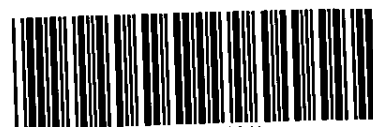


# **Molson Coors Brewing Company (UK) Limited**

Financial Statements and Directors' Report for the 52 week  
period ended 26 December 2009

Registered number 26018

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## Directors' Report

For the 52 week period ended 26 December 2009

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 26 December 2009. 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 5.8 million UK barrels in 2009. 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 three quarters 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, 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.

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 2009 and 2008 when unusually cool, rainy weather in the summer months resulted in lower sales volumes.

Beer volume in the on-premise business, which represents approximately 64% of volumes and an even greater proportion of margin, declined by approximately 0.8% compared to 2008. This compared to an overall industry on-premise channel decline of 5.0%, giving a market share increase for MCBC (UK). The off-premise volume for 2009 declined approximately 22.9% compared to 2008. This compared to an overall industry off-premise channel decline of 2.4% compared to 2008, resulting in an overall market share decline for MCBC (UK). This market share decline was due to a very difficult trading environment, with MCBC (UK) attempting to balance both pricing and volume considerations.

Turnover for MCBC (UK) increased by 0.7% in 2009. This was driven by an increase in selling price per barrel which offset an overall volume decline of 10.1%. Selling price per barrel increased approximately 12.1% mainly driven by an increase in owned brand turnover per barrel as a result of improved pricing.

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-premise. The company is managing pricing by channel,

## Directors' Report (continued)

For the 52 week period ended 26 December 2009

### Business review (continued)

in the context of local competition, while staying focused on the core strategy of building strong brands for the long term

Cost reduction initiatives implemented in 2007 and 2008 drove cost benefits in 2009, along with further cost reduction initiatives launched in 2009. Production cost savings as a result of these initiatives was, however, largely offset by input cost inflation. Marketing, sales and administration expenses increased by 5.9% in 2009 compared to 2008.

Profit before taxation saw a period on period increase of £311.6m from a 2008 loss of £282.9m to a 2009 profit of £28.7m. This was primarily driven by a £312.2m provision against the indirect holding in CBIP BV, a 100% owned subsidiary company, in 2008.

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.

## Directors' Report (continued)

For the 52 week period ended 26 December 2009

***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 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 2009. 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 26 December 2009

***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. While we comply with the minimum funding requirements, the recent worldwide decline in equity prices and in the value of other financial investments has significantly increased our pension liability.

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 26 December 2009

**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 period ended 26 December 2009 are set out on pages 10 to 42. The profit for the period, before taxation amounted to £28,732,000 (2008: loss of £282,898,000). Taxation for the period was a charge of £4,571,000 (2008: £9,629,000).

During the period no dividends were paid (2008: no dividends were paid). The directors do not recommend the payment of a final dividend.

### Directors

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

S Davies (Resigned 2 October 2009)

K Donald (Resigned 12 June 2009)

M D Thomas

M R Hunter

S P Ellis

D Heede

W J Heynen

S J Cox

D Preston (Appointed 17 November 2009, resigned 9 February 2010, appointed 24 March 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 26 December 2009 were equivalent to 57 days' purchases (2008: 60 days), based on the average daily amount invoiced by suppliers during the period.

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

For the 52 week period ended 26 December 2009

### **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 £64,721 to Mencap (2008: £15,000 to Mencap).

No political donations were made during the period (2008: £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 26 December 2009

**Statement of Directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual 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 elected to prepare 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper 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 20 May 2010



## 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 26 December 2009 which comprise the Profit and Loss Account, the Statement of total recognised gains and losses, the Note of historical cost profits 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 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 26 December 2009 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)

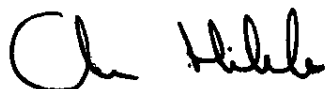
### **Opinion on other matter prescribed by the Companies Act 2006**

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 Registered Auditors

Donington Court  
Pegasus Business Park  
Castle Donington  
DE74 2UZ

Date 20 May 2010

**Profit and loss account**  
For the 52 week period ended 26 December 2009

		As restated	
	Note	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>Turnover</b>	1	1,346,597	1,336,609
Costs and overheads, less other income	2	(1,311,526)	(1,315,446)
<b>Operating profit</b>		<u>35,071</u>	<u>21,163</u>
Loss on sale of tangible fixed assets	4	(3,022)	(2,611)
Income from fixed asset investments		5,860	6,395
<b>Profit on ordinary activities before interest and taxation</b>		<u>37,909</u>	<u>24,947</u>
Interest receivable and similar income	5	2,002	2,061
Amounts written off investments		-	(312,252)
Interest payable and similar charges	5	(5,579)	(4,354)
Other finance (expense)/income	6	(5,600)	6,700
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>28,732</u>	<u>(282,898)</u>
Tax on profit/(loss) on ordinary activities	7	(4,571)	(9,629)
<b>Profit/(loss) for the financial period</b>		<u>24,161</u>	<u>(292,527)</u>

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 42 form an integral part of the financial statements

Statement of total recognised gains and losses  
As at 26 December 2009

	Note	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>Profit/(loss) for the financial period</b>		24,161	(292,527)
Actuarial loss on pension scheme	6	(166,400)	(201,000)
Movement on deferred tax relating to pension deficit	15	46,592	56,280
<b>Total loss recognised since last annual report</b>		<u>(95,647)</u>	<u>(437,247)</u>

**Balance sheet**  
As at 26 December 2009

	Note	26 December 2009 £'000	27 December 2008 £'000
<b>Fixed assets</b>			
Intangible assets	8	23,670	12,652
Tangible assets	9	238,124	245,354
Investments	10	162,633	156,656
		<u>424,427</u>	<u>414,662</u>
<b>Current assets</b>			
Stocks	11	58,035	56,844
Debtors	12	269,489	250,145
Cash at bank and in hand		89,582	39,882
		<u>417,106</u>	<u>346,871</u>
<b>Creditors amounts falling due within one year</b>	13	(331,908)	(291,180)
<b>Net current assets</b>		<u>85,198</u>	<u>55,691</u>
<b>Total assets less current liabilities</b>		509,625	470,353
<b>Creditors amounts falling due after more than one year</b>	14	(107,841)	(100,813)
<b>Provisions for liabilities</b>	15	(14,653)	(15,177)
<b>Net assets excluding pension liability</b>		<u>387,131</u>	<u>354,363</u>
<b>Net pension liability</b>	6	(219,110)	(90,695)
<b>Net assets including pension liability</b>		<u>168,021</u>	<u>263,668</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	(432,774)	(337,127)
<b>Total shareholders' funds</b>		<u>168,021</u>	<u>263,668</u>

The financial statements on pages 10 to 42 were approved by the Board of Directors on 20 May 2010 and were signed on its behalf by



D Heede  
Director  
Date 20 May 2010

The notes on pages 14 to 42 form an integral part of the financial statements

Reconciliation of movement in shareholders' funds  
For the 52 week period ended 26 December 2009

		52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
Profit/(loss) for the financial period		24,161	(292,527)
Actuarial loss on pension scheme	6	(166,400)	(201,000)
Movement on deferred tax relating to pension scheme		46,592	56,280
Net decrease in shareholders' funds		(95,647)	(437,247)
Opening shareholders' funds		263,668	700,915
Closing shareholders' funds		168,021	263,668

The notes on pages 14 to 42 form an integral part of the financial statements

## Statement of accounting policies

### For the period ended 26 December 2009

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 401 (for non-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 also, on this basis, exempt from the requirement of FRS 1 (revised 1996) to present a cash flow statement

#### **Prior year restatement**

For a better and more transparent representation of the financial position, certain profit and loss account items previously reported in other external charges have been reclassified to income from fixed asset investments. This had the impact of reducing operating profit and increasing income from fixed asset investments in the prior year by £6,395,000. There is no impact on the 2009 results.

#### **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:

## Statement of accounting policies (continued)

### For the period ended 26 December 2009

#### Tangible fixed assets (continued)

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

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. 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.



## Statement of accounting policies (continued)

### For the period ended 26 December 2009

#### **Taxation (continued)**

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

#### **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

#### **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 schemes 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. Deferred tax assets will be recognised to the extent that they are considered recoverable

## Statement of accounting policies (continued)

### For the period ended 26 December 2009

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

The company operates a defined contribution scheme for employees recruited after April 2006. Since the year end another scheme has been 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.

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.

#### **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.

## Statement of accounting policies (continued)

For the period ended 26 December 2009

### **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.

Notes to the financial statements  
For the period ended 26 December 2009

**1 Turnover**

Turnover is all attributable to the principal activities of the company

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<i>Geographical segments</i>		
United Kingdom	1,317,229	1,314,820
Rest of the World	29,368	21,789
	<u>1,346,597</u>	<u>1,336,609</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, less other income**

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 Restated £'000
Raw materials and consumables	369,200	349,306
Excise duty on own products	540,517	578,844
Staff costs (see note 3)	115,970	104,511
Depreciation on tangible fixed assets (see note 9)	42,448	45,061
Amortisation of goodwill (see note 8)	3,607	3,424
Movement in provision against trade loans (see note 10)	4,110	5,268
Maintenance and repairs	22,848	22,281
Advertising costs	14,714	20,950
Other external charges	199,913	178,577
Change in stocks of finished goods and work in progress	(1,801)	7,224
	<u>1,311,526</u>	<u>1,315,446</u>

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<i>The following are included above</i>		
Operating lease rentals		
- plant and machinery	7,519	6,863
- other	1,992	2,438
Research and development expenditure	<u>468</u>	<u>888</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**2 Costs and overheads, less other income (continued)**

In 2009 auditors' remuneration relating to audit fees of £200,000 was borne by another group company (2008 £200,000) Auditors' remuneration in relation to non-audit fees for other services provided during the period were £276,000 (2008 £273,000)

**3 Staff costs**

	52 weeks ended 26 December 2009 Number	52 weeks ended 27 December 2008 Number
<i>The average monthly number of employees (including executive directors) was</i>		
Production	1,036	972
Sales	983	981
Administration	269	308
	<u>2,288</u>	<u>2,261</u>

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<i>Their aggregate remuneration comprised</i>		
Wages and salaries	93,726	84,364
Social security costs	10,157	9,058
Other pension costs (note 6)	10,600	8,688
Cost of employee share schemes (note 16)	1,487	2,401
	<u>115,970</u>	<u>104,511</u>

**Directors' remuneration**

Remuneration was paid to directors of the company as follows

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
Fee as directors	1,336	1,567
Other emoluments	444	206
Bonuses	1,215	660
	<u>2,995</u>	<u>2,433</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**3 Staff costs (continued)**

Nine of the directors are accruing benefits under the defined contribution pension scheme (2008: none)  
During the year one director exercised share options (2008: none)

The directors' remuneration shown on the previous page included

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<i>Remuneration of highest paid director</i>		
Aggregate emoluments	785	542
Accrued pension under defined benefit pension scheme	18	117
Contributions into defined contribution pension scheme	65	-

The highest paid director did not exercise share options during the year (2008: 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 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
Loss on sale of tangible fixed assets	(3,022)	(2,611)

**5 Interest and similar items**

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<i>Interest receivable and similar income</i>		
Bank interest receivable	496	584
Group interest receivable	68	228
Other interest receivable	1,438	1,249
	<u>2,002</u>	<u>2,061</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	18	199
Finance leases	5	20
Unwinding of discount on vacant lease provisions (note 15)	275	228
Group interest payable	5,281	3,907
	<u>5,579</u>	<u>4,354</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**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 2007 and updated to 31 December 2009. 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 Watson Wyatt, and the updated valuation was carried out by Mercer. Both Watson Wyatt and Mercer are independent and professionally qualified actuaries.

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 2009 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) Limited, and these benefits will continue to be linked to salaries.

The net impact of the closure of the plan and the continuation of salary linked risk benefits was treated as a net curtailment gain of £3.9m as at 31 December 2008, calculated on the FRS 17 assumptions at that date, and was included in the prior year financial statements.

The actuarial assumptions employed were as follows:

	52 weeks ended 26 December 2009 % pa	52 weeks ended 27 December 2008 % pa	52 weeks ended 29 December 2007 % pa
Price inflation	3.60	2.90	3.10
Rate of increase in pay	-	4.15	4.35
Rate of increase of pensions in payment			
- pre 2006 pension	3.50	2.80	3.00
- post 2006 pension	3.00	2.60	2.80
Rate of increase for deferred pensioners	3.60	2.90	3.10
Discount rate	5.70	6.45	6.00
Cash commutation	20.00	20.00	20.00

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**6 Net pension liability (continued)**

Mortality assumptions are as follows

Active and deferred members and pensioners PMA80C08/PFA92C08 with medium cohort improvements from 2008

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

	26 December 2009		27 December 2008		29 December 2007	
	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	498,800	8.00	451,800	8.10	601,300	7.90
Fixed interest bonds	271,600	6.02	284,400	6.50	305,400	5.50
Index-linked bonds	141,400	5.10	145,800	3.95	140,200	4.20
Property	45,200	7.00	37,900	7.30	79,300	6.70
Cash	74,800	4.5	17,500	3.70	1,700	4.10
	<u>1,031,800</u>	<u>6.80</u>	<u>937,400</u>	<u>6.85</u>	<u>1,127,900</u>	<u>6.70</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 26 December 2009. The expected return on equities is based on the assumption that equities will return 4.4% above inflation. 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

	26 December 2009 £'000	27 December 2008 £'000	29 December 2007 £'000	30 December 2006 £'000	24 December 2005 £'000
Fair value of scheme assets	1,031,800	937,400	1,127,900	1,114,150	1,014,800
Present value of scheme liabilities	(1,348,700)	(1,082,900)	(1,152,800)	(1,121,680)	(1,136,900)
Deficit in the scheme	<u>(316,900)</u>	<u>(145,500)</u>	<u>(24,900)</u>	<u>(7,530)</u>	<u>(122,100)</u>
Related deferred tax asset (note 15)	97,790	54,805	6,972	2,259	36,630
Net pension liability	<u>(219,110)</u>	<u>(90,695)</u>	<u>(17,928)</u>	<u>(5,271)</u>	<u>(85,470)</u>



Notes to the financial statements (continued)  
For the period ended 26 December 2009

**6 Net pension liability (continued)**

The movement in the deficit in the period was as follows

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
Deficit at the start of the period	(145,500)	(24,900)
Contributions paid	4,100	81,600
Current service cost	(800)	(9,300)
Actual expenses paid	(2,700)	(2,500)
Curtailment gain	-	3,900
Other finance (expense)/income	(5,600)	6,700
Actuarial loss	(166,400)	(201,000)
Deficit at the end of the period	<u>(316,900)</u>	<u>(145,500)</u>

The following amounts have been recognised in the performance statements in the period to 26 December 2009, under the requirements of FRS 17

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b><i>Operating profit</i></b>		
Current service costs	800	9,300
Curtailment gain	-	(3,900)
Actual expenses paid	<u>2,700</u>	<u>2,500</u>
Total operating charge	<u>3,500</u>	<u>7,900</u>
<b><i>Other finance expense/(income)</i></b>		
Expected return on pension assets	(62,200)	(74,000)
Interest on pension scheme liabilities	<u>67,800</u>	<u>67,300</u>
Net interest/(return)	<u>5,600</u>	<u>(6,700)</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**6 Net pension liability (continued)**

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>Statement of total recognised gains and losses ("STRGL")</b>		
Actual return less expected return on pension scheme assets	(94,000)	285,800
Experience losses on the scheme liabilities	-	9,500
Changes in actuarial assumptions	260,400	(94,300)
Actuarial loss recognised in the STRGL	<u>166,400</u>	<u>201,000</u>
Cumulative actuarial loss recognised in the STRGL	<u>284,140</u>	<u>117,740</u>

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000	53 weeks ended 30 December 2006 £'000	52 weeks ended 24 December 2005 £'000
<b>History of experience gains and losses</b>					
(Gain)/loss on plan assets	(94,000)	285,800	18,100	(70,030)	(115,030)
% of plan assets at end of period	9.11%	30.49%	1.60%	6.29%	11.34%
Experience loss on plan liabilities	-	9,500	44,700	11,400	2,420
% of plan liabilities at end of period	-	0.88%	3.88%	1.02%	0.22%
Total actuarial loss recognised in STRGL	166,400	201,000	10,100	(93,360)	(370)
% of plan liabilities at end of period	12.34%	18.56%	0.88%	8.32%	0.03%

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>Reconciliation of plan liabilities over the period</b>		
Scheme liabilities at the start of the period	1,082,900	1,152,800
Interest cost	67,800	67,300
Current service cost (net of member contributions)	1,000	9,300
Actual member contributions	300	2,200
Actual benefit payments by the company	(63,700)	(60,000)
Increase in scheme liabilities due to past service costs during the period	-	-
Change in scheme liabilities due to curtailments during the period	-	(3,900)
Loss/(gain) on change of assumptions	260,400	(94,300)
Experience loss	-	9,500
Present value of scheme liabilities at the end of the period	<u>1,348,700</u>	<u>1,082,900</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**6 Net pension liability (continued)**

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>Reconciliation of plan assets over the period</b>		
Scheme assets at the start of the period	937,400	1,127,900
Actual total benefit payments by the company	(63,700)	(60,900)
Actual expenses paid	(2,700)	(2,500)
Actual company contributions	4,300	82,500
Actual member contributions	300	2,200
Expected return on assets	62,200	74,000
Gain/(loss) on assets	94,000	(285,800)
Market value at end of the period	<u>1,031,800</u>	<u>937,400</u>

**Actual return on scheme assets**

Expected return on scheme assets	62,200	74,000
Asset gain/(loss)	<u>94,000</u>	<u>(285,800)</u>
Actual return on scheme assets	<u>156,200</u>	<u>(211,800)</u>

**Expected contributions and benefits to be paid**

	2010 £'000
Expected company contributions for the period starting 1 January 2010	2,212
Expected member contributions for the period starting 1 January 2010	-

**Forward looking defined benefit cost**

	2010 £'000
Service cost	-
Expenses	2,800
Interest cost	75,000
Expected return on assets	(68,800)
Expected contributions from subsidiaries	-
Total expected profit and loss charge	<u>9,000</u>

**Defined contribution scheme**

The company also operates a defined contribution scheme. The company has paid £7,100,000 (2008 £788,000) of contributions into this scheme.

Notes to the financial statements (continued)  
For the period ended 26 December 2009

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

	52 weeks ended 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
Tax for the period comprises		
<b>Current tax</b>		
UK corporation tax	4,641	4,419
Adjustments in respect of previous periods	(3,307)	244
Total current tax	<u>1,334</u>	<u>4,663</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	4,926	6,154
Changes in recoverable amounts of deferred tax assets	(1,689)	(1,188)
Total deferred tax	<u>3,237</u>	<u>4,966</u>
Tax on profit/(loss) on ordinary activities	<u>4,571</u>	<u>9,629</u>

*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 26 December 2009 £'000	52 weeks ended 27 December 2008 £'000
<b>Profit/(loss) on ordinary activities before tax</b>	<u>28,732</u>	<u>(282,898)</u>
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 28% (2008 28.5%)	8,045	(80,626)
Effect of		
Expenses not deductible for tax purposes	1,522	91,199
Capital allowances for the period less than depreciation	(1,387)	2,761
Other timing differences	(3,539)	-
Movement in provisions not taxable in period	-	(8,915)
Adjustment in respect of previous periods	(3,307)	244
Current tax charge for the period	<u>1,334</u>	<u>4,663</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**8 Intangible fixed assets - goodwill**

	£'000
<b>Cost</b>	
At 28 December 2008	21,692
Additions	14,625
At 26 December 2009	36,317
<b>Amortisation</b>	
At 28 December 2008	9,040
Charge for the period	3,607
At 26 December 2009	12,647
<b>Net book value</b>	
At 27 December 2008	12,652
At 26 December 2009	23,670

As a result of a group reorganisation during the year certain brand rights were purchased from a subsidiary of the company, CBIP BV, for consideration of £14,625,000

**9 Tangible assets**

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 28 December 2008	74,871	315,932	161,707	552,510
Additions	1,212	20,775	18,334	40,321
Disposals	(1,096)	(5,581)	(7,245)	(13,922)
<b>At 26 December 2009</b>	<b>74,987</b>	<b>331,126</b>	<b>172,796</b>	<b>578,909</b>
<b>Accumulated depreciation</b>				
At 28 December 2008	24,230	172,618	110,308	307,156
Charge for the period	1,535	15,206	25,707	42,448
Disposals	(1,095)	(2,898)	(4,826)	(8,819)
<b>At 26 December 2009</b>	<b>24,670</b>	<b>184,926</b>	<b>131,189</b>	<b>340,785</b>
<b>Net book value</b>				
<b>At 26 December 2009</b>	<b>50,317</b>	<b>146,200</b>	<b>41,607</b>	<b>238,124</b>
At 28 December 2008	50,641	143,314	51,399	245,354

## Notes to the financial statements (continued)

For the period ended 26 December 2009

### 9 Tangible assets (continued)

Leased assets included above within fixtures and fittings had a gross cost of £958,480 (2008 £958,480) and accumulated depreciation of £907,733 (2008 £731,957) Depreciation charged on leased assets during the year totalled £175,776 (2008 £191,057)

Interest capitalised on additions in the period amounted to £504,000 (2008 £108,000) The cumulative amount of interest capitalised in the total cost above amounts to £2,306,000 (2008 £1,802,000) The interest rate used to capitalise is 7.5% (2008 7.5%)

<b>Analysis of land and buildings</b>	<b>Cost or valuation £'000</b>	<b>Aggregate depreciation £'000</b>	<b>Net book value £'000</b>
Freehold	74,415	24,626	49,789
Leasehold under 50 years	572	44	528
At 26 December 2009	<u>74,987</u>	<u>24,670</u>	<u>50,317</u>
		26 December 2009 £'000	27 December 2008 £'000
<b>Analysis of cost or valuation</b>			
Assets held at valuation		17,319	17,319
Assets held at historical cost		561,590	535,191
		<u>578,909</u>	<u>552,510</u>
Assets held at valuation relate to land and buildings only			
	<b>Cost £'000</b>	<b>Depreciation £'000</b>	<b>Net book value £'000</b>
<b>Historical cost of land and buildings</b>			
At 26 December 2009	74,342	22,826	51,516
At 27 December 2008	<u>74,226</u>	<u>22,807</u>	<u>51,419</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**10 Investments**

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Trade and other loans £'000	Total £'000
<b>Cost</b>				
At 28 December 2008	382,474	40,495	55,687	478,656
Additions/advances	13,440	-	16,786	30,226
Disposals/repayments	-	-	(20,139)	(20,139)
Write offs	-	-	(4,865)	(4,865)
<b>At 26 December 2009</b>	<b>395,914</b>	<b>40,495</b>	<b>47,469</b>	<b>483,878</b>
<b>Provision for impairment</b>				
At 28 December 2008	313,526	-	8,474	322,000
Provided for the period	-	-	4,110	4,110
Utilisation of provision	-	-	(4,865)	(4,865)
<b>At 26 December 2009</b>	<b>313,526</b>	<b>-</b>	<b>7,719</b>	<b>321,245</b>
<b>Net book value</b>				
<b>At 26 December 2009</b>	<b>82,388</b>	<b>40,495</b>	<b>39,750</b>	<b>162,633</b>
At 28 December 2008	68,948	40,495	47,213	156,656

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**10 Investments (continued)**

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	Export sales	Direct	100
Cobra Beer Partnership Limited	England and Wales	UK Beer sales (ethnic market)	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	Profit/(loss) for the period
<b>Subsidiary undertakings</b>		
	£'000	£'000
Molson Coors Brewing Company (UK) Pensions Limited	-	-
Molson Coors Brewing Company (UK) Healthcare Limited	-	-
Coors on-line Limited	(1,409)	(60)
Molson Coors Brewing Company (UK) Russia Limited	(2,146)	-
Cobra Beer Partnership Limited	13,091	(349)
CBHR International BV	262	(28)
CBIP BV	1,822	(198)

During the year Molson Coors Brewing Company (UK) Limited acquired 50 1% of the share capital of Cobra Newco Limited, resulting in an addition of £12,000,000 to shares in subsidiary undertakings. On 28 May 2009 Cobra Newco Limited changed its name to Cobra Beer Partnership Limited. During the year a further capital contribution of £1,440,000 was made to Cobra Beer Partnership Limited, resulting in a further addition to shares in subsidiary undertakings of £1,440,000.

During the prior year the shareholding in Coors On-line Limited increased from 70% to 73% due to certain contractual criteria being met. During the prior year Coors On-line Limited sold its trade and assets to Amphire International. The company no longer undertakes any trading activity.

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.



Notes to the financial statements (continued)  
For the period ended 26 December 2009

**10 Investments (continued)**

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

Name of company	Aggregate of share capital and reserves	Profit for the period
<b>Associated undertakings</b>	£'000	£'000
Grolsch (UK) Limited	3,498	2,488
Tradeteam Limited	29,562	8,656

**11 Stocks**

	26 December 2009 £'000	27 December 2008 £'000
Raw materials	20,252	20,569
Work in progress	4,998	4,140
Finished goods	26,865	25,922
Consumable stores	5,920	6,213
	<u>58,035</u>	<u>56,844</u>

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

**12 Debtors**

	26 December 2009 £'000	27 December 2008 £'000
Amounts falling due within one year		
Trade debtors	218,668	194,847
Amounts owed by group undertakings	26,153	23,129
UK corporation tax	-	438
Other debtors	16,049	21,320
Prepayments and accrued income	8,619	10,411
	<u>269,489</u>	<u>250,145</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

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

	26 December 2009 £'000	27 December 2008 £'000
Obligations under finance leases	270	216
Bank loans and overdrafts	2,017	5,962
Trade creditors	82,545	58,033
Amounts owed to group undertakings	33,472	19,743
Other taxation and social security	90,838	93,443
Accruals and deferred income	122,766	113,783
	<u>331,908</u>	<u>291,180</u>

Overdrafts outstanding at the end of the period accrued interest at a rate of 1.5% per annum (2008: 6.0%)

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

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

	26 December 2009 £'000	27 December 2008 £'000
Obligations under finance leases	11	45
Amounts owed to group undertakings	106,515	98,854
Accruals and deferred income	1,315	1,914
	<u>107,841</u>	<u>100,813</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 £66,872,000 (2008: £66,872,000) that are interest bearing and accrue interest at a rate of 7.5% (2008: 7.5%).

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**15 Provisions for liabilities**

	Reorganisation provision	Vacant lease provision	Deferred taxation (non- pension)	Total
	£'000	£'000	£'000	£'000
At 28 December 2008	1,660	4,539	8,978	15,177
Charged to the profit and loss account	3,752	138	(368)	3,522
Utilised in the period	(3,771)	-	-	(3,771)
Adjustment arising from discounting	-	(275)	-	(275)
At 26 December 2009	<u>1,641</u>	<u>4,402</u>	<u>8,610</u>	<u>14,653</u>

**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 2011.

**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**

	28 December 2008	Profit and loss	STRGL	26 December 2009
	£'000	£'000	£'000	£'000
Deferred tax is provided as follows				
Accelerated capital allowances	11,214	(246)	-	10,968
Other timing differences	(2,236)	(122)	-	(2,358)
Provision for deferred tax excluding pensions	<u>8,978</u>	<u>(368)</u>	<u>-</u>	<u>8,610</u>
Pensions related deferred tax	<u>(54,805)</u>	<u>3,607</u>	<u>(46,592)</u>	<u>(97,790)</u>
Provision for deferred tax including pensions	<u>(45,827)</u>	<u>3,239</u>	<u>(46,592)</u>	<u>(89,180)</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**16 Share based payments**

At 26 December 2009, 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 2009 MCBC granted 112,804 stock options to MCBC (UK) Limited employees on 14 May 2009 with a market value of \$42.02 each. In 2008 no stock options were granted.

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 2009 MCBC granted no SOSARs to MCBC (UK) Limited employees. In 2008 MCBC granted 83,155 SOSARs to MCBC (UK) Limited employees on 15 May 2008 with a market value of \$57.76 each.

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 2009 MCBC granted 18,705 RSU awards to MCBC (UK) Limited employees on 14 May 2009. The RSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grant was \$42.02. In 2008, 40,490 RSUs were granted on 2 January and 15 May 2008 with a \$nil exercise price and the market price of the underlying shares at date of grant were \$50.33 and \$57.76 respectively.

PU's 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 PUs 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

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**16 Share based payments (continued)**

Class B common stock price on the day of vesting Prior to vesting no shares are issued and PUs have no voting rights On 14 May 2009 MCBC granted 373,410 PUs to MCBC (UK) Limited employees with a \$nil exercise price and a market price of \$42.02 at the date of the grant No PUs were granted to MCBC (UK) Limited employees in 2008

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 2009 MCBC granted no PSU awards to MCBC (UK) Limited employees In 2008, 9,606 PSUs were granted on 2 January and the market price of the underlying share at date of grant was \$50.33 PSUs are granted with a \$nil exercise price

The weighted average share price during the period for options exercised over the 52 week period to 26 December 2009 was \$43.07 (2008 \$48.27) The total charge for the 52 week period to 26 December 2009 relating to employee share-based payment plans was \$2,811,550 or £1,487,000 (2008 \$4,619,789 or £2,401,000), all of which related to equity-settled share-based payment transactions After deferred tax, the total charge was \$1,719,177 or £1,070,640 (2008 \$3,326,248 or £1,728,720)

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 USA The 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 (2008 year end exchange rate was £1 \$1.49 and the average exchange rate during the 52 week period to 26 December 2009 was £1 \$1.86)

The fair value of each option and SOSAR granted in 2009 and 2008 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions

	For the period ended	
	26 December 2009	27 December 2008
	£'000	£'000
Risk-free interest rate	2.46%	3.05%
Dividend yield	2.28%	1.41%
Volatility range	28.70%-28.90%	25.30%-26.80%
Weighted average volatility	28.88%	25.43%
Expected term (years)	5.0-7.0	3.5-7.0
Weighted average fair value per option	\$10.33	\$14.40

The risk-free interest rates utilised for periods 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 of 3.5-7.0 years results from separate groups of employees who exhibit different historical exercise behaviour

The fair value of each RSU, PU and PSU granted in 2009 and 2008 was determined based on an observable market price at the date of grant

Notes to the financial statements (continued)  
For the period ended 26 December 2009

16 Share based payments (continued)

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

	Period ended 26 December 2009		Period ended 27 December 2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	282,748	33 86	552,716	33 74
Granted during the financial period	112,804	42 02	-	-
Forfeited during the financial period	(5,323)	36 42	(4,000)	34 57
Exercised during the financial period	(56,160)	34 30	(47,068)	31 37
Transferred from/(to) group companies	6,423	37 29	(218,900)	34 09
Expired during the period	(12,000)	35 44	-	-
Balance at the end of the financial period	328,492	36 53	282,748	33 86
Exercisable at the end of the financial period	217,488	33 68	264,090	33 81

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

	Period ended 26 December 2009		Period ended 27 December 2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	136,349	53 09	123,890	45 79
Granted during the financial period	-	-	83,155	57 76
Forfeited during the financial period	(18,492)	53 10	(10,794)	45 79
Exercised during the financial period	(7,196)	45 79	-	-
Transferred to group companies	-	-	(59,902)	45 79
Balance at the end of the financial period	110,661	53 56	136,349	53 09
Exercisable at the end of the financial period	55,974	51 72	17,726	45 79

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**16 Share based payments (continued)**

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

	26 December 2009 £'000	27 December 2008 £'000
Balance at the beginning of the financial period	63,670	187,733
Granted during the financial period	392,115	50,096
Forfeited during the financial period	(8,964)	(16,493)
Exercised during the financial period	(16,372)	(87,124)
Transferred from/(to) group companies	3,554	(70,542)
Balance at the end of the financial period	<u>434,003</u>	<u>63,670</u>
Exercisable at the end of the financial period	<u>-</u>	<u>-</u>

RSUs, PUs and PSUs outstanding at 26 December 2009 and 27 December 2008 have a weighted average exercise price of \$nil

The following table summarises information about stock options outstanding

Range of exercise prices	Period ended 26 December 2009			Period ended 27 December 2008		
	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	54,048	2.55	27.39	64,000	3.44	27.30
\$30.24-\$32.69	28,500	3.19	32.64	30,000	4.21	32.66
\$32.79-\$33.47	-	-	-	4,208	7.02	33.46
\$34.56-\$37.20	133,140	4.71	36.53	184,540	4.86	36.34
\$42.02	112,804	9.39	42.02	-	-	-
	<u>328,492</u>	<u>5.81</u>	<u>36.53</u>	<u>282,748</u>	<u>4.51</u>	<u>33.86</u>

Notes to the financial statements (continued)  
For the period ended 26 December 2009

**16 Share based payments (continued)**

The following table summarises information about SOSARs outstanding

Range of exercise prices	Period ended 26 December 2009			Period ended 27 December 2008		
	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	38,802	7.39	45.79	53,194	8.39	45.79
\$54.53-\$59.82	71,859	8.39	57.76	83,155	9.39	57.76
	<u>110,661</u>	<u>7.96</u>	<u>53.56</u>	<u>136,349</u>	<u>9.00</u>	<u>53.09</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 60,593 RSUs and 373,410 PUs at 26 December 2009 (2008: 62,470 RSUs and 1,200 PSUs). RSUs have a weighted average contractual life of 1.20 years (2008: 1.65 years), PUs have a weighted average contractual life of 1.38 years (2008: nil 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**

	26 December 2009 £'000	27 December 2008 £'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.



# Notes to the financial statements (continued)

For the period ended 26 December 2009

## 17 Called up share capital (continued)

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 28 December 2008	1,722	598,278	795	(337,127)	263,668
Profit for the financial period	-	-	-	24,161	24,161
Actuarial loss on pension scheme	-	-	-	(166,400)	(166,400)
Movement on deferred tax relating to actuarial loss	-	-	-	46,592	46,592
At 26 December 2009	1,722	598,278	795	(432,774)	168,021
Pension deficit	-	-	-	(219,110)	(219,110)
At 26 December 2009 excluding pension deficit	1,722	598,278	795	(213,664)	387,131

## 19 Financial commitments

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

	Land and buildings		Other	
	26 December 2009 £'000	27 December 2008 £'000	26 December 2009 £'000	27 December 2008 £'000
<i>Expiry date</i>				
- within one year	14	374	495	767
- between two and five years	87	60	5,802	10,817
- after five years	1,582	1,343	13	-
	1,683	1,777	6,310	11,583

# Notes to the financial statements (continued)

For the period ended 26 December 2009

## 19 Financial commitments (continued)

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

	26 December 2009 £'000	27 December 2008 £'000
Contracted for but not provided for	2,501	1,004

Obligations under finance leases are as follows

	26 December 2009 £'000	27 December 2008 £'000
Due between one and two years	48	45
Due between two and five years	-	-
	48	45
Due in less than one year	233	216
	281	261

## 20 Related party transactions

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 £'000	Grolsch (UK) Limited £'000	Tradeteam Limited £'000	Cobra Beer Partnership Limited £'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	-	-

## Notes to the financial statements (continued)

For the period ended 26 December 2009

### 20 Related party transactions (continued)

During the 52 week period ending 27 December 2008 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	217	21,384	-	-
Net purchases	682	32,836	78,848	-
Net interest receipts	117	74	-	-
Other administrative expenses	-	-	-	-
Marketing and management fee income	-	6,523	-	-
Debtor at 27 December 2008	2,801	5,437	438	-
Creditor at 27 December 2008	-	5,463	2,049	-
Loan receivable at 27 December 2008	-	675	-	-

Included in operating lease rentals is an amount of £nil (2008 £34,815) receivable from Coors On-line Limited

### 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 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 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