Registered number SC065527

HEINEKEN UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

HEINEKEN UK LIMITED

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COMPANY INFORMATION

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HEINEKEN UK LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Strategic Report together with the audited financial statements of Heineken UK Limited ('the Company') and all of its subsidiary undertakings (together 'the Group') for the year ended 31 December 2021.

The Group is a leading United Kingdom (UK) pub, cider and beer business. The Group produces and sells an expansive portfolio of brands including Foster's, Heineken, Strongbow, Desperados, Bulmers, Birra Moretti and Inch's together with a full range of niche and speciality brands. We are a passionate supporter of the Great British Pub. At the end of the year, our Star Pubs & Bars estate was comprised of 2,415 pubs (2020: 2,458 pubs) throughout the UK. There have been no changes in the Group's principal activities and no significant changes are expected.

The Company is a wholly owned subsidiary of Scottish & Newcastle Limited. Scottish & Newcastle Limited and its subsidiary undertakings are part of a global organisation led by Heineken Holding N.V. ('the Heineken Group').

BUSINESS REVIEW

The two main routes to market for the Company are the On-trade and Off-trade. The On-trade channel refers to the direct or indirect supply of beer and cider to licensed premises, for onward consumption by consumers. The Off-trade channel relates to the sale of beer and cider to grocers or wholesalers for sale onward to the ultimate consumer. The Group also operates in the rental and management of public houses ('pubs') and the supply of Heineken and third-party products to the pub estate. The pub estate prospers through high-quality well-invested pubs run by skilled operators.

During the year, disruption caused by the COVID-19 pandemic continued, most notably with a lockdown in the first quarter (ending 12 April 2021), which again closed all pubs in the UK.

On reopening, initial consumer and customer demand surpassed our forecasts despite only a limited number (40%) of pubs being able to open with capacity constraints, including only outdoor trading from 12 April 2021. All restrictions were lifted by the end of July 2021.

Star Pubs & Bars recovered faster than the wider market, especially within the leased and tenanted segment. By the end of the year, 97% of the pub estate had re-opened vs. 93% of total pubs market[1]. These market closures can be viewed as an opportunity for pub estates, such as Star Pubs & Bars that have the right footprint (location & segment type), are financially healthy and are willing to further invest.

In the third and last quarter, trading conditions were challenging as supply chain logistics were impacted by a shortage of labour resources, particularly in haulage, a sector-wide issue partly as a result of Brexit. Christmas period performance was impacted by the highly transmissible COVID-19 Omicron variant, depressing consumer demand in the On-trade despite a reduced level of restrictions compared to 2020.

In 2021, beer market value and volume share grew at a combined level to 25.1% and 24.8% respectively (+10/+40 bps vs 2020[1]).

Gains in group volume share held broadly flat at 27.2% (-10 bps vs 2020[2]) inclusive of maintaining the cider leadership position in the category (37.7% volume share of category[2]).

Total volumes reported for the year advanced by 4.8% compared to the prior year, supporting a net revenue (revenue net of excise duty borne by the Group) growth of 10.4%.

The Group operating profit for the year was £145m (2020: operating loss £183m) and the Group net cash from operating activities was £170m (2020: £111m). Following an impairment review of the pub estate, the Directors concluded that there was no evidence to support further impairment of the pub estate, nor was there sufficient evidence of trade recovery to support any reversal of the £172m impairment recognised in 2020. Significant commercial and fixed cost mitigation programmes reduced the impact of the COVID-19 pandemic on the operating margin and cash position of the Group.

Volatility in economic conditions continues into 2022, with increased inflation impacting costs and the Bank of England only partially mitigating this through increases in the base rate. On a day-to-day basis these challenges, as well as operating efficiency, profitability, and cash flow continue to be monitored closely. The Group is actively investing in its pub estate and brands in order to grow the business.

[1] *CGA and Vianet Pubs data Nov '21*

[2] *CGA and Nielsen Data to 4.12.21*

CORPORATE GOVERNANCE STATEMENT

Introduction

The Company is a private limited company incorporated under the laws of Scotland. The Company is required to comply with, among other regulations, company law requirements. In this report, the Company addresses its corporate governance structure and states to what extent it applies the best practice provisions, as defined by Wates Corporate Governance Principles for Large Private Companies. This report also includes the information that the Company is required to disclose pursuant to the new private company reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018.

UK Corporate Governance Code and Section 172 Statement

The following statement describes how the Directors have had regard to matters set out in section 172(1)(a-f) when performing duties under section 172 of the Companies Act 2006.

The Board of Directors of the Company and subsidiary undertakings, both together and separately, consider that they have acted in a way they consider in good faith and would promote the success of the Company. In discharging our section 172 duty we have done so through our agreed strategy, for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006, in the decisions taken during the year ended 31 December 2021.

In doing so, section 172 requires the Company to have regard (amongst other matters) to:

a. The likely consequences of any decisions in the long-term.
b. The desirability of the company to maintain a reputation for high standards of business conduct.
c. The need to act fairly as between members of the company.
d. The interests of the company's employees.
e. The need to foster the company's business relationships with suppliers, customers and others.
f. The impact of the company's operations on the community and environment.

Board composition

The Board is responsible for creating and delivering sustainable shareholder value through the management of the Group's business. The Board supports the Wates Principles on Corporate Governance for Large Private Companies and confirms that it has complied with all of the provisions throughout the financial year ended 31 December 2021, and has applied the principles as set out below and in the Directors' Report.

In discharging its role, the Board shall be guided by the interests of the Company and its subsidiary undertakings, taking into consideration the interests of the Company's stakeholders. The Board is responsible for complying with all legislation, for managing the risks associated with the Company's activities and for financing the Company.

The Company has five operating pillars: Brewing & Operations, Customer Service & Logistics, On-trade, Off-trade and Star Pubs & Bars. Each pillar is represented by a Director. These members of the Board together with the Managing Director and Functional Directors (Finance, Legal, Corporate Affairs, Human Resources and Marketing) jointly form the Board. The Board ensures effective implementation of the key priorities and strategies across the organisation. The Management Team, consisting of the same commercial channel and functional leaders, defines the direction of the business.

EverGreen

EverGreen strategy is set by the Heineken Group and is implemented within each operating company. In the UK, the strategy will be accomplished through in depth plans drawn up by the Board and leadership teams and objectives are included in colleague development plans.

We launched our EverGreen strategy with the goal to future-proof the business, adapt to new external dynamics and emerge stronger from the COVID-19 crisis. EverGreen is a bold strategy to deliver superior and balanced growth and the next evolution of our Heineken business. As a 157-year-old company, we aim to deliver long-term, sustainable value creation. In EverGreen we have grounded our strategy in our refreshed Purpose, Values and Behaviours and clearly defined our Dream, where we will play and how we will win, increasingly informed by deepening consumer insight.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

EverGreen (continued)

The strategy leverages our existing strengths alongside new opportunities to chart the next chapter of our growth. Putting customers and consumers firmly at the core, we aim to continually enhance and expand our portfolio and footprint. We are making great strides in our end-to-end digital transformation to benefit our route-to-customer and drive cost efficiencies as we aim to become the best connected brewer. We are stepping up our focus to deliver continuous productivity improvements and raising the bar for our environmental and social sustainability ambitions.

EverGreen is a journal of both continuity and change, building on what has made us great and what is needed next. True to our ambitions, it meets short-term challenges and will ensure the long-term sustainability of our business to create lasting value for our stakeholders.

Our five priorities are:

- Drive superior growth.
- Fund the growth.
- Unlock the full potential of our people.
- Become the best connected brewer.
- Raise the bar on sustainability and responsibility

The Board, leadership teams and colleagues continue to support EverGreen and the benefits it will bring to our Heineken business.

Further detail on the EverGreen strategy can be found in the Heineken N.V. 2021 annual report https://www.theheinekencompany.com//Investors/Reports-and-Presentations.

Employee engagement

As highlighted in EverGreen, one of our priorities is to unlock the full potential of our people. In a highly competitive, and increasingly global market, we need to attract and retain the most talented and skilled people to remain the leading UK pub, cider and beer company. Our colleagues are what makes the Group great and the interests of colleagues are paramount to the long-term success of the business.

Wellbeing & Inclusion

As part of the Heineken Group, the safety and wellbeing of our colleagues remains our number one priority – this safety-first approach is underpinned by our Health & Wellbeing strategy. Throughout the COVID-19 pandemic, our sites were COVID-19 secure and as we opened up offices and trade we provided colleagues with the relevant materials such as access to tests and guidance. As we continued to operate within the pandemic, Mental Resilience training was delivered to over 900 colleagues as additional support. We recruited more Mental Health Champions who are all mental health first aid trained. We continue to promote our suite of Health & Wellbeing support and resources available to colleagues.

Our Inclusion & Diversity (I&D) strategy ensures we continue on our journey to becoming an organisation where everyone feels they truly belong and where we all have equal opportunity to contribute to our business success. We have increased our community of I&D Ambassadors to support our journey and more colleagues have volunteered to be part of our Task Forces. Our Inclusion Task Forces continue to make great progress, including the launch of a Women & Allies network and our first Diversity Census in the UK, as well as continued education and development for our leaders and colleagues.

Communications

To ensure colleagues are kept up to date on the latest business performance and what's happening across the business, a strong communications infrastructure is in place. This includes monthly leadership calls led by the Management Team, weekly drumbeat communications that recap on the key highlights each week, brand engagement activities including competitions and product sampling activities, regular senior leader video updates, What's Brewing events, virtual Townhalls and functional cascades.

Workplace by Facebook is our internal social media channel, which provides a platform for more informal interaction across all levels of the business. This channel is also used to host Workplace Live events.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Employee engagement (continued)

Communications (continued)

Our annual Climate Survey provides an opportunity for all colleagues to give their views on life at the Group and to provide honest confidential feedback about working for Heineken Group. The results are shared across the business, after which teams, from the Management Team down, produce a Climate Survey action plan to address key points raised. In 2021, this led to the creation of the Organisational Effectiveness initiative with its focus on reviewing and improving procedural and operational efficiencies across the business. In addition, we carry out pulse surveys on an ad hoc basis to get in the moment feedback from colleagues.

Learning & development

The Group regards investment in learning and development as vital to the ongoing growth of the organisation. There is significant support offered to all levels of the organisation with the Group offering an enviable range of development. Great success has been made in transitioning from 'in person' to 'virtual' training, which is aligned to flexible working arrangements in the business.

Policies and Employee Council

The Group has appropriate equal opportunities policies in place to ensure equal treatment throughout the recruitment process and duration of employment. We also have policies and training in place to ensure that colleagues are not subjected to discrimination and are treated fairly and equally at all times. In the event of employees becoming disabled, every effort is made to accommodate any reasonable adjustments necessary to allow the employee to continue in employment and to overcome any disadvantage suffered as a result of the disability.

Employee representatives met with the Employee Council and subgroups being held throughout the year. Information is shared and discussed, with consultation on matters in accordance with the Council's Constitution. Members of the Management Team attended the meetings to address the Council, and to provide updates on their respective functional pillars and answer questions.

The Employee Council is made up of elected representatives, representing non-negotiated colleagues and Unite, the Union shop stewards, represent negotiated colleagues in our production sites. Unite the Union shop stewards also take part in local dialogue with the Group.

Reward

All colleagues participate in a short-term incentive, or some other variable pay arrangement, which contains a strong link to performance at the Group, channel, function or team level, as well as taking account of individual performance. In 2020, as a result of the impact of COVID-19 on business performance, there was no payment in respect of the Short-term Incentive ('STI') scheme for colleagues at all levels, including senior management, or our sales incentive schemes. Local production bonuses were still paid where already agreed as part of collective labour agreements. In 2021, criteria were met and payment of the STI was made.

Additionally, a performance-based share plan (Long-term Incentive Plan, LTIP) is in place for senior management of the Group. The scheme is operated by Heineken N.V.. The vesting of the share rights is subject to internal financial measures of performance and continued service over a three-year period. Again, as a result of COVID-19, performance thresholds were missed and the 2018-2020 LTIP plan did not vest in April 2021. The 2019-2021 LTIP plan vested in April 2022.

Stakeholder engagement

Engaging with stakeholders to deliver long term success is a key priority for the Board. The Group's strategy is built around EverGreen and all decisions take into account the impact on stakeholders. We design our strategy to enable us to win in the marketplace, focus on the long-term sustainability of our business and create value for stakeholders. We aim to consider our effect on the wider society, communities and the environment.

Our stakeholders and partners are crucial to the long-term success of the Group. They help us to stay focused and tell us when they feel we are moving off track. We engage with them and measure the progress of our relationships in three ways: reputation research, roundtables and ongoing stakeholder dialogue.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Stakeholder engagement (continued)

Suppliers

We continue to work together with our suppliers to ensure high ethical standards and respect for human rights and the environment. A key focus is on reducing our impacts through the design and production of our packaging. We support our suppliers to make the transition to use more renewable energy in the production of our packaging, while developing solutions to reduce emissions and ensuring our packaging is recyclable. As a large company the Board recognises that late supplier payment continues to be a problem for small and medium sized enterprises (SMEs) as it affects cash flow and ability to trade. Our standard payment terms are normally a maximum of 60 days for SMEs and 120 days to all non SMEs. However, supplier payment terms are mutually agreed with each supplier at onboarding and with contracted suppliers during negotiation. In addition, suppliers may take advantage of finance available with our preferred banking provider.

Customers and consumers

The Board regularly reviews how the Group maintains positive relationships with customers and consumers. We know we must stay close to both our customers and our consumers. As digital innovation reshapes the beer industry's route to market, the consumer relationship is vital. We engage with consumers to encourage responsible drinking through our brand campaigns that provide a unique platform for sharing our responsible consumption message.

Sustainability

Together we are raising the bar on sustainability and responsibility. We know that we can only thrive if the environment around us is also thriving. Nature has reached a critical turning point, and the science is clear that we must act now to dramatically reduce the long-term devastating impacts on our planet's climate, biodiversity, water, and natural resources. Climate change is a global threat to humanity that will shape the way we do business in the coming decades. In the worst-case scenarios, climate change could impact on water availability, the yield of our raw ingredients such as barley and apples, the cost and availability of raw materials as well as interrupting the production of our beers and ciders and the operation of our pubs.

The challenges and risks related to climate change require us to take measures that may result in additional costs to the business, but over the long term mitigate against future outlays and, importantly, protect the planet we all share. Taking a long-term approach, as a global business, we are committed to helping limit global warming to 1.5°C by achieving a net zero carbon emissions value chain by 2040. We aim to reduce pressures on natural resources by shifting from a linear to a circular economy and a focus on water stewardship will ensure we can protect water resources. Our commitment to reduce our impact on the environment and be a positive force in society is captured in our Brew A Better World strategy, designed to set stretching, measurable targets and align our global organisation to achieve them.

We have an established Heineken UK Sustainability Cabinet made up of cross-functional senior leaders whose role it is to set and monitor our environmental sustainability targets, as well as driving action across the business and monitoring any risks that could impact our progress.

As the UK's largest pub, beer, and cider company we have responsibilities that extend beyond running a profitable business. We strive to have a positive impact in the communities where we work and so our Brew a Better World 2030 ambitions are woven into the fabric of our balanced growth strategy, EverGreen, putting sustainability and responsibility front and centre as we write our next growth chapter.

BREW A BETTER WORLD

In April 2021, Heineken Group disclosed our new Brew a Better World ambition to raise the bar by targeting net zero carbon emissions across our total value chain by 2040. We also set an intermediate goal to reach net zero emissions in production by 2030. As we search for the answers, we will collaborate across our stakeholder network of suppliers, customers, and other business partners to research and trial new innovations and solutions. We will also use our voice as the UK's leading pub, beer, and cider company to drive the transition to a more sustainable and low-carbon future. Our Brew a Better World programme spans our total value chain, from barley to bar, and is made up of three key pillars: environmental, social and responsibility, with nine ambition areas and 22 ongoing and long-term commitments.

BREW A BETTER WORLD (CONTINUED)

The environmental pillar is our path to net zero impact and our ambition areas are carbon, water, and circularity, delivering against four of the United Nations Sustainable Development Goals (UN SDGs) (6, 7, 12 and 13). Our ambition is to reach net zero emissions in production by 2030. Between the 2018 baseline and 2021, we decreased our absolute CO_2 emissions by -17%, as a result of efficiencies in energy use, as well as interruptions in production due to COVID-19. Looking at our energy use, 30% of our combined gas and electricity came from renewable sources and we have a roadmap in place to drive this to 100%. When we consider water, our water use in production increased slightly in 2021 versus 2020 to 3.36 hl/hl. This was largely due to pack mix changes as a result of the impact of COVID-19, driving lower efficiencies on the line. We anticipate that as we progress on our net zero journey, further efficiencies with our water use will be realised. Our ambition is to reach 2.9 hl/hl by 2030. In 2021, we also continued with the roll-out of the Green Grip cardboard topper, replacing the need for plastic rings on can multipacks, and in 2021 this resulted in a saving of 158 tonnes of single-use plastic.

Given our long-term target to achieve a net zero value chain by 2040, in 2021 we launched a pilot programme with 11 barley farmers to explore how we can grow barley in a more sustainable way, reducing carbon emissions and improving soil quality. Additionally, we participated in a trial creating over 1 million Heineken bottles using up to 100% recycled glass and low carbon biofuels in an attempt to find a scalable solution to reducing carbon from glass production.

The social pillar is our path to an inclusive, fair, and equitable world and our ambition areas are I&D, fair and safe working conditions and community impact, delivering against two of the UN SDGs (5 and 8). In 2021, we launched several initiatives to reach our gender diversity targets of 30% women in senior management roles by 2025 and 40% by 2030. We also continued our I&D engagement through our colleague-led task forces supported by a network of hundreds of ambassadors. Safety is our number one priority; we want all our colleagues to be able to return safely to their families at the end of the working day, and we are creating leadership capacity to drive zero fatal accidents and serious injuries. Unfortunately there was an event in 2021 that resulted in a serious glass injury following an incident on a bottling line. The event was investigated with root cause, corrective and preventative action identified. Looking outside of our business and into the communities where we operate, we launched the Open Arms report, detailing the important role pubs play in their communities in tackling loneliness. We also made £1m of charitable donations to both trade charities and colleague-nominated causes.

The responsibility pillar is our path to moderation and no harmful use, and our ambition areas are making low and no products 'Always a Choice', addressing harmful use and making moderation cool, delivering against two of the UN SDGs (3 and 12). We want our consumers to always have a choice when it comes to low and no alcohol beers and ciders, reflected by having Heineken 0.0 (the UK's leading zero alcohol beer)[3], Birra Moretti Zero and alcohol free Old Mout in our portfolio. At the end of 2021, we announced the roll-out of Heineken 0.0 on draught, a first at scale for the industry, increasing the availability of no alcohol alternatives for consumers, helping normalise alcohol free beers in the on-trade environment. We're committed to investing at least 10% of our Heineken media spend on promoting responsible consumption, and in 2021, we invested 20% of this spend on Heineken 0.0 and digital campaigns such as When You Drive, Never Drink. We continue to work with several industry organisations to find targeted solutions to support and educate the minority of consumers who choose to misuse alcohol. More details on Brew a Better World, our progress and ambitions can be found at www.theheinekencompany.com/ sustainability-and-responsibility.

Quantification and Methodology

The following summary has been prepared following the GHG Reporting Protocol – Corporate Standard and using the guidance set out in Environmental Reporting Guidelines: Including streamlined energy and carbon reporting (SECR) guidance – HM Government.

Energy consumption data has been sourced from utility suppliers and including invoiced and metering data, and internal monitoring and measurement in energy management systems within the Breweries. A significant proportion of the data sources is generated and externally verified within our compliance activities that cover UK Emissions Trading Scheme, Climate Change Agreements and the Energy Savings Opportunity Scheme.

Transport emissions have been calculated based on mileage data from leased vehicle telematics. It has not been possible to quantify the emissions associated with business travel in 3rd party vehicles for the reporting year, however, the total impact has been determined to be less than 1% of the business' emissions and is therefore not materially significant.

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[3] *CGA and Neilson data to 21.05.22*

BREW A BETTER WORLD (CONTINUED)

Refrigerant gas emissions were calculated from data within maintenance service reports for our brewing sites and offices, and fridges supplied to the market. At present the business is still in the process of evaluating the carbon impact associated with refrigeration systems across the pub estate but it has been qualitatively determined that this emission source will not materially affect our emissions total.

Conversion from energy to emissions was completed by application of the relevant location-based emissions factor from UK Government GHG Conversion Factors for Company Reporting for the appropriate year. Net emissions were determined by accounting for market-based mitigation of emissions using Guarantee of Origin (GOOs) certificates.

Energy saving

Parameter	**Units**	**Current reporting year**	**Comparison reporting year**	**Base year for SECR**
		2021	**2020**	**2018**
Natural gas consumed	kWh	191,660,710	244,635,397	207,731,221
Other combustion fuels consumed	kWh	589,569	1,132,503	23,097,018
Grid electricity consumed	kWh	100,238,509	70,754,614	85,961,585
Transport fuels consumed	kWh	1,677,070	1,052,556	24,172,951
Total energy consumption used to calculate emissions	**kWh**	**294,165,858**	**317,575,070**	**340,962,775**
Emissions from combustion of gas (Scope 1[4])	tCO2e	37,983	43,234	36,214
Emissions from combustion of liquid fuels (Scope1)	tCO2e	164	266	6,384
Emissions from transportation in vehicles owned or controlled by reporting company (Scope 1)	tCO2e	391	245	266
Fugitive emissions from refrigeration plant (Scope 1)	tCO2e	202	78	0
Emissions from purchased electricity (Scope 2[5])	tCO2e	20,514	16,496	24,333
Emissions from business travel in vehicles owned or operated by 3rd parties (Scope 3[6])	tCO2e	804	804	234
Total gross carbon emissions	**tCO2e**	**60,057**	**61,123**	**67,431**
Carbon reduction through green electricity tariff backed by REGO's	tCO2e	(19,372)	(16,406)	-
Total net carbon emissions	**tCO2e**	**40,325**	**44,717**	**67,431**
Intensity ratio	tCO2e / turnover (£M)	19.35	23.00	28.95

Our intermediate goal to reach net zero emissions in production by 2030, concerns our Scope 1 and 2, which are controllable. Emissions in Scope 3 are either influenceable or controllable.

[4] *Scope 1: Own production of electricity and thermal energy (heat).*
[5] *Scope 2: Procuring electricity and thermal energy from 3rd party sources.*
[6] *Scope 3: All other indirect emissions that occur in a company's value chain.*

FINANCIAL RISK MANAGEMENT POLICY

The Executive Board of Heineken Group sets rules and monitors the adequacy of the Group's risk management and control systems. These systems are regularly reviewed to reflect changes in market conditions and the Group's activities.

As detailed in the Corporate Governance Statement, our commitment to sustainability is embedded in our EverGreen priorities and sustainability is a financial risk to the business. Further risks associated with the Group's financial assets and liabilities are specifically detailed below, whilst other specific risks are outlined in Principal Risks and Uncertainties on pages 10 to 11.

Interest rate risk

Interest rate risk refers to the risk that changes in market rates will impact on the performance of the Group. The Group benefits from the monitoring and management of interest rate risk by Heineken Group Treasury and by the Management Team.

Price risk

The Group and Company operate in a highly competitive market, which is a continuing risk and could result in losing sales to its key competitors. This risk is managed by providing high quality brands at competitive prices and maintaining strong relationships with both customers and suppliers. Minimising price risk is currently a challenge given cost increases across the business as a result of high inflation.

Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group and Company's receivables from customers. Heineken Group places particular focus on a strong Global Credit Policy.

All local operations are required to comply with the principles contained within the Global Credit Policy and develop local credit management procedures accordingly. Heineken Group annually reviews compliance with these procedures and continued focus is placed on ensuring that adequate controls are in place to mitigate any identified risks in respect of both customer and supplier risk. As at the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, in the Consolidated Statement of Financial Position.

Loans to customers

The Group and Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group and Company's investments include loans to customers, issued based on a loan contract. Loans to customers are ideally secured by, among others, rights on property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated by the Group and Company are at least based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given. The Group and Company establishes an allowance for impairment of loans that represents its estimate of incurred losses.

The Group's maximum exposure to credit risk is shown in note 15 as total loans and advances to customers.

Trade and other receivables

The Group and Company management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies, all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The review includes external ratings, where available, and financial review. Purchase limits are established for each customer and these limits are reviewed regularly. Customers that fail to meet benchmark creditworthiness or are deemed high risk are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of management.

The Group and Company establishes an allowance for impairment that represents its estimate of incurred and expected losses in respect of trade and other receivables.

Further details on credit management procedures are outlined in notes 3 and 19 to the consolidated financial statements.

FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its liabilities as they fall due. The Group benefits from the monitoring and management of liquidity risk by Heineken Group Treasury and by the Management Team. As a result of the COVID-19 pandemic, there is increased attention to and monitoring of risks associated with working capital that might impact liquidity. There are strong cost and cash management procedures in place, including controls over investment proposals. The Company receives support from the Heineken Group and other Group companies under common directorship and liquidity risk is deemed limited.

Foreign currency risk

The Group is exposed to transactional risk on (future) sales, working capital, and (future) purchases denominated in a currency other than GBP. Foreign exchange risk is managed to minimise the impact of fluctuations in foreign exchange rates. Heineken Group Treasury calculates the exposure to foreign currency risk across the Heineken Group to provide the basis of hedging decisions, including the type and length of term of hedging instruments.

PRINCIPAL RISKS AND UNCERTAINTIES

In addition to financial risks, dedicated resource is in place to identify potential strategic, operational, reporting and compliance risks, and for implementing fit-for-purpose responses. Effective management of risk forms an integral part of how the Group operates as a business and is embedded in its day-to-day operations. The Heineken Group risk management priorities are defined by regional and functional management, including the UK Management Team, which bears ultimate responsibility for managing the main risks faced by the Group and reviewing the adequacy of the Group's internal control system.

Through 2021, the Group re-set its approach to risk management through the Head of Assurance, Risk and Compliance leading risk discussions at each functional leadership team and sharing the updated risk wheel with the Management Team. As part of a wider re-set of the governance frameworks across the business, the Risk Cabinet will meet on a quarterly basis and formal risk discussions with the Management Team will take place on a bi-annual basis. The re-set of the approach to risk management has continued through 2022, with a Strategic Risk Review and Cyber Security Crisis simulation, both held with the Management Team.

In the ordinary course of business, the Group is exposed to specific risks, such as IT & data and regulation of alcohol. There are also emerging headwinds following the COVID-19 pandemic, which together with information on the Heineken Group business framework and the specific risks are discussed in this section.

The UK formally exited the European Union (EU) on 31 January 2020 and entered a transition period until 31 December 2020. As discussed in the Business Review, the Group experienced supply chain challenges, the issue resulted from a number of factors, including driver shortages as a result of Brexit. However, following the transition, the actualised risk of Brexit for the Group has been limited. The vast majority of our cider and beer is already produced and sold in the UK. We have not experienced any material impact on our ability to trade and Brexit is not considered a principal risk.

The Heineken Group business framework

The Heineken Group business framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation while protecting the Company's people, assets and reputation. The Heineken Group's vision, purpose and values, 'We are Heineken', underpin the strategic objectives, enabled by our organisational structure and governance.

Behaviours provide clear guidance to all employees on how to act and foster a culture of achievement, collaboration and growth, underpinned by the behaviours framework that reflects the expected attitudes in decision making. Risk management is an ongoing activity supporting achievement of our business objectives, based on our Risk Assessment Cycle, the Heineken Group Code of Business Conduct ('the Code') and the Heineken Group Rules.

The Heineken Group Rules articulate how we work and the standards to which we commit. They are a key element for managing the risks faced by our Company and translate our objectives into clear instructions on how to conduct our daily business.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Heineken Group business framework (continued)

The Code and its underlying policies set out the Heineken Group's commitment to conducting business with fairness, integrity and respect for the law and our values. The Code is communicated to all colleagues and training is provided.

IT & data

Heineken Group increasingly relies on IT, both in the office environment as well as in the industrial control domain of our breweries. Failure of systems or security incidents may lead to business disruption, loss of confidential information, breach of data privacy, financial and reputational damage. Exposure to cybercrime is increasing and regulations place stricter security requirements on data processing. To manage this risk the Heineken Group regularly updates its information security strategy to ensure proportional adaptation of capabilities in response to evolving risks. Security Operations and Information Security Risk Management departments maintain a global cybersecurity framework to address continuity, integrity and confidentiality risks, and perform global monitoring of Heineken Group's IT landscape, focusing on enhancing the resilience of the IT infrastructure and increasing employee security awareness. All employees have also completed specific training in this space, including 'Building the Human Firewall' training and the overall risk forms part of the UK risk register, which is reviewed by the Management Team. Given the increase in cyber security attacks, the Management Team attended a Cyber Security Briefing led by KPMG in the third quarter of 2021 and also participated in a Cyber Security Resiliency simulation held on 25th January 2022.

Regulation of alcohol

The topic of alcohol and health remains under scrutiny in the UK and regulators may look to other countries where measures to limit freedom to operate have been introduced, such as restrictions or bans on advertising and marketing, sponsorship, availability of products and increased taxes and duties. The UK-wide imposition of minimum unit pricing could lead to changes in consumer purchase patterns. The Heineken Group strongly believes in the importance of reducing alcohol-related harm, and responsible consumption is one of the priorities of the Brew a Better World sustainability programme. Using the power and reach of its brands through campaigns like the award-winning When You Drive Never Drink, The Heineken Group strives to make responsible consumption aspirational for all our consumers and works closely with local governments, non-governmental organisations and specialists to prevent and reduce harm caused by abuses such as underage drinking or drinking and driving. We are founding members of The Portman Group which encourages responsible consumption and regulates alcohol packaging and marketing in the UK and recently updated its Code of Practice following public consultation. We are expanding consumer choice by providing low and no-alcohol brands at scale in the On-trade and Off-trade channels. For further information on the risk management approach of the Group within the Heineken Group framework, please see pages 34 to 39 of the Heineken N.V. 2021 Annual Report, copies can be obtained from https://www.theheinekencompany.com/ /Investors/Reports-and-Presentations.

As part of the Budget Statement made by the Chancellor of the Exchequer in October 2021, the UK Government published a series of proposals following their call for evidence as part of the UK Alcohol Duty Review. We are encouraged by the UK Government proposal to maintain a duty differential between lower alcohol by volume (ABV) products, such as beer and cider, and higher ABV wine and distilled spirits. We believe that this consultation is an opportunity to help develop a fair and sustainable tax regime that is able to support British beer and cider over the long term.

Emerging headwinds following the COVID-19 pandemic

The COVID-19 pandemic and its impact on British society and the UK economy has been unprecedented. It has required the Group to demonstrate resilience and adaptability in the face of considerable challenge and uncertainty. As noted in the Business Review, towards the end of 2021 trading conditions were challenging due to supply chain challenges, which were compounded by the outbreak of the Omicron variant. A number of initiatives were implemented, including the holding of buffer stocks and re-negotiation of some commercial terms with our logistics partners, to ensure that 2022 had more stability across our end to end supply chain in order to improve the customer experience. Consumer confidence remained low throughout January as a result of the Omicron variant, but returned as we moved through the first quarter.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Emerging headwinds following the COVID-19 pandemic (continued)

As global supply chains sought to adjust from COVID-19 restrictions, the combination of tight labour markets and excess demand led to inflationary pressures, which have been exacerbated due to the energy shocks following the war in Ukraine. Inflation levels are predicted by the Bank of England to reach 13% and this has led to input cost pressures as well as impacting consumer confidence, due to cost of living challenges. As a business, we seek to mitigate input costs and ensure security of supply by hedging where possible and the commercial teams monitor consumer demand levels across all our routes to markets. We also continue to engage with and monitor performance of our distribution partner to ensure consistency in service to our customers.

As a business, we continue to move forward against our EverGreen strategy. In times of uncertainty, the importance of our cost consciousness culture remains, which is central to the Cost and Value pillar of our strategy. The Management Team have continuing confidence that the combination of our premium brands, new product innovations and highly committed workforce will ensure that we are well placed to deliver against our EverGreen priorities.

FUTURE OUTLOOK

For 2022, the Group expects the following:

- To navigate the economic climate following the COVID-19 crisis in the best possible way, focusing on people & safety, consumers and customers. The Group will continue to demonstrate it can leverage its unique strengths, including its strong brand portfolio and scale pub estate, and will mitigate the impact of inflationary challenges through pricing and cost management;
- Revenue growth driven by price, premiumisation and new innovations in beer and cider, while maintaining overall market share across all business channels; and
- Continued focus on productivity initiatives and reinvestment in growth, in line with Heineken Group's EverGreen strategy.

KEY PERFORMANCE INDICATORS

The key measurements of effectiveness of the Group and Company operations are net revenue, gross profit, operating profit and net cash from operations. The Group achieved net revenue and gross profit of £1,212m and £793m respectively (2020: net revenue £1,098m, gross profit £689m). Operating profit of £145m in 2021 (2020: operating loss of £183m) was driven by revenue from reopening of On-trade following COVID-19 restrictions and effective cost management. The Consolidated Statement of Comprehensive Income for the year is set out on page 21 of the financial statements. The Group achieved net cash from operating activities of £170m (2020: £111m) as reported in the Consolidated Statement of Cash Flows on page 25. Qualitative performance indicators are discussed separately in the Strategic Report on pages 3-6. Additional performance considerations can be referred to in the consolidated financial statements of Heineken N.V..

This report was approved by the Board on 24 August 2022 and signed on its behalf by:

DocuSigned by:
Lawson Mountstevens
5FEF088327F44DB

L J W Mountstevens
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and the audited consolidated financial statements of Heineken UK Limited ('the Company') and all of its subsidiary undertakings ('the Group') for the year ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 36, together with the Company's Statement of Financial Position, the Company's Statement of Changes in Equity and the related notes 1 to 27, and related appendix.

The consolidated financial statements of the Group have been prepared in accordance with UK adopted International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board. The individual subsidiaries within the Group are exempt from audit under s479A to s479C of the Companies Act 2006, refer to note 1 of the accompanying Group financial statements for further information.

DIRECTORS

The Directors who served during the year and up to the date of approval of the report were:

S P Amor (resigned on 28 February 2021)
J S Brydon (resigned on 31 March 2022)
M J Callan
J I Crampton
A Elberg (resigned on 1 April 2021)
D C M Flochel (appointed on 29 October 2021, resigned on 11 March 2022)
J Ford (appointed on 24 September 2021)
M Gillane (appointed on 13 January 2021)
L J W Mountstevens
L J Nicoll
R Sikorsky (resigned 15 August 2022)
S Watt

RESULTS AND DISTRIBUTIONS

The profit for the year, after tax, amounted to £135m (2020: loss £137m) driven by revenue from reopening of trade following COVID-19 restrictions and effective cost management. A review is presented in the Strategic Report on pages 2 to 12 and forms part of this report by cross reference.

Distributions in kind of £1,032m and £3,898m were declared during the year and after the year end, respectively. No distributions were paid or proposed in the prior year.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

The Group made no political contributions during the year (2020: £nil) and made charitable donations during the year amounting to £1m (2020: £1m).

MATTERS INCLUDED IN THE STRATEGIC REPORT

Details of: principal risks and financial risk management, future outlook, engagement with suppliers, customers, employees and others, policy for disabled, corporate governance arrangements, energy reporting and UK withdrawal from the EU can be found in the Strategic Report from pages 2 to 12 and form part of this report by cross reference.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors (which extend to the performance of any duties as a Director of any associated company) and these remain in force at the date of this report.

EVENTS AFTER THE REPORTING DATE

In May 2022, the Company announced its proposal to close the Caledonian Brewery in Edinburgh. An agreement has been struck with Greene King Limited to continue brewing those brands produced in the Caledonian Brewery. The Caledonian Brewery continues to operate in the interim as all proposals regarding the future of the site are considered.

In June 2022, approval was received to implement an internal legal entity restructure to simplify the Group, which included refinancing debt within the UK corporate structure and reducing the capital of four holding companies. As part of the restructure, the Company's parent company, Scottish & Newcastle Limited, became a wholly owned subsidiary of Heineken International B.V. on 28 June 2022.

The other key transactions executed on 28 June 2022 were as follows:

- The Company converted its preference shares, consisting of £116m in debt and £27m in equity to ordinary share capital of £143m.
- Ordinary share capital was subsequently reduced by £1,161m to £1m, thereby generating distributable reserves.
- Two loans were entered into with Heineken International B.V. for a total of £700m under fixed rate long term contracts.
- Intercompany loans were rationalised, with a net debtor of £3,354m as at 31 December 2021 removed from the Company Statement of Financial Position.
- The Company declared a distribution to its parent of £3,898m.

GOING CONCERN

In line with the FRC's guidance on going concern, the Directors have reviewed the appropriateness of the going concern basis of preparation.

The financial position of the Group is set out in the Consolidated Statement of Financial Position on pages 22 to 23 of the financial statements. The Group has net assets of £4,103m (2020: £5,049m) and net current assets of £2,926m (2020: liabilities of £4,262m). Funding amounts owed to other group companies of £2,626m (2020: £3,601m) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owed to companies under common control and will not be recalled within 12 months without prior consideration of the Group's liquidity position. The Group made a profit for the financial year of £135m (2020: loss £137m) as set out in the Consolidated Statement of Comprehensive Income on page 21.

The Group continues to have access to unutilised overdraft facilities that are not forecast to be required. The repayment of borrowings granted to the Company by Heineken International B.V. are under existing long term agreements and are not due to be repaid within 12 months from the date of this report.

Having reviewed the Group's forecasts, projections and other relevant evidence including external industry judgement, as well as stress testing the projections with sensitivities and reasonably possible scenarios, the Directors have a reasonable expectation that the Group will continue in operational existence for at least 12 months from the date of signing of this report. Accordingly, the financial statements of the Group have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

HEINEKEN UK LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Deloitte LLP has expressed their willingness to continue in office as auditor of the Group and, under Sections 485 to 488 of the Companies Act 2006, will be deemed re-appointed.

This report was approved by the Board on 24 August 2022 and signed on its behalf by:

DocuSigned by:
Lawson Mountstevens
5FEF088327F44DB

L J W Mountstevens
Director

HEINEKEN UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK adopted International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board and the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Members of Heineken UK Limited

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements of Heineken UK Limited ('the parent company') and its subsidiaries ('the group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 36 to the consolidated financial statements;
- the parent company statement of financial position;
- the parent company statement of changes in equity;
- the related notes 1 to 27 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (UK Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the Members of Heineken UK Limited (Continued)

Report on the audit of the financial statements (Continued)

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included our assessment of the entity's:

- financing facilities including nature of facilities and repayment terms;
- linkage to business model and medium-term risks;
- assumptions used in the forecasts;
- amount of headroom in the forecasts;
- sensitivity analysis; and
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of Directors
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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. This description forms part of our auditor's report.

Independent auditor's report to the Members of Heineken UK Limited (Continued)

Report on the audit of the financial statements (Continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax legislation applicable to the group (including its components) and the sector it operates in; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Pubs Code 2016 and other relevant laws and regulations applicable to the group (including its components) and the sector it operates in.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions, and IT industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- revenue recognition, specifically regarding adjustments which are created manually and therefore possess a greater risk of fraud or error; and
- Management override of controls.

In addressing the risk of fraud through revenue recognition, we obtained an understanding of relevant controls and performed testing over the design and implementation. We performed focused detailed substantive testing on the manually created adjustments. These manual adjustments were identified through discussions with management and internal IT specialists; and use of analytics.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Independent auditor's report to the Members of Heineken UK Limited (Continued)

Report on the audit of the financial statements (Continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Pratt, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, UK

24 August 2022

HEINEKEN UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £M	2020 £M
Revenue	5	**2,084**	1,944
Excise tax expense		**(872)**	(846)
Net revenue		**1,212**	1,098
Cost of sales		**(419)**	(409)
Gross profit		**793**	689
Distribution costs		**(108)**	(118)
Administrative expenses		**(552)**	(754)
Other income		**12**	-
Operating profit / (loss)	6	**145**	(183)
Finance income	9	**15**	56
Finance costs	10	**(37)**	(54)
Profit / (loss) before tax		**123**	(181)
Income tax	11	**12**	44
Profit / (loss) for the year		**135**	(137)
Other comprehensive (expense) / income			
Items that will not be reclassified subsequently to profit and loss			
Exchange (loss) / gain on translation		**(51)**	56
Other		**2**	-
Other comprehensive (expense) / income, net of tax		**(49)**	56
Total comprehensive income / (expense) for the financial year		**86**	(81)

The notes on pages 27 to 66 form part of these financial statements.

All results are derived from continuing operations.

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021	2020
		£M	£M
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,874**	1,884
Goodwill	13	**5**	1
Other intangible assets	13	**267**	277
Interests in joint ventures and associates	14	**96**	98
Loans and advances to customers	15	**4**	5
Deferred tax asset	16	**141**	125
Other non-current assets	17	**52**	7,942
		2,439	10,332
Current assets			
Loans and advances to customers	15	**9**	10
Inventories	18	**107**	106
Trade receivables	19	**117**	97
Other receivables	19	**5,824**	11
Prepayments, accrued income and fulfilment costs	19	**21**	22
Assets classified as held for sale	20	**5**	9
Cash and bank balances	21	**28**	6
		6,111	261
Total assets		**8,550**	10,593
LIABILITIES			
Current liabilities			
Trade payables	22	**(192)**	(155)
Other payables	22	**(2,838)**	(4,148)
Accruals and deferred income	22	**(44)**	(41)
Current tax liabilities	22	**(94)**	(159)
Provisions	23	**(17)**	(20)
		(3,185)	(4,523)
Net current assets / (liabilities)		**2,926**	(4,262)
Non-current liabilities			
Other payables	22	**(1,258)**	(1,008)
Provisions	23	**(4)**	(13)
		(1,262)	(1,021)
Total liabilities		**(4,447)**	(5,544)
Net assets		**4,103**	5,049

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021	2020
		£M	£M
EQUITY			
Called-up share capital	24	**1,046**	1,046
Other reserves	25	**(118)**	(116)
Translation reserve	25	**-**	51
Retained earnings	25	**3,175**	4,068
		4,103	5,049
Capital and reserves attributable to:			
Owners of Heineken UK Limited		**4,103**	5,049
Total Equity		**4,103**	5,049

The consolidated financial statements on pages 21 to 66 were approved and authorised for issue by the Board and were signed on its behalf on 24 August 2022 by:

DocuSigned by:
Lawson Mountstevens
5FEF088327F44DB

L J W Mountstevens
Director

The notes on pages 27 to 66 form part of these financial statements.

HEINEKEN UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Called-up share capital	Other reserves	Translation reserve	Retained earnings	Total equity
		£M	£M	£M	£M	£M
Balance at 1 January 2020		1,046	(116)	(5)	4,205	5,130
Loss for the year		-	-	-	(137)	(137)
Other comprehensive income for the year		-	-	56	-	56
Total comprehensive income / (expense) for the year		-	-	56	(137)	(81)
Distribution in kind	33	-	-	-	-	-
Balance at 31 December 2020		1,046	(116)	51	4,068	5,049

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Called-up share capital	Other reserves	Translation reserve	Retained earnings	Total equity
		£M	£M	£M	£M	£M
Balance at 1 January 2021		1,046	(116)	51	4,068	5,049
Profit for the year		-	-	-	135	135
Other comprehensive (expense) / income for the year		-	(2)	(51)	4	(49)
Total comprehensive (expense) / income for the year		-	(2)	(51)	139	86
Distribution in kind	33	-	-	-	(1,032)	(1,032)
Balance at 31 December 2021		1,046	(118)	-	3,175	4,103

The notes on pages 27 to 66 form part of these financial statements.

HEINEKEN UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		£M	£M
Profit / (loss) for the year		135	(137)
Adjustments for:			
Share of loss of joint ventures and associates	14	-	4
Finance income	9	(15)	(56)
Finance costs	10	37	54
Depreciation and impairment of property, plant and equipment and assets held for sale	6	63	247
Amortisation of intangible assets	6	17	16
Income tax credit	11	(12)	(44)
(Gain) / loss on disposal of property, plant and equipment	6	(5)	11
Gain on sale of intangibles assets	6	(7)	-
Long-term prepayments, accrued income and fulfilment costs		(7)	(26)
Amortisation of advances to customers		5	8
(Decrease) / increase in provisions	23	(12)	7
Other non-cash items in profit and loss		2	-
Operating cash flows before movements in working capital		201	84
Increase in inventories	18	(1)	(3)
(Increase) / decrease in trade and other receivables		(27)	138
Increase / (decrease) in trade and other payables		26	(79)
Cash generated by operations		199	140
Interest paid		(29)	(29)
Net cash from operating activities		170	111
Investing activities			
Proceeds on disposal of property, plant and equipment		20	11
Purchases of property, plant and equipment		(52)	(56)
Proceeds on disposal of intangible assets		7	1
Purchases of intangible assets		(7)	(6)
Loans and advances issued to customers		(5)	(8)
Repayments on loans to customers		2	2
Net cash used in investing activities		(35)	(56)

HEINEKEN UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £M	2020 £M
Financing activities			
Repayments of group loans	21	**(85)**	(50)
Acquisition of subsidiary	21	**(1)**	-
Loans issued to associates		**-**	(9)
Expenses from financing liabilities		**-**	(2)
Payment of lease liabilities	21	**(19)**	(14)
Net cash used in financing activities		**(105)**	(75)
Net increase / (decrease) in cash and cash equivalents	21	**30**	(20)
Cash and cash equivalents at beginning of year		**(6)**	14
Cash and cash equivalents at end of year	21	**24**	(6)

The notes on pages 27 to 66 form part of these financial statements.

1. CORPORATE INFORMATION

Heineken UK Limited ('the Company') is a private company limited by shares incorporated in the UK under the Companies Act 2006 and is registered in Scotland, at the following address: 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, United Kingdom.

The consolidated financial statements of the Group, consisting of Heineken UK Limited and subsidiary companies consolidated, have been prepared in accordance with UK adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The individual subsidiaries within the Group are exempt from audit under s479A-479C of the Companies Act 2006.

Heineken UK Limited financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard (FRS) 101 'Reduced Disclosure Framework'.

The Group and Company financial statements are presented in pounds sterling, as this is the functional currency of the Group and Company, and all values are rounded to the nearest million except where otherwise indicated.

Subsidiary audit exemption

For the year ended 31 December 2021, the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

On the date of approval and signing of the consolidated financial statements, as set out on page 23, the outstanding liabilities at the Statement of Financial Position date, 31 December 2021, of the named subsidiaries were guaranteed by the parent undertaking, Heineken UK Limited (registered number: SC065527), pursuant to s479A to s479C of the Companies Act:

Subsidiary	**Registered number**
Alloa Brewery Company Limited	SC002871
B.W.B. Limited	00055803
Blue Star Pub Company Limited	SC366273
Brixton Brewery Limited	08552778
Broadway Inns Limited	05267571
Caledonian Brewery Limited	SC104493
Fountain Pub Company Limited	05999916
Punch Partnerships (PTL) Limited	03512363
Punch Taverns (Chiltern) Limited	10840658
Punch Taverns (Jubilee) Limited	04821157
Punch Taverns (RH) Limited	00124723
Punch Taverns Holdings Limited	03499144
Punch Taverns (PR) Limited	00050484
Punch Taverns (VPR) Limited	03982447
Red Star Pub Company (WR) Limited	SC194006
Red Star Pub Company (WR II) Limited	SC202689
Red Star Pub Company (WR III) Limited	04089947
S&N Angel Investments Ltd.	00525192
S&NF Limited	SC300161
Star Pubs & Bars (Property) Limited	00236608
Star Pubs & Bars Limited	SC250925

1. CORPORATE INFORMATION (CONTINUED)

Subsidiary audit exemption (continued)

Subsidiary	Registered number
Tetley Walker Limited	00664108
The Globe Pub Company Limited	05167852
Tolchard and Son Limited	00683250
Walker Cain Limited	00176978

Dormant subsidiary exemption from the preparation/filing of accounts

For the year ended 31 December 2021, the following dormant subsidiaries of the Company were entitled to exemption from preparing individual accounts under s394A of the Companies Act 2006, and from filing individual accounts under s448A of the Companies Act 2006.

On the date of approval and signing of the consolidated financial statements, as set out on page 23, the outstanding liabilities at the Statement of Financial Position date, 31 December 2021, of the named subsidiaries were guaranteed by the parent undertaking, Heineken UK Limited (registered number: SC065527), pursuant to s394C of the Companies Act 2006:

Subsidiary	Registered number
Heineken UK Group Life Scheme Trust Company Limited	SC425468
Newcastle Federation Breweries Limited	1873267
Punch Taverns Properties Limited	03528601

2. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards adopted during the year

The Group and the Company have adopted the following new IFRS, IAS, interpretations and amendments to existing standards for annual periods beginning on or after 1 January 2021.

Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

Impact of the initial application of Interest Rate Benchmark Reform

In 2019, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In 2020, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates to alternative benchmark interest rates (also referred to as 'risk free rates') without giving rise to accounting impacts that would not provide useful information to users of financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and amended standards adopted during the year (continued)

Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7 (continued)

As a result of the Phase 2 amendments, the Group transitioned away from using the London Inter-Bank *Offered Rate (LIBOR), selecting the Sterling Overnight Index Average (SONIA) as an alternative* benchmark rate. SONIA is administered by the Bank of England and reflects the average interest rate that banks pay to borrow sterling overnight from other financial institutions and investors.

Effective from 2020, it was agreed that the interest rate on Sterling and Euro denominated intercompany loans should equal the average SONIA, representing the risk free benchmark rate, plus a margin determined by management.

Risks arising from the interest rate benchmark reform

LIBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread. Alternative benchmark rates, such as SONIA, are risk-free overnight rates published at the end of the overnight period with no embedded credit spread. Consequently, SONIA is considered a more robust alternative to LIBOR because it is anchored in liquid underlying markets and is a better measure of the general level of interest rates.

The Group has transitioned to using alternative benchmark rates as outlined in this policy, further information is outlined in notes 17 and 22. The adoption of the standard has not had a material impact on the disclosures or on the amounts reported in these financial statements.

COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 Leases

The Group did not receive rent concessions as a direct consequence of COVID-19, thus, the Directors have concluded that the new standard has had no impact.

New standards not yet adopted during the year

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS that have been issued but are not yet effective and (in some cases) had not yet been adopted by UK:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non – current
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of financial assets and liabilities held at fair value through profit and loss and fair value through other comprehensive income. The principal accounting policies have been applied consistently throughout the year.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS issued by the IASB, with interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Heineken UK Limited. Heineken UK Limited controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by ownership of more than 50% of the voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On consolidation, intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with associates and JVs are netted against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2021 are provided in the appendix to the financial statements (see pages 86 to 89).

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognised in profit or loss.

Contingent liabilities assumed in a business combination are recognised at fair value even if it is not probable that an outflow will be required to settle the obligation. After initial recognition and until the liability is settled, cancelled or expired, the contingent liability is measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the initial liability amount.

3. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Comprehensive Income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the reporting period detailed in the appendix to the financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the Statement of Comprehensive Income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3. ACCOUNTING POLICIES (CONTINUED)

Going concern

In line with the FRC's guidance on going concern, the Directors have reviewed the appropriateness of the going concern basis of preparation.

The financial position of the Group is set out in the Consolidated Statement of Financial Position on pages 22 and 23 of the financial statements. The Group has net assets of £4,103m (2020: £5,049m) and net current assets of £2,926m (2020: liabilities of £4,262m). Funding amounts owed to other group companies of £2,626m (2020: £3,601m) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owing to companies under common control and will not be recalled within 12 months without prior consideration of the Group's liquidity position. The Group made a profit for the financial year of £135m (2020: loss £137m) as set out in the Consolidated Statement of Comprehensive Income on page 21.

The Group continues to have access to unutilised overdraft facilities that are not forecast to be required. The repayment of borrowings granted to the Company by Heineken International B.V. are under existing long term agreements and are not due to be repaid within 12 months from the date of this report.

Having reviewed the Group's forecasts, projections and other relevant evidence including external industry judgement, as well as stress testing the projections with sensitivities and reasonably possible scenarios, the Directors have a reasonable expectation that the Group will continue in operational existence for at least 12 months from the date of signing of this report. Accordingly, the financial statements of the Group have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within finance income or costs. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

3. ACCOUNTING POLICIES (CONTINUED)

Revenue

The majority of the Group's revenue is generated by the sale and delivery of products to customers. The product portfolio of the Group mainly consists of cider and beer. Products are mostly own-produced finished goods from the Heineken Group's brewing activities, but also contain purchased goods for resale from the Group's wholesale activities. The Group's customer group can be split between On-trade customers like cafés, bars and restaurants, including our own pubs, and Off-trade customers like retailers and wholesalers. Revenue is recognised when control over products has transferred and the Group has fulfilled its performance obligation to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from the Group's premises. Revenue recognised is based on the price specified in the contract, net of returns, discounts, VAT and other sales taxes. Excise taxes on own-produced goods are presented separately in the Consolidated Statement of Comprehensive Income in order to disclose the Group's 'Net Revenue'. Net Revenue is an alternative performance measure rather than a statutory measure defined by IFRS.

Other revenues include rental income from pubs, royalties, income from wholesale activities, pub management services and technical services to third parties. Royalties are sales-based and recognised in the Statement of Comprehensive Income on an accrual basis in accordance with the relevant agreement. Rental income, income from wholesale activities, pub management services and technical services are recognised in the Statement of Comprehensive Income when the services have been delivered.

Discounts

The Group uses different types of discounts depending on the nature of the customer. Some discounts are unconditional, like cash discounts, early payment discounts and temporary promotional discounts. Unconditional discounts are recognised at the same moment as the related sales transaction. The Group also provides conditional discounts to customers. These contractually agreed conditions include volume and promotional rebates. Conditional discounts are recognised based on estimated target realisation.

The estimation is based on accumulated experience supported by historical and current sales information. A discount accrual is recognised at each reporting date for discounts payable to customers based on their expected or actual volume up to that date.

Other discounts include listing and shelving visibility fees charged by the customer whereby the payments to customers are closely related to the volumes sold. The Group assesses the substance of contracts with customers to determine the classification of payments to customers as either discounts or marketing expenses.

Discounts are accounted for as a reduction of revenue. Only when these payments to customers relate to a distinct service, the amount is classified as operating expense.

Excise tax expense

For the cider and beer business, excise duties are effectively a production tax, borne by the Group, as excise duties become payable when goods are moved from bonded warehouses. Excise duty on own-produced goods are presented separately in net revenue applying IFRS 15. Duty on products brought in for resale is excluded from net revenue and included within cost of sales, in the Statement of Comprehensive Income.

Stock credit

Under the normal course of business, the Group does not have a returns policy and does not hold a provision for returned stock. In 2020, following the impact of COVID-19 pandemic and the restrictions put in place by the Government, pubs and On-trade venues were required to close. The Group agreed and communicated to customers that they could return their stock and receive a credit, thus, a stock credit provision was created and included in the Consolidated Statement of Financial Position. The provision was released in 2021 following processing of the stock returns, with no provision remaining at the reporting date.

3. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any provision for impairment. Cost comprises the initial purchase price and expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful economic life of the asset as follows:

Land and buildings

• Freehold land	Not depreciated
• Freehold buildings	40 years
• Leasehold buildings	the shorter of 50 years or the unexpired term of the lease

Plant and equipment

• Brewing plant	10 to 30 years
• Kegging, bottling and canning plant	5 to 20 years
• Commercial vehicles and private cars	5 to 8 years
• Containers and other equipment	3 to 15 years
• Furniture, fixtures and fittings	5 years

All property, plant and equipment items excluding land are depreciated over their estimated useful live to the asset's residual value.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property, plant and equipment are reviewed whenever there is an indication the asset may be impaired or an impairment reversal is deemed appropriate. Any such impairment is charged or released through the Statement of Comprehensive Income.

Gains and losses on disposal of fixed assets reflect the difference between net selling price and the carrying amount at the date of disposal and are recognised in the Statement of Comprehensive Income.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Assets held for sale

Property, plant and equipment are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Assets held for sale typically relate to pubs not part of our strategic vision that have been actively marketed.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation in the year is recognised within administrative expenses in the Statement of Comprehensive Income.

Brands and licences

Brands are considered to have a finite life and are amortised over 50 years straight-line from the date of acquisition. Acquired licences, which are separately identifiable, are recorded at fair value on acquisition where this can be measured reliably. Brand licences are amortised on a straight-line basis over their expected useful life of 25 years.

Customer lists

Customer lists were acquired on the purchase of a business. This intangible asset is amortised on a straight-line basis over its expected useful life of 5 years.

3. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Software
Purchased software is measured at cost less accumulated amortisation. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred. Capitalised development software is amortised on a straight-line basis over its expected useful life of between 3-7 years.

Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of the acquisition over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

Leases

Definition of a lease
A contract is or contains a lease if it provides the right to control the use of an identified asset for a period of time in exchange for an amount payable to the lessor. The right to control the use of the identified asset exists when having the right to obtain substantially all of the economic benefits from use of that asset and when having the right to direct the use of that asset.

The Group as a lessee
At the start date of the lease, the Group (lessee) recognises a Right of Use (ROU) asset and a lease liability in the Statement of Financial Position. The ROU asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. For measurement of the lease liability, refer note 22.

The Group applies the following practical expedients for the recognition of leases:

- The short-term lease exemption, meaning that leases with a duration of less than a year are expensed in the Consolidated Statement of Comprehensive Income on a straight-line basis.
- The low value lease exemption, meaning that leased assets with an individual value of €5,000, (£4,201) or less if bought new, are expensed in the Consolidated Statement of Comprehensive Income on a straight-line basis. This policy is set by the Heineken Group, and embedded within our Group at the appropriate exchange rate.

Lease liabilities are measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate (IBR). Lease liabilities are subsequently increased by the interest cost on the lease liabilities and decreased by lease payments made. The lease liabilities will be remeasured when there is a change in the amount to be paid (e.g. due to indexation) or when there is a change in the assessment of the lease terms.

The IBR is determined on the term of the lease. The IBR is calculated based on the risk-free rate plus a default spread and a credit spread.

The lease term is determined as the non-cancellable period of the lease, together with:

- Periods covered by a unilateral option to extend the lease if the Group is reasonably certain to make use of that option.
- Periods covered by an option to terminate the lease if the Group is reasonably certain not to make use of that option.

The Group applies the following practical expedients for the recognition of leases:
Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics.

The Group as a lessor
A lease is classified as a finance lease when it transfers substantially all the risks and rewards relating to ownership of the underlying asset to the lessee. For contracts where the Group acts as an intermediate lessor, the subleases are classified with reference to the ROU asset.

The lease receivables are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

3. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lessor rent concessions

Rent concessions are deemed as modification to the lease. Rent concessions were recognised upfront in the Statement of Comprehensive Income and are deferred over the average lease term. The deferred rent concessions are recognised in Statement of Financial Position and included within Prepayments, accrued income and fulfilment costs.

Impairment of non-current assets and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (CGU)) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first-in, first-out basis. Work in progress and finished goods include labour and attributable overheads.

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

Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value, net of transaction costs directly related to their issue. The Group holds the trade receivables with the objective to collect the contractual cash flows and measures them subsequently at amortised cost using the effective interest method, less any impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty, default or significant delay in payment) that the Group and the Company will be unable to collect all of the amounts due under the terms receivable. The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Certain customers are subject to a factoring arrangement. Under this arrangement the Group and the Company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables, under this arrangement the debt factor bear ultimate credit default risk. The amount repayable under the factoring agreement is netted against trade receivables in the Statement of Financial Position.

The Group's management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies all customers requiring credit above a certain amount are reviewed and new customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are determined for each customer and are reviewed regularly.

3. ACCOUNTING POLICIES (CONTINUED)

Receivables (continued)

Customers are monitored according to their credit risk characteristics. Distinction is made between individuals and legal entities, type of distribution channel, geographic location, ageing profile, maturity and existence of previous financial difficulties.

Further details on credit management procedures during COVID-19 are included in note 19.

Cash and bank balances

For the purposes of the Consolidated Statement of Cash Flows, cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

All recognised financial assets are measured subsequently at either amortised cost or fair value, depending on the classification of the financial assets. Other than the financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Financial assets at amortised cost

Financial assets at amortised cost include financial assets held with the objective of collecting contractual cash flows from payments of principle and interest on the principle amount outstanding. Such assets are subsequently measured at amortised cost using the effective interest rate method, which ensures that the interest income over the period of repayment is at a constant rate on the balance of the asset carried into the Statement of Financial Position.

Fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are carried in the Statement of Financial Position at fair value with changes in fair value recognised in other comprehensive income in the Statement of Comprehensive Income.

Fair Value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value and through profit or loss in the Statement of Comprehensive Income.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL, depending on the classification of the financial liability. Other than the financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Financial liabilities at amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the Statement of Comprehensive Income as interest payable.

3. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities (continued)

Fair value through profit of loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item in profit or loss.

Further detail on financial assets and liabilities is presented in note 31 in the consolidated financial statements.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Trade Payables

Payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Finance income

Finance income is recognised in the Statement of Comprehensive Income using the effective interest method.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3. ACCOUNTING POLICIES (CONTINUED)

Pensions

Defined benefit pension plan

Certain employees and past employees of the Group are members of the Scottish & Newcastle Limited group pension plan, which cover several employers in the Group. It has been determined that Scottish & Newcastle Limited is the principal employer of the plan and therefore the defined benefit pension liability is reflected on its Statement of Financial Position. However, the Company has an obligation to make employer's contributions in respect of the shortfall in funding per the recovery plan of April 2022, and has historically made these payments, on behalf of Scottish & Newcastle Limited. As such, the associated cost has been charged to the Company. Refer to the accompanying Statement of Comprehensive Income of the Group.

Defined contribution pension plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plan, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based payment plans

Heineken N.V. operates share based equity settled share-based payment plans, the Long-term incentive plan (LTIP) and the Extraordinary share plan, in respect of certain employees of the Company, the criteria of which are set out in note 26 to consolidated the financial statements.

The cost of plans are measured by reference to the fair value at the date at which the shares are granted and is recognised as an expense over the vesting period, which ends on the date the employees become fully entitled to the award. As assessed by our global team, the grant date fair value is calculated by adjusting the Heineken N.V. share price at grant date for estimated foregone dividends during the performance period, as the participants are not entitled to receive dividends during that period. The foregone dividends are estimated by applying the Heineken Group's dividend policy on the latest forecasts of net profit (beia). At each reporting date, the Heineken Group uses its latest forecasts to calculate the expected realisation on the performance targets per plan. The number of shares are adjusted to the new target realisation and the Heineken Group increases/decreases the total plan cost. The cumulative effect is recorded in the profit or loss, with a corresponding adjustment to equity.

Expenses related to employees that voluntarily leave the Heineken Group are reversed as they will not receive any shares from the LTIP. The expense calculation includes the estimated future forfeiture. The Heineken Group uses historical information to estimate this forfeiture rate.

3. ACCOUNTING POLICIES (CONTINUED)

Provisions for liabilities

General

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Restructuring

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

Current Income Tax

The tax expense for the year comprises of current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income 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 Group operates and generates income.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

3. ACCOUNTING POLICIES (CONTINUED)

Deferred Tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they become receivable.

Further details on government grants received in the current and prior year are included in note 6 in the consolidated financial statements and in note 6 in the Company financial statements.

Distributable reserves

Following the reduction of a company's Statement of Financial Position, the post-tax reserves are distributed to the parent company by virtue of SI 2008/1915 'The Companies (Reduction of Share Capital) Order 2008', which states that reserves created on the reduction of capital by way of a Directors' solvency statement are distributable by law, when the reduction is properly filed at Companies House.

Distributions received in respect of cash or qualifying assets are considered realised and are recorded in operating income, in the Statement of Comprehensive Income and retained earnings on the Statement of Financial Position.

In contrast, where a distribution is received in respect of a non-cash asset the amount is considered unrealised profit and the distribution will be recorded within other comprehensive income, on the Statement of Comprehensive Income and retained earnings.

Subsequently, the Company may distribute all or part of the reserves in accordance with section 846 of the Companies Act 2006. This states that where a company makes a distribution in kind, and any part of the asset relevant to the distribution represents an unrealised profit, the amount is to be treated as realised for the purposes of the distribution.

On closure or disposal of a subsidiary whose functional currency is different to the parent, the historic foreign exchange reserves associated with this subsidiary are recycled through administrative expenses and other comprehensive income.

Further details on transactions relating to restructuring during the year are included in note 33 in the consolidated financial statements and in note 24 in the Company financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Group's accounting policies
The Directors believe there are no key areas of judgement in preparing these financial statements.

Key sources of estimation uncertainty
The Directors believe the following to be the key area of estimation uncertainty:

- Impairment and impairment reversal of tangible fixed assets

  At each reporting date, the Group reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

  Assets or CGUs that have previously been impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in the prior periods may no longer exist or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

  An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

  In 2020, total impairment of £172m was recognised in tangible fixed assets, £167m in property, plant and equipment and £5m in assets held for sale. Following a detailed impairment review, the Directors concluded that there was no trigger for impairment in 2021 and it is too early to reverse any or all of the impairment booked last year given that there had not been a significant period of full trade that indicates sufficient recovery in the pub trade and the market, and the impact of the number of cases of COVID-19 is still uncertain. The Directors conduct ongoing monitoring of business plans, including levels of capital expenditure, and will assess the appropriateness of additional impairment or impairment reversal in 2022 with regard to pubs achieving these plans and any other triggers. Given impairment is assessed at the individual pub level, there is no one individual assumption that is likely to cause a material impairment reversal in the next financial period, as any reversal would be driven by the cash flows forecast for the individual pub.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. REVENUE

	2021	2020
	£M	£M
Sales of cider and beer	2,008	1,857
Proceeds from services from vending equipment, machine income and other services provided to third parties	23	23
Rental income	53	64
	2,084	1,944

Analysis of revenue by country of destination:

	2021	2020
	£M	£M
UK	2,058	1,917
Rest of the world	26	27
	2,084	1,944

6. OPERATING PROFIT / (LOSS)

The operating profit / (loss) is stated after charging/(crediting):

	2021	2020
	£M	£M
Depreciation of property, plant and equipment (note 12)	62	75
Impairment of property plant and equipment (note 12)	-	167
Impairment of assets classified as held for sale (note 20)	1	5
(Gain) / loss on disposal of property, plant and equipment	(5)	11
Gain on sale of intangible asset	(7)	-
Amortisation of intangible fixed assets (note 13)	17	16
Foreign exchange (gain) / loss	(3)	3
Staff costs (note 7)	188	187
Low value and variable lease expense	6	6
Write downs of inventories recognised as an expense	-	3
Inventory expensed through profit and loss	419	406
Share of loss from joint ventures and associates (note 14)	-	4
	678	883

Audit fees for the Group in the year were £0.4m (2020: £0.3m). The audit fee does not include any fees for the subsidiaries of the Group as they are unaudited for both the current and prior year. There were non-audit services totalling £7,500 (2020: £7,500) provided to the Group. Non-audit services in current and prior year consisted of the review and confirmation of license volume information.

Heineken UK Limited also paid audit fees of £30,000 (2020: £22,500) on behalf of its immediate parent company, Scottish & Newcastle Limited.

The UK Government introduced various grants to ease the burden of COVID-19 on qualifying business. In 2021, the Group received a total of £1.2m in relation to National Closed Business Lockdown Payment, Local Restrictions Support Grant and Christmas Support Payment (2020: £0.7m in relation to the Retail Hospitality and Leisure Grant Fund) and £2m (2020: £4m) in relation to the Coronavirus Job Retention Scheme. The amounts received were reported within the administrative expenses line in the Consolidated Statement of Comprehensive Income.

7. EMPLOYEES

	2021	2020
	£M	£M
Wages and salaries	115	106
Social security costs	14	14
Other pension costs	59	58
Restructuring costs	-	9
	188	187

The average monthly number of employees, including the Directors, during the year was as follows:

	2021	2020
	No.	No.
Supply chain	1,125	1,040
Finance	135	139
Commerce	824	981
Information technology	84	97
Human resource	72	63
General management	33	48
	2,273	2,368

8. DIRECTORS' REMUNERATION

The amount of remuneration received by the Directors in respect of their qualifying services to the Group is disclosed in the Related Party disclosures (note 30).

9. FINANCE INCOME

	2021	2020
	£M	£M
Interest receivable from group companies	14	55
Other interest receivable	1	1
	15	56

10. FINANCE COSTS

	2021	2020
	£M	£M
Interest payable to group undertakings	34	50
Other	3	4
	37	54

11. INCOME TAX

	2021	2020
	£M	£M
Current tax		
Current tax on profit / (loss) for the year	**4**	(1)
Adjustments in respect of prior years	**-**	(4)
Total current tax	**4**	(5)
Deferred tax		
Current year	**24**	(31)
Adjustments in respect of prior years	**1**	2
Effect of changes in tax rates	**(41)**	(10)
Total deferred tax	**(16)**	(39)
Tax per Consolidated Statement of Comprehensive Income	**(12)**	(44)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The effective tax rate of (9.76)% (2020: 24.31%) for the year is lower (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021	2020
	£M	£M
Profit / (loss) before tax	**123**	(181)
Tax on profit / (loss) before tax at standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	**23**	(34)
Effects of:		
Adjustments in respect of prior years	**1**	(2)
Expenses not deductible	**1**	11
Tax rate changes	**(34)**	(10)
Property, plant and equipment tax basis on consolidation	**-**	(4)
Group relief claimed for no payment	**(3)**	(8)
Losses carried back	**-**	3
Income tax credit reported in the Consolidated Statement of Comprehensive Income	**(12)**	(44)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 during the year and these changes are reflected within the tax figures. This included an increase to the main rate of corporation tax to 25.00% from 1 April 2023 and this is the rate that has been used to calculate deferred tax at the year-end. The Finance Act 2022 that received Royal Assent on 24 February 2022 will have no impact on the corporation tax figures.

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are fixed assets that are owned by Group, as well as right of use (ROU) assets under a lease agreement. Refer to the table below for the split between owned assets and ROU assets as per Statement of Financial Position date:

	2021	2020
	£M	£M
Property, plant and equipment – owned assets (note 12a)	**1,805**	1,809
Right of use assets (note 12b)	**69**	75
	1,874	1,884

12a) Owned assets	**Land and buildings**	**Plant and equipment**	**Total**
	£M	**£M**	**£M**
Cost			
At 1 January 2020	1,804	640	2,444
Additions	38	18	56
Transfers to assets held for sale (note 20)	(16)	(2)	(18)
Disposals	(5)	(41)	(46)
At 31 December 2020	**1,821**	**615**	**2,436**
Additions	13	43	56
Transfers to assets held for sale (note 20)	(7)	(1)	(8)
Disposals	(4)	(28)	(32)
At 31 December 2021	**1,823**	**629**	**2,452**

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12a) Owned assets (continued)	Land and buildings	Plant and equipment	Total
	£M	£M	£M
Accumulated depreciation and impairment			
At 1 January 2020	107	330	437
Charge for the year	14	49	63
Impairment	143	24	167
Transfers to assets held for sale (note 20)	-	(1)	(1)
Disposals	(2)	(37)	(39)
At 31 December 2020	**262**	**365**	**627**
Charge for the year	13	36	49
Transfers to assets held for sale (note 20)	(2)	-	(2)
Disposals	(1)	(26)	(27)
At 31 December 2021	**272**	**375**	**647**
Net book value			
At 31 December 2021	1,551	254	1,805
At 31 December 2020	1,559	250	1,809

The net book value of land and buildings comprises:

	2021	2020
	£M	£M
Freehold	**1,481**	1,479
Long leasehold (50 years and greater)	**28**	28
Short leasehold (less than 50 years)	**42**	52

Land and buildings include the breweries and offices of the Group as well as pubs, bars and warehouses. Plant and equipment contain all assets needed in the Group's brewing, packaging and filling activities, commercial fixed assets and furniture, fixtures and fittings.

The initial outbreak of COVID-19 during 2020 and the restrictive lockdowns put in place by the UK government had a significant impact on the UK on trade and the 2020 and 2021 results of the owned pub estate. Following the impairment test in 2020, impairment of £167m was recorded on owned PP&E.

Trade reopened in April 2021 with restrictions, and these were gradually lifted over the months to late July 2021. The trade was quickly re-established with pub estate volumes in the latter half of 2021 being 83% of Annual Plan 2021 despite the significant impact of supply chain constraints during that period. The new Omicron variant did initially cause a rise in the number of cases, however, the trade remained open and pubs are trading.

The Directors concluded that there was no trigger for impairment in 2021 and it is too early to reverse any or all of the impairment booked in 2020 given that there has not been a significant period of full trade and the impact of a rise in the number of cases is uncertain.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12b) The right of use assets

The Group leases pubs, offices, warehouses, cars, forklift trucks and other equipment in the ordinary course of business. The Group has 734 (2020: 747) leases with a wide range of different terms and conditions. Some of the leases contain extension and termination options, which are included in the lease term if the Group is reasonably certain to exercise an extension option and reasonably certain not to exercise a termination option. The table below shows the carrying amount of ROU assets per asset class:

	2021	2020
	£M	£M
Land and buildings	**61**	67
Plant and equipment	**8**	8
Carrying amount ROU assets	**69**	75

During 2021, £4m (2020: £6m) was added to the ROU assets as a result of entering into new leases. The depreciation of ROU assets during the financial year was as follows:

	2021	2020
	£M	£M
Land and buildings	**10**	10
Plant and equipment	**3**	2
Depreciation of ROU assets	**13**	12

The income from subleasing ROU assets was £2m (2020: £2m).

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

13. INTANGIBLE ASSETS

	Brands and licences	Customer lists	Software	Goodwill	Other intangibles	Total
	£M	£M	£M	£M	£M	£M
Cost						
At 1 January 2020	349	2	39	1	18	409
Additions	-	-	6	-	-	6
At 31 December 2020	**349**	**2**	**45**	**1**	**18**	**415**
Additions	-	-	5	4	2	11
At 31 December 2021	**349**	**2**	**50**	**5**	**20**	**426**
Accumulated amortisation						
At 1 January 2020	110	1	8	-	2	121
Charge for the year	10	1	5	-	-	16
At 31 December 2020	**120**	**2**	**13**	**-**	**2**	**137**
Charge for the year	10	-	6	-	1	17
At 31 December 2021	**130**	**2**	**19**	**-**	**3**	**154**
Net book value						
At 31 December 2021	**219**	**-**	**31**	**5**	**17**	**272**
At 31 December 2020	229	-	32	1	16	278

The Group has been granted licences by a group undertaking in respect of Strongbow and Bulmers cider brands. Brand licences are amortised over 25 years. The carrying amount of the cider brands license agreement was £33m (2020: £37m) and the remaining amortisation period was 7 years (2020: 8 years).

The Foster's brand is amortised over 50 years. The carrying amount was £187m (2020: £192m) and the remaining amortisation period was 36 years (2020: 37 years).

Other intangibles primarily relates to lease premiums paid upfront for head leases and will amortise in line with the useful life of the lease.

Indefinite useful life

The net book value of assets assessed as having an indefinite useful life are as follows:

	2021	2020
	£M	£M
Goodwill	**5**	1

14. INTERESTS IN JOINT VENTURES AND ASSOCIATES

The Group has interest in a number of joint ventures and associates. The total carrying amount of these joint ventures and associates was £96m as at 31 December 2021 (2020: £98m) and the total share of loss was £nil in 2021 (2020: £4m).

On 28 January 2021, the Company acquired an additional 51% of the ordinary share capital of Brixton Brewery Limited ('Brixton'), previously an associate, making the company a wholly-owned subsidiary. The acquisition of Brixton has been detailed in note 32 of the consolidated financial statements.

Summarised financial information for equity accounted joint ventures and associates:

	Joint ventures		**Associates**			**Total**
	2021	2020	**2021**	2020	**2021**	2020
	£M	£M	**£M**	£M	**£M**	£M
Carrying amounts of interest	8	8	88	90	**96**	98
Share of:						
Loss from continuing operations	-	-	-	(4)	-	(4)

15. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are inherent to the Group's business model. Loans to customers are repaid in cash on fixed dates while the settlement of advances to customers are linked to the sales volume of the customer. Loans and advances to customers are ideally backed by a collateral such as properties. All amounts reflect their fair values.

	2021	2020
	£M	£M
Amounts falling due within one year		
Loans to customers	**3**	3
Advances to customers	**6**	7
	9	10

	2021	2020
	£M	£M
Amounts falling due after more than one year		
Loans to customers	**1**	-
Advances to customers	**3**	5
	4	5

16. DEFERRED TAXATION

The deferred taxation balance is made up as follows:

	2021 £M	2020 £M
Fixed assets	**(3)**	6
Temporary differences - trading	**3**	1
Temporary differences – non-trading	**40**	36
Tax losses	**101**	82
	141	125

	Accelerated tax depreciation £M	Provisions £M	Deferred interests deductions £M	Tax losses £M	Total £M
At 1 January 2020	(22)	5	30	73	86
Credit / (charge) to profit and loss	28	(4)	6	9	39
At 31 December 2021	**6**	**1**	**36**	**82**	**125**
(Charge) / credit to profit and loss	(9)	2	4	19	16
At 31 December 2021	**(3)**	**3**	**40**	**101**	**141**

The deferred tax asset has been recognised on the basis that it is anticipated that the various components of the asset will be capable of being utilised in future periods.

Deferred tax of £73m (2020: £55m) on capital losses of £290m (2020: £292m) has not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

17. OTHER NON-CURRENT ASSETS

	2021 £M	2020 £M
Prepayments, accrued income and fulfilment costs	**27**	26
Investments	**1**	3
Loans to joint ventures and associates (note 30)	**13**	15
Finance lease receivables	**11**	11
Funding amounts owed by direct and intermediate parent undertakings	**-**	7,514
Funding amounts owed by subsidiaries of direct and intermediate parent undertakings	**-**	373
	52	7,942

Investments

Investment consists of Heineken UK Limited's non-controlling share in Cameron's Brewery Limited. Cameron's Brewery Limited is an unquoted investment and does not fall into the category of an associate company.

17. OTHER NON-CURRENT ASSETS (CONTINUED)

In 2021 funding amounts owed by direct and intermediate parent undertakings were reclassified from non-current assets to current assets as a result of legal entity rationalisation which occurred after the reporting date.

Funding amounts owed by Group undertakings are unsecured. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA is charged on outstanding balances per annum. Further information is outlined in note 30. All amounts reflect their fair values and are considered to fall due after more than one year due to their use on a continuing basis.

Finance Lease Receivables

The Group entered into finance lease arrangements as a lessor of pubs. The average outstanding term of the finance lease receivables, including the short-term portion of lease receivables, is 7 years (2020: 7 years). The Group is not exposed to foreign currency risk as a result of the lease arrangements as all leases are dominated in functional currency. Residual value risk on property under lease is not significant due to the existence of a secondary market on rental property.

The average effective interest rate contracted approximates 1.90% (2020: 3.20%).

Less than £1m of the finance lease receivable was past due at the current and prior reporting date. Taking into account the historical default experience and the future prospects of the pub industry in which the lessees operate, together with the value of collateral held over these finance lease receivables, the Directors of the Group reviewed the recoverability of the finance lease and accounted for an allowance for credit losses in the year.

Finance income on the present value of the lease receivable is included within other interest receivable as disclosed in note 9.

	2021	2020
	£M	£M
Amounts receivables under finance lease		
Less than 1 year	**2**	5
Between 1 and 5 years	**7**	7
Greater than 5 years	**5**	4
Undiscounted lease payments	**14**	16
Less unearned finance income	**(2)**	(1)
Present value of lease payments receivables	**12**	15
Lease receivable allowance for credit losses	**-**	(4)
Net investment in the lease	**12**	11

Undiscounted lease payments analysed as:

	2021	2020
	£M	£M
Recoverable after 12 months	**12**	11
Recoverable within 12 months	**2**	5

Net investment in the lease analysed as:

	2021	2020
	£M	£M
Recoverable after 12 months	**11**	11
Recoverable within 12 months	**1**	-

18. INVENTORIES

	2021	2020
	£M	£M
Raw materials and consumables	10	10
Work in progress	39	42
Finished goods and goods for resale	58	54
	107	106

19. TRADE AND OTHER RECEIVABLES

	2021	2020
	£M	£M
Amounts falling due within one year		
Trade receivables (net of provisions and factoring)	117	97
Other receivables		
Funding amounts owed by direct and intermediate parent undertakings	5,812	-
Trade amounts owed by direct and intermediate parent undertakings	2	1
Trade amounts owed by subsidiaries of direct and intermediate parent undertakings	4	4
Amounts owed by joint ventures	4	5
Lease and other receivables	2	1
	5,824	11
Prepayments, accrued income and fulfilment costs	21	22
	5,962	130

In 2021 funding amounts owed by direct and intermediate parent undertakings were reclassified from non-current assets to current assets as a result of legal entity rationalisation which occurred after the reporting date.

Funding amounts owed by group undertakings are unsecured. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA is charged on outstanding balances per annum. All amounts reflect their fair values.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing of the trade and other receivables (excluding prepayments) as per reporting date can be shown as follows:

£M	**2021 Total**	**Not past due**	**0-30 days**	**31-120 days**	**Past due >120 days**
Gross	**5,963**	**5,872**	**61**	**11**	**19**
Allowance	**(22)**	**(12)**	**(4)**	**(1)**	**(5)**
	5,941	**5,860**	**57**	**10**	**14**

£M	2020 Total	Not past due	0-30 days	31-120 days	Past due >120 days
Gross	127	77	13	10	27
Allowance	(19)	(3)	-	(4)	(12)
	108	74	13	6	15

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions on a monthly and annual basis.

The Group recognises a loss allowance of 100% against all receivables over 365 days past due because historical experience indicates that these receivables are generally not recoverable.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The Group adopted a prudent approach to credit management during COVID-19. Customers were offered cashflow relief through rent concessions and through repayment plans. Additional provisions were put in place over debt outstanding from higher risk customers based on detailed assessment of the credit risk. These additional COVID-19 specific provisions were released gradually following re-entering trade, and by the reporting date credit management reverted back to pre-pandemic procedures across the majority of the business, with provisions in place over certain On-trade customer accounts with active repayment plans. As a result of the Group's approach to credit management, there has been no material impact on the level of loss allowance for trade receivables recognised in the Statement of Financial Position or the level of credit losses recognised in the Statement of Comprehensive Income in 2020 or 2021.

The Group's maximum exposure to credit risk is defined as the total amount of trade and other receivables (as above) and amounts owed by joint ventures and associates (refer to note 17) at the year-end.

20. ASSETS CLASSIFIED AS HELD FOR SALE

	£M
Cost	
At 1 January 2020	11
Transfers from PPE	18
Disposals	(14)
At 31 December 2020	**15**
Transfers from PPE	8
Disposals	(15)
At 31 December 2021	**8**
Accumulated depreciation and impairment	
At 1 January 2020	1
Impairment	5
Transfers from PPE	1
Disposals	(1)
At 31 December 2020	**6**
Impairment	1
Transfers from PPE	2
Disposals	(6)
At 31 December 2021	**3**
Net book value	
At 31 December 2021	**5**
At 31 December 2020	9

Assets held for sale relate typically to pubs being actively marketed as these do not form part of our strategic vision.

In terms of pubs identified as held for sale, these sites were impaired to the higher of their fair value less cost to dispose. This results in an impairment charge of £1m on assets held for sale (2020: £5m). The pubs also held for sale where the expected proceeds were higher, were clearly not adjusted. As in previous years, the disposal value was determined internally from our estates team. The impairments were charged to the line administrative expenses in the Consolidated Statement of Comprehensive Income.

Within accumulated depreciation, the current year disposals include £3m of prior year impairment on assets that have been sold in the year.

21. CASH AND BANK BALANCES

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following balances at 31 December:

	2021	2020
	£M	£M
Cash at bank	**28**	6
Bank overdrafts (note 22)	**(4)**	(12)
Cash and cash equivalents	**24**	(6)

21. CASH AND BANK BALANCES (CONTINUED)

Analysis of movement in financing activities:

	At 1 January 2021	Financing cash flows	Other non-cash changes	At 31 December 2021
	£M	£M	£M	£M
Cash at bank	6	22	-	28
Cash and cash equivalents for the Consolidated Statement of Financial Position	**6**	**22**	**-**	**28**
Bank overdrafts	(12)	8	-	(4)
Cash and cash equivalents for the Consolidated Statement of Cash Flows	**(6)**	**30**	**-**	**24**
Lease liabilities	(95)	19	(11)	(87)
Group loans	(4,871)	85	975	(3,811)
Acquisition of subsidiary	-	1	-	1
Preference shares	(116)	-	-	(116)
Other financing liabilities	(17)	-	-	(17)
Liabilities from financing activities	**(5,099)**	**105**	**964**	**(4,030)**

Other non-cash changes consist of interest on intercompany loans between the Group companies and transactions relating to legal entity rationalisation.

22. TRADE AND OTHER PAYABLES

	2021 £M	2020 £M
Amounts falling due within one year		
Trade payables	**192**	155
Other payables		
Funding amounts owed to direct and intermediate parent undertakings	**2,458**	3,185
Funding amounts owed to subsidiaries of direct and intermediate parent undertakings	**168**	876
Trade amounts owed to direct and intermediate parent undertakings	**13**	8
Trade amounts owed to subsidiaries of direct and intermediate parent undertakings	**36**	32
Preference shares (note 24)	**116**	-
Other payables	**28**	21
Bank overdrafts (note 21)	**4**	12
Lease liabilities	**15**	14
	2,838	4,148
Accruals and deferred income	**44**	41
Current tax liabilities		
Other taxation and social security	**94**	136
Tax payable	**-**	23
	94	159
	3,168	4,503

	2021 £M	2020 £M
Amounts falling due after more than one year		
Funding amounts owed to direct and intermediate parent undertakings	**1,185**	810
Preference shares (note 24)	**-**	116
Lease liabilities and other payables	**73**	82
	1,258	1,008

Funding amounts due to UK group undertakings are unsecured and have no fixed terms of repayment. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA is charged on outstanding balances with UK group undertakings per annum.

Various rates are charged on outstanding balances with other group undertakings outside the UK per annum, these rates are: fixed 2.57% (2020: 2.57%) and variable rates of between SONIA plus 1.45% (2020: LIBOR plus 0.65%) and SONIA plus 1.55% (2020: LIBOR plus 1.50%). The repayment dates of the balances fall between 2024 and 2029.

22. TRADE AND OTHER PAYABLES (CONTINUED)

Disclosure of the terms and conditions attached to the non-equity shares is included in note 24.

In accordance with IFRS the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.50% (2020: 6.50%) are shown under creditors with the balance shown under shareholders' funds.

Trade and other payables include lease liabilities of £15m (2020: £14m) and £72m (2020: £81m) due within one year and greater than one year respectively. The total cash outflow for leases amounts to £23m (2020: £19m). Interest expense on lease liabilities recognised in profit and loss during the year amounts to £2m (2020: £3m). Expense relating to short-term leases amount to £151k (2020: £443k).

The maturity of the lease liabilities and the contractual cash flows are as follows:

		Contractual cash flows			
	Carrying amount	Total	Less than 1 year	1 - 5 years	More than 5 years
	£M	£M	£M	£M	£M
Lease liabilities	87	132	17	31	84
Total 2021	**87**	**132**	**17**	**31**	**84**
Total 2020	95	144	17	40	87

23. PROVISIONS

	Onerous contracts	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2021	**6**	**21**	**6**	**33**
Created during the year	4	4	8	16
Released during the year	(3)	(6)	(9)	(18)
Utilised during the year	(3)	(6)	(1)	(10)
At 31 December 2021	**4**	**13**	**4**	**21**
Non-current	**3**	**-**	**1**	**4**
Current	**1**	**13**	**3**	**17**

Onerous contracts
The provision is measured at the present value of the lower of the expected cost of terminating the contract, and the expected net cost of continuing with the contract. The latter takes into consideration any reasonably obtainable sub-leases for onerous lease contracts.

All current portion of the provision is expected to be utilised in 2022. Non-current are dilapidation provisions across various properties and they are long term in nature. Their utilisation time depends on the lease end dates which are between 2021 and 2054.

Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. The provision is measured at the best estimate, including risks and uncertainties, of the expenditure required to settle the present obligation. It is probable that the provision will be utilised over the course of 2022 and it has been classified as a current provision. Certain risks may arise that could result in a delay to the restructuring plan, resulting in an immaterial amount of the provision being utilised in early 2023.

23. PROVISIONS (CONTINUED)

Other
Other provisions relates to Emission Trading Scheme (ETS) certificates to cover the costs of 2021 emissions, Other Personnel Schemes, claims and litigations and other. The ETS provision of £1m will be fully utilised by April 2022.

24. CALLED-UP SHARE CAPITAL

	2021 £M	2020 £M
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,019,070,089 (2020: 1,019,070,089) Ordinary shares of £1 (2020: £1) each (1,107,147,650 authorised shares)	**1,019**	1,019
13,376,175 (2020: 13,376,175) 6.50% Preference shares of £2 (2020: £2) each	**27**	27
	1,046	1,046

	2021 £M	2020 £M
Shares classified as debt		
Authorised, allotted, called up and fully paid		
58,050,000 (2020: 58,050,000) 6.50% Preference shares of £2 (2020: £2) each	**116**	116

6.50% Cumulative Preference Shares
These shares confer on the holders' priority in the payment of dividends and repayment of capital. The dividends were at the fixed rate of 6.50% per annum until cap reached. Holders of these shares may also be entitled to a further dividend of 0.75% per annum. On a return of capital on winding up or (other than on purchase of shares) otherwise, the holders of the preference shares are entitled in priority to the holders of any other class of shares to the repayment of the amount paid up on their shares. The holders of preference shares are not normally entitled to attend or vote at general meetings of the Company unless the preference dividends are in arrears or if a resolution is to be proposed which affects the rights of the preference shares. In accordance with IFRS the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.50% are shown under creditors with the balance shown under shareholders' funds.

25. RESERVES

Other reserves
Other reserves primarily represents cumulative dividends on preference shares treated as debt.

Translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities of foreign operations of the Group (excluding amounts attributable to non-controlling interests).

Retained earnings
Retained earnings represent the accumulated profits, losses and distributions of the Group. All other components of equity are as stated in the Consolidated Statement of Changes in Equity.

26. SHARE BASED PAYMENTS

Heineken N.V. operates share based equity settled share-based payment plans: the Long-term incentive plan and the Extraordinary share plan.

Long-term incentive plan (LTIP)
Heineken Group has a performance-based LTIP for the Executive Board and senior management. Under this LTIP, share rights are conditionally awarded to participants on an annual basis. The vesting of these rights (transfer of the shares into ownership) is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three calendar year period by the employee. The share rights are not dividend-bearing during the performance period.

The performance conditions for LTIP are organic net revenue growth, organic operating profit beia growth, earnings per share beia growth and free operating cash flow. The performance conditions are equally weighted. At target performance, 100% of the awarded share rights vest. At threshold performance, 50% of the awarded share rights vest. At maximum performance, 200% of the awarded share rights vest. The grant date, the fair market value (FMV) related to the Heineken N.V. share price denominated in Euros, service period and vesting date for the LTIP are as follows:

LTI Plan	Grant date	Grant date FMV(€)	3 Year Performance period
2018-2020	1 January 2018	82.46	1 January 2018 - 31 December 2020
2019-2021	1 January 2019	72.48	1 January 2019 - 31 December 2021
2020-2022	1 January 2020	90.11	1 January 2020 - 31 December 2022
2021-2023	1 January 2021	87.03	1 January 2021 - 31 December 2023

Performance shares vest on April 1st following the end of the performance period, or 20 business days after presentation of the business results, whichever is later. In response to the impact of COVID-19 on Heineken Group business, the awards made under the 2018-2020 LTIP did not vest. The cancellation of 2018-2020 LTIP did not result in any settlements nor was it replaced with an alternative plan.

Heineken Group deducts shares at vesting to cover payroll taxes on behalf of employees. The number of outstanding share rights and the movement over the year under LTIP were as follows:

	2021	2020
	No.	No.
Opening balance	**57,740**	52,672
Opening balance adjustment	**(32,820)**	-
Outstanding at the beginning of the year	**24,920**	52,672
Granted during the year	**13,932**	22,563
Forfeited during the year	**(7,015)**	(4,352)
Vested during the year	**-**	(13,143)
Performance adjustment	**18,579**	-
Outstanding at the end of the year	**50,416**	57,740
Share price as at 31 December in EUR (€)	**98.86**	91.22

In 2021, the opening balance was adjusted in line with the cancellation of 2018-2020 LTIP and new information pertaining to the opening number of shares. The adjustment is not material to the financial statements and no restatement has been recognised in 2020.

Extraordinary share plan
Under the Extraordinary share plan for senior management, share grants are not performance related but have a service condition and vest between 1 and 5 years. On 1 January 2021, 6,000 shares were awarded conditionally and 50% of the shares vested in the first year. The remaining shares were expected to vest in the second year, however, these shares lapsed during the year when the participant left the business. In 2020, no shares were either granted or vested.

26. SHARE BASED PAYMENTS (CONTINUED)

Share based payment expense

In 2021, the total share-based compensation income that was recognised in wages and salaries, at note 7, amounted to £1.7m. In 2020, the equivalent expense relating to the effect of future expected grants totalled £0.4m, this expense was offset in the year by the amount released in relation to the awards made under 2018-2020 LTIP that did not vest.

27. OPERATING LEASE RECEIVABLES

Operating lease arrangements in which the Group is the lessor, relates to property owned and leased by the Group and income is received through the Consolidated Statement of Comprehensive Income. Operating lease terms range from lease terms of 1 month to 15 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At 31 December 2021 the Group had future minimum lease income under non-cancellable operating leases as follows:

	2021	2020
	£M	£M
Not later than 1 year	**59**	64
Later than 1 year and not later than 5 years	**159**	166
Later than 5 years	**186**	206
Total	**404**	436

28. OFF- BALANCE SHEET COMMITMENTS

	2021	**Less than 1 year**	**1-5 years**	**More than 5 years**
	£M	**£M**	**£M**	**£M**
Property, plant and equipment ordered	9	8	1	-
Raw materials purchase contracts	5	5	-	-
Marketing and merchandising commitments	3	3	-	-
Other off-balance sheet obligations	864	147	352	365
Off-balance sheet commitments	**881**	**163**	**353**	**365**

Other commitments include amounts due under technical service arrangements for maintenance and installation works, primary and secondary logistics contracts, warehousing, supply contracts and other procurement related committed spend.

	2020	Less than 1 year	1-5 years	More than 5 years
	£M	£M	£M	£M
Property, plant and equipment ordered	8	8	-	-
Raw materials purchase contracts	5	5	-	-
Marketing and merchandising commitments	25	25	-	-
Other off-balance sheet obligations	862	126	341	395
Off-balance sheet obligations	900	164	341	395

29. PENSION COMMITMENTS

Defined contribution plans
The Group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the plans prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to Statement of Comprehensive Income of £11m (2020: £11m) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of £nil (2020: £nil) due in respect of the current reporting period had not been paid over to the plans and are included in accruals.

Defined benefit plans
The Scottish & Newcastle Pension Plan is a defined benefit pension plan that is closed to new entrants. The members of the plan are past employees of Scottish & Newcastle Limited, who are currently employed by the Company or are no longer employed by the Group. It has previously been determined that Scottish & Newcastle Limited is the principal employer of the plan and therefore the defined benefit pension liability is reflected on its Statement of Financial Position. However, the Company has an obligation to make employer's contributions in respect of the shortfall in funding per the recovery plan of April 2022, and has historically made these payments, on behalf of Scottish & Newcastle Limited. The latest schedule of contributions was agreed by the Trustees and Scottish & Newcastle Limited in April 2022. The schedule of contributions will be reviewed and jointly agreed by the Trustees and Scottish & Newcastle Limited no later than 15 months after the effective date of each actuarial valuation due every three years. The associated cost of £47m (2020: £45m) has been charged to the Company. The net pension plan liability, to which the Company has an obligation to make payments, is £127m at 31 December 2021 (2020: £280m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions and balances between the Group and its joint ventures / associates are disclosed below.

	2021	2020
Joint ventures:	**£M**	£M
Purchases	**(59)**	(58)

	2021	2020
Associates*:	**£M**	£M
Sales	**2**	1
Purchases	**(16)**	(9)

	2021	2020
Group companies – trading activities:	**£M**	£M
Sales	**25**	27
Purchases	**(251)**	(208)
Other transactions	**(67)**	(16)

* Following the acquisition of the remaining 51% of Brixton, previously an associate, balances and transactions between the Company and this entity, have only been included in this note until the acquisition date.

30. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	2021	2020
	£M	£M
Amounts owed by joint ventures (within receivables)	4	-
Amounts owed to joint ventures (within payables)	-	-

In 2020, amounts owed by joint ventures of £5m have been offset by £5m of credit notes in trade payables.

	2021	2020
	£M	£M
Amounts owed by associates (within receivables)	13	15
Amounts owed to associates (within payables)	(1)	-

Amounts owed by associates are charged at an annual fixed interest rate of 5.50% (2020: 5.50%) per annum. The repayment date of the balance falls in 2024.

Amounts due by joint ventures and associates bear interest of 4.00% (2020: 4.00%) plus LIBOR.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The amounts owed by / to joint ventures and associates disclosed above are also applicable to the Company financial statements (note 23).

Remuneration of key management personnel

The remuneration of the Directors of the parent company, who are the key management personnel of the Group, is set out below:

	2021	2020
	£M	£M
Total Directors' remuneration		
Short term employee benefits	3	3
Share based payments	-	1
	3	4

	2021	2020
	£M	£M
Highest paid Director		
Short term employee benefits	1	1
Share based payments	-	-
	1	1

The Group operates a defined contribution pension plan. In the year, there were 7 Directors (2020: 8) to whom retirement benefits were accruing under this plan.

Directors may be eligible to share awards under the Heineken N.V. performance-based share plan (LTIP) and the Extraordinary share plan, further details are outlined in note 26. During the year, no Directors (2020: 8), including the highest paid Director, received share awards in respect of qualifying services.

31. FINANCIAL INSTRUMENTS

Analysis of financial assets and liabilities by measurement basis:

31 December 2021	Amortised cost	FVOCI	FVTPL
Assets	**£M**	**£M**	**£M**
Cash and cash equivalents	28	-	-
Loans and advances to customers	13	-	-
Loans to joint ventures and associates	13	-	-
Investment in unlisted shares	-	1	-
Trade and other receivables	5,940	-	-
Liabilities			
Trade and other payables	4,292	-	3
Accruals	43	-	-
Contingent consideration in business combination (note 32)	-	-	1

31 December 2020	Amortised cost	FVOCI	FVTPL
Assets	**£M**	**£M**	**£M**
Cash and cash equivalents	6	-	-
Loans and advances to customers	15	-	-
Loans to joint ventures and associates	15	-	-
Investment in unlisted shares	-	3	-
Trade and other receivables	7,994	-	1
Liabilities			
Trade and other payables	5,351	-	1
Accruals	37	-	-
Contingent consideration in business combination	-	-	-

32. BUSINESS COMBINATIONS

On 28 January 2021, Heineken UK Limited acquired the remaining 51% of the ordinary share capital of Brixton. From the date of acquisition, the results of Brixton have been consolidated into the results of the Group. Prior to the acquisition, the Group held 49% of the ordinary share capital, and was recorded within interests in joint ventures and associates. The acquisition is of benefit to customers and shareholders, adding a further brewery to the Group.

Details of the purchase consideration are as follows:

	£M
Cash paid	1
Contingent consideration	1
Acquisition-date fair value of the previously held equity interest	2
Total purchase consideration	**4**

Consideration for the acquisition consisted of cash paid plus deferred consideration, part of which was calculated based on an earn-out period from the purchase date to 31 December 2023 and the remainder, which was paid as part of the business acquisition cost as outlined above.

The assets and liabilities recognised as a result of the acquisition are as follows:

	£M
Property, plant and equipment	4
Long term loan from Heineken UK Limited	(2)
Lease liabilities	(1)
Trade and other current payables	(1)
Net identifiable liabilities	-
Add: Goodwill	4
Net assets acquired	**4**

Goodwill arising from the acquisition consisted largely of the synergies expected to be achieved. None of the goodwill recognised is expected to be deductible for income tax purposes.

As shown in the assets and liabilities reconciliation, there were no material balances in respect of acquired receivables and no material provisions for impairment recognised.

Cash impact of the acquisition:

	£M
Cash consideration	(1)
Cash and cash equivalents acquired	-
	(1)
Direct costs relating to the acquisition, within administrative expenses	-
	(1)

As a result of the step acquisition, the Brixton associate was treated as disposed at fair value, less a control premium, and re-acquired at fair value. No gain or loss was recognised on the previously held equity interest within the statement of comprehensive income.

Brixton contributed £3m revenue and an immaterial loss towards Group profit for the period between the date of acquisition and the reporting date. If the acquisition of Brixton had been completed on the first day of the financial year, Group revenues for the year and Group profit would not have been materially different.

33. GROUP LEGAL ENTITY RATIONALISATION

As shown in the Consolidated Statement of Changes in Equity on page 24, the Group paid a distribution in kind to Scottish & Newcastle Limited of £1,032m (2020: £nil). This amount related to the steps to reduce the capital of the subsidiary, S&N Angel Investments Limited, and the transfer of an intercompany loan within the Group.

At 31 December 2021, the Company's investment in S&N Angel Investments Limited was £1 (2020: £797m) and the investment remained on the Company's Statement of Financial Position. Accordingly, foreign currency translation differences of £51m were recognised in other comprehensive income, and were not recycled through administrative expenses.

34. EVENTS AFTER THE REPORTING DATE

In May 2022, the Company announced its proposal to close the Caledonian Brewery in Edinburgh. An agreement has been struck with Greene King Limited to continue brewing those brands produced in the Caledonian Brewery. The Caledonian Brewery continues to operate in the interim as all proposals regarding the future of the site are considered.

In June 2022, approval was received to implement an internal legal entity restructure to simplify the Group, which included refinancing debt within the UK corporate structure and reducing the capital of four holding companies. As part of the restructure, the Company's parent company, Scottish & Newcastle Limited, became a wholly owned subsidiary of Heineken International B.V. on 28 June 2022.

The other key transactions executed on 28 June 2022 were as follows:

- The Company converted its preference shares, consisting of £116m in debt and £27m in equity to ordinary share capital of £143m.
- Ordinary share capital was subsequently reduced by £1,161m to £1m, thereby generating distributable reserves.
- Two loans were entered into with Heineken International B.V. for a total of £700m under fixed rate long term contracts.
- Intercompany loans were rationalised, with a net debtor of £3,354m as at 31 December 2021 removed from the Company Statement of Financial Position.
- The Company declared a distribution to its parent of £3,898m.

35. ULTIMATE PARENT COMPANY

The ultimate parent undertaking at the Statement of Financial Position date was Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho – Heineken. Heineken Holding N.V. is a company registered and incorporated in the Netherlands. Group financial statements for this company may be obtained from the Company Secretary, Heineken N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands, which is also the registered office.

Further information can be found in the note 26 in the Company financial statements.

36. CONTINGENCIES

There are no contingent assets in the year (2020: £nil).

A contingent liability is a liability of uncertain timing and amount. Contingencies are not recognised in the Consolidated Statement of Financial Position because the existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or because the risk of loss is estimated to be possible but not probable or because the amount cannot be measured reliably.

The contingent liabilities relate to civil cases and the Directors' best estimate of the potential financial for these cases is £1.6m (2020: £0.3m).

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £M	2020 £M
ASSETS			
Non-current assets			
Property, plant and equipment	7	**362**	375
Other intangible assets	8	**64**	70
Investments in subsidiaries	9	**310**	1,109
Interests in joint ventures and associates	10	**101**	103
Loans and advances to customers	11	**4**	4
Deferred tax asset	12	**100**	87
Other non-current assets	13	**1,327**	7,501
		2,268	9,249
Current assets			
Loans and advances to customers	11	**9**	10
Inventories	14	**105**	106
Trade receivables	15	**97**	83
Other receivables	15	**5,979**	156
Prepayments, accrued income and fulfilment costs	15	**10**	9
Current tax assets	15	**-**	70
Cash and bank balances		**22**	4
		6,222	438
Total assets		**8,490**	9,687
LIABILITIES			
Current liabilities			
Trade payables	16	**(181)**	(150)
Other payables	16	**(3,065)**	(3,819)
Accruals and deferred income	16	**(33)**	(32)
Current tax liabilities	16	**(78)**	(131)
Provisions	17	**(14)**	(17)
		(3,371)	(4,149)
Net current assets / (liabilities)		**2,851**	(3,711)
Non-current liabilities			
Other non-current liabilities	16	**(1,222)**	(969)
Provisions	17	**(3)**	(8)
		(1,225)	(977)
Total liabilities		**(4,596)**	(5,126)
Net assets		**3,894**	4,561

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021	2020
		£M	£M
EQUITY			
Called-up share capital	18	**1,046**	1,046
Other reserves	19	**(118)**	(116)
Retained earnings	19	**2,966**	3,631
		3,894	4,561
Capital and reserves attributable to:			
Owners of Heineken UK Limited		**3,894**	4,561
Non-controlling interest		-	-
Total equity		**3,894**	4,561

As permitted under section 408 of the Companies Act 2006, the Company elected not to present its own Statement of Comprehensive Income for the current and previous years. The Company reported a profit for the year of £143m and other comprehensive income of £222m for the year ended 31 December 2021 (2020: loss for the year of £9m and other comprehensive expense of £1m).

The financial statements on pages 67 to 89 were approved and authorised for issue by the Board and were signed on its behalf on 24 August 2022 by:

DocuSigned by:
Lawson Mountstevens
5FEF088327F44DB

L J W Mountstevens
Director

The notes on pages 70 to 89 form part of these financial statements.

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Called-up share capital	Other reserves	Retained earnings	Total equity
		£M	£M	£M	£M
Balance at 1 January 2020		1,046	(116)	3,641	4,571
Loss for the year	5	-	-	(9)	(9)
Comprehensive expense for the financial year		-	-	(1)	(1)
Total comprehensive expense for the financial year		-	-	(10)	(10)
Balance at 31 December 2020		1,046	(116)	3,631	4,561

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Called-up share capital	Other reserves	Retained earnings	Total equity
		£M	£M	£M	£M
Balance at 1 January 2021		**1,046**	**(116)**	**3,631**	**4,561**
Profit for the year	5	-	-	143	143
Investment impairment	13	-	(2)	-	(2)
Unrealised gain on investment	24	-	-	224	224
Total comprehensive (expense) / income for the financial year		-	**(2)**	**367**	**365**
Distribution in kind	24	-	-	(1,032)	(1,032)
Balance at 31 December 2021		**1,046**	**(118)**	**2,966**	**3,894**

The notes on pages 70 to 89 form part of these financial statements.

1. GENERAL INFORMATION

Heineken UK Limited ('the Company') is the UK's leading Cider and Beer business. The Company produces and sells an expansive portfolio of brands including Foster's, Heineken, Strongbow, Desperados, Bulmers, Birra Moretti and Inch's together with a full range of niche and speciality brands. The Company also exports to Europe and North America.

The Company is a private company limited by shares and is incorporated in the UK under the Companies Act 2006 and is registered in Scotland. The address of its registered office is 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, United Kingdom.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and rounded to the nearest million except where otherwise indicated.

2. BASIS OF PREPARATION

These financial statements contain information about the Company as an individual company and do not contain consolidated financial statements as the parent of the Group, defined as Heineken UK Limited and subsidiary companies.

The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of Statement of Cash Flows, comparative reconciliations for property, plant and equipment and intangible assets, impairment of assets, leases, share based payments, revenue and related party transactions.

Where relevant, equivalent disclosures have been provided in the Group accounts in which the Company is consolidated. The financial statements have been prepared on a going concern basis, under the historical cost convention.

New standards adopted during the year

The new standards adopted during the year were consistent with those adopted by the Group, refer to note 2 of the consolidated financial statements for further details.

New standards not yet adopted during the year

The new standards not yet adopted during the year were consistent with those disclosed by the Group, refer to note 2 of the consolidated financial statements for further detail.

3. ACCOUNTING POLICIES

The accounting policies of the Company are the same as those of the Group which are set out in note 3 to the consolidated financial statements. Investments in subsidiaries held by the Company are carried at historical cost less accumulated impairment per the below policy.

Going concern

The financial position of the Company is set out in the Statement of Financial Position on pages 67 to 68 of the financial statements. The Company has net assets of £3,894m (2020: £4,561m) and net current assets of £2,851m (2020: liabilities of £3,711m). Funding amounts owed to other group companies of £2,752m (2020: £3,092m) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owed to companies under common control and will not be recalled within 12 months without prior consideration of the Company's liquidity position.

The Directors continue to adopt the going concern basis in preparing the annual report and financial statements, as confirmed in the Directors' Report on page 14.

3. ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries

Investments held in non-current assets are measured at cost less accumulated impairment.

These investments are subject to impairment as follows:

At each Statement of Financial Position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss for the year, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss for the year.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Interests in joint ventures and associates

Associates are those entities in which the Company has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures ('JVs') are the arrangement in which the Company has joint control.

Interests in joint ventures and associates are held at cost less accumulated impairment losses.

The Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the Statement of Comprehensive Income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in note 3, the Directors are required to make judgements (other than those involving estimation) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Company's accounting policies

The Directors believe there are no key areas of judgement in preparing these financial statements.

Key sources of estimation uncertainty

The Directors believe there are no key sources of estimation uncertainty in preparing these financial statements.

5. PROFIT OR LOSS FOR THE YEAR

As permitted under section 408 of the Companies Act 2006, the Company elected not to present its own Statement of Comprehensive Income for the year. The Company reported a profit for the year of £143m and other comprehensive income of £222m for the year ended 31 December 2021 (2020: loss for the year of £9m and other comprehensive expense of £1m). Further information on how the Company has been impacted by legal entity rationalisation activity has been included in note 24.

6. EMPLOYEES

	2021	2020
	£M	£M
Wages and salaries	117	110
Social security costs	14	14
Other pension costs	59	58
Restructuring costs	-	9
	190	191

The average monthly number of employees, including the Directors, during the year was as follows:

	2021	2020
	No.	No.
Supply chain	1,109	1,040
Finance	134	139
Commerce	813	981
Information technology	84	97
Human resource	71	63
General management	32	48
	2,243	2,368

Employee costs of Star Pubs & Bars Limited, a direct subsidiary of the Company, are recognised within the Company's employee costs because these individuals are employed by the Company. A total of £19m (2020: £17m) of employee costs and 256 (2020: 263) monthly average number of employees has been recognised in the year.

The UK Government introduced grants to ease the burden of COVID-19 on qualifying business. In 2021, the Company received £2m (2020: £4m) of Government grants in relation to the Coronavirus Job Retention Scheme, to contribute towards the cost of employee wages and salaries, social security costs and pensions. In line with FRS101, the amounts received were reported within other income in the Statement of Comprehensive Income.

Refer to note 26 of the consolidated financial statements for the incentives of the senior management of the Company (share based payment plans).

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are fixed assets that are owned by the Company as well as right of use (ROU) assets under a lease agreement. Refer to the table below for the split between owned assets and ROU assets as per Statement of Financial Position date:

	2021	2020
	£M	£M
Property, plant and equipment – owned assets (note 7a)	316	324
ROU assets (note 7b)	46	51
	362	375

7a) Owned assets

	Land and buildings	Plant and equipment	Total
	£M	£M	£M
Cost			
At 1 January 2021	191	489	680
Additions	2	19	21
Disposals	-	(21)	(21)
At 31 December 2021	193	487	680
Accumulated depreciation			
At 1 January 2021	70	286	356
Charge for the year	5	22	27
Disposals	-	(19)	(19)
At 31 December 2021	75	289	364
Net book value			
At 31 December 2021	118	198	316
At 31 December 2020	121	203	324

The net book value of land and buildings comprises:

	2021	2020
	£M	£M
Freehold	72	71
Long leasehold (50 years and greater)	22	22
Short leasehold (less than 50 years)	24	28

Land and buildings include the breweries and offices of the Company as well as warehouses. Plant and equipment contain all assets needed in the Company's brewing, packaging and filling activities, commercial fixed assets and furniture, fixtures and fittings.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

7b) The right of use assets

The Company leases offices, warehouses, cars, forklift trucks and other equipment in the ordinary course of business. The table below shows the carrying amount of ROU assets per asset class:

	2021	2020
	£M	£M
Land and buildings	38	42
Plant and equipment	8	9
Carrying amount ROU assets	46	51

During 2021, £2m (2020: £3m) was added to the ROU assets as a result of entering into new leases. The depreciation of ROU assets during the financial year were as follows:

	2021	2020
	£M	£M
Land and buildings	9	9
Plant and equipment	2	2
Depreciation of ROU assets	11	11

8. INTANGIBLE ASSETS

	Brand licences	Customer lists	Software	Other intangibles	Total
	£M	£M	£M	£M	£M
Cost					
At 1 January 2021	115	2	46	-	163
Additions	-	-	3	2	5
At 31 December 2021	115	2	49	2	168
Accumulated amortisation					
At 1 January 2021	78	2	13	-	93
Charge for the year	5	-	6	-	11
At 31 December 2021	83	2	19	-	104
Net book value					
At 31 December 2021	32	-	30	2	64
At 31 December 2020	37	-	33	-	70

The Company has been granted licences by a Group undertaking in respect of Strongbow and Bulmers cider brands. Brand licences are amortised over 25 years in line with the useful life of the underlying brands. The carrying amount of the cider brands was £32m (2020: £37m) and the remaining amortisation period was 7 years (2020: 8 years).

During the year, impairment trigger review was performed on the underlying brands and no trigger for impairment was identified.

9. INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiary companies £M
Cost	
At 1 January 2021	**1,531**
Additions	**4**
At 31 December 2021	**1,535**
Accumulated impairment	
At 1 January 2021	**422**
Impairment of subsidiaries (note 24)	**803**
At 31 December 2021	**1,225**
Net book value	
At 31 December 2021	**310**
At 31 December 2020	1,109

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2021 are provided in the appendix to the financial statements on pages 86 to 89.

10. INTERESTS IN JOINT VENTURES AND ASSOCIATES

The Company had interests in a number of joint ventures and associates. The total carrying amount of these joint ventures and associates was £101m as per 31 December 2021 (2020: £103m).

On 28 January 2021, the Company acquired the remaining 51% of the ordinary share capital of Brixton, previously an associate, making the company a wholly-owned subsidiary. The acquisition of Brixton has been detailed in note 32 of the consolidated financial statements.

The investments in associates and joint ventures include the interest of the Company in United Breweries Limited (UBL) in India. Further detail is included in note 14 of the consolidated financial statements.

Summarised financial information for joint ventures and associates:

	Joint Ventures £M	Associates £M	Total £M
Cost			
At 1 January 2021	**7**	**96**	**103**
Disposals	**-**	**(2)**	**(2)**
At 31 December 2021	**7**	**94**	**101**
Net book value			
At 31 December 2021	**7**	**94**	**101**
At 31 December 2020	7	96	103

11. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are inherent to Heineken's business model. Loans to customers are repaid in cash on fixed dates while the settlement of advances to customers are linked to the sales volume of the customer. Loans and advances to customers are ideally backed by a collateral such as properties.

	2021	2020
	£M	£M
Amounts falling due within one year		
Loans to customers	3	3
Advances to customers	6	7
	9	10
Amounts falling due after more than one year		
Loans to customers	1	-
Advances to customers	3	4
	4	4

12. DEFERRED TAXATION

The deferred taxation balance is made up as follows:

	2021	2020
	£M	£M
Accelerated capital allowances	3	9
Other timing differences	3	2
Tax losses	94	76
	100	87

	Accelerated tax depreciation	Tax losses	Other	Total
	£M	£M	£M	£M
At 1 January 2020	8	68	3	79
Credit / (charge) to profit and loss	1	8	(1)	8
At 1 January 2021	9	76	2	87
(Charge) / credit to profit and loss	(6)	18	1	13
At 31 December 2021	3	94	3	100

The deferred tax asset has been recognised on the basis that it is anticipated that the various components of the asset will be capable of being utilised in future periods.

Deferred tax of £18m (2020: £14m) on capital losses of £72m (2020: £72m) has not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

12. DEFERRED TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 during the year and these changes are reflected within the tax figures. This included an increase to the main rate of corporation tax to 25.00% from 1 April 2023 and this is the rate that has been used to calculate deferred tax at the year-end. The Finance Act 2022 that received Royal Assent on 24 February 2022 will have no impact on the corporation tax figures.

13. OTHER NON-CURRENT ASSETS

	2021	2020
	£M	£M
Investment	**1**	3
Prepayments, accrued income and fulfilment costs	**8**	-
Loans to joint ventures and associates (note 23)	**13**	15
Funding amounts owed by direct and intermediate parent undertakings	**-**	5,730
Funding amounts owed by subsidiaries of direct and intermediate parent undertakings	**-**	373
Funding amounts owed by direct and indirect subsidiary undertakings	**1,305**	1,380
	1,327	7,501

Investment consists of the Company's non-controlling share in Cameron's Brewery Limited. Cameron's Brewery Limited is an unquoted investment and does not fall into the category of an associate company.

Funding amounts owed by Group undertakings are unsecured. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA were charged on outstanding balances per annum. Further information is outlined in note 23. All amounts reflect their fair values and are considered to fall due after more than one year due to their use on a continuing basis.

In 2021 funding amounts owed by direct and intermediate parent undertakings were reclassified from non-current assets to current assets as a result of legal entity rationalisation which occurred after the reporting date.

14. INVENTORIES

	2021	2020
	£M	£M
Raw materials and consumables	**9**	10
Work in progress	**40**	42
Finished goods and goods for resale	**56**	54
	105	106

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

15. RECEIVABLES

	2021 £M	2020 £M
Amounts falling due within one year		
Trade receivables (net of provisions and factoring)	**97**	83
Other receivables		
Funding amounts owed by direct and intermediate parent undertakings	**5,812**	-
Trade amounts owed by direct and intermediate parent undertakings	**2**	1
Trade amounts owed by subsidiaries of direct and intermediate parent undertakings	**4**	2
Trade amounts owed by direct and indirect subsidiary undertakings	**156**	147
Amounts owed by joint ventures (note 23)	**4**	5
Other	**1**	1
	5,979	156
Prepayments, accrued income and fulfilment costs	**10**	9
Current tax assets		
Group relief	**-**	67
Other current tax	**-**	3
	-	70
	6,086	318

Trade balances are unsecured, incurred in the ordinary course of business and are not subject to interest. Amounts owed by joint ventures are disclosed in note 23.

In 2021 funding amounts owed by direct and intermediate parent undertakings were reclassified from non-current assets to current assets as a result of legal entity rationalisation which occurred after the reporting date.

Funding amounts owed by Group undertakings are unsecured. An annual interest rate of 0.10% plus average SONIA (2020: 0.24% plus SONIA) is charged on outstanding balances per annum. Further *information is outlined in note 23. All amounts reflect their fair values.*

During the year historic group relief balances were recategorised to intercompany, with an offsetting entry in Scottish & Newcastle Limited as settlor. As a result, funding amounts owed by the parent company were increased by £67m. It was agreed for the 2020 Financial Statements and going forward not to charge for group relief, in line with legal entity rationalisation.

16. PAYABLES

	2021	2020
	£M	£M
Amounts falling due after more than one year		
Funding amounts owed to direct and intermediate parent undertakings	1,185	810
Preference shares (note 18)	-	116
Lease liabilities and other payables	37	43
	1,222	969

	2021	2020
Amounts falling due within one year		
Trade payables	181	150
Other payables		
Bank overdrafts	3	12
Funding amounts owed to direct and intermediate parent undertakings	2,449	3,183
Funding amounts owed to subsidiaries of direct and intermediate parent undertakings	168	167
Trade amounts owed to direct and intermediate parent undertakings	11	8
Trade amounts owed to subsidiaries of direct and intermediate parent undertakings	39	33
Funding amounts owed to direct and indirect subsidiary undertakings	135	201
Trade amounts owed to direct and indirect subsidiary undertakings	127	203
Preference shares (note 18)	116	-
Amounts owed to joint ventures (note 23)	-	-
Lease liabilities and other payables	17	12
	3,065	3,819
Accruals and deferred income	33	32
Other taxation and social security	78	131
	3,357	4,132

The bank overdrafts are unsecured. The Company is a participant in group cash pooling arrangements.

Funding amounts due to UK group undertakings are unsecured and have no fixed terms of repayment. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA is charged on outstanding balances with UK group undertakings per annum.

Various rates are charged on outstanding funding balances with other Group undertakings outside the UK per annum, these rates are: fixed 2.57% (2020: 2.57%) and variable rates of between SONIA plus 1.45% (2020: LIBOR plus 0.65%) and SONIA plus 1.55% (2020: LIBOR + 1.50%). The repayment dates of the balances fall between 2024 and 2029.

16. PAYABLES (CONTINUED)

Trade balances are unsecured, incurred in the ordinary course of business and are not subject to interest.

Trade and other payables include lease liabilities of £12m (2020: £11m) and £36m (2020: £43m) due within one year and greater than one year respectively. The total cash outflow for leases amounts to £14m (2020: £12m). Interest expense on lease liabilities recognised in profit and loss during the year amounts to £1m (2020: £1m). Expenses relating to short-term leases amount to £134k (2020: £393k).

The maturity of the lease liabilities and the contractual cash flows are as follows:

		Contractual cash flows			
	Carrying amount	Total	Less than 1 year	1 - 5 years	More than 5 years
	£M	£M	£M	£M	£M
Lease liabilities	48	**76**	13	18	45
Total 2021	**48**	**76**	**13**	**18**	**45**
Total 2020	54	81	12	24	45

17. PROVISIONS

	Onerous leases	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2021	**1**	**21**	**3**	**25**
Created during the year	1	4	8	13
Released during the year	(1)	(6)	(8)	(15)
Utilised during the year	-	(6)	-	(6)
At 31 December 2021	**1**	**13**	**3**	**17**
Non-current	**1**	**-**	**2**	**3**
Current	**-**	**13**	**1**	**14**

Onerous leases
The provision for onerous leases relates to a number of leasehold properties that are surplus to requirements. All current portion of the provision is expected to be utilised in 2022. Non-current are dilapidation provisions across various properties. Their utilisation time depends on the lease end dates and they are long term in nature.

Restructuring
The restructuring provision relates to a significant reorganisation to business support capabilities within the UK. The provision is measured at the best estimate, including risks and uncertainties, of the expenditure required to settle the present obligation. It is probable that the provision will be utilised over the course of 2022 and it has been classified as a current provision. Certain risks may arise that could result in a delay to the restructuring plan, resulting in an immaterial amount of the provision being utilised in early 2023.

Other
The other provision relates to ETS certificates to cover the costs of 2021 emissions, Other Personnel Schemes, claims and litigations and other. The ETS provision of £1m will be fully utilised by April 2022.

18. CALLED-UP SHARE CAPITAL

	2021	2020
	£M	£M
Shares classified as equity		
Authorised, allotted, called-up and fully paid		
1,019,070,089 (2020: 1,019,070,089) Ordinary shares of £1 (2020: £1) each (1,107,147,650 authorised shares)	**1,019**	1,019
13,376,175 (2020: 13,376,175) 6.50% Preference shares of £2 (2020: £2) each	**27**	27
	1,046	1,046

	2021	2020
	£M	£M
Shares classified as debt		
Authorised, allotted, called-up and fully paid		
58,050,000 (2020: 58,050,000) 6.50% Preference shares of £2 (2020: £2) each	**116**	116

6.50% Cumulative Preference Shares
These shares confer on the holders' priority in the payment of dividends and repayment of capital. The dividends were at the fixed rate of 6.50% per annum until cap reached. Holders of these shares may also be entitled to a further dividend of 0.75% per annum. On a return of capital on winding up or (other than on purchase of shares) otherwise, the holders of the preference shares are entitled in priority to the holders of any other class of shares to the repayment of the amount paid up on their shares. The holders of preference shares are not normally entitled to attend or vote at general meetings of the Company unless the preference dividends are in arrears or if a resolution is to be proposed which affects the rights of the preference shares.

In accordance with FRS 101, the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.50% (2020: 6.50%) are shown under creditors (note 16) with the balance shown under shareholders' funds.

19. RESERVES

Other reserves
Other reserves primarily represents cumulative dividends on preference shares treated as debt.

Retained earnings
Retained earnings represent accumulated profits, losses and distributions of the Company.

20. OPERATING LEASE RECEIVABLES

The Company held no finance lessor agreements as at 31 December 2021. Operating lease arrangements in which the Company is the lessor relates to property owned and leased by the Company. Income is received through the Statement of Comprehensive Income. At 31 December 2021, the Company had future minimum lease income under non-cancellable operating leases as follows:

	2021	2020
	£M	£M
Later than 1 year and not later than 5 years	**1**	1
Later than 5 years	**1**	1
Total	**2**	2

21. OFF-BALANCE SHEET COMMITMENTS

	2021	**Less than 1 year**	**1-5 years**	**More than 5 years**
	£M	**£M**	**£M**	**£M**
Property, plant and equipment ordered	9	8	1	-
Raw materials purchase contracts	5	5	-	-
Marketing and merchandising commitments	3	3	-	-
Other off-balance sheet obligations	864	147	352	365
Off-balance sheet commitments	**881**	**163**	**353**	**365**

Other commitments include amounts due under technical service arrangements for maintenance and installation works, primary and secondary logistics contracts, warehousing, supply contracts and other procurement related committed spend.

	2020	Less than 1 year	1-5 years	More than 5 years
	£M	£M	£M	£M
Property, plant and equipment ordered	8	8	-	-
Raw materials purchase contracts	5	5	-	-
Marketing and merchandising commitments	25	25	-	-
Other off-balance sheet obligations	862	126	341	395
Off-balance sheet commitments	900	164	341	395

22. PENSION COMMITMENTS

Defined contribution plans
The Company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the plans prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to Statement of Comprehensive Income of £11m (2020: £11m) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31 December 2021, contributions of £nil (2020: £nil) due in respect of the current reporting period had not been paid over to the plans and are included in accruals.

Defined benefit plans
The Scottish & Newcastle Pension Plan is a defined benefit pension plan that is closed to new entrants. The members of the plan are past employees of Scottish & Newcastle Limited, who are currently employed by the Company or are no longer employed by the Group. Scottish & Newcastle Limited is the principal employer of the plan and the defined benefit pension liability is reflected on its Statement of Financial Position. The Company has an obligation to make employer's contributions in respect of the shortfall in funding per the recovery plan of April 2022, and has historically made these payments, on behalf of Scottish & Newcastle Limited. The latest schedule of contributions was agreed by the Trustees and Scottish & Newcastle Limited in April 2022. The schedule of contributions will be reviewed and jointly agreed by the Trustees and Scottish & Newcastle Limited no later than 15 months after the effective date of each actuarial valuation due every three years. The associated cost of £47m (2020: £45m) has been charged to the Statement of Comprehensive Income of the Company. The net pension plan liability, to which the Company has an obligation to make payments, is £127m at 31 December 2021 (2020: £280m), as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

23. TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	2021	2020
Joint ventures:	**£M**	£M
Purchases	**(59)**	(61)

	2021	2020
Associates*:	**£M**	£M
Sales	**2**	1
Purchases	**(16)**	(9)

* Following acquisition of the remaining 51% of Brixton, previously an associate, transactions with this entity were only included in this note until purchased in full.

Amounts owned by / to joint ventures and associates have been disclosed within notes 13, 15 and 16. Further detail on these amounts can be found in note 30 within the consolidated financial statements.

24. GROUP LEGAL ENTITY RATIONALISATION

During the year, the share capital of the Company's subsidiary, Caledonian Brewery Limited was reduced to one ordinary share of £1, by cancelling and extinguishing 567,959 ordinary shares of £1 each for no consideration. The Company received a distribution in kind of £7m, which remained on the intercompany account reducing the amount owed by the Company to £1. The investment in the subsidiary was impaired by £7m.

The Company also received a distribution in kind of £60m from the subsidiary, S&NF Limited, as a result of rationalisation of intercompany loans within the Group.

Total distributions of £67m and impairment of the investment in Caledonian Brewery Limited of £7m are recognised in profit for the year, within the Statement of Comprehensive Income.

Also in the year, the Statement of Financial Position of the Company's subsidiary, S&N Angel Investments Limited was reduced to £1. Following rationalisation activity, the Company received a distribution in kind of £1,020m, relating to the transfer of an intercompany loan through the Group. The Company also impaired the investment value by £796m. As the distribution in kind was considered a return of capital, the portion of the distribution returned to offset the impairment loss was recognised in profit for the year, and the excess distribution of £224m was considered an unrealised gain on investment and recognised in other comprehensive income.

In accordance with section 846 of the Companies Act 2006, the Company subsequently paid a distribution in kind of £1,032m to its parent company, Scottish & Newcastle Limited, recognised in profit and loss account.

In 2020, there were no legal entity rationalisation transactions or distributions relating to the subsidiaries above and no distributions were made to the parent company.

25. EVENTS AFTER THE REPORTING DATE

In May 2022, the Company announced its proposal to close the Caledonian Brewery in Edinburgh. An agreement has been struck with Greene King Limited to continue brewing those brands produced in the Caledonian Brewery. The Caledonian Brewery continues to operate in the interim as all proposals regarding the future of the site are considered.

In June 2022, approval was received to implement an internal legal entity restructure to simplify the Group, which included refinancing debt within the UK corporate structure and reducing the capital of four holding companies. As part of the restructure, the Company's parent company, Scottish & Newcastle Limited, became a wholly owned subsidiary of Heineken International B.V. on 28 June 2022.

The other key transactions executed on 28 June 2022 were as follows:

- The Company converted its preference shares, consisting of £116m in debt and £27m in equity to ordinary share capital of £143m.
- Ordinary share capital was subsequently reduced by £1,161m to £1m, thereby generating distributable reserves.
- Two loans were entered into with Heineken International B.V. for a total of £700m under fixed rate long term contracts.
- Intercompany loans were rationalised, with a net debtor of £3,354m as at 31 December 2021 removed from the Company Statement of Financial Position.

The Company declared a distribution to its parent of £3,898m.

26. ULTIMATE PARENT COMPANY

The immediate parent undertaking at the Statement of Financial Position date is Scottish & Newcastle Limited. Scottish & Newcastle Limited's registered office is also 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, United Kingdom.

The ultimate parent company and the parent of the largest group of undertakings to consolidate these financial statements at the Statement of Financial Position date is Heineken Holding N.V.. The ultimate controlling party is Mrs C.L. de Carvalho-Heineken.

Heineken Holding N.V. is the parent company of Heineken N.V. and its subsidiary undertakings. Heineken N.V. is the parent for the smallest group of undertakings for which group financial statements were drawn up and of which the Company was a member.

Heineken Holding N.V. and Heineken N.V. are incorporated and registered in The Netherlands. Group financial statements for Heineken Holding N.V. and Heineken N.V. can be obtained from their registered office at Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands.

27. CONTINGENCIES

There are no contingent assets in the year.

A contingent liability is a liability of uncertain timing and amount. Contingencies are not recognised in the Statement of Financial Position because the existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or because the risk of loss is estimated to be possible but not probable or because the amount cannot be measured reliably.

The contingent liabilities relate to civil cases and the Directors' best estimate of the potential financial for these cases is £1.6m (2020: £0.3m) .

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

APPENDIX TO THE FINANCIAL STATEMENTS

List of subsidiaries as at 31 December 2021:

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation / principal place of business	Class of shares	Holding
Brixton Brewery Limited (8) C	England & Wales	Ordinary	100.00%
Caledonian Brewery Limited (2) A	Scotland	Ordinary	100.00%
Heineken UK (Canada) Inc. (4)	Canada	Ordinary	100.00%
Heineken UK Group Life Scheme Trust Company Limited (2)	Scotland	Ordinary	100.00%
Newcastle Federation Breweries Limited (1)	England & Wales	Ordinary	100.00%
Punch Taverns (Chiltern) Limited (1)	England & Wales	Ordinary	100.00%
Punch Taverns Loanco (A) Limited (1) B	England & Wales	Ordinary	100.00%
S&N Angel Investments Limited (1) A	England & Wales	Ordinary	100.00%
S&NF Limited (2)	Scotland	Ordinary	100.00%
Star Pubs & Bars Limited (2)	Scotland	Ordinary	100.00%

INDIRECT SUBSIDIARY UNDERTAKINGS

At 31 December 2021, investments were indirectly held in the following companies:

Name	Country of incorporation / principal place of business	Class of shares	Holding
Blue Star Pub Company Limited (2) F	Scotland	Ordinary	100.00%
Fountain Pub Company Limited (1)	England &Wales	Ordinary	100.00%
Red Star Pub Company (WR III) Limited (1)	England & Wales	Ordinary	100.00%
Red Star Pub Company (WR) Limited (2)	Scotland	Ordinary	100.00%
Red Star Pub Company (WRH) Limited (2) B	Scotland	Ordinary	100.00%
Red Star Pub Company (WR II) Limited (2)	Scotland	Ordinary	100.00%
Broadway Inns Limited (1)	England & Wales	Ordinary	100.00%
Scottish & Newcastle Property 3 Limited (1) B	England & Wales	Ordinary	100.00%
Star Pubs & Bars (Property) Limited (1)	England & Wales	Ordinary	100.00%
Agnew Stores (Holdings) Limited (2) B	Scotland	Ordinary	100.00%
Alloa Brewery Company Limited (2) A	Scotland	Ordinary	100.00%
B.W.B. Limited (1) A	England & Wales	Ordinary	100.00%
BK Investments Limited (1) B	England & Wales	Ordinary	100.00%
Inn Business Property Limited (1) B	England & Wales	Ordinary	100.00%
Punch Partnerships (PTL) Limited (1)	England & Wales	Ordinary	100.00%
Punch Taverns (Jubilee) Limited (1)	England & Wales	Ordinary	100.00%
Punch Taverns (PR) Limited (1) A	England & Wales	Ordinary	100.00%

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Country of incorporation / principal place of business	Class of shares	Holding
Punch Taverns (RH) Limited (1) A	England & Wales	Ordinary	100.00%
Punch Taverns (VPR) Limited (1) A	England & Wales	Ordinary	100.00%
Punch Taverns Finance Limited (1) B D	England & Wales	Ordinary	100.00%
Punch Taverns Holdco (A) Limited (1) B	England & Wales	Ordinary	100.00%
Punch Taverns Holdings Limited (1)	England & Wales	Ordinary	100.00%
Punch Taverns Intermediate Holdco (A) Limited (1) B	England & Wales	Ordinary	100.00%
Punch Taverns Properties Limited (1)	England & Wales	Ordinary	100.00%
Tetley Walker Limited (1) A	England & Wales	Ordinary	100.00%
The Globe Pub Company Limited (1) A F	England & Wales	Ordinary	100.00%
Tolchard and Son Limited (1) A	England & Wales	Ordinary	100.00%
Walker Cain Limited (1) A	England & Wales	Ordinary	100.00%
XXFM Limited (1) B E	England & Wales	Ordinary	100.00%

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

PARTICIPATING INTERESTS

JOINT VENTURES AND ASSOCIATES

Name	Associate / Joint Venture	Principal activity	Country of incorporation / principal place of business	Class of shares	Holding	Year-end
Camerons Brewery Limited [(3)]	Associate	Brewery	England & Wales	Ordinary	24.00%	30 Apr
Coors On-Line Limited [(10)]	Associate	Financing	England & Wales	Ordinary	27.00%	31 Dec
Serviced Dispense Equipment (Holdings) Limited [(5)]	Joint Venture	Technical services	England & Wales	Ordinary	50.00%	29 Dec
TP & Munch Ltd [(9)]	Associate	Brewery	England & Wales	Ordinary	49.00%	31 Mar
T.&R. Theakston Limited [(6)]	Associate	Brewery	England & Wales	Ordinary	28.30%	31 Dec
United Breweries Limited [(7)]	Associate	Brewery	India	Ordinary	3.21%	31 Mar

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

Registered address of investments:

(1) Registered address of Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE
(2) Registered address of 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ
(3) Registered address of Main Gate House, Waldon Street, Hartlepool, Cleveland, TS24 7QS
(4) Registered address of 33 Carlingview Drive, Etobicoke ON M9W 5E4, Canada
(5) Registered address of Maltings Building, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
(6) Registered address of The Brewery, Masham, Ripon, North Yorkshire, HG4 4YD
(7) Registered address of UB Tower, Level 4, UB City, 24 Vittal Mallya Road, Bangalore (Karnataka), 560 001, India
(8) Registered address of Unit 1&2, Dylan Road, London, SE24 0HL
(9) Registered address of Unit 17/18, Lockwood Industrial Estate, Mill Mead Road, London, N17 9PQ
(10) Registered address of 137 High Street, Burton On Trent, Staffordshire, DE14 1JZ

As part of an ongoing project to simplify the UK Group corporate structure a number of transactions within the year and subsequent to the reporting date have been approved:

A The capital of the subsidiary was reduced to a de-minimis amount during 2021.

B The subsidiary was dissolved during 2022.

C On 28 January 2021, the Company acquired the remaining 51% share capital of Brixton Brewery Limited making it a wholly owned subsidiary.

D In February 2021, the company was re-registered as a private limited company and accordingly its name was changed from Punch Taverns Finance PLC to Punch Taverns Finance Limited.

E In April 2021, the name of the company changed from Friary Meux Limited to XXFM Limited.

F The company became an indirect subsidiary undertaking in 2021.

The Company had a 100% indirect interest in the below 15 subsidiary companies, which were dissolved in 2021:

- Alloa Pubs & Restaurants Limited
- Ansells Properties Limited
- Blue Star Pub Company Holdings (No.2) Limited
- Graham's Golden Lager Limited
- Ind Coope (London) Limited
- Marr Holdings Limited
- Marr Taverns Limited
- Punch Management Services Limited
- Punch Taverns (DC) Holdings Limited
- Punch Taverns (IB) Limited
- Punch Taverns (FH) Limited
- Punch Taverns (Fradley) Limited
- Punch Taverns (MH) Limited
- Punch Taverns (PPCF) Limited
- Refresh Pub Company (Holdings) Limited