

Molson Coors Brewing Company (UK) Limited

Financial Statements and Directors' Report for the 52 week
period ended 25 December 2010

Registered number 26018

TUESDAY



A6F18XWE

A25

27/09/2011

238

COMPANIES HOUSE

Directors' Report

For the 52 week period ended 25 December 2010

The directors present their annual report on the affairs of the company, together with the audited financial statements and the independent auditors' report for the 52 week period ended 25 December 2010. The company's registered number is 26018. The period end falls on the last Saturday of each year, in line with that of the ultimate parent, Molson Coors Brewing Company.

Principal activities

The principal activities of the company comprise malting, brewing, packaging and the supply of beer, wines, spirits and soft drinks.

Business review

Molson Coors Brewing Company (UK) Limited ("MCBC (UK)") is the United Kingdom's second-largest beer company with unit volume sales of approximately 542 million UK barrels in 2010. MCBC (UK) has an approximate 19% share of the UK beer market, Western Europe's second-largest market. Sales are primarily in England and Wales, with the Carling brand (a mainstream lager) representing more than 80% of MCBC (UK)'s total beer volume. Additionally, MCBC (UK) has an associate arrangement for the production and distribution of Grolsch in the United Kingdom and Republic of Ireland, a joint venture arrangement for the production and distribution of the Cobra brands in the UK, factored brand sales (beverage brands owned by other companies, but sold and delivered to retailers by MCBC (UK)), and an associate arrangement with DHL for the distribution of products throughout Great Britain. In November 2010 a distribution agreement with Modelo has been signed for the Modelo brands, including Corona.

The beer industry is subject to seasonal sales fluctuations primarily influenced by holiday periods, weather and by certain major televised sporting events. Weather conditions can significantly impact sales volumes, as noted during 2010 and 2009 when unusually cool, rainy weather in the summer months resulted in lower sales volumes.

Beer volume in the on-trade and off-trade business, which represents approximately 60% of volumes and an even greater proportion of margin, declined by approximately 12.6% compared to 2009. This compared to an overall industry on-premise channel decline of 7.9%, giving a market share increase for MCBC (UK). The off-premise volume for 2010 increased by approximately 3.6% compared to 2009. This compared to an overall industry off-premise channel increase of 1% compared to 2009, resulting in an overall market share increase for MCBC (UK).

Turnover for MCBC (UK) increased by 1.5% in 2010. This was driven by an increase in selling price per barrel which offset an overall volume decline of 6.7%. Selling price per barrel increased approximately 8.8% mainly driven by an increase in owned brand turnover per barrel as a result of improved pricing.

Directors' Report (continued)

For the 52 week period ended 25 December 2010

Business review (continued)

Despite the selling price per barrel rise, industry pricing continues to be the most important source of margin pressure in the UK beer business in both the on and off-trade. The company is managing pricing by channel, in the context of local competition, while staying focused on the core strategy of building strong brands for the long term.

Sales volumes were lower in 2010 which resulted in a 1.6% reduction in excise duty on own products compared to 2009. This combined with cost reduction initiatives implemented in 2007, 2008 and 2009 continued to drive cost benefits in 2010. Production cost savings as a result of these initiatives were, however, partly offset by input cost inflation and increases of 10.9% in marketing, sales and administration expenses.

Profit before taxation saw a period on period increase of £24.3m from £28.7m to £53m.

The directors' consider the trading results to be satisfactory.

Future developments

The company will continue to develop and invest in the key brands of the business in order to build a well-balanced product portfolio and to maximise profitability. This will enable the company to alleviate the key risks of both a further shift into the lower-margin off-premise market and increased price pressure in the light of current economic conditions.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

Consolidation of pubs and growth in the size of pub chains in the United Kingdom could result in less opportunity to achieve favourable pricing. The trend toward consolidation of pubs, away from independent pub and club operations, is continuing in the United Kingdom. These larger entities have stronger price negotiating power, which could impact MCBC (UK)'s ability to obtain favourable pricing in the on-premise channel (due to spill over effect of reduced negotiating leverage) and could reduce our revenues and profit margins. In addition, these larger customers continue to move to purchasing directly more of the products that, in the past, we have provided as part of our factored business. Further consolidation could adversely impact us.

We depend exclusively on one logistics provider in England, Wales and Scotland for distribution of our MCBC UK products. We have an associate holding with DHL called Tradeteam. Tradeteam handles all of the physical distribution for MCBC (UK) in England, Wales and Scotland, except where a different distribution

Directors' Report (continued)

For the 52 week period ended 25 December 2010

Principal risks and uncertainties (continued)

system is requested by a customer. If Tradeteam were unable to continue distribution of our product and we were unable to find a suitable replacement in a timely manner, we could experience significant disruptions in our business that could have an adverse financial impact.

Sales volume trends in the UK brewing industry reflect movement from on-premise locations to off-premise locations, a trend which adversely impacts our profitability. We have noted in recent years that beer volume sales in the UK have been shifting from pubs and restaurants (on-premise) to retail stores (off-premise), for the industry in general. The ban on smoking in pubs and restaurants across the whole of the UK during 2007 has accelerated this trend. Margins on sales to off-premise customers tend to be lower than margins on sales to on-premise customers, hence these trends could adversely impact our profitability.

Our success as a business depends largely on the success of one primary product in a mature market; failure or weakening could materially adversely affect our financial results. Although we currently have a variety of different products in our portfolio, Carling lager is the best-selling brand in the United Kingdom and represented approximately 80% of our sales volume in 2010. Any material shift in consumer preferences away from this brand, or from the categories in which it competes, would have a disproportionately large adverse impact on our business.

Changes in tax, environmental or other regulations or failure to comply with existing licensing, trade and other regulations could have a material adverse effect on our financial condition. Our business is highly regulated by legislation and regulations regarding such matters as licensing requirements, trade and pricing practices, labelling, advertising, promotion and marketing practices, relationships with distributors, environmental matters, smoking bans at on-premise locations, and other matters. These laws and regulations are subject to frequent re-evaluation. Failure to comply with existing laws and regulations or changes in these laws and regulations or in tax, environmental, excise tax levels, imposed or any other laws or regulations could result in the loss, revocation or suspension of our licenses, permits or approvals and could have a material adverse effect on our business, financial condition, and results of operations.

Our operations face significant commodity price change exposure which could materially and adversely affect our operating results. We use a large volume of agricultural and other raw materials to produce our products, including barley, barley malt, hops, corn, other various starches, water, and packaging materials, including aluminium, cardboard and other paper products. We also use a significant amount of gas in our operations. The supply and price of these raw materials and commodities can be affected by a number of factors beyond our control, including market demand, global geopolitical events, frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases, and theft. To the extent any of the foregoing factors affect the prices of ingredients or packaging or our hedging arrangements do not effectively or completely hedge changes in commodity price risks, our results of operations could be materially and adversely impacted.

Directors' Report (continued)

For the 52 week period ended 25 December 2010

Principal risks and uncertainties (continued)

Poor investment performance of pension plan holdings and other factors impacting pension plan costs could adversely impact liquidity and results of operations. Our costs of providing defined benefit pension plans are dependant upon a number of factors, such as the rates of return on the plan's assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plan, future government regulation and our required and/or voluntary contributions made to the plan

Without sustained growth in the pension investments over time to increase the value of the plan assets and depending on certain other factors as listed above, we could be required to fund the plan with significant amounts of cash. Such cash funding obligations could have a material impact on our cashflows, credit rating and cost of borrowing, financial position or results of operations

Financial risk management

The company's operations expose it to a variety of financial risks that include currency risk, credit risk, commodity risk, liquidity risk and interest rate cash flow risk. The company has in place financial risk management control processes that seek to limit the adverse effects of financial performance of the company by monitoring levels of trade debtors and creditors. Overseas suppliers and customers are monitored, though dealings with overseas suppliers and customers are limited, hence minimising the company's exposure to currency risk. The company uses derivative financial instruments to manage currency risk and commodity risk exposure in the form of forward purchase contracts. The company has taken the exemptions allowed under FRS 26 to elect not to apply fair value measurement to these contracts

Currency risk. The company undertakes minimal transactions in foreign currency and therefore its exposure to currency risk as a result of its operations is considered to be minimal. The company may, from time to time, minimise currency risk exposures by entering into forward contracts to purchase foreign currency at fixed exchange rates. In the current period a forward contract has been used to minimise foreign exchange risk for a specific supply contract

Commodity risk. The company purchases a variety of commodities used in the production process. In the current period a forward contract to purchase natural gas was used to minimise the risk caused by price fluctuations in the natural gas market

Credit risk. The company has implemented policies that require appropriate credit checks on potential customers before sales are made and continued contact with customers after sales have been made. The amount of exposure to any individual counter party is subject to a limit, which is reassessed on a regular basis by senior management

Directors' Report (continued)

For the 52 week period ended 25 December 2010

Financial risk management (continued)

Liquidity risk. The company actively monitors working capital and ensures that the company has sufficient available funds for operations and meeting its debts as they fall due

Interest rate cash flow risk. The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include trade loans and cash balances. Interest bearing liabilities include bank overdrafts and intercompany debt. The company has a policy of maintaining debt at a fixed rate to ensure certainty of future cash flows. This is in line with the policy set out by the MCBC group.

Results and dividends

The audited financial statements for the 52 week period ended 25 December 2010 are set out on pages 10 to 40. The profit for the period, before taxation amounted to £53,047,000 (2009 £28,732,000). Taxation for the period was a charge of £4,241,000 (2009 £4,571,000).

During the period no dividends were paid (2009 £nil). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period and up to the date of signing the financial statements were as follows:

M R Hunter

D Heede

W J Heynen

S J Cox

T Ashworth-Davies (Appointed 26 August 2010)

L Finney (Appointed 8 July 2010)

C McDonough (Appointed 26 May 2010)

S Albion (Appointed 17 April 2011)

D Preston (Appointed 24 March 2010, Resigned 17 April 2011)

S P Ellis (Resigned 25 May 2011)

M D Thomas (Resigned 8 July 2010)

Directors' Report (continued)

For the 52 week period ended 25 December 2010

Supplier payment policy

The company's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Trade creditors of the company at 25 December 2010 were equivalent to 61 days' purchases (2009 57 days), based on the average daily amount invoiced by suppliers during the period.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine and the internal communications website. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Fixed assets

Details of the company's fixed assets are given in note 9. The breweries and the maltings are considered to be specialised properties where a market value is not available.

Research and development

Research in the brewing business is concentrated on the development of new products and dispense technologies capable of generating greater turnover.

Charitable and political contributions

During the period the company made charitable donations of £nil (2009 £64,721 to Mencap). No political donations were made during the period (2009 £nil).

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report (continued)

For the 52 week period ended 25 December 2010

Subsequent events

On 31 January 2011 MCBC (UK) purchased 100% of the issued share capital of Sharp's Brewery Limited, a modern brewer of cask conditioned beer. Since its foundation in 1994, Sharp's has grown rapidly to become the largest brewer of cask beer in South West England. This is primarily due to the success of the Doom Bar brand which is one of the fastest growing cask ale beers in the UK.

The acquisition of Sharp's is intended to broaden MCBC UK's portfolio of brands and to strengthen its position in South West England. The main driver behind the acquisition is considered to be the Doom Bar brand, with a number 1 position in the South West and a top 10 position in London and South England. It has built a strong reputation for being a brand of quality and for being brewed locally.

In the year to October 31, 2010 Sharp's reported a turnover of £16.1m and profits of £1.63m. It produces around 75,000 barrels a year and MCBC (UK) have retained the brewery based at Rock, Cornwall.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

137 High Street
Burton upon Trent
DE14 1JZ

By order of the board,



D Heede
Director

Date 19 September 2011

Independent auditors' report to the members of Molson Coors Brewing Company (UK) Limited

We have audited the financial statements of Molson Coors Brewing Company (UK) Limited for the 52 week period ended 25 December 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movement in shareholders' funds, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 25 December 2010 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report to the members of Molson Coors Brewing Company (UK) Limited (continued)


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



Christopher Hibbs (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

Donington Court

Pegasus Business Park

Castle Donington

DE74 2UZ

Date

19 September 2011

Profit and loss account
For the 52 week period ended 25 December 2010

	Note	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Turnover	1	1,366,691	1,346,597
Costs and overheads, less other income	2	(1,307,265)	(1,311,526)
Operating profit		59,426	35,071
Loss on sale of tangible fixed assets	4	(2,825)	(3,022)
Income from fixed asset investments		7,245	5,860
Profit on ordinary activities before interest and taxation		63,846	37,909
Interest receivable and similar income	5	2,124	2,002
Interest payable and similar charges	5	(5,923)	(5,579)
Other finance cost	6	(7,000)	(5,600)
Profit on ordinary activities before taxation		53,047	28,732
Tax on profit on ordinary activities	7	(4,241)	(4,571)
Profit for the financial period		48,806	24,161

The above results relate to continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents

The notes on pages 14 to 40 form an integral part of the financial statements

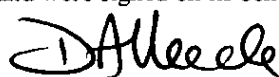
Statement of total recognised gains and losses
For the 52 week period ended 25 December 2010

	Note	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Profit for the financial period		48,806	24,161
Actuarial gain/(loss) on pension scheme	6	88,500	(166,400)
Movement on deferred tax relating to pension deficit	15	(37,021)	46,592
Total gains and losses recognised relating to the period		100,285	(95,647)

Balance Sheet
As at 25 December 2010

	Note	25 December 2010 £'000	26 December 2009 £'000
Fixed assets			
Intangible assets	8	19,514	23,670
Tangible assets	9	241,586	238,124
Investments	10	154,198	162,633
		<u>415,298</u>	<u>424,427</u>
Current assets			
Stocks	11	67,809	58,035
Debtors	12	278,419	269,489
Cash at bank and in hand		100,113	89,582
		<u>446,341</u>	<u>417,106</u>
Creditors amounts falling due within one year	13	(349,459)	(331,908)
Net current assets		<u>96,822</u>	<u>85,198</u>
Total assets less current liabilities		512,180	509,625
Creditors amounts falling due after more than one year	14	(182,615)	(107,841)
Provisions for liabilities	15	(10,570)	(14,653)
Net assets excluding pension liability		<u>318,995</u>	<u>387,131</u>
Net pension liability	6	(50,689)	(219,110)
Net assets including pension liability		<u>268,306</u>	<u>168,021</u>
Capital and reserves			
Called up share capital	17	1,722	1,722
Share premium account	18	598,278	598,278
Revaluation reserve	18	795	795
Profit and loss account	18	(332,489)	(432,774)
Total shareholders' funds		<u>268,306</u>	<u>168,021</u>

The financial statements on pages 10 to 40 were approved by the Board of Directors on 19 September 2011 and were signed on its behalf by:


D Heede
Director
Date

The notes on pages 14 to 40 form an integral part of the financial statements

Reconciliation of movement in shareholders' funds
For the 52 week period ended 25 December 2010

		52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Profit for the financial period		48,806	24,161
Actuarial loss on pension scheme	6	88,500	(166,400)
Movement on deferred tax relating to pension scheme	15	(37,021)	46,592
Net increase/(decrease) in shareholders' funds		100,285	(95,647)
Opening shareholders' funds		168,021	263,668
Closing shareholders' funds		268,306	168,021

The notes on pages 14 to 40 form an integral part of the financial statements

Statement of accounting policies

For the 52 week period ended 25 December 2010

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding period and which the directors consider to be the most appropriate to the company's circumstances as required by FRS 18, is set out below

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The financial statements contain information about Molson Coors Brewing Company (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 (for EEA parents) of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Molson Coors Brewing Company, a company incorporated in the USA. The company is exempt from the requirement of FRS 1 (revised 1996) to present a cash flow statement. The consolidated financial statements of the ultimate parent company are publicly available.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is between 4 and 20 years. Provision is made for any impairment.

Research and development

Research and development expenditure is written off as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Cost is determined as the purchase costs plus associated costs in bringing the asset into working condition and location. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	40 years
Breweries and maltings freehold buildings	25 years
Plant and machinery	5-20 years
Fixtures and fittings	
Office furniture and fittings	2-15 years
Equipment in retail outlets	2-7 years
Information technology equipment	3-5 years

Statement of accounting policies (continued)

For the 52 week period ended 25 December 2010

Tangible fixed assets (continued)

On adoption of FRS 15, the Company has followed the transitional arrangements to retain the book value of properties which were revalued in the year ended 30 September 1999 and not to adopt a policy of further revaluations. Previous valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve. Where a permanent impairment in the value of a property is identified, the deficit is eliminated against any revaluation reserve in respect of that property with any excess being charged to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity and is measured on a weighted average cost basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Fixed asset investments

Shares in subsidiaries and associated undertakings and trade loans are stated at cost less any provision for impairment. Provisions are made subsequent to impairment reviews. Trade loans are valued at cost less any provision for impairment.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business,

Statement of accounting policies (continued)

For the 52 week period ended 25 December 2010

Turnover (continued)

net of trade discounts, VAT and other sales related taxes Turnover is recognised at the point of delivery aside from contract brewing, where turnover is recognised at the point of collection, with revenue adjusted for accrued and deferred income as appropriate

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term

Assets leased under finance leases are included in fixed assets at cost less depreciation Obligations under finance leases, net of finance charges in respect of future periods, are included in creditors The interest element of the rental is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligation Depreciation is charged on a straight line basis over the useful economic life

Pension and post retirement benefits

The company operates a funded defined benefit pension scheme for staff employees recruited prior to April 2006 The scheme fund is administered by trustees and is independent of the company's finances On 4 April 2009 the fund was closed to future accruals of retirement benefits

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities The expected return on the scheme's assets and the increase in the period in the present value of liabilities arising from the passage of time are included in other financial income Actuarial gains and losses are recognised in the statement of total recognised gains and losses Pension scheme deficits are recognised in full Pension surpluses will be recognised to the extent that they are considered recoverable

The company operates a defined contribution scheme for employees recruited after April 2006 In 2009 another scheme was set up for employees who were previously in the defined benefit scheme For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Share based payments

Molson Coors Brewing Company ("MCBC") issues equity-settled share-based payments to certain employees of MCBC (UK) Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on MCBC's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions At each balance sheet date, the company revises its estimate of the number if

Statement of accounting policies (continued)

For the 52 week period ended 25 December 2010

Share based payments (continued)

options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

Fair value of each equity-settled share-based payment is determined on the date of grant using the Black-Scholes option-pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Note 16 provides further detail of each type of share-based payment arrangement and the terms and conditions of each arrangement.

Related party disclosure

The company has taken advantage of the exemption in FRS 8 as a wholly owned subsidiary not to disclose details of related party transactions required by the standard. The consolidated financial statements in which the subsidiary is included are publicly available.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All foreign exchange gains and losses are charged to the profit and loss account.

Commodity and currency forward contracts

The company has commodity and forward contracts to hedge its exposure. Gains and losses on hedges are recognised in the period to which they relate.

Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred, and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all of the activities that are necessary to get the asset ready for use are complete.

Dividends

Dividend distributions to equity holders of the company are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised as there is no present obligation at the balance sheet date. Dividends received from group undertakings are recognised when received.

Statement of accounting policies (continued)
For the 52 week period ended 25 December 2010

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Notes to the financial statements
For the 52 week period ended 25 December 2010

1 Turnover

Turnover is all attributable to the principal activities of the company

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
<i>Geographical segments</i>		
United Kingdom	1,335,185	1,317,229
Rest of the World	31,506	29,368
	<u>1,366,691</u>	<u>1,346,597</u>

All turnover originates in the United Kingdom, all net assets are based in the United Kingdom and there is only one class of business

2. Costs and overheads

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Raw materials and consumables	388,124	369,200
Excise duty on own products	532,048	540,517
Staff costs (see note 3)	120,420	115,970
Depreciation on tangible fixed assets (see note 9)	36,068	42,448
Amortisation of goodwill (see note 8)	4,156	3,607
Trade loans provided for in period (see note 10)	2,575	4,110
Maintenance and repairs	24,572	22,848
Advertising costs	13,225	14,714
Other external charges	198,297	199,913
Change in stocks of finished goods and work in progress	(12,220)	(1,801)
	<u>1,307,265</u>	<u>1,311,526</u>

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
<i>The following are included above</i>		
Operating lease rentals		
- plant and machinery	7,453	7,519
- other	1,896	1,992
Research and development expenditure	-	468

Notes to the financial statements (continued)

For the 52 week period ended 25 December 2010

2 Costs and overheads, less other income (continued)

In 2010 auditors' remuneration relating to audit fees of £212,000 was borne by another group company (2009 £200,000). Auditors' remuneration in relation to non-audit fees for other services provided during the period were £97,000 representing £7,000 for tax services and £90,000 for all other services (2009 £276,000)

3. Staff costs

	52 weeks ended 25 December 2010 Number	52 weeks ended 26 December 2009 Number
<i>The average monthly number of employees (including executive directors) was</i>		
Production	1,080	1,036
Sales	1,032	983
Administration	291	269
	<u>2,403</u>	<u>2,288</u>

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
<i>Their aggregate remuneration comprised</i>		
Wages and salaries	96,268	93,726
Social security costs	10,876	10,157
Other pension costs (note 6)	11,412	10,600
Cost of employee share schemes (note 16)	1,864	1,487
	<u>120,420</u>	<u>115,970</u>

Directors' remuneration

Remuneration was paid to directors of the company as follows

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Fee as directors	1,812	1,583
Pensions costs	217	122
Other emoluments	60	345
Bonuses	1,135	1,215
	<u>3,224</u>	<u>3,265</u>

Eight of the directors are accruing benefits under the defined contribution pension scheme (2009 six)
During the year one director exercised share options (2009 nine)

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

3. Staff costs (continued)

Directors' remuneration (continued)

The directors' remuneration shown on the previous page included

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
<i>Remuneration of highest paid director</i>		
Aggregate emoluments	698	785
Accrued pension under defined benefit pension scheme	-	18
Contributions into defined contribution pension scheme	-	65

The highest paid director exercised share options during the year (2009 none) The highest paid director received shares during the year under the MCBC Incentive Compensation Plan

4. Loss on sale of tangible fixed assets

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Loss on sale of tangible fixed assets	(2,825)	(3,022)

5. Interest and similar items

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
<i>Interest receivable and similar income</i>		
Bank interest receivable	635	496
Group interest receivable	207	68
Other interest receivable	1,282	1,438
	<u>2,124</u>	<u>2,002</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	2	18
Finance leases	2	5
Unwinding of discount on vacant lease provisions (note 15)	382	275
Group interest payable	5,537	5,281
	<u>5,923</u>	<u>5,579</u>

6. Net pension liability

The Company operates a contributory, self-administered, defined benefit pension plan Assets are held in a separately administered fund

An actuarial assessment of the Coors Brewers Pension Plan was carried out based on full data as at 30 June 2010 and updated to 31 December 2010 As a result there will be an element of approximation relative to

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

6. Net pension liability (continued)

the results of a hypothetical full actuarial valuation for FRS 17 at the measurement date. The full valuation of the scheme used the projected unit method and was carried out by Mercer, an independent and professionally qualified actuary.

On 1 April 2008 a salary sacrifice programme was implemented. This means that, for all accounting purposes, most of the contributions to the plan are from the employer (as it will make contributions on behalf of most members). This has been taken into account in both the 2010 and forward looking profit and loss charge. The forward looking profit and loss charge is based on the assumption that employees participate in the salary sacrifice arrangement.

From 4 April 2009 the plan closed to future accruals of retirement benefits. Therefore all active members effectively became deferred pensioners from that date and salary linkage of retirement benefits ceased. However, certain risk benefits will continue to be provided to those members who were active as at 4 April 2009, whilst they remain in employment with MCBC (UK), and these benefits will continue to be linked to salaries.

The actuarial assumptions employed were as follows:

	52 weeks ended 25 December 2010 % pa	52 weeks ended 26 December 2009 % pa	52 weeks ended 27 December 2008 % pa
Price inflation	3.45	3.60	2.90
Rate of increase in pay	3.45	-	4.15
Rate of increase of pensions in payment			
- pre 2006 pension	3.35	2.80	3.00
- post 2006 pension	3.00	2.60	2.80
Rate of increase for deferred pensioners	3.45	3.60	2.90
Discount rate	5.35	5.70	6.45
Cash commutation	20.00	20.00	20.00

Mortality assumptions are as follows:

Active and deferred members and pensioners	110% of S1 "all" tables with CMI projections and a 1% long term trend
--	---

Notes to the financial statements (continued)

For the 52 week period ended 25 December 2010

6. Net pension liability (continued)

The fair value of scheme assets and expected return rates were as follows

	<u>25 December 2010</u>		<u>26 December 2009</u>		<u>27 December 2008</u>	
	Fair value	Expected rate of return	Fair value	Expected rate of return	Fair value	Expected rate of return
	£'000	% pa	£'000	% pa	£'000	% pa
Equities	568,992	7.70	498,800	8.00	451,800	8.10
Fixed interest bonds	296,350	5.69	271,600	6.02	284,400	6.50
Index-linked bonds	154,102	4.80	141,400	5.10	145,800	3.95
Property	47,416	6.70	45,200	7.00	37,900	7.30
Cash	118,540	4.20	74,800	4.50	17,500	3.70
	<u>1,185,400</u>	<u>6.40</u>	<u>1,031,800</u>	<u>6.80</u>	<u>937,400</u>	<u>6.85</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The expected yield on bonds has been derived by using government and corporate bond yields at 25 December 2010. The expected return on equities is based on the assumption that equities will return 3.5% per annum above the yield on gilts. The expected return on property has been assumed to be halfway between the return on bonds and equities.

The following amounts were measured in accordance with FRS 17

	<u>25 December 2010</u>	<u>26 December 2009</u>	<u>27 December 2008</u>	<u>29 December 2007</u>	<u>30 December 2006</u>
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	1,185,400	1,031,800	937,400	1,127,900	1,114,150
Present value of scheme liabilities	<u>(1,295,600)</u>	<u>(1,348,700)</u>	<u>(1,082,900)</u>	<u>(1,152,800)</u>	<u>(1,121,680)</u>
Deficit in the scheme	(110,200)	(316,900)	(145,500)	(24,900)	(7,530)
Related deferred tax asset (note 15)	59,511	97,790	54,805	6,972	2,259
Net pension liability	<u>(50,689)</u>	<u>(219,110)</u>	<u>(90,695)</u>	<u>(17,928)</u>	<u>(5,271)</u>

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

6. Net pension liability (continued)

The movement in the deficit in the period was as follows

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Deficit at the start of the period	(316,900)	(145,500)
Contributions paid	127,200	4,300
Current service cost	-	(1,000)
Actual expenses paid	(2,000)	(2,700)
Other finance costs	(7,000)	(5,600)
Actuarial gain/(loss)	88,500	(166,400)
Deficit at the end of the period	<u>(110,200)</u>	<u>(316,900)</u>

The following amounts have been recognised in the performance statements in the period to 25 December 2010, under the requirements of FRS 17

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
<i>Operating profit</i>		
Current service costs	-	800
Actual expenses paid	2,000	2,700
Total operating charge	<u>2,000</u>	<u>3,500</u>
<i>Other finance costs</i>		
Expected return on pension assets	(68,000)	(62,200)
Interest on pension scheme liabilities	75,000	67,800
Net interest	<u>7,000</u>	<u>5,600</u>
Statement of total recognised gains and losses ("STRGL")		
	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Actual return less expected return on pension scheme assets	(27,700)	(94,000)
Changes in actuarial assumptions	(60,800)	260,400
Actuarial (gain)/loss recognised in the STRGL	<u>(88,500)</u>	<u>166,400</u>
Cumulative actuarial loss recognised in the STRGL	<u>195,400</u>	<u>284,140</u>

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

6 Net pension liability (continued)

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000	53 weeks ended 29 December 2007 £'000	53 weeks ended 30 December 2006 £'000
History of experience gains and losses					
(Gain)/loss on plan assets	(27,700)	(94,000)	285,800	18,100	(70,030)
% of plan assets at end of period	2.3%	9.11%	30.49%	1.60%	6.29%
Experience loss on plan liabilities	198,800	-	9,500	44,700	11,400
% of plan liabilities at end of period	15.3%	-	0.88%	3.88%	1.02%
Total actuarial loss recognised in STRGL	(88,500)	166,400	201,000	10,100	(93,360)
% of plan liabilities at end of period	6.8%	12.34%	18.56%	0.88%	8.32%

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Reconciliation of plan liabilities over the period		
Scheme liabilities at the start of the period	1,348,700	1,082,900
Interest cost	75,000	67,800
Current service cost (net of member contributions)	-	1,000
Actual member contributions	-	300
Actual benefit payments by the company	(67,300)	(60,000)
(Gain)/loss on change of assumptions	(60,800)	260,400
Present value of scheme liabilities at the end of the period	1,295,600	1,348,700

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Reconciliation of plan assets over the period		
Scheme assets at the start of the period	1,031,800	937,400
Actual total benefit payments by the company	(67,300)	(63,700)
Actual expenses paid	(2,000)	(2,700)
Actual company contributions	127,200	4,300
Actual member contributions	-	300
Expected return on assets	68,000	62,200
Gain on assets	27,700	94,000
Market value at end of the period	1,185,400	1,031,800

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

6. Net pension liability (continued)

Actual return on scheme assets

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Expected return on scheme assets	68,000	62,200
Asset gain	27,700	94,000
Actual return on scheme assets	<u>95,700</u>	<u>156,200</u>

Expected contributions and benefits to be paid **2011
£'000**

Expected company contributions for the period starting 1 January 2011

-

Expected member contributions for the period starting 1 January 2011

-

Forward looking defined benefit cost **2011
£'000**

Service cost	-
Expenses	2,100
Interest cost	67,500
Expected return on assets	(73,600)
Total expected profit and loss credit	<u>(4,000)</u>

Defined contribution scheme

The company also operates a defined contribution scheme. The company has paid £9,412,000 (2009 £7,100,000) of contributions into this scheme.

7. Tax on profit/(loss) on ordinary activities

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Tax for the period comprises		
Current tax		
UK corporation tax	7,121	4,641
Adjustments in respect of previous periods	(518)	(3,307)
Total current tax	<u>6,603</u>	<u>1,334</u>
Deferred tax		
Origination and reversal of timing differences	(1,899)	4,926
Changes in recoverable amounts of deferred tax assets	134	(1,689)
Effect on changes in tax rate on opening liability	(597)	-
Total deferred tax	<u>(2,362)</u>	<u>3,237</u>
Tax on profit/(loss) on ordinary activities	<u>4,241</u>	<u>4,571</u>

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

7 Tax on profit/(loss) on ordinary activities (continued)

Factors affecting the tax charge for the period

The differences between the total current tax shown above and the amount calculated by applying the effective rate of UK corporation tax to the profit before tax is as follows

	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000
Profit/(loss) on ordinary activities before tax	53,047	28,732
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 28% (2009 28%)	14,853	8,045
Effect of		
Expenses not deductible for tax purposes	(442)	1,522
Capital allowances for the period less than depreciation	4,671	(1,387)
Other timing differences	(11,685)	(3,539)
Movement in provisions not taxable in period	(276)	-
Adjustment in respect of previous periods	(518)	(3,307)
Current tax charge for the period	6,603	1,334

The Finance Act (No 2) 2010 was substantively enacted on 20 July 2010 and includes legislation to reduce the main rate of the corporation tax from 28% to 27% from 1 April 2011. The deferred tax liability at 25 December 2010 has been re-measured accordingly.

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. These changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014. The Budget also included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012.

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

The effect of the changes enacted by Parliament on 29 March 2011 is to reduce the deferred tax asset provided at the balance sheet date by £1,435,624. This decrease in the deferred tax asset is due to the additional reduction in the corporation tax rate to 26% with effect from 1 April 2011.

The effect of the changes expected to be enacted in The Finance Act 2011 would be to reduce the deferred tax asset provided at the balance sheet date by a further £1,060,458. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 26% to 25%, combined with a reduction in the rate of

Notes to the financial statements (continued)

For the 52 week period ended 25 December 2010

7. Tax on profit/(loss) on ordinary activities (continued)

writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, with effect from 1 April 2012

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £1,190,382

8. Intangible fixed assets - goodwill

Cost	£'000
At 27 December 2009 and 25 December 2010	36,317
Amortisation	
At 27 December 2009	12,647
Charge for the period	4,156
At 25 December 2010	16,803
Net book value	
At 25 December 2010	19,514
At 26 December 2009	23,670

9. Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 27 December 2009	74,987	331,126	172,796	578,909
Additions	1,495	14,465	29,158	45,118
Disposals	-	(5,681)	(8,840)	(14,521)
At 25 December 2010	76,482	339,910	193,114	609,506
Accumulated depreciation				
At 27 December 2009	24,670	184,926	131,189	340,785
Charge for the period	1,519	14,945	19,604	36,068
Disposals	-	(2,472)	(6,461)	(8,933)
At 25 December 2010	26,189	197,399	144,332	367,920
Net book value				
At 25 December 2010	50,293	142,511	48,782	241,586
At 26 December 2009	50,317	146,200	41,607	238,124

Leased assets included above within fixtures and fittings had a gross cost of £958,000 (2009 £958,000) and accumulated depreciation of £940,000 (2009 £908,000). Depreciation charged on leased assets during the year totalled £32,000 (2009 £176,000)

Notes to the financial statements (continued)

For the 52 week period ended 25 December 2010

9 Tangible assets (continued)

Interest capitalised on additions in the period amounted to £483,000 (2009 £504,000) The cumulative amount of interest capitalised in the total cost above amounts to £2,789,000 (2009 £2,306,000) The interest rate used to capitalise is 7.5% (2009 7.5%)

Analysis of land and buildings	Cost or valuation £'000	Aggregate depreciation £'000	Net book value £'000
Freehold	75,910	26,145	49,765
Leasehold under 50 years	572	44	528
At 25 December 2010	76,482	26,189	50,293

	25 December 2010 £'000	26 December 2009 £'000
Analysis of cost or valuation		
Assets held at valuation	17,319	17,319
Assets held at historical cost	592,187	561,590
	609,506	578,909

Assets held at valuation relate to land and buildings only

Historical cost of land and buildings	Cost £'000	Depreciation £'000	Net book value £'000
At 25 December 2010	75,837	24,345	51,492
At 26 December 2009	74,342	22,826	51,516

10. Investments

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Trade and other loans £'000	Total £'000
Cost				
At 27 December 2009	395,914	40,495	47,469	483,878
Additions/advances	-	-	5,914	5,914
Disposals/repayments	-	-	(11,774)	(11,774)
Write offs	-	-	(3,977)	(3,977)
At 25 December 2010	395,914	40,495	37,632	474,041
Provision for impairment				
At 27 December 2009	313,526	-	7,719	321,245
Provided for the period	-	-	2,575	2,575
Utilisation of provision	-	-	(3,977)	(3,977)
At 25 December 2010	313,526	-	6,317	319,843
Net book value				
At 25 December 2010	82,388	40,495	31,315	154,198
At 26 December 2009	82,388	40,495	39,750	162,633

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

10 Investments (continued)

There have been advances and repayments on trade loans during the year and where loans are no longer recoverable they have been provided against. Where loans previously provided for are considered irrecoverable they are written off.

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

Name of company	Country of incorporation	Nature of business	Holding	%
Subsidiary undertakings				
Molson Coors Brewing Company (UK) Pensions Limited	England and Wales	Pension fund trustee	Direct	100
Molson Coors Brewing Company (UK) Healthcare Limited	England and Wales	Healthcare trustee	Direct	100
Coors On-line Limited	England and Wales	Non-trading (formerly electronic ordering)	Direct	73
Molson Coors Brewing Company (UK) Russia Limited	England and Wales	Non-trading (formerly Export sales)	Direct	100
Cobra Beer Partnership Limited	England and Wales	UK Beer sales	Direct	50.1
CBHR International BV	Netherlands	Financing	Direct	100
CBIP BV	Netherlands	Licence/trademark holder	Indirect	100

Name of company	Aggregate of share capital and reserves £'000	Profit/(loss) for the period £'000
Subsidiary undertakings		
Molson Coors Brewing Company (UK) Pensions Limited	-	-
Molson Coors Brewing Company (UK) Healthcare Limited	-	-
Coors On-line Limited	(1,593)	(183)
Molson Coors Brewing Company (UK) Russia Limited	(2,227)	-
Cobra Beer Partnership Limited	13,946	3,502
CBHR International BV	7	(22)
CBIP BV	8	(108)

The directors consider that to give full particulars of its dormant subsidiary undertakings would lead to a statement of excessive length. A list of the dormant subsidiary undertakings is included in the company's annual return.

In the opinion of the directors the value of the investments is supported by their underlying assets.

Name of company	Country of incorporation	Nature of business	Holding	%
Associated undertakings				
Grolsch (UK) Limited	England and Wales	Supply of beer	Direct	49
Tradeteam Limited	England and Wales	Distribution of beer	Direct	49.9

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

10 Investments (continued)

Associated undertakings

Name of company	Grolsch (UK) Limited £'000	Tradeteam Limited £'000
Turnover	9,543	86,000
Profit/(loss) Before Tax	1,373	6,010
Taxation	(381)	(1,716)
Profit/(loss) After Tax	993	4,294
Fixed Assets	295	13,145
Current Assets	4,253	39,696
Liabilities due within one year	(3,061)	(37,092)
Liabilities due after one year	-	-
Aggregate of share capital and reserves	1,488	14,886

11. Stocks

	25 December 2010 £'000	26 December 2009 £'000
Raw materials	14,592	20,252
Work in progress	4,596	4,998
Finished goods	39,487	26,865
Consumable stores	9,134	5,920
	<u>67,809</u>	<u>58,035</u>

The replacement cost of stock does not materially differ from the balance sheet cost

12 Debtors

	25 December 2010 £'000	26 December 2009 £'000
Amounts falling due within one year		
Trade debtors	227,636	218,668
Amounts owed by group undertakings	24,094	26,153
Other debtors	21,977	16,049
Prepayments and accrued income	4,712	8,619
	<u>278,419</u>	<u>269,489</u>

Amounts owed by group undertakings are unsecured and have no set repayment date. Amounts owed by group undertakings of £1,950,000 accrue interest at varying rates from 0.5% to 2.5%, all other amounts are interest free.

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

13 Creditors: amounts falling due within one year

	25 December 2010 £'000	26 December 2009 £'000
Obligations under finance leases	139	270
Bank loans and overdrafts	1,655	2,017
Trade creditors	97,755	82,545
Amounts owed to group undertakings	31,789	33,472
Other taxation and social security	80,868	90,838
Accruals and deferred income	137,253	122,766
	349,459	331,908

Overdrafts outstanding at the end of the period accrued interest at a rate of 1.5% per annum (2009 1.5%)

Obligations under finance leases are secured over the assets to which they are associated

Amounts owed to group undertakings falling due within one year and bank loans and overdrafts are all unsecured. Amounts owed by group undertakings include £1,400,000 which are subject to interest, all other amounts are interest free and have no set repayment date

14. Creditors: amounts falling due after more than one year

	25 December 2010 £'000	26 December 2009 £'000
Obligations under finance leases	-	11
Amounts owed to group undertakings	181,836	106,515
Accruals and deferred income	779	1,315
	182,615	107,841

Amounts owed to group undertakings falling due after more than one year are unsecured, have no fixed repayment date and are repayable on demand but are deemed to be long-term in nature. Included within amounts owed to group undertakings falling due after more than one year are amounts totalling £140,282,000 (2009 £66,782,000) that are interest bearing and accrue interest at a rate of either 7.5% (£66,782,000) or 3.5% (£73,500,000) (2009 all at 7.5%). All other amounts are interest free

15 Provisions for liabilities

	Reorganisation provision £'000	Vacant lease provision £'000	Deferred taxation (non- pension) £'000	Total £'000
At 27 December 2009	1,641	4,402	8,610	14,653
Charged to the profit and loss account	2,128	445	(3,620)	(1,047)
Utilised in the period	(2,158)	(1,260)	-	(3,418)
Adjustment arising from discounting	-	382	-	382
At 25 December 2010	1,611	3,969	4,990	10,570

Reorganisation provision

A provision has been made to cover employee severance costs associated with a rationalisation of brewery supply chain and back-office operations. It is anticipated that provisions brought forward and recognised in the year will not be fully utilised until 2012.

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

15 Provisions for liabilities (continued)

Vacant lease provision

A provision has been made against the cost of various vacant leasehold premises. It is anticipated that this provision will not be fully utilised until 2021.

Deferred tax

	27 December 2009	Profit and loss	STRGL	25 December 2010
	£'000	£'000	£'000	£'000
Deferred tax is provided as follows				
Accelerated capital allowances	10,968	(3,502)	-	7,466
Other timing differences	(2,358)	(118)	-	(2,476)
Provision for deferred tax excluding pensions	8,610	(3,620)	-	4,990
Pensions related deferred tax	(97,790)	1,258	37,021	(59,511)
Provision for deferred tax including pensions	(89,180)	(2,362)	37,021	(54,521)

16. Share based payments

At 25 December 2010, MCBC had the following types of share-based payments in issuance to MCBC (UK) Limited employees

Molson Coors Brewing Company Incentive Compensation Plan

MCBC has issued the following awards related to Class B common shares to certain MCBC (UK) Limited directors, MCBC (UK) Limited officers and other MCBC (UK) Limited eligible employees, pursuant of the MCBC Incentive Compensation Plan ("MCBC IC Plan") stock options ("options"), stock only stock appreciation rights ("SOSAR"), restricted stock units ("RSU"), performance units ("PU"), and performance shares ("PSU")

Stock options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The stock options vest evenly over a three year period on the anniversary of the grant date and have a contractual life of ten years. The options are exercisable once vested and exercise of an option is not subject to continued employment. In 2010 MCBC granted 121,656 stock options to MCBC (UK) Limited employees. 111,905 were granted on March 15, 2010 with a market value of \$43.13 and 9,751 were granted on May 3, 2010 with a market value of \$44.54 each.

SOSARs are granted with an exercise price equal to the market value of a share of common stock on the date of grant. The SOSARs entitle the award recipient to receive shares of MCBC's stock with a market value equal to the excess of the trading price over the exercise price of such shares on the date of exercise. SOSARs have a term of ten years and the number of shares granted vest evenly over the three year period. Exercise of a vested option is not subject to continued employment. In 2010 MCBC granted no SOSARs to MCBC (UK) Limited employees.

RSUs are granted with a \$nil exercise price. The awards have a three year vesting period and employees must remain in the employment of the MCBC group for the full three year vesting period to achieve the award. The holder of a RSU is entitled to receive Class B MCBC stock for each vested RSU, with awards considered exercised once vested. In 2010 MCBC granted 27,753 RSU awards to MCBC (UK) Limited.

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

16. Share based payments (continued)

employees 19,645 were granted on March 15, 2010, 3,166 were granted on May 3, 2010, 3,435 were granted on June 1, 2010 and 1,507 were granted on December 1, 2010. The RSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grants were \$43.13, \$44.54, \$40.47 and \$48.46 respectively.

POs are granted with a \$nil exercise price. The awards have a vesting period ranging from one to three years and employees must remain in the employment of the MCBC group for the full vesting period to receive the award. The award receivable on completion of the vesting period will vary from zero to two times a predefined target value based on the achievement of specified earnings per share targets. These earnings per share targets are based on a calculation of actual diluted earnings per share, adjusted for special items and other significant benefits or charges, of MCBC and as approved by the compensation committee of MCBC. The POs may be settled in cash or shares, or a combination of cash and shares, at the discretion of MCBC. If equity settled then the number of shares to be issued will be based on the closing MCBC Class B common stock price on the day of vesting. Prior to vesting no shares are issued and POs have no voting rights. On March 15, 2010 MCBC granted 105,242 POs to MCBC (UK) Limited employees with a \$nil exercise price and a market price of \$43.13 at the date of the grant.

PSUs are granted with a \$nil exercise price. The awards vest over the estimated expected term to achieve projected financial targets established at the time of grant, with a condition being that the employee is still employed when the targets are met. The term of the PSU awards is 5 years. The holder is entitled to receive one share of company stock for each PSU held. In 2010 MCBC granted no PSU awards to MCBC (UK) Limited employees.

The weighted average share price during the period for options exercised over the 52 week period to 25 December 2010 was \$45.32 (2009 \$43.07). The total charge for the 52 week period to 25 December 2010 relating to employee share-based payment plans was \$3,090,972 or £1,864,401 (2009 \$2,811,550 or £1,487,000), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was \$2,225,500 or £1,342,369 (2009 \$1,719,177 or £1,070,640).

All values relating to share-based payments have been disclosed in US Dollars. This is due to the fact that all shares issued to MCBC (UK) Limited employees are issued from the ultimate parent entity, being Molson Coors Brewing Company, a company incorporated in the State of Delaware, USA. The year end exchange rate was £1 \$1.54 and the average exchange rate during the 52 week period to 25 December 2010 was £1 \$1.66 (2009 year end exchange rate was £1 \$1.63 and the average exchange rate during the 52 week period to 26 December 2009 was £1 \$1.56).

The fair value of each option and SOSAR granted in 2010 and 2009 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

16 Share based payments (continued)

	For the period ended	
	25 December 2010	26 December 2009
Risk-free interest rate	2.95%	2.46%
Dividend yield	2.22%	2.28%
Volatility range	27.20%-29.50%	28.70%-28.90%
Weighted average volatility	27.86%	28.88%
Expected term (years)	5.0-7.0	5.0-7.0
Weighted average fair value per option	\$10.95	\$10.33

The risk-free interest rates utilised for periods throughout the contractual life of the options are based on a zero-coupon US Treasury security yield at the time of grant. Expected volatility is based on historical volatility of MCBC stock. The expected term of options is estimated based upon observations of historical employee option exercise patterns and trends. The range on the expected term results from separate groups of employees who exhibit different historical exercise behaviour.

The fair value of each RSU, PU and PSU granted in 2010 and 2009 was determined based on an observable market price at the date of grant.

The following reconciles the outstanding stock options granted under the MCBC IC Plan at the beginning and end of the financial period:

	Period ended 25 December 2010		Period ended 26 December 2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	328,492	36.53	282,748	33.86
Granted during the financial period	121,656	43.24	112,804	42.02
Forfeited during the financial period	(4,220)	42.67	(5,323)	36.42
Exercised during the financial period	(76,076)	32.04	(56,160)	34.30
Transferred from/(to) group companies	(11,436)	42.02	6,423	37.29
Expired during the period	-	-	(12,000)	35.44
Balance at the end of the financial period	358,416	39.62	328,492	36.53
Exercisable at the end of the financial period	186,118	36.68	217,488	33.68

The following reconciles the outstanding SOSARs granted under the MCBC IC Plan at the beginning and end of the financial period:

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

16 Share based payments (continued)

	Period ended 25 December 2010		Period ended 26 December 2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	110,661	53.56	136,349	53.09
Granted during the financial period	-	-	-	-
Forfeited during the financial period	(12,842)	51.05	(18,492)	53.10
Exercised during the financial period	-	-	(7,196)	45.79
Transferred to group companies	233	45.79	-	-
Balance at the end of the financial period	<u>98,052</u>	<u>53.94</u>	<u>110,661</u>	<u>53.56</u>
Exercisable at the end of the financial period	<u>79,008</u>	<u>53.06</u>	<u>55,974</u>	<u>51.72</u>

The following reconciles the outstanding RSUs, PUs and PSUs granted under the MCBC IC Plan at the beginning and end of the financial period

	25 December 2010 £'000	26 December 2009 £'000
Balance at the beginning of the financial period	434,003	63,670
Granted during the financial period	132,995	392,115
Forfeited during the financial period	(35,361)	(8,964)
Exercised during the financial period	(142,870)	(16,372)
Transferred from/(to) group companies	11,003	3,554
Balance at the end of the financial period	<u>399,770</u>	<u>434,003</u>
Exercisable at the end of the financial period	<u>-</u>	<u>-</u>

RSUs, PUs and PSUs outstanding at 25 December 2010 and 26 December 2009 have a weighted average exercise price of \$nil

The following table summarises information about stock options outstanding

	Period ended 25 December 2010			Period ended 26 December 2009		
Range of exercise prices	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$14.90-\$29.88	20,000	3.09	27.70	54,048	2.55	27.39
\$30.24-\$32.69	16,968	3.00	32.61	28,500	3.19	32.64
\$32.79-\$34.55	1,000	3.69	34.23	-	-	-
\$34.56-\$37.20	97,200	3.87	36.37	133,140	4.71	36.53
\$37.63-\$42.02	105,113	7.79	42.02	112,804	9.39	42.02
\$43.13-\$44.54	118,135	8.71	43.25	-	-	-
	<u>358,416</u>	<u>6.53</u>	<u>39.62</u>	<u>328,492</u>	<u>5.81</u>	<u>36.53</u>

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

16 Share based payments (continued)

The following table summarises information about SOSARs outstanding

Range of exercise prices	Period ended 25 December 2010			Period ended 26 December 2009		
	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$42.56-\$47.85	30,558	4.89	45.79	38,802	7.39	45.79
\$54.53-\$59.82	67,494	6.65	57.63	71,859	8.39	57.76
	<u>98,052</u>	<u>6.10</u>	<u>53.94</u>	<u>110,661</u>	<u>7.96</u>	<u>53.56</u>

The following summarises information about RSUs, PUs and PSUs outstanding

The outstanding share awards have a weighted average exercise price of \$nil. The balance outstanding is made up of 78,961 RSUs and 320,809 PUs at 25 December 2010 (2009: 60,593 RSUs and 373,410 PSUs). RSUs have a weighted average contractual life of 25.74 years (2009: 12.0 years), PUs have a weighted average contractual life of 8.73 years (2009: 1.38 years) and the performance criteria attached to the PSUs was met in the first half of the 2009 financial year.

17 Called up share capital

	25 December 2010 £'000	26 December 2009 £'000
<i>Authorised, allotted, called-up and fully paid</i>		
1,721,600 ordinary shares of £1 each	1,722	1,722
100 US\$ ordinary shares of 1 US Cent each	-	-
	<u>1,722</u>	<u>1,722</u>

The 1 cent shares were issued as a fully paid up bonus issue to Molson Coors Holdings Limited, the owner then and now of all of the deferred £1 shares. The 100 shares of 1 US cent were surrendered on the same day of issue in return for a warrant entitling the bearer to 100 fully paid-up ordinary shares of 1 US cent. Molson Coors Holdings Limited continues to hold the warrant. The bearer of the share warrant is entitled to the same rights and privileges as a holder of the specified shares.

For so long as the 1 US cent shares remain in issue the holders of the deferred shares shall not be entitled to any participation in the profits or assets of the company until the holders of every other class of shares in the capital of the company shall have received on a return of asset or liquidation or otherwise £100 million in respect of each share held. The company has the power and authority to purchase all or any of the deferred shares for an aggregate consideration of £1 which shall be applied for the benefit of the company.

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

18. Capital and Reserves

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders ' funds £'000
At 27 December 2009	1,722	598,278	795	(432,774)	168,021
Profit for the financial period	-	-	-	48,806	48,806
Actuarial gain on pension scheme	-	-	-	88,500	88,500
Movement on deferred tax relating to actuarial loss	-	-	-	(37,021)	(37,021)
At 25 December 2010	1,722	598,278	795	(332,489)	268,306
Pension deficit	-	-	-	(50,689)	(50,689)
At 25 December 2010 excluding pension deficit	1,722	598,278	795	(383,178)	217,617

19. Financial commitments

The company has annual commitments under non-cancellable operating leases, which expire as follows

	Land and buildings		Other	
	25 December 2010 £'000	26 December 2009 £'000	25 December 2010 £'000	26 December 2009 £'000
<i>Expiry date</i>				
- within one year	15	14	295	495
- between two and five years	124	87	5,684	5,802
- after five years	1,582	1,582	-	13
	1,721	1,683	5,979	6,310

Capital commitments at the end of the period for which no provision has been made are as follows

Obligations under finance leases are as follows

	25 December 2010 £'000	26 December 2009 £'000
Contracted for but not provided for	4,045	2,501
	25 December 2010 £'000	26 December 2009 £'000
Due between one and two years	-	11
	-	11
Due in less than one year	139	270
	139	281

Notes to the financial statements (continued)

For the 52 week period ended 25 December 2010

19 Related party transactions

During the 52 week period ending 25 December 2010 Molson Coors Brewing Company (UK) Limited traded with related parties as follows

	Coors On- line Limited	Grolsch (UK) Limited	Tradeteam Limited	Cobra Beer Partnership Limited
	£'000	£'000	£'000	£'000
Net turnover	-	11,107	-	35,196
Net purchases	-	19,475	74,489	47,534
Net interest receipts	198	9	-	-
Other administrative expenses	-	-	-	3,049
Marketing and management fee income	-	5,263	-	3,176
Debtor at 25 December 2010	666	4,628	-	-
Creditor at 25 December 2010	156	3,323	9,207	3,462
Loan receivable at 25 December 2010	-	675	-	-
Purchase of fixed assets	-	-	-	230

During the 52 week period ending 26 December 2009 Molson Coors Brewing Company (UK) Limited traded with related parties as follows

	Coors On- line Limited	Grolsch (UK) Limited	Tradeteam Limited	Cobra Beer Partnership Limited
	£'000	£'000	£'000	£'000
Net turnover	-	13,273	-	18,476
Net purchases	-	24,133	77,303	24,688
Net interest receipts	40	10	-	-
Other administrative expenses	-	-	-	4,812
Marketing and management fee income	-	7,005	-	1,265
Debtor at 26 December 2009	769	9,053	1,150	-
Creditor at 26 December 2009	156	7,710	7,512	933
Loan receivable at 26 December 2009	-	675	-	-
Purchase of fixed assets	-	-	-	144

19 Ultimate parent undertaking and controlling party

Molson Coors Holdings Limited is the immediate parent company Copies of the financial statements are available from the Company secretary, 137 High Street, Burton-on-Trent, Staffordshire, DE14 1JZ

The directors regard Molson Coors Brewing Company, a company incorporated in the USA, as the ultimate parent company and the ultimate controlling party Molson Coors Brewing Company is the parent company of the largest group of which the company is a member and both the smallest and largest company for which group financial statements are drawn up Copies of the financial statements are available from the Company secretary at 1225 Seventeenth Street, Denver, Colorado 80202, USA

As a subsidiary undertaking of Molson Coors Holdings Limited, the company has taken advantage of the

Notes to the financial statements (continued)
For the 52 week period ended 25 December 2010

19. Ultimate parent undertaking and controlling party (continued)

exemption in Financial Reporting Standard 8 “Related party disclosures” from disclosing transactions with other wholly owned subsidiaries of the group headed by the Molson Coors Brewing Company

20 Subsequent Events

On 31 January 2011 MCBC (UK) purchased 100% of the issued share capital of Sharp’s Brewery Limited, a modern brewer of cask conditioned beer. Since its foundation in 1994, Sharp’s has grown rapidly to become the largest brewer of cask beer in South West England. This is primarily due to the success of the Doom Bar brand as one of the fastest growing cask ale beers in the UK.

The acquisition of Sharp’s is intended to broaden MCBC UK’s portfolio of brands and to strengthen its position in South West England. The main driver behind the acquisition is considered to be the Doom Bar brand, with a number 1 position in the South West and a top 10 position in London and South England. It has built a strong reputation for being a brand of quality and for being brewed locally.