
	No. 000	£000	No. 000	£000
Allotted called up and fully paid Ordinary B shares				
At 1 January	12,901	13	12,076	12
Issued through Equity for Punks	539	-	825	1
At 31 December	13,440	13	12,901	13

Group and company	2019	2019	2018	2018
	No. 000	£000	No. 000	£000
Allotted called up and fully paid Preferred C Ordinary shares				
At 1 January and 31 December 2019	16,161	17	16,161	17
Total	**73,392**	**73**	**72,687**	**73**

During the year the company issued 279,000 (2018: 825,000) Ordinary B shares to the public under its Equity for Punks VI (2018: V) crowdfunding initiative with an issue price of £25.00 (2018: £23.75) per share. This created additional share premium of £6,985,000 (2018: £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 (2018: £nil) of share capital and share premium remains unpaid.

At the year-end there were 1,317,968 (2018: 1,526,370) share options granted and not exercised.

Group and company	2019	2018
	Share premium account £000	Share premium account £000
At 1 January	147,535	128,880
Issued through Equity for Punks	6,985	16,643
Issued during the year	3,682	2,500
Share options granted	642	501
Share options exercised	87	-
Transaction costs	(705)	(989)
At 31 December	158,226	147,535

25. 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.

26. GOVERNMENT GRANTS

Group	2019	2018
	£000	£000
At 1 January	2,508	2,193
Received during the year	250	453
Acquired on business combinations	723	-
Translation of grants denominated in foreign currency	(28)	-
Released to the statement of comprehensive income	(149)	(138)
At 31 December	3,304	2,508

	2019	2018
	£000	£000
Current	291	185
Non-current	3,013	2,323
	3,304	2,508

Company	2019	2018
	£000	£000
At 1 January	2,055	2,193
Received during the year	251	-
Released to the statement of comprehensive income	(149)	(138)
At 31 December	2,157	2,055

	2019	2018
	£000	£000
Current	149	138
Non-current	2,008	1,917
	2,157	2,055

Government grants have been received for the purchase of certain items of land, property, plant and equipment. Provisions are made if required in relation to unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE FINANCIAL STATEMENTS CONT...

27. 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 (CSOPs)

Options granted under the EMI plan are exercisable four to ten years following the date of grant. One award under this scheme has both service vesting conditions, and 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 nine 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 three awards made under this scheme being exercisable on grant. Three awards only have 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	Number	WAEP	WACL	Number	WAEP	WACL
		£	Years		£	Years		£	Years
Outstanding at 1 January 2018	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
Granted during the year	-	-	-	-	-	-	515,000	1.00	2.95
Exercised during the year	-	-	-	-	-	-	(81,064)	1.08	0.52
Lapsed during the year	(250,000)	0.48	2.00	(14,550)	1.10	6.00	(377,788)	1.00	3.14
Outstanding at 31 December 2019	391,300	0.14	6.88	43,270	2.18	6.36	883,398	1.02	2.93
Exercisable at 31 December 2019	-	-		-	-		51,598	1.10	
Exercisable at 31 December 2018	-	-		-	-		85,000	1.10	-

The fair value of the options granted during the period was £5 (2018: £5). This was calculated with reference to the last substantial share purchase.

During 2019 the company issued 15,297 Ordinary B shares with an issue price of £23.75 (consistent with EFPV) as consideration for services received. This created additional share premium of £382,000.

28. 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				
2019	9,578	-	11,430	-
2018	8,626	-	5,173	-
BrewDog USA Inc				
2019	22	-	31,652	-
2018	313	-	29,921	-
BrewDog GMBH				
2019	429	-	3,663	-
2018	111	-	633	-
Lone Wolf Spirits Ltd				
2019	-	3,171	-	-
2018	-	1,228	1,415	-
BrewDog Belgium SPRL				
2019	116	-	734	-
2018	133	-	701	-
BD Casanova SL				
2019	64	-	607	-
2018	45	-	273	-
Draft House Holding Ltd				
2019	1,137	-	4,348	-
2018	625	-	4,084	-
Hawkes Cider Ltd				
2019	29	80	1,138	-
2018	-	278	367	-
BrewDog Korea				
2019	-	-	897	-
2018	17	-	788	-
BrewDog Brasil				
2019	-	-	214	-
2018	1	-	25	-
Bryggmester Bob AS				
2019	-	-	170	-
2018	-	-	95	-
BrewDog International				
2019	-	-	666	-
2018	-	-	285	-
BrewDog Sweden				
2019	11	-	57	-
2018	-	-	-	-
BrewDog Australia				
2019	140	-	2,357	-
2018	-	-	212	-
Kabushi Kaisha BrewDog Japan				
2019	-	-	142	-
2018	-	-	-	-
BrewDog Ireland				
2019	19	-	2,342	-
2018	-	-	-	-
BrewDog France				
2019	52	-	1,983	-
2018	-	-	-	-
Drink TV				
2019	-	909	1,517	-
2018	-	-	-	-
BrewDog Group HK Ltd				
2019	-	-	628	-
2018	-	-	-	-
Other directors' interests				
2019	166	221	92	49
2018	185	661	47	5

During 2019 a number of assets held by one of the directors have been divested, resulting in lower levels of purchases from related parties.

Director's loan	Amounts owed by related parties £000	Amounts owed to related parties £000
2019	45	-
2018	45	-

Director's loan

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

Other directors' interests

During both 2019 and 2018, purchases at normal market prices were made by group companies from JBW (77) Limited, Musa 77 Limited, Jet Pack Pie Limited, 63FCMH LLC and Ten Tonne Mouse Inc, companies controlled by one of the directors.

During 2019, purchases at normal market prices were made by group companies from Pie & Mouse Limited, a company controlled by one of the directors.

29. POST BALANCE SHEET EVENTS

As a result of the COVID-19 pandemic, the company has conducted an assessment on the potential financial and operational risks to the business. This assessment is described in more detail under the Going Concern assessment. Despite the potential impact across the business, the Directors do not currently expect any impairments due to the headroom available when an impairment test was undertaken at the year end.

Subsequent to the year end the company raised £3,309,000 on issue of a bond on 22 January 2020 paying 6% interest (5% in cash and 1% in beer). There have been no other events since the balance sheet date.

The company also converted a £5,000,000 repayable on demand loan into a structured term loan, repayable in quarterly equal instalments over 10 years. Interest will be calculated quarterly and charged at 2.1% per annum over the Base Rate.

Furthermore, the company entered into an invoice financing arrangement which states that the company can obtain a prepayment of up to 90% of outstanding accounts receivable in the UK, up to a facility limit of £20m.

It should be noted that the agreement does not contain any financial covenants which the company is to adhere to. The company also secured a £25,000,000 CLBILS loan, repayable over 3 years. 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 2019 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 29 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 of the parent company's affairs as at 31 December 2019 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 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.

EMPHASIS OF MATTER

We draw attention to notes 2 and 29 included in the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which has the potential to impact supply chains, commodity prices and personnel available for work and or being able to access breweries, retail outlets and offices. Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO GOING CONCERN:

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 48, 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.

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.

Jamie Dixon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor), Aberdeen.
28 August 2020

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 2019. 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 £1,050,000 (2018: loss of £1,493,000). No dividend has been paid or proposed (2018: £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 profit of £1,115,000 (2018: pre-tax loss of £576,000) for the year and turnover of £214,896,000 (2018: £171,619,000).

FUTURE DEVELOPMENTS

We are in business to make other people as passionate about great craft beer as we are. We will continue to invest in our people, our beer, our infrastructure and our breweries. We are renewing our focus on sustainability and transparency, to ensure that we make great beer and have a planet to drink it on.

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 (resigned 31 December 2019)
J L O'Hara
F B Jack
J K Marshall (resigned 5 April 2019)
A Shaw (appointed 15 February 2019, resigned 24 July 2019)

GOING CONCERN

The directors continue to closely monitor the Coronavirus outbreak, with particular regard to the wellbeing of their people and their ability to make, distribute and sell great beers.

Widespread protective measures have been put in place throughout the Group globally to respond to the pandemic. All bars were closed and brewing facilities adjusted operating procedures to ensure social distancing was maintained. Staff who are not currently required given the reduced operations have been furloughed. For our office staff many were furloughed or are working from home.

These actions have significantly impacted the cash flows generated, however, the impact has been mitigated by the expansion of online sales and increased distribution through major retailers due to changes in consumers demands and the utilisation of Government schemes such as the Coronavirus Job Retention Scheme and the deferral of HMRC payments. Such preparation and planning has allowed the Directors to maximise cash resources available to the Group and, as far as possible, mitigate the impact of the virus on the business.

As lockdown restrictions ease and we start to be allowed to reopen bars across our network we have put in place a number of protective measures to ensure we are complying with various governments guidelines on social distancing, track and trace, face coverings and also further enhanced our hygiene practices. Our brewing facilities continue to operate with our adjusted procedures and operation of shift patterns allows us to limit the number of staff onsite.

The directors do not yet know what further measures may need to be put in place to contain this virus, but are continuing to review and make plans to minimise the likelihood of transmission within BrewDog workplaces and retail outlets.

Management have performed stress testing of cashflow forecasts to take account of the potential impacts of Covid-19, including adjustments to capacity and expansion plans, and are satisfied in the most severe, yet plausible, 'Downside' scenario, including the potential for a second pandemic wave that would impact the group for a longer period including into 2021, that the group has access to sufficient liquidity through the going concern period. As such, 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

As a result of the COVID-19 pandemic, the company has conducted an assessment on the potential financial and operational risks to the business. This assessment is described in more detail under the Going Concern assessment. Despite the potential impact across the business, the Directors do not currently expect any impairments due to the headroom available when an impairment test was undertaken at the year end.

Subsequent to the year end the company raised £3,309,000 through the issue of a bond on 22 January 2020 paying 6% interest (5% in cash and 1% in beer).

The company also converted a £5,000,000 repayable on demand loan into a structured term loan, repayable in quarterly equal instalments over 10 years. Interest will be calculated quarterly and charged at 2.1% per annum over the Base Rate.

Furthermore, the company entered into an invoice financing arrangement which states that the company can obtain a prepayment of up to 90% of outstanding accounts receivable in the UK, up to a facility limit of £20m. It should be noted that the agreement does not contain any financial covenants which the company is to adhere to.

The company also secured a £25,000,000 CBILS loan, repayable over 3 years.

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. 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.

The acquisition during the year of our brewery in Berlin allows us to produce and distribute our product within the E.U.

Coronavirus

We are closely monitoring the Coronavirus outbreak, with particularly regard to the well-being of our people and our ability to make, distribute and sell great beers. If widespread protective measures are put in place globally, this will significantly impact our results and therefore the cash flows generated by our bars and brewing facilities.

We do not yet know what measures may need to be

DIRECTORS' REPORT....CONT

put in place to contain this virus, but are making plans to minimise the likelihood of transmission within our workplaces and are continuing to scenario plan. This will allow us to maximise our cash resources and allow us to, as far as possible, mitigate the impact of the virus on our business.

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.

SECTION 172 OF THE UK COMPANIES ACT 2006 STATEMENT AND OUR COMMITMENT TO TRANSPARENT AND CONSTRUCTIVE DIALOGUE WITH ALL OF OUR STAKEHOLDERS

The UK Corporate Governance Code (the Code) requires the board to understand the views of the company's other key stakeholders and report how their interests and the matters set out in Section 172 of the UK Companies Act 2006 have been considered in board discussions and decision making.

During the year, the directors believe that they have acted in a way, and have made decisions that would, most likely promote the success of the group for the benefit of its members as a whole, with particular regard for the following key stakeholders:

Our People

BrewDog is built on a commitment to its workforce, who are essential to our success and growth. The BrewDog Crewprint was introduced during 2019 to outline the range of benefits offered to our teams, focussing on key matters for them including being paid a Real Living Wage, charitable giving, and learning and development, and which are detailed in the 'Our People' section. Monthly 'all hands meetings' hosted by a director are held with employees that can either be attended in person or watched on demand. These sessions cover trading, strategic priorities and new initiatives, with time for Q&A. Bi-monthly open door sessions are held with the Chief Operating Officer for all employees, where any matters can be discussed.

Our Equity for Punks and other investors

We actively engage with our EFPs and other investors to support an understanding of our business, progress against strategic priorities and to address any concerns. Our EFP team has the primary responsibility for managing and developing our relationship with EFPs. In addition to help build our EFP community the forum facilitates communication between our investors and the business, including directors. The AGM is an opportunity for shareholders to hear from the founders on the Group's performance and strategic direction and to ask questions – in addition to tasting our fantastic range of beers and spirits with other like-minded people. The AGM is available to webcast to those EFPs who cannot attend in person. BrewDog's shareholder base is managed by the EFP team with support from the Company's registrars, Computershare.

Our Communities

Our belief is that business should be a force for good. Given the current climate crisis, we have launched six major initiatives to ensure that in addition to making great beer, we ensure that we have a planet to drink it on. These include giving waste cans a second life, reducing waste by turning imperfect beer into great Vodka, and investing up to £1m a year to support research initiatives that help our industry have a positive impact on the world. The 'BrewDog Tomorrow' section provides further detail on these initiatives. We also seek to benefit the communities in which we work, whether it is those surrounding our four Breweries or our 100 bars. This includes community events, such as Christmas parties, charitable giving of both time and resources, and working closely with local businesses.

Our suppliers

To allow us to make great beer, our suppliers are fundamental to the quality of our products. To ensure we obtain quality raw materials, we partner closely with key suppliers. This includes providing support for research and development, providing updates on our business, strategic priorities and new product development.

By order of the Board of Directors

J B Watt

Director

28 August 2020

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.

BREWDOG MANAGEMENT TEAM

DIRECTORS

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
CFO

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.

DAVID MCDOWALL
Group COO

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.

BLYTHE JACK

Blythe is Managing Director at TSG Consumer. She joined TSG with extensive private equity and branded consumer experience, having spent over 10 years at Rosewood Capital and having served as CEO of a high-growth consumer products company. She has also served as a National Judge for Ernst & Young's acclaimed Entrepreneur of the Year® program. Blythe received a BA, with honors, in Communication Studies from Vanderbilt University.

JAMIE O'HARA

Jamie's experience includes business unit strategy, facility rationalization and new business development for consumer and household products companies. Jamie is a former practicing corporate and securities attorney and a former consultant at Bain & Company. He holds a BA in Economics and Philosophy and a JD, both from Georgetown University.

KEITH GREGGOR

Keith Greggor founded The Griffin Group in 2007 to pursue and create opportunities within the drinks industry. Prior to forming The Griffin Group, He served as COO and CMO of Skyy Spirits, which he helped grow from a small single brand company in 1998 to a significant multi-brand company in 2006. Keith has a long-standing history of leading embryonic brands and companies through their tipping points to prolonged success.

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