

# **Molson Coors Brewing Company (UK) Limited**

Financial Statements and Directors' Report for the 52 week  
period ending 29 December 2012

Registered number 26018



## Directors' Report

For the 52 week period ending 29 December 2012

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 ending 29 December 2012. 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 5.09 million UK barrels in 2012 (2011: 5.59 million). MCBC (UK) has an approximate 18% 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 two thirds of MCBC (UK)'s total beer volume. Additionally, MCBC (UK) has an associate arrangement for the production and distribution of Grolsch in the UK and Republic of Ireland, a joint venture arrangement for the production and distribution of the Cobra brands in the UK and Republic of Ireland, factored brand sales (beverage brands owned by other companies, but sold and delivered to retailers by MCBC (UK)), an associate arrangement with DHL for the distribution of products throughout the UK and a 100% investment in Sharps Brewery Limited which owns the Doom Bar brand. Additionally we distribute the Modelo brands, including Corona, pursuant to a distribution agreement with Modelo. On 21 December 2012, MCBC (UK) bought (through its 100% subsidiary Docklands Brewing Company Limited) the trade and assets of Franciscan Wells Brewery, a craft brewer located in Cork, Ireland, as part of the company's continued expansion into the growing category of cask ales. During the year, MCBC (UK) also purchased the Intellectual Property rights to certain of the group's ale brands from a fellow group company and has recognised these as intangible asset additions.

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 2012 and 2011 when unusually cool, rainy weather in the summer months resulted in lower sales volumes.

The UK Beer volume declined by 5.1% overall, with the on premise declining 5.0% and the off premise declining 5.1%, impacted by poor summer weather, weak economic conditions and excise tax increases in excess of general inflation, as part of the government's duty escalator initiative. Despite a widening price differential between the on-premise (higher prices) and the off-premise (lower prices) volumes in both channels have declined in 2012. While the industry has also experienced a steady trend away from ales and towards lagers, volume sales of premium bottled ales grew in the off-premise channel in 2012. Sale of lagers accounted for 74% of the UK market in 2012.

## Directors' Report

For the 52 week period ending 29 December 2012

### Business review (continued)

Turnover for MCBC (UK) decreased by 6.0% in 2012. This was due to an overall volume decrease of 9.0% offset slightly by price increases.

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.

The company has implemented a number of further cost reduction initiatives that has continued to drive cost benefits in 2012, resulting in a decrease in administration costs of 9.6%. These cost savings were, however, partly offset by input cost inflation and further duty rate increases resulting in only a 4.1% decrease in cost of goods sold charge.

As a result of the decrease in turnover, offset by the cost saving initiatives, operating profit before exceptional administration costs for the year decreased by £17.1m from £38.0m to £20.9m.

During 2012, the company recognised £11.1m of costs relating to a restructuring program focused on labour savings across all functions as well as integration of the UK business into the Molson Coors European segment that took effect in 2013. The company expects there to be synergies from this integration which will lead to further cost savings in the future.

Profit before taxation saw a period on period decrease of £36.1m from £47.2m to £11.1m. This includes restructuring charges of £11.1m and a loss on disposal of fixed assets of £3.1m.

### 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. The company will also continue to invest in the redevelopment of the Burton brewery in order to improve efficiency and reduce production costs. 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.

Directors' Report (continued)  
For the 52 week period ending 29 December 2012

**Principal risks and uncertainties (continued)**

*Consolidation of pubs and growth in the size of pub chains in the United Kingdom could unfavourably impact 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, and therefore continuation of this trend 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 contribute to an adverse financial impact.

*We depend exclusively on one logistics provider for distribution of our products in the United Kingdom.* Tradeteam handles all of the physical distribution for MCBC (UK) in the UK, except where a different distribution 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.* In recent years, 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. A ban on smoking in pubs and restaurants across the whole of the UK enacted in 2007 has accelerated this trend. Margins on sales to off-premise customers tend to be lower than margins on sales to on-premise customers, and, as a result, continuation or acceleration of 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 more than two thirds of our sales volume in 2012. 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.

## Directors' Report (continued)

For the 52 week period ending 29 December 2012

### Principal risks and uncertainties (continued)

***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 diesel fuel and electricity 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 (especially as to their impact on crude oil prices and the resulting impact on diesel fuel prices), 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.

***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 cash flows, 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. The company is funded through various inter-group loans, details of which are provided in notes 13 and 14.

***Currency risk.*** The company undertakes a few transactions in foreign currency but 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.

## Directors' Report (continued)

For the 52 week period ending 29 December 2012

### Financial risk management (continued)

In the current year forward contracts were 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 forward contracts to purchase diesel and natural gas have been used to minimise the risk caused by price fluctuations in the diesel fuel and 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.

**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 29 December 2012 are set out on pages 10 to 42. The profit for the period, before taxation amounted to £11,090,000 (2011: £47,210,000). Taxation for the period was a credit of £6,320,000 (2011: charge of £1,453,000). During the period no dividends were paid (2011: £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 (resigned 31 July 2012)

S F Glendinning (appointed 31 July 2012, resigned 17 December 2012)

D Heede

S J Cox

S Albion

T Ashworth-Davies

L Finney

C McDonough (resigned 17 December 2012)

W Heynen (resigned 20 February 2012)

## **Directors' Report (continued)**

For the 52 week period ending 29 December 2012

### **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 29 December 2012 were equivalent to 44 days' purchases (2011: 56 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.

### **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 ending 29 December 2012

**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 period. 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  
Staffordshire  
DE14 1JZ

On behalf of the board,



D Heede

Director

Date 22/4/2013

## **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 ending 29 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, 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 Statement of directors' responsibilities 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. In addition, we read all the financial and non-financial information in the financial statements and directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report . . . .

### **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 29 December 2012 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 period 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

Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

Date 22 April 2013

## Profit and loss account

For the 52 week period ending 29 December 2012

	Note	52 weeks ended 29 December 2012  £'000	53 weeks ended 31 December 2011  £'000
<b>Turnover</b>	1	1,298,376	1,381,676
Cost of sales		(1,083,891)	(1,130,492)
<b>Gross profit</b>		<u>214,485</u>	<u>251,184</u>
Other operating expenses		(56,086)	(61,138)
Administrative expenses		(137,484)	(152,028)
Exceptional restructuring costs	15	(11,121)	-
<b>Operating profit</b>	2	<u>9,794</u>	<u>38,018</u>
Loss on disposal of fixed assets	9	(3,097)	(1,493)
Income from fixed asset investments	4	7,909	11,150
<b>Profit on ordinary activities before interest and taxation</b>		<u>14,606</u>	<u>47,675</u>
Interest receivable and similar income	5	724	848
Interest payable and similar charges	5	(6,440)	(7,513)
Other finance income	6	2,200	6,200
<b>Profit on ordinary activities before taxation</b>		<u>11,090</u>	<u>47,210</u>
Tax on profit on ordinary activities	7	6,320	(1,453)
<b>Profit for the financial period</b>	18	<u>17,410</u>	<u>45,757</u>

The above results relate to continuing operations

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

Statement of total recognised gains and losses  
For the 52 week period ending 29 December 2012

	Note	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<b>Profit for the financial period</b>		<b>17,410</b>	<b>45,757</b>
Actuarial loss on pension scheme	6	(57,300)	(82,000)
Movement on deferred tax relating to pension deficit	15	(93)	7,882
<b>Total gains and losses recognised relating to the period</b>		<b>(39,983)</b>	<b>(28,361)</b>

Balance sheet  
As at 29 December 2012

	Note	29 December 2012 £'000	31 December 2011 £'000
<b>Fixed assets</b>			
Intangible assets	8	32,760	16,878
Tangible assets	9	245,140	245,831
Investments	10	125,383	130,107
		<u>403,283</u>	<u>392,816</u>
<b>Current assets</b>			
Stocks	11	61,880	77,213
Debtors	12	276,954	306,154
Cash at bank and in hand		84,410	66,587
		<u>423,244</u>	<u>449,954</u>
<b>Creditors amounts falling due within one year</b>	13	(297,269)	(401,491)
<b>Net current assets</b>		<u>125,973</u>	<u>48,463</u>
<b>Total assets less current liabilities</b>		<b>529,256</b>	<b>441,279</b>
<b>Creditors amounts falling due after more than one year</b>	14	(138,447)	(71,596)
<b>Provisions for liabilities</b>	15	(9,483)	(4,239)
<b>Net assets excluding pension liability</b>		<u>381,326</u>	<u>365,444</u>
<b>Net pension liability</b>	6	(181,364)	(125,499)
<b>Net assets including pension liability</b>		<u>199,962</u>	<u>239,945</u>
<b>Capital and reserves</b>			
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	(400,833)	(360,850)
<b>Total shareholders' funds</b>	18	<u>199,962</u>	<u>239,945</u>

The financial statements on pages 10 to 42 were approved by the Board of Directors on 22 April 2013 and were signed on its behalf by



D Heede  
Director

Date 22 April 2013

The notes on pages 13 to 42 form an integral part of the financial statements

## Statement of accounting policies

For the 52 week period ending 29 December 2012

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and the preceding periods 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 401 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 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.

## Statement of accounting policies (continued)

For the 52 week period ending 29 December 2012

### 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:

#### Land and Buildings

Breweries and maltings freehold buildings	25 years
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Freehold buildings	40 years
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Plant and machinery	5-20 years
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#### Fixtures and fittings

Office furniture and fittings	3-10 years
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Equipment in retail outlets	2-7 years
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Information technology equipment	3-5 years
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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 first-in first-out basis (FIFO). 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 are stated at cost less any provision for impairment.

Provisions are made subsequent to impairment reviews. Trade loans are stated 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.

## Statement of accounting policies (continued)

For the 52 week period ending 29 December 2012

### **Taxation (continued)**

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, 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. Turnover includes amounts received from customers in respect of trade loan interest receipts as the commercial substance of the transaction is that they are part of the normal terms of trade.

### **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

## Statement of accounting policies (continued)

For the 52 week period ending 29 December 2012

### **Pension and post-retirement benefits (continued)**

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 of 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.

## Statement of accounting policies (continued)

For the 52 week period ending 29 December 2012

### **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 profit and loss account 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.

### **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 ending 29 December 2012

**1. Turnover**

Turnover is all attributable to the principal activities of the company

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<i>Geographical segments</i>		
United Kingdom	1,268,216	1,344,320
Rest of the World	30,160	37,356
	<b>1,298,376</b>	<b>1,381,676</b>

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. Operating profit**

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<b>Operating profit is stated after charging/(crediting)</b>		
Excise duty on own products	552,314	594,980
Staff costs (see note 3)	115,114	119,511
Depreciation (see note 9)	38,193	37,700
Restructuring costs (see note 15)	11,121	-
Amortisation of goodwill (see note 8)	1,118	2,636
Trade loan provision released in period (see note 10)	(519)	(109)
Research and development expenditure	2,608	3,240
Loss on liquidation of dormant and inactive subsidiaries	-	1,493
Operating lease charges		
- Plant and machinery	4,563	6,819
- Other	1,713	1,938

In 2012 auditors' remuneration relating to audit fees of £212,000 was borne by another group company (2011 £237,000). Auditors' remuneration in relation to non-audit fees for other services provided during the period were £21,250 representing £21,250 for tax services and £nil for all other services (2011 £62,000).

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**3. Staff costs**

	52 weeks ended 29 December 2012 Number	53 weeks ended 31 December 2011 Number
<i>The average monthly number of employees (including executive directors) was</i>		
Production	976	1,048
Sales	1,069	1,120
Administration	266	299
	<u>2,311</u>	<u>2,467</u>

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<i>Their aggregate remuneration comprised</i>		
Wages and salaries	93,824	96,851
Social security costs	9,699	10,107
Other pension costs (note 6)	10,668	10,639
Cost of employee share schemes (note 16)	923	1,914
	<u>115,114</u>	<u>119,511</u>

The staff costs above do not include employee severance costs associated with the company wide restructuring. These are detailed in note 15.

**Directors' remuneration**

Remuneration was paid to directors of the company as follows

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
Fee as directors	1,448	1,600
Pensions costs	244	474
Other emoluments	315	163
Bonuses	170	144
	<u>2,177</u>	<u>2,381</u>

Seven of the directors are accruing benefits under the defined contribution pension scheme (2011: Eight). During the period two of the directors exercised share options (2011: one). Compensation payments paid to directors for loss of office totalling £259,000 (2011: £84,000) are included in other emoluments above.

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**3. Staff costs (continued)**

**Directors' remuneration (continued)**

The directors' remuneration shown on the previous page included

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<i>Remuneration of highest paid director</i>		
Aggregate emoluments	421	446
Accrued pension under defined benefit pension scheme	-	-
Contributions into defined contribution pension scheme	-	-

The highest paid director exercised share options during the period (2011 one) The highest paid director received shares during the period under the MCBC Incentive Compensation Plan

**4 Income from fixed asset investments**

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
Dividends received	7,909	11,150

**5 Interest and similar items**

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<i>Interest receivable and similar income</i>		
Bank interest receivable	616	754
Group interest receivable	108	73
Other interest receivable	-	21
	<u>724</u>	<u>848</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	1	326
Finance leases	-	-
Unwinding of discount on vacant lease provisions (note 15)	233	286
Other interest payable	663	-
Group interest payable	5,543	6,901
	<u>6,440</u>	<u>7,513</u>

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**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 Molson Coors Brewers Pension Plan was carried out based on full data as at 30 June 2010 and updated to 29 December 2012. As a result there will be an element of approximation relative to 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 2012 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:

	<b>52 weeks ended 29 December 2012 % pa</b>	<b>53 weeks ended 31 December 2011 % pa</b>	<b>52 weeks ended 25 December 2010 % pa</b>
Price inflation	<b>2.95</b>	3.05	3.45
Rate of increase in pay	<b>2.95</b>	3.05	3.45
Rate of increase of pensions in payment			
- pre 2006 pension	<b>2.85</b>	2.95	3.35
- post 2006 pension	<b>2.30</b>	2.30	3.00
Rate of increase for deferred pensioners	<b>3.05</b>	3.05	3.45
Discount rate	<b>4.30</b>	4.65	5.35
Cash commutation	<b>20.00</b>	20.00	20.00

Mortality assumptions are as follows:

Active and deferred members and pensioners      110% of SINA tables with 2011 CMI projections and a 1% long term trend

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**6 Net pension liability (continued)**

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

	<u>29 December 2012</u>		<u>31 December 2011</u>		<u>25 December 2012</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	573,729	6.8	545,974	6.8	568,992	7.7
Fixed interest	378,417	4.1	367,939	4.7	296,350	5.7
bonds						
Index-linked	183,105	3.4	225,511	3.75	154,102	4.8
bonds						
Property	48,828	5.3	35,607	5.3	47,416	6.7
Cash	36,621	2.8	11,869	2.8	118,540	4.2
	<u>1,220,700</u>	<u>5.4</u>	<u>1,186,900</u>	<u>5.6</u>	<u>1,185,400</u>	<u>6.4</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 30 November 2012. The expected return on equities is based on the assumption that equities will return 4.1% 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>29 December 2012</u>	<u>31 December 2011</u>	<u>25 December 2010</u>	<u>26 December 2009</u>	<u>27 December 2008</u>
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	1,220,700	1,186,900	1,185,400	1,031,800	937,400
Present value of scheme liabilities	<u>(1,465,400)</u>	<u>(1,375,200)</u>	<u>(1,295,600)</u>	<u>(1,348,700)</u>	<u>(1,082,900)</u>
Deficit in the scheme	(244,700)	(188,300)	(110,200)	(316,900)	(145,500)
Related deferred tax asset (note 15)	63,336	62,801	59,511	97,790	54,805
Net pension liability	<u>(181,364)</u>	<u>(125,499)</u>	<u>(50,689)</u>	<u>(219,110)</u>	<u>(90,695)</u>

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**6 Net pension liability (continued)**

The movement in the deficit in the period was as follows

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
Deficit at the start of the period	(188,300)	(110,200)
Contributions paid	400	-
Actual expenses paid	(1,700)	(2,300)
Other finance income	2,200	6,200
Actuarial loss	(57,300)	(82,000)
Deficit at the end of the period	(244,700)	(188,300)

The following amounts have been recognised in the performance statements in the period to 29 December 2012, under the requirements of FRS 17

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<b><i>Operating profit</i></b>		
Current service costs	-	-
Actual expenses paid	1,700	2,300
Total operating charge	1,700	2,300
<b><i>Other finance costs</i></b>		
Expected return on pension assets	(64,600)	(73,800)
Interest on pension scheme liabilities	62,400	67,600
Net interest	(2,200)	(6,200)
<b>Statement of total recognised gains and losses ("STRGL")</b>		
Actual return less expected return on pension scheme assets	(36,200)	8,200
Changes in actuarial assumptions	93,500	73,800
Actuarial loss recognised in the STRGL	57,300	82,000
Cumulative actuarial loss recognised in the STRGL	334,700	277,400

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

6. Net pension liability (continued)

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000	52 weeks ended 25 December 2010 £'000	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>History of experience gains and losses</b>					
(Gain)/loss on plan assets	(36,200)	8,200	(27,700)	(94,000)	285,800
% of plan assets at end of period	3.0%	0.7%	2.3%	9.11%	30.49%
Experience (gain)/loss on plan liabilities	-	-	(198,800)	-	9,500
% of plan liabilities at end of period	-	-	15.3%	-	0.88%
Total actuarial loss/(gain) recognised in STRGL	57,300	82,000	(88,500)	166,400	201,000
% of plan liabilities at end of period	3.9%	6.0%	6.8%	12.34%	18.56%

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<b>Reconciliation of plan liabilities over the period</b>		
Scheme liabilities at the start of the period	1,375,200	1,295,600
Interest cost	62,400	67,600
Actual benefit payments by the company	(65,700)	(61,800)
Loss on change of assumptions	93,500	73,800
Present value of scheme liabilities at the end of the period	<u>1,465,400</u>	<u>1,375,200</u>

	52 weeks ended 29 December 2012 £'000	53 weeks ended 21 December 2011 £'000
<b>Reconciliation of plan assets over the period</b>		
Scheme assets at the start of the period	1,186,900	1,185,400
Actual total benefit payments by the company	(65,700)	(61,800)
Actual expenses paid	(1,700)	(2,300)
Actual company contributions	400	-
Expected return on assets	64,600	73,800
Gain/(loss) on assets	36,200	(8,200)
Market value at end of the period	<u>1,220,700</u>	<u>1,186,900</u>

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**6 Net pension liability (continued)**

**Actual return on scheme assets**

	<b>52 weeks ended 29 December 2012 £'000</b>	<b>53 weeks ended 31 December 2011 £'000</b>
Expected return on scheme assets	<b>64,600</b>	73,800
Asset gain/(loss)	<b>36,200</b>	(8,200)
Actual return on scheme assets	<b>100,800</b>	<b>65,600</b>

**Expected contributions and benefits to be paid**

Expected company contributions for the period starting 30 December 2012	<b>26,900</b>
Expected member contributions for the period starting 30 December 2012	-

**Forward looking defined benefit cost**

Service cost	-
Expenses	<b>1,800</b>
Interest cost	<b>61,600</b>
Expected return on assets	<b>(64,200)</b>
Total expected profit and loss credit	<b>(800)</b>

**Defined contribution scheme**

The company also operates a defined contribution scheme. The company has paid £8,968,000 (2011 £8,339,000) of contributions into this scheme.

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**7 Tax on profit on ordinary activities**

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
Tax for the period comprises		
<b>Current tax</b>		
UK corporation tax	2,111	4,396
Adjustments in respect of previous periods	(361)	(1,215)
Total current tax	1,750	3,181
<b>Deferred tax</b>		
Origination and reversal of timing differences	(7,263)	(915)
Changes in recoverable amounts of deferred tax assets	204	255
Effect on changes in tax rate on opening liability	(1,011)	(1,068)
Total deferred tax	(8,070)	(1,728)
Tax on profit on ordinary activities	(6,320)	1,453

*Factors affecting the tax charge for the period*

The tax assessed for the period is lower (2011 lower) than the standard effective rate of corporation tax in the UK for the period ended 29 December 2012 of 24.5% (2011 26.5%). The differences are explained below

	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000
<b>Profit on ordinary activities before tax</b>	11,090	47,210
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 24.5% (2011 26.5%)	2,717	12,511
Effect of		
Expenses not deductible for tax purposes	(730)	(1,098)
Capital allowances for the period less than depreciation	7,338	7,299
Other timing differences	(7,222)	(13,920)
Effect of difference in current tax and deferred tax rate	8	(396)
Adjustment in respect of previous periods	(361)	(1,215)
Current tax charge for the period	1,750	3,181

Changes to the UK Corporation tax system were announced in the March 2012 Budget statement and a resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax from 26% to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 and substantively enacted in July 2012. The deferred tax balances have therefore been recognised at the 23% rate.

## Notes to the financial statements (continued)

For the 52 week period ending 29 December 2012

### 7 Tax on profit on ordinary activities (continued)

In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax system were announced in the autumn statement 2012 and the March 2013 Budget. This includes a further reduction to the main rate to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The proposed reductions to the main rate of corporation tax are both expected to be enacted as part of the Finance Act 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £8,165,633.

There would be an overall reduction in the profit and loss deferred tax liability of £1,808,526 and a reduction in the deferred tax asset recognised in the STRGL of £9,974,159.

### 8 Intangible fixed assets

<b>Cost</b>	<b>£'000</b>
At 1 January 2012	36,317
Additions	17,000
<b>At 29 December 2012</b>	<b>53,317</b>
<b>Amortisation</b>	
At 1 January 2012	19,439
Charge for the period	1,118
<b>At 29 December 2012</b>	<b>20,557</b>
<b>Net book value</b>	
<b>At 29 December 2012</b>	<b>32,760</b>
At 31 December 2011	16,878

During the year the company acquired the intangible assets relating to certain ale brands from a fellow group company. This intangible asset included the Worthington's, Caffrey's and Stones brands.

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

9 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2012	76,774	341,323	228,187	646,284
Additions	628	23,234	21,512	45,374
Disposals	(236)	(10,150)	(20,211)	(30,597)
<b>At 29 December 2012</b>	<b>77,166</b>	<b>354,407</b>	<b>229,488</b>	<b>661,061</b>
<b>Accumulated depreciation</b>				
At 1 January 2012	28,237	197,365	174,851	400,453
Charge for the period	1,942	15,710	20,541	38,193
Disposals	(72)	(5,095)	(17,558)	(22,725)
<b>At 29 December 2012</b>	<b>30,107</b>	<b>207,980</b>	<b>177,834</b>	<b>415,921</b>
<b>Net book value</b>				
<b>At 29 December 2012</b>	<b>47,059</b>	<b>146,427</b>	<b>51,654</b>	<b>245,140</b>
At 31 December 2011	48,537	143,958	53,336	245,831

Leased assets included above within fixtures and fittings had a gross cost of £958,000 (2011 £958,000) and accumulated depreciation of £958,000 (2011 £958,000). Depreciation charged on leased assets during the period totalled £nil (2011 £18,000).

Interest capitalised on additions in the period amounted to £212,955 (2011 £776,000). The cumulative amount of interest capitalised in the total cost above amounts to £3,777,954 (2011 £3,565,000). The interest rate used to capitalise is 4.7% (2011 5.1%).

Analysis of land and buildings	Cost or valuation £'000	Aggregate depreciation £'000	Net book value £'000
Freehold	76,594	29,943	46,651
Leasehold under 50 years	572	164	408
<b>At 29 December 2012</b>	<b>77,166</b>	<b>30,107</b>	<b>47,059</b>

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

9 Tangible assets (continued)

	29 December 2012 £'000	31 December 2011 £'000
<b>Analysis of cost or valuation</b>		
Assets held at valuation	17,319	17,319
Assets held at historical cost	643,742	628,965
	<u>661,061</u>	<u>646,284</u>

Assets held at valuation relate to land and buildings only

	Cost £'000	Depreciation £'000	Net book value £'000
<b>Historical cost of land and buildings</b>			
At 29 December 2012	76,521	28,263	48,258
At 31 December 2011	<u>76,129</u>	<u>26,393</u>	<u>49,736</u>

10. Investments

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Trade and other loans £'000	Total £'000
<b>Cost</b>				
At 1 January 2012	63,473	40,495	31,396	135,364
Additions/advances	532	-	5,838	6,370
Disposals/repayments	-	-	(9,405)	(9,405)
Write offs	-	-	(2,208)	(2,208)
At 29 December 2012	<u>64,005</u>	<u>40,495</u>	<u>25,621</u>	<u>130,121</u>
<b>Provision for impairment</b>				
At 1 January 2012	1,274	-	3,983	5,257
Provided for/(released) in the period				
Write-offs	-	-	1,689	(519)
	-	-	(2,208)	
At 31 December 2011	<u>1,274</u>	<u>-</u>	<u>3,464</u>	<u>4,738</u>
<b>Net book value</b>				
At 29 December 2012	<u>62,731</u>	<u>40,495</u>	<u>22,157</u>	<u>125,383</u>
At 31 December 2011	<u>62,199</u>	<u>40,495</u>	<u>27,413</u>	<u>130,107</u>

## Notes to the financial statements (continued)

For the 52 week period ending 29 December 2012

### 10 Investments (continued)

On 21 December 2012 MCBC (UK) acquired the entire shared capital of Docklands Brewing Company Limited, a company incorporated in the Republic of Ireland, for consideration of EUR600,000. This entity has acquired the trade and assets of the Franciscan Well Brewery, a craft brewery in Cork, Ireland.

There have been advances and repayments on trade loans during the period 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	%
<b>Subsidiary undertakings</b>				
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
Docklands Brewing Company Limited	Republic of Ireland	Republic of Ireland Beer production and sales	Direct	100
Sharps Brewery Limited	England and Wales	UK Beer production and sales	Direct	100

Name of company	Aggregate of share capital and reserves £'000	Profit/(loss) for the period £'000
<b>Subsidiary undertakings</b>		
Molson Coors Brewing Company (UK) Pensions Limited	-	-
Molson Coors Brewing Company (UK) Healthcare Limited	-	-
Coors On-line Limited	(1,853)	(121)
Molson Coors Brewing Company (UK) Russia Limited	(2,227)	-
Cobra Beer Partnership Limited	12,171	2,730
Sharps Brewery Limited	6,155	1,696

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	%
<b>Associated undertakings</b>				
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 ending 29 December 2012

**10. Investments (continued)**

**Associated undertakings**

Name of company	Grolsch (UK) Limited £'000	Tradeteam Limited £'000
Turnover	7,616	72,146
Profit before Tax	1,097	4,976
Taxation	(270)	(1,162)
Profit after Tax	827	3,814
Fixed Assets	172	11,211
Current Assets	2,876	27,648
Liabilities due within one year	(1,726)	27,907
Liabilities due after one year	-	-
Aggregate of share capital and reserves	1,322	10,952

**11 Stocks**

	29 December 2012 £'000	31 December 2011 £'000
Raw materials	16,993	19,879
Work in progress	2,922	2,853
Finished goods	37,698	44,974
Consumable stores	4,267	9,507
	<u>61,880</u>	<u>77,213</u>

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

**12. Debtors**

	29 December 2012 £'000	31 December 2011 £'000
Amounts falling due within one year		
Trade debtors	203,652	221,646
Amounts owed by group undertakings	57,172	51,591
Other debtors	2,069	21,362
Prepayments and accrued income	5,289	9,973
Corporation tax	-	251
Deferred tax asset (note 15)	8,772	1,331
	<u>276,954</u>	<u>306,154</u>

Amounts owed by group undertakings are unsecured and have no set repayment date. Amounts owed by group undertakings of £1,805,000 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 ending 29 December 2012

**13 Creditors: amounts falling due within one year**

	29 December 2012 £'000	31 December 2011 £'000
Trade creditors	87,209	98,038
Amounts owed to group undertakings	45,385	111,449
Other taxation and social security	87,056	107,212
Accruals and deferred income	77,568	84,696
Obligations under finance leases	53	96
	<u>297,271</u>	<u>401,491</u>

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 to group undertakings are interest free and have no set repayment date

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

	29 December 2012 £'000	31 December 2011 £'000
Amounts owed to group undertakings	138,174	71,050
Accruals and deferred income	273	546
	<u>138,447</u>	<u>71,596</u>

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 £137,832,120 (2011 £71,050,120) that are interest bearing and accrue interest at a rate of either 4.5% or 3.5% (2011 at 7.5% or 3.5%). All other amounts are interest free

**15 Provisions for liabilities**

	Restructuring provision £'000	Vacant lease provision £'000	Total £'000
At 1 January 2012	944	3,295	4,239
Charged to the profit and loss account	11,121	791	11,912
Utilised in the year	(4,155)	(2,746)	(6,435)
Adjustment arising from discounting	-	233	(233)
At 29 December 2012	<u>7,910</u>	<u>1,573</u>	<u>9,483</u>

**Restructuring provision**

During the year the company implemented a one-off restructuring plan focused on labour savings across all functions as well as integration of the UK business into the Molson Coors European segment. These costs have been treated as exceptional administration costs due to their one-off nature.

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**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 2046.

**Deferred tax**

	31 December 2011	Profit and loss	STRGL	29 December 2012
	£'000	£'000	£'000	£'000
Deferred tax is provided as follows				
Accelerated capital allowances	493	(6,815)	-	(6,322)
Tax losses	-	(380)	-	(380)
Other timing differences	(1,824)	(246)	-	(2,070)
Provision for deferred tax excluding pensions	(1,331)	(7,441)	-	(8,772)
Pensions related deferred tax	(62,800)	(629)	93	(63,336)
Provision for deferred tax including pensions	(64,131)	(8,070)	93	(72,108)

**16. Share based payments**

At 29 December 2012, 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 2012 MCBC granted 24,361 stock options to MCBC (UK) Limited employees. All options were granted on March 12, 2012 with a market value of \$42.78.

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 2012 MCBC granted no SOSARs to MCBC (UK) Limited employees.

## Notes to the financial statements (continued)

For the 52 week period ending 29 December 2012

### 16. Share based payments (continued)

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 2012 MCBC granted 45,289 RSU awards to MCBC (UK) Limited employees. 33,253 were granted on 12 March 2013, 2,191 were granted on 2 April 2012, 2,610 were granted on 1 June 2012 and 7,235 were granted on 3 July 2012. The RSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grants were \$42.78, \$45.66, \$38.33 and \$41.67 respectively.

POUs 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 POUs 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 POUs have no voting rights. On 12 March 2012 MCBC granted 113,033 POUs to MCBC (UK) Limited employees with a \$nil exercise price and a market price of \$42.78 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 2012 MCBC granted no PSU awards to MCBC (UK) Limited employees.

The weighted average share price during the period for options exercised over the period ended 29 December 2012 was \$42.1 (2011 \$44.31). The total charge for the period ended 29 December 2012 relating to employee share-based payment plans was \$1,465,486 or £924,299 (2011 \$3,067,827 or £1,913,779), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £1,128,424 or £711,710 (2011 \$2,254,853 or £1,406,628).

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 period end exchange rate was £1 \$1.62 and the average exchange rate during the 52 week period ended 29 December 2012 was £1 \$1.60 (2011 year end exchange rate was £1 \$1.56 and the average exchange rate during the 52 week period to 31 December 2011 was £1 \$1.58).

The fair value of each option and SOSAR granted in 2012 and 2011 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 ending 29 December 2012

16. Share based payments (continued)

	For the period ended	
	29 December 2012	31 December 2011
Risk-free interest rate	1.5%	2.57%
Dividend yield	2.99%	2.57%
Volatility range	25.8%-27.6%	25.3%-29.4%
Weighted average volatility	25.86%	26.29%
Expected term (years)	4.0-7.7	4.6-7.7
Weighted average fair value per option	\$8.09	\$9.60

The risk-free interest rates utilised for period throughout the contractual life of the options are based on a zero-coupon U.S. 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 2012 and 2011 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.

	52 weeks ended 29 December 2012		53 weeks ended 31 December 2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	471,426	40.99	358,416	39.62
Granted during the financial period	24,361	42.78	150,421	44.24
Forfeited during the financial period	(24,427)	43.78	(26,249)	45.14
Exercised during the financial period	(60,108)	44.18	(5,292)	31.51
Transferred to group companies	-	-	(5,870)	33.76
Expired during the period	-	-	-	-
Balance at the end of the financial period	411,252	43.58	471,426	40.99
Exercisable at the end of the financial period	278,029	40.53	243,423	38.46

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**16 Share based payments (continued)**

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

	<b>52 weeks ended 29 December 2012</b>		<b>53 weeks ended 31 December 2011</b>	
	<b>Number of options</b>	<b>Weighted average exercise price \$</b>	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Balance at the beginning of the financial period	96,978	54.05	98,052	53 94
Granted during the financial period	-	-	-	-
Forfeited during the financial period	-	-	-	-
Exercised during the financial period	-	-	(1,178)	45 79
Transferred to group companies	-	-	104	57 76
Balance at the end of the financial period	96,978	54.05	96,978	54 05
Exercisable at the end of the financial period	96,978	54.05	96,978	54 05

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

	<b>29 December 2012 £'000</b>	<b>31 December 2011 £'000</b>
Balance at the beginning of the financial period	335,254	399,770
Granted during the financial period	158,322	131,718
Forfeited during the financial period	(41,099)	(36,663)
Exercised during the financial period	(36,818)	(147,353)
Transferred (to)/from group companies	-	(12,218)
Balance at the end of the financial period	415,659	335,254
Exercisable at the end of the financial period	-	-

RSUs, PUs and PSUs outstanding at 29 December 2012 and 31 December 2011 have a weighted average exercise price of \$nil

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**16. Share based payments (continued)**

The following table summarises information about stock options outstanding

Range of exercise prices	52 weeks ended 29 December 2012			53 weeks ended 31 December 2011		
	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	10,000	0.43	29.49	16,000	2 56	27 62
\$30 24-\$32 69	12,000	0.78	32.66	16,000	1 52	32 66
\$32 79-\$34 55	-	-	-	-	-	-
\$34 56-\$37 20	63,650	1.97	36.49	95,100	2 47	36 35
\$37 63-\$42 02	84,443	4 40	42 02	100,272	5 77	42 02
\$43 13-\$44 54	241,159	6 26	43.17	244,054	7 78	43 81
	<b>411,252</b>	<b>4.91</b>	<b>41 58</b>	<b>471,426</b>	<b>5 89</b>	<b>40 99</b>

The following table summarises information about SOSARs outstanding

Range of exercise prices	52 weeks ended 29 December 2012			53 weeks ended 31 December 2011		
	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	29,380	3.56	45 79	29,380	3 56	45 79
\$54 53-\$59 82	67,598	4 27	57 63	67,598	4 27	57 63
	<b>96,978</b>	<b>4 04</b>	<b>54.05</b>	<b>96,978</b>	<b>4 04</b>	<b>54 05</b>

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 82,599 RSUs and 269,762 PUs at 29 December 2012 (2011: 57,623 RSUs and 277,631 PUs). RSUs have a weighted average contractual life of 46.77 years (2011: 41.69 years), PUs have a weighted average contractual life of 6.1 years (2011: 7.38 years) and the performance criteria attached to the PUs was met in the first half of the 2012 financial year.

# Notes to the financial statements (continued)

For the 52 week period ending 29 December 2012

## 17 Called up share capital

	29 December 2012 £'000	31 December 2011 £'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.

## 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 1 January 2012	1,722	598,278	795	(360,850)	239,945
Profit for the financial period	-	-	-	17,410	17,410
Actuarial loss on pension scheme	-	-	-	(57,300)	(57,300)
Movement on deferred tax relating to actuarial loss	-	-	-	(93)	(93)
<b>At 29 December 2012</b>	<b>1,722</b>	<b>598,278</b>	<b>795</b>	<b>(400,833)</b>	<b>199,962</b>
Pension deficit				181,450	181,450
<b>At 29 December 2012 excluding pension deficit</b>	<b>1,722</b>	<b>598,278</b>	<b>795</b>	<b>(219,383)</b>	<b>381,412</b>

# Notes to the financial statements (continued)

For the 52 week period ending 29 December 2012

## 18. Capital and Reserves (continued)

For the period ending 31 December 2011

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total shareholders ' funds £'000</b>
At 26 December 2010	1,722	598,278	795	(332,489)	268,306
Profit for the financial year	-	-	-	45,757	45,757
Actuarial loss on pension scheme	-	-	-	(82,000)	(82,000)
Movement on deferred tax relating to actuarial loss	-	-	-	7,882	7,882
<b>At 31 December 2011</b>	<b>1,722</b>	<b>598,278</b>	<b>795</b>	<b>(360,850)</b>	<b>239,945</b>
Pension deficit	-	-	-	125,499	125,499
<b>At 31 December 2011 excluding pension deficit</b>	<b>1,722</b>	<b>598,278</b>	<b>795</b>	<b>(235,351)</b>	<b>365,444</b>

## 19. Financial commitments

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

	<b>Land and buildings</b>		<b>Other</b>	
	<b>29 December 2012 £'000</b>	<b>31 December 2011 £'000</b>	<b>29 December 2012 £'000</b>	<b>31 December 2011 £'000</b>
<i>Expiry date</i>				
- within one year	548	-	1,576	267
- between two and five years	1,133	908	6,131	4,694
- after five years	-	843	79	130
	<b>4,514</b>	<b>1,751</b>	<b>7,786</b>	<b>5,091</b>

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

	<b>29 December 2012 £'000</b>	<b>31 December 2011 £'000</b>
Contracted for but not provided for	6,756	4,644

Notes to the financial statements (continued)  
For the 52 week period ending 29 December 2012

**19. Financial Commitments (continued)**

Obligations under finance leases are as follows

	29 December 2012 £'000	31 December 2011 £'000
Due between one and two years	-	-
Due in less than one year	53	96
	<u>53</u>	<u>96</u>

**20 Related party transactions**

During the period ending 29 December 2012 Molson Coors Brewing Company (UK) Limited traded with related parties as follows

	Coors line Limited	On- Grolsch (UK) Limited	Tradeteam Limited	Cobra Beer Partnership Limited
	£'000	£'000	£'000	£'000
Net turnover	-	10,517	-	36,693
Net purchases	-	15,543	81,084	54,225
Net interest receipts	33	-	-	-
Other administrative expenses	-	423	-	7,717
Marketing and management fee income	-	2,116	-	5,009
Debtor at 29 December 2012	247	2,873	-	-
Creditor at 29 December 2012	(254)	5,483	9,024	3,313
Sale of fixed assets	-	192	-	766

During the year ending 31 December 2011 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	-	12,140	-	37,175
Net purchases	-	17,001	81,669	50,070
Net interest receipts	47	9	-	-
Other administrative expenses	-	-	-	4,091
Marketing and management fee income	-	2,101	-	3,099
Debtor at 31 December 2011	1,614	14,166	-	-
Creditor at 31 December 2011	156	13,803	10,032	3,099
Loan receivable at 31 December 2011	-	-	-	-
Sale of fixed assets	-	133	-	411

## Notes to the financial statements (continued)

For the 52 week period ending 29 December 2012

### **21 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 state of Delaware, 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.