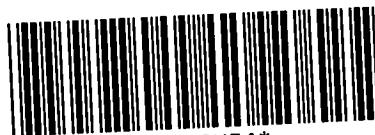


Registration number: 00026018

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

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# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **COMPANY INFORMATION**

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**Company number** 00026018

**Registered office** 137 High Street  
Burton upon Trent  
Staffordshire  
DE14 1JZ

**Directors** S Albion  
M Coyle (resigned 5 September 2017)  
S Kerry  
P Whitehead  
J Shearer (appointed 5 September 2017)

**Company secretary** K Wolfe

**Independent auditors** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Herald Way  
East Midlands  
DE74 2UZ

# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **STRATEGIC REPORT**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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The directors present their strategic report for the financial year ended 31 December 2017.

#### **Principal activities**

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

Sales are primarily in England and Wales led by the Carling brand (a mainstream lager). Other brands distributed include Coors Light, Cobra, Doom Bar and Rekorderlig Cider.

The Company 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 Cobra brands in the UK and Republic of Ireland, distribution rights for the Bavaria & Rekorderlig brands in the UK, factored brand sales (beverage brands owned by other companies, but sold and delivered to retailers by the Company), and a 100% investment in Sharps Brewery Limited which owns the Doom Bar brand. Additionally, the Company has a 100% subsidiary, Franciscan Well, specialising in cask ales based in Cork, Ireland.

#### **Review of the business**

The UK beer market in 2017 increased by 0.7% in total volume, with on premise declining by 2.3% and off premise increasing by 3.5%.

During 2017 we continued to invest behind our first choice for consumers and customers agenda which resulted in the company taking volume share in both on and off premise channels.

In 2017 Molson Coors Brewing Company (UK) Limited increased sales to £1,423,572,000 (2016: £1,348,727,000) delivering strong year on year growth of 5.5%.

Industry pricing continues to be the biggest challenge causing margin pressure in the UK beer business in both the on trade 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 and focussing on our strategy of first choice for consumer and customer.

Operating profit for the year was £57,324,000 (2016: £66,179,000).

On 26<sup>th</sup> May 2017 a share premium reduction exercise took place whereby share premium was reduced by £590,000,000. The purpose of this was to create sufficient distributable reserves for a repatriation of cash to the group.

The Company incurred exceptional costs of £7,020,000 (2016: £5,608,000) during the year relating to restructuring of our operations. This was principally accelerated depreciation on our Burton South brewery following the decision to close the facility in December 2017.

Profit before taxation saw a period on period decline to £61,325,000 (2016: £78,156,000). This decline was a result of a combination of margin reduction from pricing pressure and increased cost of goods due to commodity inflation.

# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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#### *Business developments*

The Molson Coors UK & Ireland business continues to focus on delivering our ambition to be first choice for consumers and customers ambition and is making good progress in building a growing portfolio. During this period we have increased our focus on energising core brands whilst growing our portfolio.

The Company will continue to develop and invest in the key brands of the business in order to build a well-balanced product portfolio.

#### **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.

*We depend exclusively on one logistics provider for distribution of our products in the United Kingdom*

Tradeteam handles all of the physical distribution for the Company 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. As a result, continuation or acceleration of this trend 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. 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 and environmental laws and regulations and excise tax levels could result in the loss, revocation or suspension of our licences, permits or approvals and could have a material adverse effect on our business, financial condition, and results of operations.

# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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*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 with regard 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, plant diseases and theft. To the extent that 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, the results of our 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 historical 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 to the plan. Without sustained growth in the plan's 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 is funded through various intra-group loans, details of which are provided in the notes to the accounts.

##### *Currency risk*

The Company undertakes few transactions in foreign currency and its exposure to currency risk is considered to be minimal. From time to time, the Company minimises exposure to currency risk by entering into forward contracts to purchase foreign currency at fixed exchange rates.

##### *Commodity risk*

The Company purchases a variety of commodities for use in the production process. In the current period, forward contracts for the purchase of diesel and natural gas have been used to minimise the risk caused by price fluctuations in the markets for those commodities.

##### *Credit risk*

Policies are in place that require appropriate credit checks to be completed in respect of potential customers before sales are made. The Company's policies also require continued contact with customers after sales have been made. The amount of exposure to any individual counter party is subject to a limit, and the limit is reassessed by senior management on a regular basis.

##### *Liquidity risk*

Management actively monitor working capital and ensure that the Company has sufficient available funds for operations and meeting its debts as they fall due.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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*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 group policy.

On behalf of the Board

  
.....

S Kerry  
Director

19 October 2018

# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **REPORT OF THE DIRECTORS**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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The directors present their report, together with the audited financial statements and the independent auditors' report for the financial year ended 31 December 2017.

#### **Directors**

The directors who served the Company during the financial year and up to the date of signing these financial statements unless otherwise stated were:

S Albion  
M Coyle (resigned – 05/09/2017)  
S Kerry  
P Whitehead  
J Shearer (appointed – 05/09/2017)

#### **Results and dividends**

The trading results for the financial year and the Company's financial position at the end of the financial year are shown in the attached financial statements, and are discussed further in the business review. Two dividends were declared and paid in the financial year ended 31 December 2017 totalling £119,660,000 (2016 - £Nil).

The directors do not recommend the payment of a final dividend.

#### **Research and development**

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

#### **Events since the balance sheet date and future developments**

Details of the likely future developments of the business of the Company, and details of events which have occurred since the end of the financial year are provided in the Strategic Report.

#### **Financial instruments**

Details of financial instruments are provided in the Strategic Report on page 4.

#### **Going concern**

The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Political donations**

No political donations were made during the year (2016 - £nil).

#### **Disabled employees**

Applications for employment from 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 to 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, and the internal communications website. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.



# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **REPORT OF THE DIRECTORS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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### **Employee share scheme**

During the financial year, the Company's employees have continued to be encouraged, by the Company's parent undertaking, Molson Coors Brewing Company, to be involved in the Company's performance under the Molson Coors Brewing Company Incentive Compensation Plan.

### **Statement of director's responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

### **Director's confirmations**

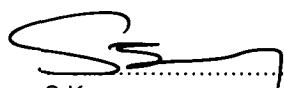
In the case of each director in office at the date the Directors' Report is approved:

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

### **Reappointment of auditors**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board

  
.....  
S Kerry  
Director

19 October 2018

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

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Molson Coors Brewing Company (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2017; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

### **Basis for opinion**

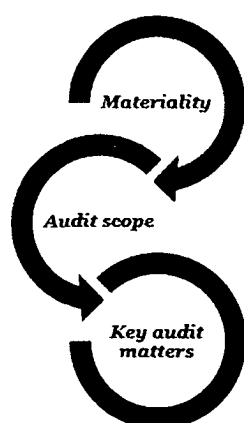
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Our audit approach**

#### **Overview**



- Overall materiality: £14,868,000 based on 1% of total revenues (2016: £6,700,000).
- A full scope audit was conducted on the Annual Report and Financial Statements.
- Derecognition of pension surplus.
- Accuracy and completeness of customer discounts.

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### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## MOLSON COORS BREWING COMPANY (UK) LIMITED

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Derecognition of pension surplus</i></p> <p>The Company operates the Molson Coors Brewers Pension Plan in the United Kingdom; a contributory, self-administered, defined benefit pension plan. At 31 December 2016 the Company recognised a surplus in relation to the Pension Plan of £98,700,000.</p> <p>During the year, contributions and changes in assumptions increased the surplus of the Pension Plan to £229,602,000. The Plan also became fully funded on a technical provision basis. Due to these changes the Directors reassessed the basis upon which the pension surplus was recognised and concluded that they no longer expected the asset to be recovered by reductions in future pension contributions or refunds from the scheme. Therefore the pension surplus was derecognised as at 31 December 2017.</p>	<p>We obtained a detailed understanding and evaluated the design and implementation of controls that the Group has established in relation to the valuation of the pension obligation and assets.</p> <p>In testing the pension valuation, we have utilised internal pension actuarial specialists to review the key actuarial assumptions used, both financial and demographic, and considered the methodology utilised to derive these assumptions. Furthermore, we have benchmarked and performed a sensitivity analysis on the key assumptions determined by the Directors.</p> <p>We have assessed management's conclusions regarding their ability to recover the pension surplus as at 31 December 2017 in light of changes to the overall funding position of the scheme during the year and the valuation at year end and are satisfied that management's judgements in this respect are appropriate.</p>
<p><i>Accuracy and completeness of customer discounts</i></p> <p>The Company has agreements with customers whereby volume-related allowances, promotional and marketing allowances and various other rebates and discounts are given in connection with the sale of goods. As such, the Group recognises a reduction in revenue as a result of amounts payable to customers.</p> <p>The Company makes estimates of customer performance against specific criteria relevant to the incentive schemes and accrue based on expected outcomes. Where the scheme is not aligned with the financial year retrospective rebate and discount arrangements are accrued for on a pro-rata basis.</p> <p>Given the nature of certain arrangements in place and the need to assess at the period end the level of likely retrospective pay-out, the accounting for these arrangements involves a degree of estimation uncertainty which could result in over or under accrual at the year end.</p>	<p>We obtained a detailed understanding and evaluated the design and implementation of controls that the Company has established in relation to customer discount, promotional spend and rebate arrangements. In addition, our substantive audit procedures included a combination of the following:</p> <ul style="list-style-type: none"> <li>Recalculation of customer discount accruals using sales data and contractual discount rates or other associated contractual metrics on a sample basis.</li> <li>Enquiry of Key Account Managers and Senior Commercial Finance Managers with respect to the completeness of the period end liability.</li> <li>Testing settlement of balances accrued for at the prior year end to assess historical accuracy of accruals.</li> <li>Review of accounts receivable aging for evidence of unclaimed or disputed balances.</li> <li>Reviewed post year end credit notes for amounts not accrued.</li> </ul> <p>We found the accuracy and completeness of accruals in relation to customer discount, promotional spend and rebate arrangements at the year end to be appropriate.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company comprises of one reporting unit which was subject to a full scope audit for the purposes of the financial statements.

## MOLSON COORS BREWING COMPANY (UK) LIMITED

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£14,868,000 (2016: £6,700,000).
<b>How we determined it</b>	1% of total revenues.
<b>Rationale for benchmark applied</b>	<p>The Company's management make decisions and monitor performance based on market share with focus on brand growth and retention, therefore we consider total revenue to be the most appropriate benchmark.</p> <p>In the prior year materiality was set by reference to a profit related benchmark. During the current year we have reassessed our approach to setting materiality and consider that a revenue based benchmark to be the most appropriate as the company is primarily focused on delivering sales and market share growth and has low but stable profit margins.</p>

We agreed with the Directors that we would report to them misstatements identified during our audit above £1,400,000 (2016: £335,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of Directors.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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.

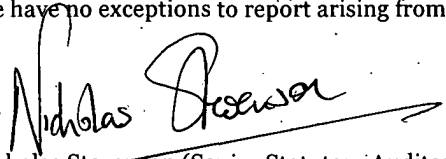
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

We have no exceptions to report arising from this responsibility.

  
Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

19 October 2018

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**INCOME STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £'000	2016 £'000
Turnover	2	1,423,572	1,348,727
Cost of sales		(1,161,642)	(1,082,169)
<b>Gross profit</b>		<b>261,930</b>	<b>266,558</b>
Administrative expenses:			
Before exceptional items		(143,670)	(141,262)
Exceptional restructuring costs	3	(7,020)	(5,608)
		(150,690)	(146,870)
Other operating expenses		(53,916)	(53,509)
<b>Operating profit</b>	4	<b>57,324</b>	<b>66,179</b>
(Loss)/profit on disposal of tangible fixed assets	6	(479)	5,104
<b>Profit before investment income, interest and taxation</b>		<b>56,845</b>	<b>71,283</b>
Income from investments	9	4,877	5,590
Interest receivable and similar income	10	533	1,271
Interest payable and similar expenses	11	(3,530)	(588)
Other finance income/(costs)	12	2,600	600
<b>Profit before tax</b>		<b>61,325</b>	<b>78,156</b>
Tax on profit	13	(6,192)	1,232
<b>Profit for the financial year</b>		<b>55,133</b>	<b>79,388</b>

The above results were derived from continuing operations.

The notes on pages 17 to 44 form part of these financial statements

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	55,133	79,388
Remeasurement gain recognised on defined benefit pension scheme	(99,202)	87,100
Movement on deferred tax relating to pension asset	10,489	(24,038)
<b>Total other comprehensive (expense)/income</b>	<b>(88,713)</b>	<b>63,062</b>
<b>Total comprehensive (expense)/income for the financial year</b>	<b>(33,580)</b>	<b>142,450</b>

The notes on pages 17 to 44 form part of these financial statements

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Accumulated (losses)/retained earnings £'000	Total equity £'000
At 1 January 2017	1,722	598,278	795	(115,121)	485,674
Profit for the financial year	-	-	-	55,133	55,133
Other comprehensive income	-	-	-	(88,713)	(88,713)
Total comprehensive income for the year	-	-	-	(33,580)	(33,580)
Share Premium Reduction	-	(590,000)	-	590,000	-
Equity Dividends Paid	-	-	-	(119,660)	(119,660)
				<b>436,760</b>	<b>(153,240)</b>
At 31 December 2017	1,722	8,278	795	321,639	332,434

The notes on pages 17 to 44 form part of these financial statements



**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2016	1,722	598,278	795	(257,571)	343,224
Profit for the financial year	-	-	-	79,388	79,388
Other comprehensive income	-	-	-	63,062	63,062
<b>Total comprehensive income</b>	-	-	-	<b>142,450</b>	<b>142,450</b>
At 31 December 2016	1,722	598,278	795	(115,121)	485,674

The notes on pages 17 to 44 form part of these financial statements

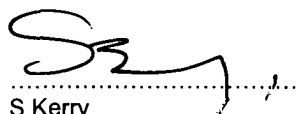
**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
(Registration number: 00026018)

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2017**

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Fixed assets</b>			
Intangible assets	14	114,240	122,408
Tangible assets	15	257,743	244,077
Investments	16	92,815	88,293
		<u>464,798</u>	<u>454,778</u>
<b>Current assets</b>			
Stocks	17	55,648	60,114
Debtors	18	272,910	244,598
Cash at bank and in hand	19	84,911	118,858
		<u>413,469</u>	<u>423,570</u>
<b>Creditors: Amounts falling due within one year</b>	20	(413,196)	(402,701)
		<u>273</u>	<u>20,869</u>
<b>Net current assets</b>			
		<u>465,071</u>	<u>475,647</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	21	(130,717)	(86,004)
Provisions for liabilities	24	(1,920)	(2,669)
		<u>332,434</u>	<u>386,974</u>
<b>Net assets excluding pension asset</b>			
<b>Net pension asset</b>	25	-	98,700
		<u>332,434</u>	<u>485,674</u>
<b>Net assets</b>			
		<u>332,434</u>	<u>485,674</u>
<b>Capital and reserves</b>			
Called up share capital	26	1,722	1,722
Share premium account		8,278	598,278
Revaluation reserve		795	795
Retained earnings/(Accumulated losses)		321,639	(115,121)
		<u>332,434</u>	<u>485,674</u>
<b>Total equity</b>			
		<u>332,434</u>	<u>485,674</u>

The financial statements on pages 12 to 44 were approved by the Board of Directors on 19 October 2018 and signed on its behalf by

  
S Kerry  
Director

The notes on pages 17 to 44 form part of these financial statements

# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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#### **1. Accounting policies**

##### ***Statement of compliance***

Molson Coors Brewing Company (UK) Limited is a company limited by shares, incorporated and domiciled in England & Wales with registration number 00026018. The address of its registered office is:

137 High Street  
Burton upon Trent  
Staffordshire  
DE14 1JZ.

The financial statements of Molson Coors Brewing Company (UK) Limited have been prepared in accordance with the requirements of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102") and the Companies Act 2006.

The financial statements of Molson Coors Brewing Company (UK) Limited were approved for issue by the board of directors on 19 October 2018.

##### ***Basis of preparation***

The financial statements have been prepared on the going concern basis and under the historical cost convention except that, as disclosed below, certain items are shown at fair value.

The financial statements are prepared in Pounds Sterling, which is the functional currency of the Company, and are rounded to the nearest £'000.

The principal accounting policies of the Company, which are set out below, have been consistently applied to all the financial years presented, unless otherwise stated.

##### ***Basis of consolidation***

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by Section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Molson Coors Brewing Company, a company registered in the USA, and is included in the consolidated accounts of that company.

##### ***Going concern***

The nature of the Company's activities and a review of principal risks and uncertainties facing the business are set out in the Strategic Report on pages 3 and 4. On the basis of current financial projections, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

***Judgements and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities as at the reporting date and the amounts reported as revenues and expenses during the financial year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

***Operating lease commitments***

The Company has entered into lease agreements in respect of the use of property and plant and equipment. The classification of such leases as operating or finance leases requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of those assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position. Details of finance lease liabilities at 31 December 2017 are provided in note 22 to these financial statements. Details of commitments under operating leases are provided in note 28.

***Pensions and other post-employment benefits***

During the year, the plan became broadly fully funded on a technical provision basis resulting in a significant reduction in the directors' expectations regarding the future funding requirement for the company to pay contributions into the scheme. As a result, the directors have reconsidered the basis upon which the net defined benefit asset is recognised in the financial statements and have determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) for the plan, the present value of expected refunds from or reductions in future contributions to the scheme no longer supports the net defined benefit asset. As such the net defined benefit asset has been derecognised at 31 December 2017.

The following are the Company's key sources of estimation uncertainty:

***Intangible assets***

The Company establishes a reliable estimate of the useful life of intangible assets on acquisition based on a variety of factors such as the expected use of assets acquired, brand life cycle, and any legal, regulatory or contractual provisions that can limit useful life. At 31 December 2017, the Company's Statement of Financial Position included intangible assets with a net book value of £114,240,000 (2016 - £122,408,000).

***Pensions and other post-employment benefits***

The Company has an obligation to pay pension benefits and other post-employment benefits to certain employees. The value of the net asset is recognised in the Statement of Financial Position. The cost of the benefits and the present value of the obligation is determined on an actuarial basis using the projected unit method and involves the estimation of a number of parameters including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The parameters are estimated based on historical experience and current trends. The assumptions are discussed in more detail in note 25.

At 31 December 2017, the Company's Statement of Financial Position included a net asset of £nil (2016 - £98,700,000) relating to the defined benefit pension scheme and other post-employment benefits.

Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Significant changes to the assumptions over the next financial year could result in significant changes to the carrying value of the pension scheme asset.

***Impairment of non-financial assets***

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The value in use calculation is based on the present value of estimated future cash flows.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

*Deferred tax asset*

In determining the amount of deferred tax assets that can be recognised, estimation of the likely timing and level of future taxable profits is required together with an assessment of the effect of future tax planning strategies. Further details are contained in note 13.

*Bad debt provision*

The Company has recognised provisions for bad debts relating to trade debtors and trade loans. This is based on an assessment of ageing of receivables and other risk indicators. The judgement of management is then applied to provide for debts which are no longer considered to be recoverable.

*Dilapidations provision*

Provisions are made for dilapidations based on management's best estimate of the present value of the likely cash outflow. Provisions are reassessed on a quarterly basis.

*Customer Rebates*

Provisions are made for rebates due to customers based upon management's best estimate of the future value of rebates based upon volume during the year. These provisions are reviewed on a monthly basis.

***Intangible assets***

Intangible assets are capitalised and amortised on a straight line basis over the useful life of the asset, which is between 10 and 25 years.

***Impairment of non-financial assets***

The Company assesses at each reporting date whether an asset may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Income Statement. Where a property is carried at deemed cost less accumulated depreciation and impairment losses, any reduction in the carrying amount to its recoverable amount is eliminated against any revaluation reserve in respect of that property, with any excess being charged to the Income Statement.

An impairment loss for all assets, including intangible assets, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

In accordance with the transition provisions available in FRS102, the Company has chosen to use previous GAAP revaluations for certain land and buildings prior to the date of transition to FRS102 as the deemed cost of those assets at the revaluation date.

Land is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

The expected useful lives of assets are 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

In the case of land and buildings valued at deemed cost, previous valuation surpluses realised on sale are transferred from the revaluation reserve to retained earnings.

***Equity investments***

The Company's equity investments are not publicly traded and the fair value of those investments cannot be reliably measured. Equity investments are therefore held at cost less provision for impairment, with cost including transaction costs.

In the event of a reliable measure of fair value becoming available, equity investments are re-measured at fair value with the movement in the carrying value being recognised in the Income Statement. Where an equity investment has been measured at fair value but a reliable measure of fair value is no longer available, the fair value on the last date on which a reliable measure of fair value was available is treated as the cost of the investment.

***Trade loans***

Trade loans are held at cost less provision for impairment.

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable in respect of the sale of goods and services in the ordinary course of the Company's activities. It is stated net of trade discounts, rebates and Value Added Tax.

Subject to the conditions below, revenue is recognised at the point at which the significant risks and rewards of ownership of goods have transferred to the customer. In the case of beer sales, this is the point of delivery. In the case of contract brewing services, it is the point of collection.

Revenue is only recognised when it is probable that economic benefits will flow to the Company, when the amount of revenue can be measured reliably, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover includes interest received or receivable from customers in respect of trade loans, as the commercial substance of those transactions is that they are part of the normal terms of trade. Interest income is credited to the Income Statement in the period to which it relates.

Revenue relating to dividends from investments are recognised when the Company's right to receive payment is established.

***Exceptional restructuring costs***

The Company classifies certain one off charges or credits relating to restructuring activities as exceptional restructuring costs. These are separately disclosed to provide further understanding of the Company's financial performance.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

---

**1. Accounting policies (continued)**

***Stocks***

Stocks are stated at the lower of cost and net realisable value.

Cost includes all costs incurred in bringing stocks to their present location and condition, including materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Materials are measured on a first-in first-out basis.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the Income Statement.

***Research and development***

Research and development expenditure is written off as incurred.

***Provisions for liabilities***

Provisions are recognised where the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are charged as an expense in the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate of the amount required to settle the obligation at the date of the Statement of Financial Position, taking into account relevant risks and uncertainties.

***Tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge or credit attributable to an item of income or expense recognised in other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is accounted for to recognise the impact of timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. A deferred tax liability is recognised where a transaction or event that occurred prior to the reporting date results in the Company having an obligation to pay tax in future periods in excess of the amount which would be payable if the transaction or event had not occurred. A deferred tax asset is recognised where a transaction or event that occurred prior to the reporting date gives the Company the right to pay less tax in the future than would have been payable if the transaction or event had not occurred.

Deferred tax assets are only recognised if it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured at the 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 substantively enacted by the period end.

***Foreign currency translation***

Transactions in foreign currencies are initially recorded in Pounds Sterling by applying the spot exchange rate ruling at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date or, if appropriate, at the forward contract rate. All differences are taken to the Income Statement.

Non-monetary items measured at historical cost are translated into Pounds Sterling using the exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated into Pounds Sterling using the exchange rate at the date on which fair value was determined.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

***Financial instruments***

The Company has chosen to adopt Section 11 and Section 12 of FRS102 in respect of financial instruments.

Basic financial assets, including trade and other receivables and cash and bank balances are initially measured at cost and are subsequently measured at amortised cost using the effective interest rate method. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, an impairment loss, being the difference between the carrying amount of the asset and the present value of the estimated cash flows discounted at the asset's original effective interest rate, is recognised in the Income Statement.

Other financial assets including investments in equity instruments which are not subsidiaries, associates or joint ventures, are measured, initially and subsequently, at fair value. Changes in fair value are recognised in the Income Statement.

Basic financial liabilities, including trade and other payables, bank loans and loans from group undertakings are initially measured at cost. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Derivatives, including forward purchase contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the Company is bound by the terms of the relevant contract, and are subsequently measured at fair value. Changes in fair value are recognised in the Income Statement as cost of sales.

***Cash and cash equivalents***

Cash comprises cash in hand and deposits at banks which are repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments with an original maturity date of no more than three months that are readily convertible to known amounts of cash with insignificant risk of change in value.

***Trade debtors***

Trade debtors are amounts due from customers in respect of goods sold and services provided in the ordinary course of business.

Trade debtors are recognised at the transaction price less provision for impairment. A provision for impairment of trade debtors is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

***Trade creditors***

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and are subsequently measured at amortised cost using the effective interest method.



# **MOLSON COORS BREWING COMPANY (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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#### **1. Accounting policies (continued)**

##### ***Leasing and hire purchase***

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have been transferred to the Company are capitalised in the Statement of Financial Position and depreciated over the shorter of the lease term and the useful life of the asset. A corresponding liability is recognised for the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Income Statement so as to achieve a constant rate of interest on the balance of the liability.

Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Lease incentives are recognised on a straight line basis over the term of the lease.

##### ***Sale and leaseback***

Under a sale and leaseback arrangement, MCBC UK are required to defer the profit on sale and amortise the profit over the short of the term of the lease of the UEL of the property. Upon the recognition of the transaction as a sale-leaseback, the current holding value of the property associated with the transaction will be derecognized at its net book value and a new leased asset and a matching capital lease liability recorded at an assessed fair value.

##### ***Share capital***

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the consideration received or receivable, net of the direct costs incurred in issuing the equity instruments. If consideration is deferred and the time value of money is material, initial recognition is at the present value of consideration receivable.

##### ***Pensions and other post-retirement benefits***

The Company operates a funded defined benefit pension scheme for employees who joined the Company prior to April 2006. Assets of the scheme are held separately from those of the Company in trustee administered funds. On 4 April 2009, the fund was closed to future accruals of retirement benefits.

The difference between the fair value of assets held in the pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Statement of Financial Position as a pension asset or liability as appropriate. Any resulting pension scheme asset is recognised to the extent that the balance is considered to be recoverable through reduced contributions in the future or through refunds from the scheme. Any resulting liability is recognised in full.

Current and past service costs are recognised in the Income Statement in administrative expenses. Net interest is recognised in the Income Statement as other finance costs. Actuarial gains and losses are recognised in Other Comprehensive Income.

The Company operates a defined contribution pension scheme. Contributions are recognised in the Income Statement in the period to which they relate. Contributions outstanding at the reporting date are included in creditors.

##### ***Summary of disclosure exemptions***

The Company is a wholly owned subsidiary of Molson Coors Holdings Limited and is included in the consolidated financial statements of the ultimate parent company, Molson Coors Brewing Company (a company incorporated in the USA), which are publicly available.

The Company has taken advantage of the exemptions available within FRS102 paragraph 1.12 from the requirement to prepare a Statement of Cash Flows and the requirement to disclose details of transactions with wholly owned group companies as the requirements of FRS102 paragraph 1.11 have been satisfied.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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***Name of parent of group***

These financial statements are consolidated in the financial statements of Molson Coors Brewing Company.

The financial statements of Molson Coors Brewing Company may be obtained from the Company Secretary at 1801 California Street, Suite 4600, Denver, Colorado 80202, USA.

**2. Turnover**

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of trade discounts and Value Added Tax.

Turnover relates mainly to the sale of beer but also includes amounts receivable in respect of contract brewing services and interest receivable from customers in respect of trade loans.

All of the Company's turnover in the financial year and the preceding financial year related to continuing operations.

Turnover is analysed as follows:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Sale of goods	1,421,186	1,346,330
Contract brewing services	-	-
Interest receivable on trade loans	2,386	2,397
	<hr/> 1,423,572	<hr/> 1,348,727
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the Company's turnover by market is as follows:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
United Kingdom	1,404,313	1,335,768
Rest of the World	19,259	12,959
	<hr/> 1,423,572	<hr/> 1,348,727
	<hr/> <hr/>	<hr/> <hr/>

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**3. Exceptional restructuring costs**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<i>Recognised in arriving at operating profit:</i>		
Charge/(Credit) relating to termination payments on restructuring	82	(1,096)
Other restructuring costs	6,938	6,704
	<u>7,020</u>	<u>5,608</u>

The charge/(credit) relating to termination payments on restructuring comprises movements in the provision for redundancy payments to employees who are to be made redundant as a result of restructuring activities, and redundancy payments to employees who have been made redundant as a result of restructuring activities where no previous provision for that payment has been recognised. The cost of redundancy payments is recognised when the Company has either a legal or constructive obligation to make those payments.

Other restructuring costs relate to costs associated with the Company's Alton Brewery, which closed in April 2015, and part of the Company's Burton upon Trent site which, following an announcement in November 2015, closed in March 2018. The majority of the costs relate to accelerated depreciation of tangible fixed assets.

**4. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Excise duty on own products	555,270	553,466
Research and development expenditure	322	199
Amortisation of goodwill and other intangibles	8,168	5,283
Impairment of trade debtors	(548)	(148)
Inventory recognised as an expense	502,082	468,653
<i>Depreciation:</i>		
Charge relating to owned assets	46,254	43,920
Charge relating to assets held under hire purchase agreements and finance leases	189	189
	<u>46,443</u>	<u>44,109</u>
<i>Operating lease rentals:</i>		
Charge relating to land and buildings	2,059	873
Charge relating to plant and machinery	7,944	4,645
	<u>10,003</u>	<u>5,518</u>

**5. Auditors' remuneration**

In 2017, auditors' remuneration relating to audit fees amounted to £175,200 (2016: £187,300), of which £nil (2016: £166,000) was borne by another group company. Auditors remuneration in relation to fees for non-audit services provided during the year amounted to £256,016 (2016 - £nil).

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**6. Loss/(Profit) on disposal of tangible fixed assets**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Loss/(Profit) on disposal of tangible fixed assets	479	(5,104)

**7. Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	87,561	86,652
Social security costs	8,834	8,564
Pension costs	7,986	7,794
Cost of employee share schemes	1,948	1,662
	<b>106,329</b>	<b>104,672</b>

Staff costs includes the cost of employee share schemes that are recharged from the ultimate parent, Molson Coors Brewing Company.

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Production	729	775
Sales	1,103	1,077
Administration	161	158
	<b>1,993</b>	<b>2,010</b>

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**8. Directors' remuneration**

Remuneration was paid to the directors of the Company as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Fees as directors	1,018	1,050
Pensions costs	19	38
Other emoluments	36	24
Cost of employee share schemes	578	392
	<u>1,651</u>	<u>1,504</u>

During the year, four of the directors accrued benefits under the defined contribution pension scheme (2016 – 5). The number of directors who exercised share options during the year was 4 (2016 – 4).

Directors' remuneration included:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Remuneration of the highest paid director:</i>		
Aggregate emoluments	468	467
Contributions to defined contribution pension scheme	-	8
	<u>468</u>	<u>475</u>

**9. Income from investments**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Dividends received (note 30)	4,877	5,590
	<u>4,877</u>	<u>5,590</u>

**10. Interest receivable and similar income**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	131	180
Interest receivable from group undertakings	-	-
Other interest receivable	402	1,091
	<u>533</u>	<u>1,271</u>
Total interest income relating to financial assets not measured at fair value through profit or loss	533	1,271

**11. Interest payable and similar expenses**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to group undertakings	3,530	588
	<u>3,530</u>	<u>588</u>
Total interest expense relating to financial liabilities not measured at fair value through profit or loss	3,530	588

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**12. Other finance (income)/costs**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest on net defined benefit pension asset	(2,600)	(600)

**13. Tax on profit**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
- UK Corporation tax on profits for the financial year	8,236	8,115
- UK Corporation tax adjustments to prior periods	105	2,184
- Foreign tax	-	1
<b>Total current tax</b>	<b>8,341</b>	<b>10,300</b>
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	(3,456)	(2,817)
- Changes in recoverable amounts of deferred tax assets	1,307	(9,237)
- Effect of changes in tax rate on opening liability	-	522
<b>Total deferred tax</b>	<b>(2,149)</b>	<b>(11,532)</b>
<b>Tax on profit</b>	<b>6,192</b>	<b>(1,232)</b>

Tax on profit for the year is lower than (2016 – lower than) the standard rate of Corporation tax in the UK of 19.25% (2016 – 20.0%).

The differences are reconciled below:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	61,325	78,156
Corporation tax at standard rate	11,805	15,631
Net impact of (income added back)/expenses not deductible for tax purposes	(283)	(488)
Recognition of movement in land and buildings	116	53
Accounting profit on chargeable assets	(96)	-
Changes in pensions and post retirement benefits	(6,375)	(7,697)
Effect of difference between current tax rate and deferred tax rate	(387)	(861)
Adjustments in respect of prior periods	1,412	(6,531)
Higher taxes on overseas earnings	-	1
Utilisation of capital losses transferred	-	(1,340)
<b>Tax on profit</b>	<b>6,192</b>	<b>(1,232)</b>

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**13. Tax on profit (continued)**

**Tax relating to items recognised as Other Comprehensive Income:**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<b>Deferred tax:</b>		
- Actuarial (gain)/loss on pension scheme	(10,489)	22,503
- Effect of change in rate on deferred tax balance	-	1,535
	<hr/> (10,489) <hr/>	<hr/> 24,038 <hr/>

**Deferred tax**

The Company's deferred tax balances comprise the following:

*Deferred tax asset:*

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Decelerated capital allowances	12,813	8,677
Land and buildings	5,363	4,961
Other timing differences	3,379	4,197
Tax losses	-	1,418
	<hr/> 21,555 <hr/>	<hr/> 19,253 <hr/>
Deferred tax asset excluding pension related balances	21,555	19,253
Pension related deferred tax (liability)/asset	6,372	(3,965)
	<hr/> 27,927 <hr/>	<hr/> 15,288 <hr/>
<b>Total deferred tax asset</b>	<b>27,927</b>	<b>15,288</b>

**Factors affecting current and future tax charges**

Finance No. 2 Bill 2015, which was substantively enacted on 26 October 2015, provided for reductions in the main rate of Corporation tax in the UK from the current rate of 19% to 18% from 1 April 2020.

Finance Bill 2016, which was substantively enacted on 6 September 2016 provided for a reduction in the main rate of UK Corporation tax to 17% from 1 April 2020 rather than the 18% previously announced. These changes will reduce the Company's future tax accordingly.

Deferred tax has been calculated at 17%, being the rate substantively enacted at the balance sheet date.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**14. Intangible assets**

		<b>Trademarks, trade names, brand names, and distribution rights</b>	
	<b>Goodwill £'000</b>	<b>£'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 January 2017	41,168	103,199	144,367
Additions	-	-	-
At 31 December 2017	41,168	103,199	144,367
<b>Accumulated amortisation</b>			
At 1 January 2017	18,735	3,224	21,959
Charge for the financial year	2,813	5,355	8,168
At 31 December 2017	21,548	8,579	30,127
<b>Carrying amount</b>			
At 31 December 2017	19,620	94,620	114,240
At 31 December 2016	22,433	99,975	122,408

The amortisation charge for the financial year is included in the Income Statement under the heading of administrative expenses.

Included in the carrying amount of intangible assets of £114,240,000 at 31 December 2017 is £72,126,000 (2016: £75,972,000) relating to the perpetual royalty free licence for Miller branded products in Europe acquired in 2016. That asset is being amortised on a straight line basis over 20 years, being the directors' estimate of the useful economic life of the asset. The remaining amortisation period at 31 December 2017 is 18.75 years.

Also included in the carrying amount of intangible assets of £114,240,000 at 31 December 2017 is £22,495,000 (2016 - £24,003,000) relating to the brand rights from Rekorderlig (UK) Limited in 2015. The asset is being amortised on a straight line basis over 17 years, being the period over which the Company has the right to distribute the associated product. The remaining amortisation period at 31 December 2017 is 14.9 years.



**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**15. Tangible assets**

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2017	90,025	388,620	205,402	684,047
Additions	25,943	17,096	27,906	70,945
Disposals	(11,986)	(4,408)	(18,573)	(34,967)
At 31 December 2017	103,982	401,308	214,735	720,025
<b>Accumulated depreciation</b>				
At 1 January 2017	40,633	244,518	154,819	439,970
Provided during the financial year	2,976	16,422	27,045	46,443
Disposals	(3,484)	(3,040)	(17,607)	(24,131)
At 31 December 2017	40,125	257,900	164,257	462,282
<b>Carrying amount</b>				
At 31 December 2017	63,857	143,408	50,478	257,743
At 31 December 2016	49,392	144,102	50,583	244,077

Included in the amounts for fixtures and fittings above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

	Fixtures and fittings £'000
<b>Cost or valuation</b>	
At 1 January 2017 and 31 December 2017	2,297
<b>Accumulated depreciation</b>	
At 1 January 2017	439
Provided during the financial year	189
At 31 December 2017	628
<b>Carrying amount</b>	
At 31 December 2017	1,669
At 31 December 2016	1,858

All land and buildings are freehold.

Included in the cost or valuation of land and buildings of £103,982,000 (2016 - £90,025,000) is £17,319,000 (2016 - £17,319,000) relating to assets held at valuation. The Company has applied the transition provisions of FRS 102 and has used the most recent valuation of those assets as the deemed cost at the date of transition. The most recent valuation of those assets was carried out in 1999 by Chesterton plc, external valuer.

On 12 January 2017, Molson Coors Brewing company (UK) Limited entered into a Sale and Purchase agreement ("SPA") with Weis Group ("Weis") for the sale of the UK National Distribution Centre's ("NDC") Land and Building for £33.4m, with completion of the sale and sale proceeds funds received on that date. The property is being leased back to Molson Coors Brewing Company (UK) Limited (MCBC UK) from Weis for a period of 20 years.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**15. Tangible assets (continued)**

Upon the evaluation of Sale and Leaseback Criteria, MCBC UK is considered to be undertaking a capital lease arrangement. As a result MCBC UK are required to defer the profit on sale of the NDC of £23.9m and amortise this profit over the shorter of the term of the lease, or the UEL of the property – in this case the lease term of 20 years. Upon the recognition of the transaction as a sale-leaseback, the current holding value of the property associated with the transaction, £9m, was derecognized at its net book value. A new leased asset and matching capital lease liability was recorded at an assessed value of £25.1m. The leased asset has been depreciated over a 20 year term at £1.3m per annum.

The historical cost of land and buildings at 31 December 2017 is £103,982,000 (2016 - £90,670,000). The revaluation reserve relating to assets held at deemed cost at 31 December 2017 was £795,000 (2016 £795,000).

None of the Company's plant and machinery or fixtures and fittings are held at valuation.

During the financial year, interest costs amounting to £27,133 (2016 - £70,330) were capitalised. The total cost or valuation of tangible fixed assets of £720,025,000 at 31 December 2017 (2016 - £684,047,000) included £5,632,496 (2016 - £5,605,183) of capitalised interest. The interest rate used to capitalise is 2.2% (2016 – 2.2%).

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**16. Investments**

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Trade and other loans £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	71,322	495	18,977	90,794
Additions/advances	-	-	8,764	8,764
Disposals/repayments	-	-	(3,106)	(3,106)
Amounts written off	-	-	(1,269)	(1,269)
At 31 December 2017	71,322	495	23,366	95,183
<b>Provision for impairment</b>				
At 1 January 2017	1,274	-	1,227	2,501
Released during the financial year	-	-	(133)	(133)
At 31 December 2017	1,274	-	1,094	2,368
<b>Carrying amount</b>				
At 31 December 2017	70,048	495	22,272	92,815
At 31 December 2016	70,048	495	17,750	88,293

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

Undertaking	Country of Incorporation	Holding	Proportion of voting rights and shares		Nature of business
			2017	2016	
Molson Coors Brewing Company (Ireland) Designated Activity Company	Republic of Ireland	Ordinary	100%	100%	Beer production and sales
Sharp's Brewery Limited	England and Wales	Ordinary	100%	100%	Beer production and sales
Molson Coors Brewing Company (UK) Pensions Limited	England and Wales	Ordinary	100%	100%	Pension fund trustee
Molson Coors Brewing Company (UK) Healthcare Limited	England and Wales	Ordinary	100%	100%	Healthcare trustee
Coors On-Line Limited	England and Wales	Ordinary	73%	73%	Non trading
Cobra Beer Partnership Limited	England and Wales	Ordinary 'B'	50.1%	50.1%	Beer sales
Grolsch (UK) Limited	England and Wales	Ordinary	49%	49%	Beer sales
Caffrey's Canada Inc	Canada	Ordinary	100%	100%	Dormant
Carling Brewers Export Limited	Scotland	Ordinary	100%	100%	Dormant
Charrington and Company Limited	England and Wales	Ordinary	100%	100%	Dormant
Coors Brewers Limited	England and Wales	Ordinary	100%	100%	Dormant
Molson Coors Beer Naturally Limited	England and Wales	Ordinary	100%	100%	Dormant
Molson Coors Brewing Company (UK) Russia Limited	England and Wales	Ordinary	100%	100%	Dormant
Molson Coors Worthington Limited	England and Wales	Ordinary	100%	100%	Dormant
William Stones Limited	England and Wales	Ordinary	100%	100%	Dormant

Atlantic Beer Kitchen Limited was dissolved on 4 April 2017. The Company's investment in that company was held indirectly through Sharp's Brewery Limited. On 9 December 2016, the trade and assets of Atlantic Beer Kitchen Limited were hived into Sharp's Brewery Limited.

All of the Company's other investments are directly held.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**16. Investments (continued)**

The address of the registered office of Sharp's Brewery Limited is:  
Pityme Industrial Estate  
Rock  
Wadebridge  
Cornwall  
PL27 6NU

The address of the registered office of Molson Coors Brewing Company (Ireland) Designated Activity Company is:  
Block J1 Unit C  
Maynooth Business Campus  
Maynooth  
Co Kildare  
Ireland

The address of the registered office of Caffrey's Canada Inc is:  
1555 Notre-Dame Street East  
Montreal QC  
H2L 2R5  
Canada

The address of the registered office of Carling Brewers Export Limited is:  
C/O Colin Brass  
Wright Johnston and Mackenzie LLP  
302 St Vincent Street  
Glasgow  
G2 5RZ

The address of all other companies in which the Company holds 20% or more of the nominal value of any class of share capital is:  
137 High Street  
Burton upon Trent  
Staffordshire  
DE14 1JZ

**17. Stocks**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	2,318	1,229
Work in progress	1,838	1,898
Finished goods	45,005	50,058
Consumable stores	6,487	6,929
	<hr/>	<hr/>
	55,648	60,114
	<hr/>	<hr/>

There are no material differences between the carrying values of stocks and their replacement costs.

The cost of stock recognised as an expense in the year amounted to £502,082,000 (2016 - £468,653,000).

During the financial year, the Company recognised a net impairment loss reversal of £1,417,000 in respect of stock. In 2016, a net impairment loss of £1,167,000 was recognised in relation to stock.

Movements in the impairment provision are reported as cost of sales in the Income Statement.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**18. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts falling due within one year:</i>		
Trade debtors	129,935	134,796
Amounts owed by group undertakings	83,665	58,572
Amounts owed by associated undertakings	-	554
Corporation tax receivable	-	-
Other debtors	14,989	19,929
Deferred tax asset	27,927	15,288
Prepayments and accrued income	16,394	15,459
	<u>272,910</u>	<u>244,598</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provision for impairment of £1,598,000 (2016 - £1,057,000).

**19. Cash at bank and in hand**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	<u>84,911</u>	<u>118,858</u>

**20. Creditors: Amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	186,852	178,164
Amounts owed to group undertakings	52,366	64,305
Corporation tax	-	-
Other taxation and social security	90,818	90,547
Obligations under finance leases and hire purchase contracts	523	459
Other creditors	12	231
Accruals and deferred income	82,625	68,995
	<u>413,196</u>	<u>402,701</u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**21. Creditors: Amounts falling due after more than one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	77,101	77,101
Obligations under finance leases and hire purchase contracts	24,464	281
Other creditors	-	-
Accruals and deferred income	29,152	8,622
	<hr/>	<hr/>
	130,717	86,004
	<hr/>	<hr/>

Amounts owed to group undertakings relate to loan notes issued on 3 October 2016 to the Company's intermediate holding company, Molson Coors Cayman 2 Company, a company registered in the Cayman Islands. On 29 December 2016, the loan notes were listed on the Cayman Islands Stock Exchange.

The loan notes, which have a maturity date of 3 October 2026, are unsecured and bear interest at a fixed rate of 3% per annum.

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

**22. Obligations under finance leases and hire purchase contracts**

The Company uses finance leases and hire purchase contracts to acquire plant and machinery. Future minimum lease payments due under finance leases and hire purchase contracts are as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts payable:</i>		
Within one year	388	459
Within two to five years	24,776	281
	<hr/>	<hr/>
	25,164	740
Finance costs allocated to future periods	-	-
	<hr/>	<hr/>
	25,164	740
	<hr/>	<hr/>

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**23. Financial instruments**

***Categorisation of financial instruments***

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Financial assets</i>		
Financial assets measured at fair value through profit or loss	5,022	3,189
Financial assets that are debt instruments measured at amortised cost	343,203	347,270
	<u>348,225</u>	<u>350,459</u>
<i>Financial liabilities</i>		
Financial liabilities measured at fair value through profit or loss	34	231
Financial liabilities measured at amortised cost	414,895	397,927
	<u>414,929</u>	<u>398,158</u>

***Financial assets and liabilities measured at fair value through profit or loss***

The Company uses future contracts for the purchase of natural gas, diesel and aluminium. The fair value of those contracts is calculated by the institutions with which the Company has contracted.

***Items of income, expense, gains or losses***

	<b>Income</b>	<b>Expense</b>	<b>Net gains</b>	<b>Net losses</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2017</b>				
Financial assets measured at fair value through profit or loss	1,833	-	-	-
Financial liabilities measured at fair value through profit or loss	-	(198)	-	-
Financial assets measured at amortised cost	3,063	(408)	-	-
Financial liabilities measured at amortised cost	-	3,675	-	-
	<u>4,896</u>	<u>3,069</u>	<u>-</u>	<u>-</u>
	<b>Income</b>	<b>Expense</b>	<b>Net gains</b>	<b>Net losses</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2016</b>				
Financial assets measured at fair value through profit or loss	2,689	-	-	-
Financial liabilities measured at fair value through profit or loss	-	(3,974)	-	-
Financial assets measured at amortised cost	3,668	(141)	-	-
Financial liabilities measured at amortised cost	-	588	-	-
	<u>6,357</u>	<u>(3,527)</u>	<u>-</u>	<u>-</u>

A net impairment loss reversal of £132,000 (2016 - £7,000) was recognised in respect of trade loans during the financial year.

A net impairment loss of £548,000 (2016 – reversal of £148,000) was recognised in respect of trade debtors during the financial year.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**24. Provisions for liabilities**

	<b>Restructuring provision £'000</b>	<b>Onerous lease provision £'000</b>	<b>Total £'000</b>
At 1 January 2017	2,220	449	2,669
Additions during the financial year	950	-	950
Amounts charged against provision	(1,221)	(59)	(1,280)
Unused amounts released	(419)	-	(419)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,530	390	1,920
	<hr/>	<hr/>	<hr/>

*Restructuring provision*

In 2015, provision was made for the cost of redundancy payments to be made to employees affected by restructuring at the Company's Burton upon Trent site. An element of this provision has continued to be been released in 2017 as an assessment of redeployment opportunities has resulted in a reduction in the number of anticipated redundancies.

The restructuring provision is expected to be fully utilised by March 2018.

*Onerous lease provision*

Provision has been made for the cost of fulfilling contractual obligations in relation to various onerous lease agreements. It is anticipated that this provision will not be fully utilised until 2046.



**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**25. Pensions and other post-retirement benefits**

The Company operates the Molson Coors Brewers Pension Plan in the United Kingdom; a contributory, self-administered, defined benefit pension plan. Assets of the pension plan are held separately from those of the Company in trustee administered funds. Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method, where applicable, and as agreed with the trustees of the scheme. Total contributions made by the Company to the scheme in the financial year ended 31 December 2017 amounted to £nil (2016 - £nil).

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).

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 the employment of the Company, and these benefits will continue to be linked to salaries.

An actuarial assessment of the Molson Coors Brewers Pension Plan was carried out based on full data, using the projected unit method, as at 30 June 2016. This was updated to 31 December 2016 in order to assess the liabilities of the scheme at that date. Scheme assets are stated at their fair values at the balance sheet date.

The full valuation of the scheme as at 30 June 2017 and the assessment of liabilities as at 31 December 2017 were both carried out by Mercer, an independent and professionally qualified actuary.

The assets and liabilities of the scheme at 31 December are:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Scheme assets at fair value:</i>		
Equities	425,670	455,520
Fixed interest bonds	983,095	920,530
Index-linked bonds	405,400	322,660
Property	111,485	104,390
Cash	101,350	94,900
	<hr/>	<hr/>
Fair value of scheme assets	2,027,000	1,898,000
Present value of scheme liabilities	(1,797,398)	(1,799,300)
	<hr/>	<hr/>
Net Pension Asset	229,602	98,700
	<hr/>	<hr/>

The pension plan has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

During the year, the plan became broadly fully funded on a technical provision basis resulting in a significant reduction in the directors' expectations regarding the future funding requirement for the company to pay contributions into the scheme. As a result, the directors have reconsidered the basis upon which the net defined benefit asset is recognised in the financial statements and have determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) for the plan, the present value of expected refunds from or reductions in future contributions to the scheme no longer supports the net defined benefit asset. As such the net defined benefit asset has been derecognised at 31 December 2017.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**25. Pensions and other post-retirement benefits (continued)**

The amounts recognised in the Income Statement and Other Comprehensive Income for the financial year are analysed as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Recognised in the Income Statement:</i>		
Current service cost	-	-
Actual expenses paid	2,100	2,100
	<hr/>	<hr/>
Recognised in arriving at operating profit	2,100	2,100
	<hr/>	<hr/>
Net interest on net defined benefit (asset)/liability	(2,600)	(600)
	<hr/>	<hr/>
Total recognised in Income Statement	(500)	1,500
	<hr/>	<hr/>
<i>Taken to Other Comprehensive Income:</i>		
Actual return on scheme assets	202,800	363,600
Less amount included in net interest on net defined benefit liability	(49,300)	(59,700)
	<hr/>	<hr/>
	153,500	303,900
Other actuarial gains and losses	(23,100)	(216,800)
Derecognition of net defined benefit asset	(229,602)	-
	<hr/>	<hr/>
Remeasurement gain/(loss) recognised in other comprehensive income	(99,202)	87,100
	<hr/>	<hr/>

**Pensions**

	<b>2017</b>	<b>2016</b>
	<b>%/Years</b>	<b>%/Years</b>
<i>Main assumptions:</i>		
Rate of salary increases	3.10	3.20
Rate of increase of pensions in payment		
- Pre 2006 pension	3.05	3.10
- Post 2006 pension	2.50	2.55
Discount rate	2.55	2.65
Inflation assumption	3.10	3.20
Post retirement mortality		
- Retiring today (member age 65)	21.40	21.30
- Retiring in 25 years (member age 40)	24.10	24.00

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the reporting date, with "future" being that relating to an employee retiring in 2041.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**25. Pensions and other post-retirement benefits (continued)**

Changes in the present value of the defined benefit obligations are analysed as follows:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
At 1 January	1,799,300	1,594,500
Interest paid	46,700	59,100
Benefits paid	(71,700)	(71,100)
Remeasurement on change in assumptions	23,098	321,800
Effect of experience adjustments	-	(105,000)
	<hr/>	<hr/>
As at 31 December	<u>1,797,398</u>	<u>1,799,300</u>

Changes in the fair value of plan assets are analysed as follows:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
At 1 January	1,898,000	1,607,600
Actual return on plan assets	153,500	303,900
Interest income	49,300	59,700
Employer contributions	-	-
Benefits paid	(71,700)	(71,100)
Administrative expenses returned/paid from plan assets	(1,800)	(2,100)
Insurance premiums for risk benefits	(300)	-
	<hr/>	<hr/>
As at 31 December	<u>2,027,000</u>	<u>1,898,000</u>

The company operates a defined contribution pension scheme. Cost recognised in the income statement during the year are as follows. An accrual is held for £251,000 (2016: £232,000) at the year end.

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Pension costs	<u>7,986</u>	<u>7,794</u>

**26. Called up share capital**

Allotted, called up and fully paid shares:

	<b>2017</b> <b>No.</b>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>No.</b>	<b>2016</b> <b>£'000</b>
Deferred Ordinary shares of £1 each	1,721,600	1,722	1,721,600	1,722
\$US Ordinary shares of \$US 0.01 each	100	-	100	-
	<hr/>	<hr/>	<hr/>	<hr/>

Each share entitles the holder to one vote.

Each share has the right to participate in a distribution of capital on a winding up or as authorised by an extraordinary resolution. Shares are not redeemable unless sanctioned by a special resolution.

During the year the company paid a dividend of £119,660,000 (2016: £nil) representing £69.51 per share (2016: £nil per share).

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**27. Capital commitments**

At 31 December, the Company had capital commitments as follows:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Contracted for as at the year end but not provided for in the financial statements	2,585	1,153

**28. Operating lease commitments**

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Not later than one year	7,099	5,606
Later than one year and not later than 5 years	13,833	7,929
Later than five years	38,732	1,255
	<u>59,664</u>	<u>14,790</u>

**29. Related party transactions**

The Company has taken advantage of the exemption within FRS102 Paragraph 33.1A and has not disclosed transactions with members of the group headed by Molson Coors Brewing Company where any subsidiary which is party to the transaction is wholly owned by such a member.

During the financial year ended 31 December 2017, the Company traded with other related parties as follows:

	<b>Coors On-line Limited £'000</b>	<b>Grolsch (UK) Limited £'000</b>	<b>Cobra Beer Partnership Limited £'000</b>
Turnover	-	-	41,900
Purchases	-	1,579	57,678
Other administrative expenses	-	-	3,239
Marketing and management fee income	-	-	2,164
Interest receivable	-	-	-
Sale of fixed assets	-	-	-
Tax paid	-	-	-
Balance due to related party at 31 December 2017	358	-	6,290
Balance due from related party at 31 December 2017	2,083	857	-

**MOLSON COORS BREWING COMPANY (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

During the financial year ended 31 December 2016, the Company traded with other related parties as follows:

	<b>Coors On-line Limited £'000</b>	<b>Grolsch (UK) Limited £'000</b>	<b>Cobra Beer Partnership Limited £'000</b>
Turnover	-	-	42,319
Purchases	-	1,675	56,880
Other administrative expenses	-	-	2,605
Marketing and management fee income	-	-	2,446
Interest receivable	71	-	-
Sale of fixed assets	-	-	50
Tax paid	-	-	-
Balance due to related party at 31 December 2016	304	-	6,826
Balance due from related party at 31 December 2016	2,009	555	-

Coors On-line Limited is a company which is 73% owned within the group.

Grolsch (UK) Limited is a company which is 49% owned within the group.

Cobra Beer Partnership Limited is a company which is 50.1% owned within the group.

**30. Dividends received**

Dividends received from the company's investments are as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Grolsch (UK) Ltd	660	685
Cobra Beer Partnership Limited	4,217	4,905
	<hr/>	<hr/>
Total dividends received	4,877	5,590
	<hr/>	<hr/>

**30. Parent and ultimate parent undertaking**

The Company's immediate parent company, by virtue of its 100% shareholding in the Company, is Molson Coors Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent company is Molson Coors Brewing Company, a company incorporated in the State of Delaware, USA.

The parent of the largest group and the smallest group in which these financial statements are consolidated is Molson Coors Brewing Company. The address of Molson Coors Brewing Company is:

1801 California Street  
Suite 4600  
Denver  
Colorado 80202  
USA

The most senior parent entity producing publicly available financial statements is Molson Coors Brewing Company. These financial statements are available from the Company Secretary at the above address.

The ultimate controlling party is Molson Coors Brewing Company.

**MOLSON COORS BREWING COMPANY (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**31. Post balance sheet events**

On 5 January 2018, Molson Coors Brewing Company (UK) Limited purchased 100% of the shares of Aspoll Holdings Limited. Aspoll Holdings Limited is a holding company whose sole investment is 100% of the share of Aspoll Cyder Limited, the trading entity of the business.

On 1 March 2018, Molson Coors Brewing Company (UK) Limited entered into an arrangement with Close Brewery Rentals Limited where kegs owned by the company were sold to Close Brewery for £22.0m. These kegs were placed into an 8 year lease agreement, with kegs and casks previously being rented by MCBC (UK), Sharp's Brewery, Molson Coors Ireland and Aspoll also being transferred and the existing rental agreements terminated. At the end of the 8 year lease term there is a repurchase obligation for the kegs that remain.