

Molson Coors Brewing Company (UK) Limited

Annual Report and Financial Statements for the period ending 31
December 2013

Registered number: 26018



Strategic Report

For the period ending 31 December 2013

The directors present their strategic report and the audited financial statements of the company for the period ending 31 December 2013.

Principal activities

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

Results and 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 8.5 million hectolitres in 2013 (2012: 8.2 million). MCBC (UK) has an approximate 18.6% 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. During the year Carling Cider was successfully launched into the off-premise as part of the continuing expansion of the Carling brand, with Carling Zest having been added in 2012. Coors Light also continues to build a strong footprint in the UK market.

MCBC (UK) has an associate arrangement for the production and distribution of Grolsch in the UK and Republic of Ireland, a joint 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)), and a 100% investment in Sharps Brewery Limited which owns the Doom Bar brand. Additionally MCBC (UK) distributes the G Modelo brands, including Corona, pursuant to a distribution agreement with G Modelo and has a 100% subsidiary called Docklands Brewing Company Limited, a craft brewer specialising in cask ales based in Cork, Ireland.

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 2013 when an unusually warm summer resulted in higher sales volumes, compared to 2012 and 2011 when unusually cool, rainy weather in the summer months resulted in lower volumes.

The UK Beer volume declined by 0.4% overall, with on premise decline of 3.6% being somewhat offset by an off premise increase of 3.2%. Turnover for MCBC (UK) increased by 3.7% in 2013. This was due to an overall volume increase of 3.7%.

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.

Strategic Report (continued)

For the period ending 31 December 2013

Results and business review (continued)

In December 2013, the company terminated its existing distribution agreements with Tradetam and concurrently entered into new agreements for the continued distribution of its products. In doing this the company incurred exceptional termination costs of £24.4m.

The new agreements were entered into at more favourable rates, consistent with current market rates, and are expected to generate future cost savings, along with a more fit for purpose distribution solution in keeping with the requirement for today's market. Subsequent to the execution of the new distribution agreements, the company executed a sale and purchase agreement for the termination of the joint venture and sale of its 49.9% interest in Tradetam to DHL, recognising a loss on disposal of £22.1m.

As a result of the increase in turnover, and further cost saving initiatives, operating profit before exceptional one-time costs for the year increased by £19.2m from £20.9m to £40.1m.

During 2013, the company recognised £8.8m of costs relating to a restructuring program focused on labour savings across all functions as well as the continued integration of the UK business into the Molson Coors European segment that took effect in 2013.

(Loss)/profit before taxation saw a period on period decrease of £20.1m from a profit of £11.1m to a loss of (£9.0m). This has been primarily driven by restructuring charges of £8.8m, one-time contract termination payments of £24.4m, and a loss on disposal of the investment in Tradetam of £22.1m.

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.

Strategic Report (continued)

For the period ending 31 December 2013

Principal risks and uncertainties (continued)

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. 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 lager brand in the United Kingdom and represented more than two thirds of our sales volume in 2013. 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 industry 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.

Strategic Report (continued)

For the period ending 31 December 2013

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 for historic defined benefit pension plans are dependent 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.

Strategic Report (continued)

For the period ending 31 December 2013

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.

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.

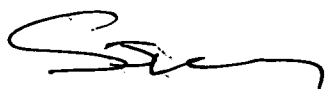
Credit risk. The company has implemented policies that require appropriate credit checks on potential customers before sales are made and continued contact with customers after sales have been made. The amount of exposure to any individual counter party is subject to a limit, which is reassessed on a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

Approved on by the board on

and signed on its behalf by:



S Kerry
Director

Date: 25/9/14

137 High Street
Burton on Trent
Staffordshire
DE14 1JZ

Directors' Report

For the period ending 31 December 2013

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 financial period ending 31 December 2013. The company's registered number is 26018. Prior to 2013 the period end was always on the last Saturday of each year, in line with that of the ultimate parent, Molson Coors Brewing Company. During the year the group transitioned to a calendar year end of 31st December 2013. These financial statements therefore cover the period from 30th December 2012 to 31st December 2013.

Dividends

The directors do not recommend the payment of a dividend (2012: none).

Future developments

Details of the development and performance of the business of the company during the financial year and the position of the company at the year end are disclosed in the strategic report.

Directors

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

D Heede (resigned 19 September 2013)

S J Cox

S Albion

T Ashworth-Davies (resigned 9 December 2013)

L Finney (resigned 19 September 2013)

S Kerry (appointed 19 September 2013)

A Cray (appointed 19 September 2013)

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 31 December 2013 were equivalent to 54 days' purchases (2012: 50 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.

Directors' Report (continued)

For the period ending 31 December 2013

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, 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/she 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 period ending 31 December 2013

Statement of directors' responsibilities

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

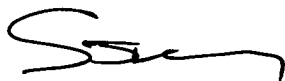
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company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

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

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

Approved on by the board on

and signed on its behalf by:



S Kerry

Director

Date: 25/9/14

137 High Street

Burton on Trent

Staffordshire

DE14 1JZ

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Molson Coors Brewing Company (UK) Limited, comprise:

- the Balance sheet as at 31 December 2013;
- the Profit and loss account and the Statement of total recognised gains and losses for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Annual Report and Financial Statements for the period ending 31 December 2013 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 ISAs (UK & 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.



Christopher Hibbs (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

25/9/14

Profit and loss account

For period ending 31 December 2013

	Note	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Turnover	1	1,346,221	1,298,376
Cost of sales		(1,104,691)	(1,083,891)
Gross profit		241,530	214,485
Other operating charges		(50,579)	(56,086)
Administrative expenses		(150,855)	(137,484)
Exceptional restructuring costs	2	(30,661)	(11,121)
Operating profit	2	9,435	9,794
Loss on disposal of fixed assets	9	(1,230)	(3,097)
Loss on disposal of fixed asset investments	10	(22,100)	-
Income from other fixed asset investments	4	4,696	7,909
(Loss)/profit on ordinary activities before interest and taxation		(9,199)	14,606
Interest receivable and similar income	5	392	724
Interest payable and similar charges	5	(2,887)	(6,440)
Other finance income	6	2,700	2,200
(Loss)/profit on ordinary activities before taxation		(8,994)	11,090
Tax on (loss)/profit on ordinary activities	7	7,035	6,320
(Loss)/profit for the financial period	18	(1,959)	17,410

The above results relate to continuing operations.

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

Statement of total recognised gains and losses

For the period ending 31 December 2013

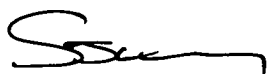
	Note	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
(Loss)/profit for the financial period		(1,959)	17,410
Actuarial gain/(loss) on pension scheme	6	72,900	(57,300)
Movement on deferred tax relating to pension deficit	15	(32,331)	(93)
Total gains and losses recognised relating to the period		38,610	(39,983)

Balance sheet

As at 31 December 2013

	Note	31 December 2013 £'000	29 December 2012 £'000
Fixed assets			
Intangible assets	8	30,792	32,760
Tangible assets	9	256,395	245,140
Investments	10	82,601	125,383
		<u>369,788</u>	<u>403,283</u>
Current assets			
Stocks	11	62,761	61,880
Debtors	12	277,533	276,954
Cash at bank and in hand		37,703	84,410
		<u>377,997</u>	<u>423,244</u>
Creditors: amounts falling due within one year	13	(360,378)	(297,271)
		<u>17,619</u>	<u>125,973</u>
Net current assets			
Total assets less current liabilities		387,407	529,256
Creditors: amounts falling due after more than one year	14	(33,174)	(138,447)
Provisions for liabilities	15	(8,483)	(9,483)
		<u>345,750</u>	<u>381,326</u>
Net assets excluding pension liability			
Net pension liability	6	(107,178)	(181,364)
		<u>238,572</u>	<u>199,962</u>
Net assets including pension liability			
Capital and reserves			
Called up share capital	17	1,722	1,722
Share premium account	18	598,278	598,278
Revaluation reserve	18	795	795
Profit and loss account	18	(362,223)	(400,833)
		<u>238,572</u>	<u>199,962</u>
Total shareholders' funds	18		

The financial statements on pages 11 to 42 were approved by the Board of Directors on and were signed on its behalf by:



S Kerry
Director

Date: 25/9/14

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

Statement of accounting policies

For the period ending 31 December 2013

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 period ending 31 December 2013

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
Freehold buildings	40 years
Plant and machinery	5-20 years
Fixtures and fittings:	
Office furniture and fittings	3-10 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 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.

Statement of accounting policies (continued)

For the period ending 31 December 2013

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Taxation

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

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

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

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

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT. 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.

Statement of accounting policies (continued)

For the period ending 31 December 2013

Leases

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

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

Pension and post-retirement benefits

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

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

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

Share based payments

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

Statement of accounting policies (continued)

For the period ending 31 December 2013

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

Related party disclosure

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

Foreign currency

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

Commodity and currency forward contracts

The company has commodity and forward contracts to hedge its exposure. Gains and losses on hedges are recognised in the 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 period ending 31 December 2013

1. Turnover

Turnover is all attributable to the principal activities of the company.

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
<i>Geographical segments</i>		
United Kingdom	1,289,323	1,268,216
Rest of the World	56,898	30,160
	<u>1,346,221</u>	<u>1,298,376</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. Operating profit

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Operating profit is stated after charging/(crediting):		
Excise duty on own products	556,672	552,314
Staff costs (see note 3)	116,235	115,114
Depreciation (see note 9)	40,319	38,193
Amortisation of goodwill (see note 8)	1,968	1,118
Trade loan provision charged in period (see note 10)	603	1,689
Research and development expenditure	204	2,608
Exceptional restructuring costs		
- Termination payments (see note 15)	8,832	13,350
- Exceptional contract termination payments	24,429	-
- Other	(2,600)	(2,229)
Operating lease charges		
- Plant and machinery	4,398	4,563
- Other	2,323	1,713

In 2013 auditors' remuneration relating to audit fees of £188,000 was borne by another group company (2012: £212,000). Auditors' remuneration in relation to non-audit fees for other services provided during the period were £nil (2012: £21,250 for tax services and £nil for all other services).

Termination payments are redundancy costs paid to employees which have resulted from restructuring activities during the period. Exceptional contract termination payments relate to the termination of the Tradeteam contract.

Notes to the financial statements (continued)

For the period ending 31 December 2013

3. Staff costs

	Period ended 31 December 2013 Number	52 weeks ended 29 December 2012 Number
<i>The average monthly number of employees (including executive directors) was:</i>		
Production	951	976
Sales	986	1,069
Administration	207	266
	<u>2,144</u>	<u>2,311</u>

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
<i>Their aggregate remuneration comprised:</i>		
Wages and salaries	94,136	93,824
Social security costs	9,682	9,699
Other pension costs (note 6)	11,767	10,668
Cost of employee share schemes (note 16)	650	923
	<u>116,235</u>	<u>115,114</u>

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

Directors' remuneration

Remuneration was paid to directors of the company as follows:

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Fee as directors	892	1,448
Pensions costs	190	244
Other emoluments	394	315
Bonuses	561	170
	<u>2,037</u>	<u>2,177</u>

Four of the directors are accruing benefits under the defined contribution pension scheme (2012: Seven). During the period three of the directors exercised share options (2012: two). Compensation payments paid to directors for loss of office totalling £358,000 (2012: £259,000) are included in other emoluments above.

Notes to the financial statements (continued)

For the period ending 31 December 2013

3. Staff costs (continued)

Directors' remuneration (continued)

The directors' remuneration shown on the previous page included:

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
<i>Remuneration of highest paid director:</i>		
Aggregate emoluments	507	421
Accrued pension under defined benefit pension scheme	-	-
Contributions into defined contribution pension scheme	6	-

The highest paid director exercised share options during the period (2012: one). The highest paid director received shares during the period under the MCBC Incentive Compensation Plan.

4. Income from other fixed asset investments

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Dividends received	4,696	7,909

5. Interest and similar items

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
<i>Interest receivable and similar income</i>		
Bank interest receivable	392	616
Group interest receivable	-	108
	<u>392</u>	<u>724</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	-	(1)
Unwinding of discount on vacant lease provisions (note 15)	-	(233)
Other interest payable	-	(663)
Group interest payable	(2,887)	(5,543)
	<u>(2,887)</u>	<u>(6,440)</u>

Notes to the financial statements (continued)

For the period ending 31 December 2013

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 2013 and updated to 31 December 2013. 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 2013 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:

	Period ended 31 December 2013 % pa	52 weeks ended 29 December 2012 % pa	53 weeks ended 31 December 2011 % pa
Price inflation	3.40	2.95	3.05
Rate of increase in pay	3.40	2.95	3.05
Rate of increase of pensions in payment			
- pre 2006 pension	3.30	2.85	2.95
- post 2006 pension	2.50	2.30	2.30
Rate of increase for deferred pensioners	3.05	3.05	3.05
Discount rate	4.55	4.30	4.65
Cash commutation	20.00	20.00	20.00

Mortality assumptions are as follows:

Active and deferred members and pensioners 110% of S1NA tables with 2013 CMI projections and a 1.25% long term trend

Notes to the financial statements (continued)

For the period ending 31 December 2013

6. Net pension liability (continued)

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

	<u>31 December 2013</u>		<u>29 December 2012</u>		<u>31 December 2011</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	611,294	7.6	573,729	6.8	545,974	6.8
Fixed interest bonds	398,670	4.8	378,417	4.1	367,939	4.7
Index-linked bonds	199,335	4.0	183,105	3.4	225,511	3.75
Property	93,023	6.1	48,828	5.3	35,607	5.3
Cash	26,578	3.6	36,621	2.8	11,869	2.8
	<u>1,328,900</u>	<u>6.0</u>	<u>1,220,700</u>	<u>5.4</u>	<u>1,186,900</u>	<u>5.6</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 2013. 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>31 December 2013</u>	<u>29 December 2012</u>	<u>31 December 2011</u>	<u>25 December 2010</u>	<u>26 December 2009</u>
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	1,328,900	1,220,700	1,186,900	1,185,400	1,031,800
Present value of scheme liabilities	<u>(1,468,800)</u>	<u>(1,465,400)</u>	<u>(1,375,200)</u>	<u>(1,295,600)</u>	<u>(1,348,700)</u>
Deficit in the scheme	(139,900)	(244,700)	(188,300)	(110,200)	(316,900)
Related deferred tax asset (note 15)	32,722	63,336	62,801	59,511	97,790
Net pension liability	<u>(107,178)</u>	<u>(181,364)</u>	<u>(125,499)</u>	<u>(50,689)</u>	<u>(219,110)</u>

Notes to the financial statements (continued)

For the period ending 31 December 2013

6. Net pension liability (continued)

The movement in the deficit in the period was as follows:

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Deficit at the start of the period	(244,700)	(188,300)
Contributions paid	31,500	400
Actual expenses paid	(2,300)	(1,700)
Other finance income	2,700	2,200
Actuarial gain/(loss)	72,900	(57,300)
Deficit at the end of the period	<u>(139,900)</u>	<u>(244,700)</u>

The following amounts have been recognised in the performance statements in the period to 31 December 2013, under the requirements of FRS 17:

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
<i>Operating profit</i>		
Current service costs	-	-
Actual expenses paid	2,300	1,700
Total operating charge	<u>2,300</u>	<u>1,700</u>
<i>Other finance costs</i>		
Expected return on pension assets	(64,300)	(64,600)
Interest on pension scheme liabilities	61,600	62,400
Net interest	<u>(2,700)</u>	<u>(2,200)</u>
Statement of total recognised gains and losses ("STRGL")	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Actual return less expected return on pension scheme assets	(81,500)	(36,200)
Changes in actuarial assumptions	8,600	93,500
Actuarial (gain)/loss recognised in the STRGL	<u>(72,900)</u>	<u>57,300</u>
Cumulative actuarial loss recognised in the STRGL	<u>261,800</u>	<u>334,700</u>

Notes to the financial statements (continued)

For the period ending 31 December 2013

6. Net pension liability (continued)

	Period ended 31 December 2013 £'000	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
History of experience gains and losses					
(Gain)/loss on plan assets	(81,500)	(36,200)	8,200	(27,700)	(94,000)
% of plan assets at end of period	6.1%	3.0%	0.7%	2.3%	9.11%
Experience (gain)/loss on plan liabilities	(17,000)	-	-	(198,800)	-
% of plan liabilities at end of period	1.2%	-	-	15.3%	-
Total actuarial loss/(gain) recognised in STRGL	(72,900)	57,300	82,000	(88,500)	166,400
% of plan liabilities at end of period	5.0%	3.9%	6.0%	6.8%	12.34%

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Reconciliation of plan liabilities over the period		
Scheme liabilities at the start of the period	1,465,400	1,375,200
Interest cost	61,600	62,400
Actual benefit payments by the company	(66,800)	(65,700)
Loss on change of assumptions	8,600	93,500
Present value of scheme liabilities at the end of the period	1,468,800	1,465,400

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Reconciliation of plan assets over the period		
Scheme assets at the start of the period	1,220,700	1,186,900
Actual total benefit payments by the company	(66,800)	(65,700)
Actual expenses paid	(2,300)	(1,700)
Actual company contributions	31,500	400
Expected return on assets	64,300	64,600
Gain/(loss) on assets	81,500	36,200
Market value at end of the period	1,328,900	1,220,700

Notes to the financial statements (continued)

For the period ending 31 December 2013

6. Net pension liability (continued)

Actual return on scheme assets

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Expected return on scheme assets	64,300	64,600
Asset gain/(loss)	81,500	36,200
Actual return on scheme assets	<u>145,800</u>	<u>100,800</u>

Expected contributions and benefits to be paid

	Period ended 31 December 2013 £'000
Expected company contributions for the period starting 1 January 2014	-
Expected member contributions for the period starting 1 January 2014	-

Forward looking defined benefit cost

Service cost	-
Expenses	2,300
Interest cost	65,300
Expected return on assets	<u>(77,600)</u>
Total expected profit and loss credit	<u>(10,000)</u>

Defined contribution scheme

The company also operates a defined contribution scheme. The company has paid £9,467,000 (2012: £8,968,000) of contributions into this scheme.

Notes to the financial statements (continued)

For the period ending 31 December 2013

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

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
Tax for the period comprises:		
Current tax		
UK corporation tax	(1,700)	2,111
Adjustments in respect of previous periods	5	(361)
Total current tax	<u>(1,695)</u>	<u>1,750</u>
Deferred tax		
Origination and reversal of timing differences	(3,631)	(7,263)
Changes in recoverable amounts of deferred tax assets	(1,312)	204
Effect on changes in tax rate on opening liability	(397)	(1,011)
Total deferred tax	<u>(5,340)</u>	<u>(8,070)</u>
Tax on profit on ordinary activities	<u>(7,035)</u>	<u>(6,320)</u>

Factors affecting the tax charge for the period:

The tax assessed for the period is higher (2012: lower) than the standard effective rate of corporation tax in the UK for the period ended 31 December 2013 of 23.3% (2012: 24.5%). The differences are explained below:

	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000
(Loss)/profit on ordinary activities before tax	<u>(8,994)</u>	<u>11,090</u>
(Loss)/profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 23.3% (2012: 24.5%)	(2,091)	2,717
Effect of:		
Expenses not deductible for tax purposes	5,212	(730)
Capital allowances for the period less than depreciation	4,180	7,338
Other timing differences	(8,326)	(7,222)
Effect of difference in current tax and deferred tax rate	(675)	8
Adjustment in respect of previous periods	5	(361)
Current tax charge for the period	<u>(1,695)</u>	<u>1,750</u>

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantially enacted on 2 July 2013, the relevant deferred tax balances have been re-measured.

Notes to the financial statements (continued)

For the period ending 31 December 2013

8. Intangible fixed assets

Cost	£'000
At 30 December 2012	53,317
Disposals	(12,149)
At 31 December 2013	41,168
Amortisation	
At 30 December 2012	20,557
Charge for the period	1,968
Disposals	(12,149)
At 31 December 2013	10,376
Net book value	
At 31 December 2013	30,792
At 29 December 2012	32,760

During the year the company disposed of the intangible assets relating to the 2007 purchase of the Coors Wholesale business. These had been fully amortised.

Notes to the financial statements (continued)

For the period ending 31 December 2013

9. Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 30 December 2012	77,166	354,407	229,488	661,061
Additions	4,444	27,073	23,993	55,510
Disposals	(88)	(5,572)	(5,018)	(10,678)
At 31 December 2013	81,522	375,908	248,463	705,893
Accumulated depreciation				
At 30 December 2012	30,107	207,980	177,834	415,921
Charge for the period	1,871	16,379	22,069	40,319
Disposals	(82)	(3,735)	(2,925)	(6,742)
At 31 December 2013	31,896	220,624	196,978	449,498
Net book value				
At 31 December 2013	49,626	155,284	51,485	256,395
At 29 December 2012	47,059	146,427	51,654	245,140

Leased assets included above within fixtures and fittings had a gross cost of £1,928,000 (2012: £958,000) and accumulated depreciation of £54,000 (2012: £958,000). Depreciation charged on leased assets during the period totalled £nil (2012: £nil).

Interest capitalised on additions in the period amounted to £506,000 (2012: £212,955). The cumulative amount of interest capitalised in the total cost above amounts to £4,283,954 (2012: £3,777,954). The interest rate used to capitalise is 4.7% (2012: 4.7%).

Analysis of land and buildings	Cost or valuation £'000	Aggregate depreciation £'000	Net book value £'000
Freehold	81,522	31,896	49,626
At 31 December 2013	81,522	31,896	49,626

Notes to the financial statements (continued)

For the period ending 31 December 2013

9. Tangible assets (continued)

	31 December 2013 £'000	29 December 2012 £'000
Analysis of cost or valuation		
Assets held at valuation	17,319	17,319
Assets held at historical cost	688,574	643,742
	<u>705,893</u>	<u>661,061</u>

Assets held at valuation relate to land and buildings only.

	Cost £'000	Depreciation £'000	Net book value £'000
Historical cost of land and buildings			
At 31 December 2013	80,877	30,052	50,825
At 30 December 2012	<u>76,521</u>	<u>28,263</u>	<u>48,258</u>

10. Investments

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Trade and other loans £'000	Total £'000
Cost				
At 30 December 2012	64,005	40,495	25,621	130,121
Additions/advances	237	-	4,472	4,709
Disposals/repayments	-	(40,000)	(6,888)	(46,888)
Write offs	-	-	(1,695)	(1,695)
At 31 December 2013	<u>64,242</u>	<u>495</u>	<u>21,510</u>	<u>86,247</u>
Provision for impairment				
At 30 December 2012	1,274	-	3,464	4,738
Provided for/(released) in the period	-	-	603	603
Write-offs	-	-	(1,695)	(1,695)
At 31 December 2013	<u>1,274</u>	<u>-</u>	<u>2,372</u>	<u>3,646</u>
Net book value				
At 31 December 2013	<u>62,968</u>	<u>495</u>	<u>19,138</u>	<u>82,601</u>
At 30 December 2012	<u>62,731</u>	<u>40,495</u>	<u>22,157</u>	<u>125,383</u>

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.

During the period the company disposed of its 49.9% holding in Tradetech Limited for a consideration of £17.9m resulting in a loss on disposal of £22.1m.

Notes to the financial statements (continued)

For the period ending 31 December 2013

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	%
Subsidiary undertakings				
Molson Coors Brewing Company (UK) Pensions Limited	England and Wales	Pension fund trustee	Direct	100
Molson Coors Brewing Company (UK) Healthcare Limited	England and Wales	Healthcare trustee	Direct	100
Coors On-line Limited	England and Wales	Non-trading (formerly electronic ordering)	Direct	73
Molson Coors Brewing Company (UK) Russia Limited	England and Wales	Non-trading (formerly Export sales)	Direct	100
Cobra Beer Partnership Limited	England and Wales	UK Beer sales	Direct	50.1
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
Subsidiary undertakings		
Molson Coors Brewing Company (UK) Pensions Limited	-	-
Molson Coors Brewing Company (UK) Healthcare Limited	-	-
Coors On-line Limited	(1,860)	(88)
Molson Coors Brewing Company (UK) Russia Limited	(2,227)	-
Cobra Beer Partnership Limited	13,354	5,902
Sharps Brewery Limited	8,093	1,970

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

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

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

Notes to the financial statements (continued)

For the period ending 31 December 2013

10. Investments (continued)

Associated undertakings

Name of company	Grolsch (UK) Limited £'000
Turnover	12,691
Profit before Tax	1,806
Taxation	(426)
Profit after Tax	1,381
Fixed Assets	249
Current Assets	3,334
Liabilities due within one year	(1,192)
Liabilities due after one year	-
Aggregate of share capital and reserves	2,391

11. Stocks

	31 December 2013 £'000	29 December 2012 £'000
Raw materials	14,356	16,993
Work in progress	3,987	2,922
Finished goods	38,765	37,698
Consumable stores	5,653	4,267
	<u>62,761</u>	<u>61,880</u>

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

12. Debtors

	31 December 2013 £'000	29 December 2012 £'000
Amounts falling due within one year:		
Trade debtors	185,332	203,652
Amounts owed by group undertakings	69,067	57,172
Other debtors	3,967	2,069
Prepayments and accrued income	6,772	5,289
Deferred tax asset (note 15)	12,395	8,772
	<u>277,533</u>	<u>276,954</u>

Amounts owed by group undertakings are unsecured and have no set repayment date. Included within amounts owed by group undertakings falling due within one year are loans amounting to £21,803,000 which are unsecured and accrue interest at rates between 0.5% and 5% (2012: £1,805,000 at 0.5% to 2.5%).

Notes to the financial statements (continued)

For the period ending 31 December 2013

13. Creditors: amounts falling due within one year

	31 December 2013 £'000	29 December 2012 £'000
Trade creditors	96,271	87,209
Amounts owed to group undertakings	45,817	45,385
Other taxation and social security	88,755	87,056
Accruals and deferred income	129,175	77,568
Finance leases	360	53
	<u>360,378</u>	<u>297,271</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 are unsecured, interest free and have no set repayment date.

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

	31 December 2013 £'000	29 December 2012 £'000
Amounts owed to group undertakings	31,704	138,174
Accruals and deferred income	390	273
Finance leases	1,080	-
	<u>33,174</u>	<u>138,447</u>

Amounts owed to group undertakings falling due after more than one year are unsecured and are repayable in March 2015. Included within amounts owed to group undertakings falling due after more than one year are amounts totalling £31,703,710 (2012: £137,832,120) that are interest bearing and accrue interest at a rate of 4.5% (2012: at 4.5% or 3.5 %). All other amounts are interest free.

15. Provisions for liabilities

	Restructuring provision £'000	Onerous lease provision £'000	Total £'000
At 30 December 2012	7,910	1,573	9,483
Charged to the profit and loss account	8,832	319	9,151
Utilised in the year	(8,540)	(1,611)	(10,151)
At 31 December 2013	<u>8,202</u>	<u>281</u>	<u>8,483</u>

Restructuring provision

During the year the company continued a 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 period ending 31 December 2013

Onerous lease provision

A provision has been made against the cost of various onerous leasehold premises. It is anticipated that this provision will not be fully utilised until 2046.

Deferred tax

	29 December 2012	Profit and loss	STRGL	31 December 2013
	£'000	£'000	£'000	£'000
Deferred tax is provided as follows:				
Accelerated capital allowances	(6,322)	(3,053)	-	(9,375)
Tax losses	(380)	(445)	-	(825)
Other timing differences	(2,070)	(125)	-	(2,195)
Provision for deferred tax excluding pensions	(8,772)	(3,623)	-	(12,395)
Pensions related deferred tax	(63,336)	(1,717)	32,331	(32,722)
Provision for deferred tax including pensions	(72,108)	(5,340)	32,331	(45,117)

16. Share based payments

At 31 December 2013, 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 2013 MCBC granted 23,838 stock options to MCBC (UK) Limited employees. All options were granted on April, 3 2013 with a market value of \$45.22.

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 2013 MCBC granted no SOSARs to MCBC (UK) Limited employees.

Notes to the financial statements (continued)

For the period ending 31 December 2013

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 2013 MCBC granted 33,939 RSU awards to MCBC (UK) Limited employees. All awards were granted on April, 3 2013. The RSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grants were \$45.22.

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 PU's 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 PU's have no voting rights. In 2013 MCBC granted no PU's to MCBC (UK) Limited employees.

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 2013 MCBC granted 37,677 PSU awards to MCBC (UK) Limited employees. All awards were granted on April, 3 2013. The PSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grants were \$45.22.

The weighted average share price during the period for options exercised over the period ended 31 December 2013 was \$48.54 (2012: \$42.10). The total charge for the period ended 31 December 2013 relating to employee share-based payment plans was \$1,059,139 or £649,869 (2012: \$1,465,486 or £924,299), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was \$847,311 or £517,496 (2012: \$1,128,424 or £711,710).

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:\$1.66 and the average exchange rate during the period ended 31 December 2013 was £1:\$1.64 (2012: year end exchange rate was £1:\$1.62 and the average exchange rate during the period to 29 December 2012 was £1:\$1.60).

Notes to the financial statements (continued)

For the period ending 31 December 2013

16. Share based payments (continued)

The fair value of each option and SOSAR granted in 2013 and 2012 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the period ended	
	31 December 2013	29 December 2012
Risk-free interest rate	1.43%	1.50%
Dividend yield	2.88%	2.99%
Volatility range	22.4%-25.9%	25.8%-27.6%
Weighted average volatility	25.02%	25.86%
Expected term (years)	7.7	4.0-7.7
Weighted average fair value per option	\$8.39	\$8.09

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 2013 and 2012 was determined based on an observable market price at the date of grant.

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

	Period ended 31 December 2013		52 weeks ended 29 December 2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	411,252	43.58	471,426	40.99
Granted during the financial period	23,838	45.22	24,361	42.78
Forfeited during the financial period	(14,632)	44.84	(24,427)	43.78
Exercised during the financial period	(186,211)	51.65	(60,108)	44.18
Transferred to group companies	-	-	-	-
Expired during the period	-	-	-	-
Balance at the end of the financial period	234,247	43.11	411,252	43.58
Exercisable at the end of the financial period	158,607	42.59	278,029	40.53

Notes to the financial statements (continued)

For the period ending 31 December 2013

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:

	Period ended 31 December 2013		52 weeks ended 29 December 2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial period	86,909	53.82	96,978	54.05
Granted during the financial period			-	-
Forfeited during the financial period	(19,028)	46.30	(10,069)	-
Exercised during the financial period	(13,152)	51.04	-	-
Transferred to group companies			-	-
Balance at the end of the financial period	<u>54,729</u>	<u>54.38</u>	<u>86,909</u>	<u>53.82</u>
Exercisable at the end of the financial period	<u>54,729</u>	<u>54.38</u>	<u>86,909</u>	<u>53.82</u>

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

	31 December 2013 £'000	29 December 2012 £'000
Balance at the beginning of the financial period	415,659	335,254
Granted during the financial period	71,616	158,322
Forfeited during the financial period	(172,567)	(41,099)
Exercised during the financial period	(40,336)	(36,818)
Transferred (to)/from group companies	-	-
Balance at the end of the financial period	<u>274,372</u>	<u>415,659</u>
Exercisable at the end of the financial period	<u>72,932</u>	<u>71,584</u>

RSUs, PUs and PSUs outstanding at 31 December 2013 and 29 December 2012 have a weighted average exercise price of \$nil.

Notes to the financial statements (continued)

For the period ending 31 December 2013

16. Share based payments (continued)

The following table summarises information about stock options outstanding:

Range of exercise prices	Period ended 31 December 2013			52 weeks ended 29 December 2012		
	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	2.42	29.49
\$30.24-\$32.69	-	-	-	12,000	0.81	32.66
\$32.79-\$34.55	3,250	2.21	34.57	-	-	-
\$34.56-\$37.20	10,800	1.20	37.18	63,650	1.96	36.49
\$37.63-\$42.02	44,456	5.37	42.02	84,443	5.53	42.02
\$43.13-\$44.54	175,741	7.31	43.91	241,159	7.59	43.17
	234,247	6.59	43.11	411,252	5.97	41.58

The following table summarises information about SOSARs outstanding:

Range of exercise prices	Period ended 31 December 2013			52 weeks ended 31 December 2012		
	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	14,722	3.38	45.79	29,380	3.56	45.79
\$54.53-\$59.82	40,007	4.38	57.55	67,598	4.27	57.63
	54,729	4.11	54.38	96,978	4.04	54.05

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 77,388 RSUs, 163,303 PUs and 33,681 PSUs at 31 December 2013 (2012: 82,599 RSUs and 269,762 PUs). RSUs have a weighted average contractual life of 3.93 years (2012: 46.77 years), PUs have a weighted average contractual life of 4.31 years (2012: 6.1years) and PSUs have a weighted average contractual life of 2.97 years.

Notes to the financial statements (continued)

For the period ending 31 December 2013

17. Called up share capital

	31 December 2013 £'000	29 December 2012 £'000
<i>Authorised, allotted, called-up and fully paid</i>		
1,721,600 (2012: 1,721,600) ordinary shares of £1 each	1,722	1,722
100 (2012: 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 30 December 2012	1,722	598,278	795	(400,833)	199,962
Loss for the financial period	-	-	-	(1,959)	(1,959)
Actuarial gain/(loss) on pension scheme	-	-	-	72,900	72,900
Movement on deferred tax relating to actuarial loss	-	-	-	(32,331)	(32,331)
At 31 December 2013	<u>1,722</u>	<u>598,278</u>	<u>795</u>	<u>(362,223)</u>	<u>238,572</u>
Pension deficit	-	-	-	107,178	107,178
At 31 December 2013 excluding pension deficit	<u>1,722</u>	<u>598,278</u>	<u>795</u>	<u>(255,045)</u>	<u>345,750</u>

Notes to the financial statements (continued)

For the period ending 31 December 2013

18. Capital and Reserves (continued)

For the period ending 29 December 2012:

	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 gain/(loss) on pension scheme	-	-	-	(57,300)	(57,300)
Movement on deferred tax relating to actuarial loss	-	-	-	(93)	(93)
At 29 December 2012	1,722	598,278	795	(400,833)	199,962
Pension deficit	-	-	-	181,364	181,364
At 29 December 2012 excluding pension deficit	1,722	598,278	795	(219,469)	381,326

19. Financial commitments

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

	Land and buildings		Other	
	31 December 2013 £'000	29 December 2012 £'000	31 December 2013 £'000	29 December 2012 £'000
<i>Expiry date</i>				
- within one year	70	506	1,186	445
- between two and five years	1,274	1,308	4,306	3,343
- after five years	26	-	-	326
	1,370	1,815	5,492	4,114

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

	31 December 2013 £'000	29 December 2012 £'000
Contracted for but not provided for	5,852	6,756

Notes to the financial statements (continued)

For the period ending 31 December 2013

19. Financial Commitments (continued)

Future minimum payments under finance leases are as follows:

	31 December 2013 £'000	29 December 2012 £'000
Within one year	360	53
In more than one year, but not more than five years	1,080	-
After five years	-	-
Total gross payments	<u>1,440</u>	<u>53</u>

The total value of leases repayable by instalments any part of which falls due after more than five years is £nil (2012: £nil).

20. Related party transactions

During the period ending 31 December 2013 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	-	8,334	-	38,387
Net purchases	-	12,691	81,090	58,434
Net interest receipts	65	-	-	-
Other administrative expenses	-	466	-	8,448
Marketing and management fee income	-	1,868	-	2,877
Debtor at 31 December 2013	1,694	966	n/a	-
Creditor at 31 December 2013	156	486	n/a	4,803
Sale of fixed assets	-	119	-	353

Tradeteam Limited ceased to be a related party on 30 December 2013 as Molson Coors Brewing Company (UK) Limited sold its shares in the company. In December 2013, the company terminated its existing distribution agreements with Tradeteam and concurrently entered into new agreements for the continued distribution of its products. In doing this the company incurred exceptional termination costs of £24.4m.

Notes to the financial statements (continued)

For the period ending 31 December 2013

20. Related party transactions (continued)

During the 52 week period ending 29 December 2012 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	-	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

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.