Registered number SC065527

HEINEKEN UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

HEINEKEN UK LIMITED

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HEINEKEN UK LIMITED

COMPANY INFORMATION

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HEINEKEN UK LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2020 for Heineken UK Limited ("the Company") and all of its subsidiary undertakings (together "the Group").

The Group is a major 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. Our Star Pubs & Bars estate is made up of 2,458 pubs (2019: 2,556 pubs) throughout the UK. There have been no changes in the Group's principal activities during the year and no significant change in the Group's principal activities are expected.

The Company is a wholly owned subsidiary of Scottish & Newcastle Limited. The ultimate parent company at the year-end was Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho-Heineken. Heineken N.V. and subsidiary undertakings form the Heineken Group, with Heineken Holdings N.V. and Heineken N.V. heading up the largest and smallest company respectively, into which the results of the Company are consolidated.

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.

Despite a year of unprecedented disruption because of the COVID-19 pandemic, we gained share in most of our key operations, a testimony to our ability to adapt and stay close to our customers and consumers.

Beer market value share grew in both trading channels and at a combined level to 23.1% (+80 bps vs 2019).

Total Group volume share increased to 24.2% (+ 40 bps vs 2019) inclusive of maintaining the Cider leadership position in the category.

Our On-trade exposure amplified the impact of the pandemic on our business where market volumes declined by 56.5% compared to the previous year. A market-leading performance in the Off-trade partially offset this impact.

Total volumes reported for the year declined by 15%, the main factor leading to a net revenue (revenue net of excise duty borne by the Group) decline of 23.8%.

Significant commercial and fixed cost mitigation programmes reduced the impact of COVID-19 pandemic on the operating margin of the Group. Operating efficiency, profitability and cash flow, is being monitored closely, while management take mitigating actions to protect the business, including making use of the support measures offered by the government that were available during the COVID-19 pandemic whilst restrictions were in place, while leveraging share growth initiatives on our key premium brands.

The reported operating loss for the year is £183m (2019: operating profit £155m), which includes an impairment expense of £172m (2019: £nil) in respect of property, plant and equipment following an impairment review of the pub estate. The Group reported net cash flow from operating activities of £111m down from £203m in 2019.

Volatility in economic conditions has continued into 2021, as the UK government have applied strict lockdown measures from the beginning of the year to manage the COVID-19 pandemic.

UK WITHDRAWAL FROM THE EU

The UK electorate voted to leave the European Union ("EU") on 23 June 2016. The UK invoked Article 50 of the Lisbon Treaty on 29 March 2017, which triggered a two-year period, subject to extension, during which the UK government negotiated a withdrawal agreement with the EU.

UK WITHDRAWAL FROM THE EU (CONTINUED)

The UK formally exited the European Union on 31 January 2020 and entered a transition period until 31 December 2020. On 24 December 2020, an agreement between the UK and EU on their future trading relationship was announced. Coming into effect on 1 January 2021, the deal replaced the existing arrangements under the transition period. While details of the trade arrangement will continue to be negotiated, the deal provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, and that both the UK and EU have committed to ensuring a robust level playing field going forward.

The vast majority of our Cider and Beer is already produced and sold in the UK. Investment over the past five years in improving and expanding our UK breweries means we are less reliant on imports and have robust UK production capabilities.

At the start of 2018 we established our Brexit Risk Cabinet which includes key members of the UK Management Team and functional experts from across the business. Throughout 2019 and 2020, we actively stress tested our UK operations, focussing on the end to end movement of goods, and put contingency plans in place to mitigate any impact of a No Deal Brexit. The trade agreement reached significantly de-risks the impact of Brexit on the Group's business in the UK.

The Brexit Risk Cabinet also put in place measures to maintain business continuity in case of disruption caused by the transition period ending. Whilst details of implementing cross border transactions under the new arrangement continue to emerge, the actualised risk of Brexit is considered to be very limited. In the year to date 2021, we have not experienced any material impact on our ability to trade as a direct result of Brexit.

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 companies, 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 Act, in the decisions taken during the year ended 31 December 2020.

In doing so section 172 requires a company to have regard (amongst other matters) to:

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Our business priorities

Our mission and values are at the heart of who we are, and we embrace them day in, day out.

- We build true human connections and break down barriers, because we believe great moments of shared experiences are the best in life.
- We are inspired by consumers to brew the best beers and extend that same passion to all of our brands, products and activities.
- We are proud of our family history and Dutch heritage and derive from them our entrepreneurial spirit that takes us to every corner of the world.
- We are brand builders. The Heineken® brand defines and unites us while our many local, regional and global brands make our portfolio diverse and unique.
- People are at the heart of our Company. We see our strength in trust, diversity and progress.
- We stand by our values: passion for quality, enjoyment of life, respect for people and for the planet.
- We always advocate for responsible consumption. We are committed to our communities and strive to consistently improve the impact we make on the planet.
- We work with our customers and partners to grow together and seek to win with integrity and fairness.
- And we are convinced that by staying true to these commitments, we create value for our shareholders.

Our Group wide focus is on growth, something we're well positioned to achieve thanks to our commitment to innovation, operational excellence and social and environmental sustainability.

Our successes will rely on our ability to respond and adapt to current times while staying true to our Company values and heritage. We will be more externally focused and step-up our consumer and customer-centricity. At our core, the Company has always been and will remain a growth company. Our EverGreen strategy will help us adapt faster to new opportunities and challenges.

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 2020, 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 companies, 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.

Employee Engagement

In a highly competitive, and increasingly global market, we need to attract and retain the most talented and skilled people to remain the major 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.

At HEINEKEN, the safety and wellbeing of our colleagues is our number one priority – this safety-first approach is underpinned by our Health & Wellbeing strategy. This approach came to the forefront during the ongoing COVID-19 pandemic. As well as making our sites COVID-19 secure, we provided colleagues with the relevant materials and guidance whilst in trade, and for those colleagues working from home, the necessary kit to set up workstations at home. In addition, we have a suite of Health & Wellbeing support and resources available to colleagues including a community of over 80 Mental Health Champions who are all mental health first aid trained. These were communicated to colleagues regularly during the pandemic.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Employee Engagement (continued)

At the same time, our Inclusion & Diversity ("I&D") strategy ensured we continued 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. This is being delivered through task forces working on key diversity areas and continued education and development for our leaders and colleagues.

To ensure colleagues are kept informed of 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, brand engagement activities, regular senior leader video updates, 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.

Our annual Climate Survey provides an opportunity for all colleagues to give their views on life at the Group and to provide honest feedback about working for HEINEKEN. The results are shared across the business and all teams produce a Climate Survey action plan to address key points raised. In addition, we carry out pulse surveys on an ad hoc basis to get in the moment feedback from colleagues.

The Group regularly invests in learning and development, providing a mix of optional classroom and e-learning opportunities.

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 Group's Management Team attended the meetings to address the Council, 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 representing negotiated colleagues in our production sites.

Unite the Union shop stewards also take part in local dialogue with the Group.

All colleagues participate in a short-term incentive, or some other variable pay arrangement, which contains a strong link to performance at 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.

Additionally, a performance-based share plan (Long-term Incentive Plan, LTIP) is in place for senior management in the Company. 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.

Stakeholder engagement

Engaging with the stakeholders to deliver long term success is a key area of focus 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Stakeholder engagement (continued)

Working with stakeholders and partners

Our stakeholders and partners are crucial to the long-term success of our 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.

Suppliers

We continue working 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 using 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 businesses as it affects cash flow and ability to trade. Steps taken to address as a Group include regular reviews and mandatory training to employees to ensure timely payment to small and medium sized suppliers.

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 which provide a unique platform for sharing our responsible consumption message.

PRINCIPAL RISKS AND UNCERTAINTIES

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. Dedicated resource is in place to identify potential strategic, operational, reporting and compliance risks, and for implementing fit-for-purpose responses.

The Heineken Group risk management priorities are defined by regional and functional management and endorsed by the Executive Board, who bears ultimate responsibility for managing the main risks faced by the Group and reviewing the adequacy of the Group's internal control system.

In the ordinary course of business, the Group is exposed to the following specific risks: business framework, IT & data, regulation of alcohol, sustainability, interest rate risk, price risk, credit risk, liquidity risk and foreign currency risk. Each specific risk is detailed below in the Financial Risk Management Policy.

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's Code of Business Conduct and the Heineken Group's 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. Our Code of Business Conduct 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.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

IT & data

Heineken Group's business 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 requirement 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 and the overall risk forms part of the UK risk register which is reviewed by the board.

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 Heineken Group's 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, NGOs 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- and Off-trade channels. For further information on the risk management approach of the Group within the Heineken Group framework, please see pages 29 to 34 of the Heineken N.V. 2020 Annual Report, copies can be obtained from https://www.theheinekencompany.com/Investors/Reports-and-Presentations.

COVID-19

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. The closure of pubs, restaurants and bars on 23 March 2020 has significantly impacted the operating performance for the Group in 2020 as outlined above. The ceasing of trade overnight of the On-trade directly affects two of the three primary commercial units, namely On-trade sales and revenue from our Star Pubs & Bars business. Over a year on, we have managed our business through tough trading circumstances, including three lockdowns, tiered and regional restrictions and various onerous trading restrictions.

The Group has focused its response in three areas – the health, safety and wellbeing of its employees; the continuity of business operations; and finally, the mitigation of financial impact and safeguarding of jobs. The Management Team convened on a bi-weekly basis to manage business operations and interests guided by these principles and regularly communicated its decisions and actions to employees.

COVID-19 (CONTINUED)

Health and safety of employees

From the outset, the primary concern and motivation has been the health, safety and wellbeing of employees. Consistent with government advice, the Group moved quickly to adopt practices to safeguard the welfare of its 2,368 people. Wherever possible, colleagues have been asked to work from home. This necessitated mobilising IT and technological support to facilitate homeworking and putting in place flexible working arrangements to allow for childcare and supporting family members. Rigorous social distancing and hygiene measures are in place at our breweries and cider-making facilities, as well as distribution centres and warehousing. All employees deemed non-essential have been restricted from production areas. Where appropriate and in line with government direction, protective equipment has been issued to employees, together with detailed guidance on maintaining safe practices in the workplace. When local health authority capacity allowed, we also introduced lateral flow testing at our production sites. As a result of these measures, infection rates and absenteeism among employees has remained low.

Furthermore, management understood the difficult circumstances colleagues had to cope with during the crisis and its effect on wellbeing and mental health and regular advice and support have been provided to those at work and those on furlough leave.

Continuity of business operations

The closure of pubs, bars and restaurants during periods of lockdown and restricted trading meant that consumer demand for beer and cider moved to the Off-trade channel. The Group quickly adapted its supply facilities and logistics network to service this increased demand. Within our breweries, kegging lines were stopped, and production focused on small pack lines including cans and bottles. The sourcing and storing of raw material inputs and finished product needed careful management to ensure consistent delivery to customers. The Group also introduced new innovative ways to optimise production lines across its facilities and maximise small pack output including for the first-time packaging beer at its cideries in Herefordshire.

As one of the UK's largest pub companies, the Group's Star Pubs & Bars business worked with its Leased & Tenanted estate to ensure the safe and secure closure of pubs and the management of their businesses through the hibernation period. This included helping licensees access government support, but also providing pubs with cash flow relief through rent concessions (totalling £37m in 2020 [and £63.5m up to the date of this report]) and suspensions, and practical advice through its bespoke website – the Pub Collective. As restrictions eased, the Group has aided licensees in the disposal of out-of-date stock, the replenishment of new stock and the implementation of safe working practices as outlined by government.

Financial mitigation and safeguarding jobs

While cognisant of the widespread impact on many creditors and debtors, the Group moved quickly to protect its cash position and reduce the impact on profitability. Marketing spend was reduced and commercial activity decreased in line with the closure of the On-trade and the consumer demand through the Off-trade. Outstanding payments and debts were discussed with customers on a regular basis, and further relief was achieved through the suspension of excise payments for a period during the crisis.

While we facilitated the destruction of spoiled beer and cider broached kegs among our broad customer base, thousands of beer kegs in our own network were tested against reference samples and re-dated to reflect the longer useable life. This allowed the Group to be first back into market – enabling it to support licensees, whilst growing market share and saving the multi-million-pound cost of disposal.

The Group was also committed to protecting jobs during this crisis. As such, it decided to access the Government's Coronavirus Job Retention Scheme and temporarily suspend the work of colleagues where it was unable to redirect resource to critical activities in support of the essential production and distribution of beer and cider to the retail sector. Overall, up to 1,000 colleagues have been placed on furlough leave which was phased and applied across all functions and levels within the organisation through April to September 2020, and again during the lockdown in the early part of 2021.

For all those employees affected, the Group committed to topping up the statutory government contribution to a minimum of 80% of everyone's monthly salary (regardless of the government maximum). For colleagues on lower pay, this contribution was more.

COVID-19 (CONTNUED)

Financial mitigation and safeguarding jobs (continued)

As one of the UK's leading cider, beer and pubs business, we also had a duty to support our communities and encourage responsible behaviours during these difficult times. Immediately after the first lockdown was announced, the Group set up and sponsored the Heineken Community Fund which distributed vital financial resource (£250,000) to small charitable organisations who in turn supported many thousands of vulnerable individuals throughout the UK. In addition, through our brand communications and operations we ran consumer campaigns prompting consumers to socialise responsibly, or in the case of pubs, re-socialise responsibly.

Clearly, an event as unprecedented as the COVID-19 pandemic will have consequences over the short and medium term, however significant learnings have been made and practices adopted that will support greater productivity, lower costs, improve agility and create a flexible working environment for all.

Impact of COVID-19 in 2021

As restrictions started to ease in Q2 2021, we were encouraged by the proportion of the Star Pubs & Bars estate and wider On-trade which were able to reopen quickly, and we anticipate the vast majority of pubs will re-open over the course of the summer as restrictions ease further. The support we have provided our licensees in the form of rent concessions mean we expect minimal business failures above normal expected churn levels with Star Pubs & Bars. Consumer demand has returned strongly, particularly for our premium beer brands, with early strong market share indicators. Notwithstanding challenges in the wider supply chain, including labour shortages and logistics constraints which have meant an inability to service very high levels of demand, we are optimistic of a return to pre-pandemic trading levels as restrictions ease further, weather improves and we maximise the opportunities provided through the summer of sport.

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.

The main risks associated with the Group's financial assets and liabilities are detailed below.

Sustainability

Businesses have a big role to play in being a positive force for change. For the Group, this is what being a sustainable company is all about. We know that we can only thrive if our people, the planet and the communities around us thrive. And so, working sustainably and responsibly is fundamental to how we do business. It is how we can protect the future of our business and our planet.

Climate change is one of the biggest challenges facing society. Climate change can impact on water scarcity, crop yield, cost and availability of raw materials and interruption in production. As the UK's largest pub, cider and beer 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 to be able to do this, we strive to embed sustainability into our business strategy.

The challenges related to climate change require us to take measures which may result in additional costs to the business, but over the long term mitigate against future outlays and, importantly, safeguard the planet we all share. Business continuity plans have been developed and mitigations include long-term procurement contracts and global purchasing where required. Taking a long-term approach, the Group has included water stewardship to protect water resources and sustainable sourcing.

Over the last decade, our sustainability strategy Brew a Better World has been designed to focus our efforts on making a real difference. From growing the barley and apples that go into our beers and ciders, to working with our customers who serve a quality chilled pint – sustainability is embedded right across our value chain.

Guiding our strategy have been targets to reach by 2020 in six key areas across our entire value chain: reducing CO2 emissions, protecting water resources, sourcing sustainably, growing with communities, tackling alcohol harm, and promoting health and wellbeing. Our focus areas are linked with specific UN Sustainable Development Goals (SDGs) and their targets, ensuring that we make a meaningful contribution to the common global goal to end poverty, protect the planet and ensure prosperity.

FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Sustainability (continued)

In the UK in 2020, we achieved a 68% reduction in our carbon footprint (CO2eq/hl) versus 2008, significantly beyond our target of 40%. However, the impact of the COVID-19 pandemic on volume decline and format mix has seen a year on year increase of 4.3% versus 2019. We have also delivered a 24% reduction in CO2 emissions from cooling since 2010, through purchasing and supplying our customers with 100% green fridges. A 22% reduction of carbon in distribution against a 2011 baseline has been positively affected by COVID-19 in 2020, as On-trade restrictions have resulted in fewer secondary journeys.

We achieved ahead of time, our 2020 target to reduce water use in the production of our ciders and beers to not more than 3.5hl/hl, which defines the quantity of water, used as a proportion of the product produced per hectolitre. In 2020, we used an average of 3.25hl of water for every hectolitre of cider and beer produced; this is a 25% reduction versus our baseline year of 2008, but is an increase on 2019 (3.19hl/hl) due to the skewed format mix as a result of COVID-19. All wastewater at our breweries and our cideries is treated before being safely released back into the mains network. As part of our global "Every Drop" programme to reduce our water use, we are developing a more holistic approach to support the health of watersheds. The strategy is built around three principles: water efficiency (using as little water as possible); water circularity (cleaning and reusing water); and water stewardship (supporting watersheds to absorb more water).

During 2020, and in spite of the pandemic, the Company successfully launched its revolutionary Green Grip cardboard topper, replacing plastic rings on can pack formats, as we aim to eliminate plastic from secondary consumer packaging by the end of 2021. The roll out of SmartDispense, the Company's bespoke keg dispense system, has helped pubs in the UK save over 100 million pints of water and 394 tonnes of carbon since it was introduced in 2013.

In other areas of our sustainability strategy, we have invested 11% of our Heineken® media spend behind promoting responsible consumption and have partnered with retail customers in the promotion of the Drinkaware "Drink Free Days" campaign. We purchase 100% of our barley and 98% of our apples from sustainable sources, which is above our target of 50%, and in doing so, are a significant economic contributor to British agriculture.

In April 2021, HEINEKEN announced its sustainability ambition for 2030 as the Company moves into a decade of even more complex challenges. The 2030 Brew a Better World programme is discussed below, and more information can be found at www.theheinekencompany.com/sustainability-and-responsibility.

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 management of interest rate risk being undertaken at a Heineken Group level and therefore interest rate risk is monitored at a Heineken Group level with funding being derived from the Heineken Group.

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.

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.

FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Credit risk (continued)

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 balance sheet 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.

(i) 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.

See note 16 for total loans and advances to customers which is deemed the Group's maximum exposure to credit risk.

(ii) 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.

As a result of COVID-19 pandemic, the Group and Company has taken a prudent approach in terms of the credit management procedures. Customers that are deemed to have a higher risk to the Group and Company, their outstanding balance will either be fully or partially provided for based on the assessment carried out. Following the restart of On-trade from April 2021, the procedures are being reviewed and are expected to revert back pre-pandemic procedures.

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 management of liquidity risk being undertaken at global level. 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. The Heineken Group remains focused on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Additionally, the Heineken Group, Group and Company has strong cost and cash management as well as controls over investment proposals in place. The management of liquidity risk continues to be managed globally, and the Group benefits from the support of other UK group companies under common directorship. Liquidity risk is therefore 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. The Group benefits from the management of foreign currency risk being undertaken at the Heineken Group level where foreign exchange risk is managed to minimise the impact of fluctuations in foreign exchange rates. The Heineken Group calculates its overall exposure to foreign currency risk to provide the basis of hedging decisions, which determine the instruments and the corresponding periods with which each instrument relates.

BREW A BETTER WORLD

Businesses have a big role to play in being a positive force for change. For HEINEKEN UK, this is what being a sustainable company is all about. We know that we can only thrive if our people, the planet and the communities around us thrive. And so, working sustainably and responsibly is fundamental to how we do business. It's how we can protect the future of our business and our planet.

Climate change is one of the biggest challenges facing society. Climate change can impact on water scarcity, crop yield, cost and availability of raw materials and interruption in production. As the major UK pub, cider and beer 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 to be able to do this, we strive to embed sustainability into our business strategy.

Over the last decade, our sustainability strategy *Brewing a Better World* has been designed to focus our efforts on making a real difference. From growing the barley and apples that go into our beers and ciders, to working with our customers who serve a quality chilled pint – sustainability is embedded right across our value chain.

Guiding our strategy have been targets to reach by 2020 in six key areas across our value chain: reducing CO2 emissions, protecting water resources, sourcing sustainably, growing with communities, tackling alcohol harm, and promoting health and safety. Our focus areas are linked with specific UN Sustainable Development Goals (SDGs) and their targets, ensuring that we make a meaningful contribution to the common global goal to end poverty, protect the planet and ensure prosperity.

In the UK in 2020, we achieved a 68% reduction in our carbon footprint (CO2eq/hl) versus 2008, significantly beyond our target of 40%. A 22% reduction of carbon in distribution on against a 2011 baseline has been positively affected by COVID-19 in 2020, as On-trade restrictions have resulted in fewer secondary journeys.

In April 2021, HEINEKEN announced its sustainability ambition for 2030 as the Company moves into a decade of even more complex challenges. The 2030 Brew a Better World programme sets out a new series of ambitious commitments aimed at driving a positive impact on the environment, social sustainability and the responsible consumption of alcohol. Closely linked again to the UN SDGs, the revised strategy includes bold targets on carbon neutrality in production by 2030 and the full value chain by 2040; ambitions to reduce waste to zero and to increase circularity of raw materials, especially packaging. It also provides a framework to continue to reduce water usage in production and protect watersheds. In addition, in our journey to create a more inclusive, fairer and more equitable company and society, we have also set out ambitions for inclusion and diversity and fairer safer workplaces, as well as strong commitments to promote moderation and champion responsible drinking, while addressing harmful consumption of alcohol. More details can be found at www.theheinekencompany.com/sustainability-and-responsibility.

BREW A BETTER WORLD (CONTINUED)

Energy saving

Parameter	Units	Current reporting year 2020	Comparison reporting year 2018
Natural Gas consumed	kWh	244,635,397	207,731,221
Other combustion fuels consumed	kWh	1,132,503	23,097,018
Grid Electricity consumed	kWh	70,754,614	85,961,585
Transport Fuels consumed	kWh	1,052,556	24,172,951
Total energy consumption used to calculate emissions	**kWh**	**317,575,070**	**340,962,775**

Emissions from combustion of gas (Scope 1)	tCO2e	43,234	36,214
Emissions from combustion of liquid fuels (Scope1)	tCO2e	266	6,384
Emissions from transportation in vehicles owned or controlled by reporting company (Scope 1)	tCO2e	245	266
Fugitive emissions from refrigeration plant (Scope 1)	tCO2e	78	0
Emissions from purchased electricity (Scope 2)	tCO2e	16,496	24,333
Emissions from business travel in vehicles owned or operated by 3rd parties (Scope 3)	tCO2e	804	234
Total Gross Carbon Emissions	**tCO2e**	**61,123**	**67,431**
Carbon reduction through green electricity tariff backed by REGO's	tCO2e	(16,406)	-
Total net carbon emissions	**tCO2e**	**44,717**	**67,431**

Intensity ratio	tCO2e / turnover (£M)	23.00	28.95

Quantification and Methodology

This 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 guidance – HM Government (March 2019).

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 which cover EU ETS, CCA and ESOS.

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 therefore is not materially significant.

BREW A BETTER WORLD (CONTINUED)

Quantification and Methodology (continued)

Refrigerant gas emissions were calculated from data within maintenance service reports for our brewing sites and offices. 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.

As this is the first SECR reporting year, a comparison year is not mandatory however we have included data collected for 2018, as part of the ESOS Phase 2 process, to act as a baseline reference.

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.

FUTURE OUTLOOK

For 2021, the Group expects the following:

- The Group will continue to navigate the COVID-19 crisis in the best possible way, focusing on people & safety, consumers and customers, while managing a volatile cost environment. The Group has already leveraged its unique strengths and has shown an ability to adapt quickly to new realities;
- Superior top-line growth in the Off-trade channel driven by volume, price and premiumisation, as well as maintaining overall market share across all business channel's with our strong brand portfolio; and
- Continued cost management, productivity initiatives and reinvestment in growth, in line with Heineken Group's new strategy, EverGreen.

KEY PERFORMANCE INDICATORS

The Group and Company key measurements of effectiveness of their operations is net revenue, gross profit, operating profit and net cash flow from operations.

The Group achieved net revenue and gross profit of £1,098m and £689m respectively (2019: net revenue £1,441m, gross profit £953m). The Group incurred an operating loss of £183m in 2020 (2019: operating profit £155m) driven by the COVID-19 pandemic in terms of core trading and a non-cash asset impairment totalling to £172m which is made up of £167m of non-cash impairment of Property, Plant and Equipment and £5m of non-cash impairment of assets classified as asset held for sale, within the pub estate. The Consolidated Statement of Comprehensive Income for the year is set out on page 23 of the financial statements. The Group achieved a net cash flow from operating activities of £111m (2019: £203m) as reported in the Consolidated Statement of Cash Flows on page 27. 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 08-Sep-2021 and signed on its behalf by:

DocuSigned by:
Radovan Sikorsky
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R Sikorsky
Director

HEINEKEN UK LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, 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 34, 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 under 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 to 479C 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 28 February 2021)
J S Brydon
M J Callan
J I Crampton (appointed 16 December 2020)
A Elberg (resigned on 1 April 2021)
D M Forde (resigned on 31 July 2020)
M Gillane (appointed on 13 January 2021)
L J W Mountstevens
L J Nicoll
D G Paterson (resigned on 25 February 2020)
R Sikorsky
C Tervoort (resigned on 1 February 2020)
S Watt (appointed on 25 February 2020)

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £137m (2019: profit £132m) driven by the COVID-19 pandemic in terms of core trading and a non-cash asset impairment totalling to £172m, which is comprised of £167m of non-cash impairment of Property, Plant and Equipment and £5m of non-cash impairment of assets classified as asset held for sale, within the pub estate. A review is presented in the Strategic Report on pages 2 to 14 and forms part of this report by cross reference.

The directors do not recommend the payment of a dividend (2019: £nil).

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

The Group made no political contributions during the year (2019: £nil) and made charitable donations during the year amounting to £1m (2019: £1m).

MATTERS INCLUDED IN THE STRATEGIC REPORT

Details of: financial risk management, future outlook, engagement with suppliers, customers, employees and others, policy for disabled and corporate governance arrangements can be found in the Strategic Report from pages 2 to 14 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.

POST BALANCE SHEET EVENTS

On 28 January 2021, Heineken UK Limited acquired the remaining 51% share capital of Brixton Brewery Limited ("Brixton") making it a wholly owned subsidiary. Consideration for the acquisition consisted cash paid plus deferred consideration which will be calculated based on an earn-out period from the purchase date to 31 December 2023.

In March 2021, the Group paid a distribution in specie of £1,032m to its parent, Scottish & Newcastle Limited. This transaction is related to the steps to reduce the capital of S&N Angel Investments Limited, while mitigating any foreign currency risk across the UK Group.

During April 2021, the Group drew down additional funds of £90m from an already available borrowing facility with its intermediary parent company, Heineken International B.V., of which £25m was repaid in June 2021. Additionally, a new loan facility with Heineken International B.V. of £100m was entered into to fund the short-term cash need in early 2021 as the continued impact of the COVID-19 restrictions impacted the Group's cash position, in addition to settling VAT deferred from 2020. This loan facility was fully repaid in June 2021.

GOING CONCERN

The financial position of the Group is set out in the Consolidated Statement of Financial Position on pages 24 to 25 of the financial statements. The Group has net assets of £5,049m (2019: £5,130m) and net current liabilities of £4,262m (2019: £3,841m). Funding amounts owed to other group companies of £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 loss for the financial year of £137m (2019: profit £132m) as set out in the Consolidated Statement of Comprehensive Income on page 23. The loss is driven by the COVID-19 pandemic in terms of core trading and a non-cash asset impairment totalling to £172m.

In line with the FRC guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the use of the going concern basis of preparation.

We entered the COVID-19 crisis in a strong position with strong brands and market position. We have managed the situation as it has developed taking a number of mitigating actions across the business to allow the Group to face this unprecedented crisis in the best possible way, and to protect the long-term potential of our brands and business. As the status of COVID-19 across the United Kingdom business continues to evolve, further impacts on our business will be monitored and appropriate mitigating actions taken where required.

The Group made use of existing Heineken Group borrowing facilities during the crisis and continues to have access to unutilised overdraft facilities which are not forecast to be required. Additionally, Heineken International B.V. has confirmed that it will not request a repayment of borrowings granted to the Company under existing agreements for at least 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 2020

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 08-Sep-2021 and signed on its behalf by:

DocuSigned by:
Radovan Sikorsky
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R Sikorsky
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 International Financial Reporting Standards (IFRSs) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 IFRSs 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.

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 United Kingdom 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 34 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; and
- the related appendix.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom 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
- 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 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, valuations, real estate, 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.

In common with all audits under ISAs (UK), we also identified the potential for fraud in revenue recognition as detailed below:

- Completeness and valuation of the year end Off-trade terms rebate accrual in Heineken UK Limited, due to the judgement required in assessing the level of rebates payable on contracts at year-end. Our audit procedures included testing the completeness and accuracy of the rebate balance by recalculating amounts based on supporting documentation on a sample basis.

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.

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.

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

Report on other legal and regulatory requirements (Continued)

Opinions on other matters prescribed by the Companies Act 2006 (Continued)
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.

David Crawford.

David Crawford, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

08-Sep-2021

HEINEKEN UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £M	2019 £M
Revenue	5	**1,944**	2,346
Excise tax expense		**(846)**	(905)
Net revenue		**1,098**	1,441
Cost of sales		**(409)**	(488)
Gross profit		**689**	953
Distribution costs		**(118)**	(143)
Administrative expenses		**(741)**	(653)
Restructuring costs	6	**(9)**	(1)
Share of loss from joint ventures and associates	15	**(4)**	(1)
Operating (loss) / profit	7	**(183)**	155
Finance income	10	**56**	103
Finance costs	11	**(54)**	(86)
(Loss) / profit before tax		**(181)**	172
Income tax	12	**44**	(40)
(Loss) / profit for the year		**(137)**	132
Other comprehensive income			
Exchange differences on translation (that will not be reclassified subsequently to profit or loss)		**56**	(55)
Effects due to change in accounting policy IFRS 16		**-**	(2)
Total comprehensive (expense) / income for the financial year		**(81)**	75

The notes on pages 29 to 69 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 2020

	Note	2020 £M	Restated* 2019 £M
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,884**	2,091
Goodwill	14	**1**	1
Other intangible assets	14	**277**	287
Interests in joint ventures and associates	15	**98**	102
Loans and advances to customers	16	**5**	21
Deferred tax asset	17	**125**	86
Other non-current assets	18	**7,942**	7,769
		10,332	10,357
Current assets			
Loans and advances to customers	16	**10**	-
Inventories	19	**106**	103
Trade receivables	20	**97**	217
Other receivables	20	**11**	7
Prepayments, accrued income and fulfilment costs	20	**22**	45
Assets classified as held for sale	21	**9**	10
Cash and bank balances	22	**6**	17
		261	399
Total assets		**10,593**	10,756
LIABILITIES			
Current liabilities			
Trade payables	23	**(155)**	(282)
Other payables	23	**(4,148)**	(3,774)
Accruals and deferred income	23	**(41)**	(41)
Current tax liabilities	23	**(159)**	(131)
Provisions	24	**(20)**	(12)
		(4,523)	(4,240)
Net current liabilities		**(4,262)**	(3,841)
Non- current liabilities			
Other payables	23	**(1,008)**	(1,372)
Provisions	24	**(13)**	(14)
		(1,021)	(1,386)
Total liabilities		**(5,544)**	(5,626)
Net assets		**5,049**	5,130

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £M	Restated* 2019 £M
EQUITY			
Called-up share capital	25	**1,046**	1,046
Other reserves	26	**(116)**	(116)
Translation reserve	26	**51**	(5)
Retained earnings	26	**4,068**	4,205
		5,049	5,130
Capital and reserves attributable to:			
Owners of Heineken UK Limited		**5,049**	5,130
Total Equity		**5,049**	5,130

* The Consolidated Statement of Financial Position at 31 December 2019 has been restated as set out in notes 3, 18, 20 and 23.

The consolidated financial statements on pages 23 to 69 were approved and authorised for issue by the board and were signed on its behalf on 08-Sep-2021 by:

DocuSigned by:
Radovan Sikorsky
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R Sikorsky
Director

The notes on pages 29 to 69 form part of these financial statements.

HEINEKEN UK LIMITED

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

	Called-up share capital	Other reserves	Translation reserve	Retained Earnings	Total equity
	£M	£M	£M	£M	£M
Balance at 1 January 2020 as previously reported	**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)**
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 2019

	Called-up share capital	Other reserves	Translation reserve	Retained Earnings	Total equity
	£M	£M	£M	£M	£M
Balance at 1 January 2019	1,046	(116)	50	4,075	5,055
Profit for the year	-	-	-	132	132
Other comprehensive expense for the year	-	-	(55)	-	(55)
Effects due to change in accounting policy IFRS 16	-	-	-	(2)	(2)
Total comprehensive (expense)/ income for the year	-	-	(55)	130	75
Balance at 31 December 2019	1,046	(116)	(5)	4,205	5,130

The notes on pages 29 to 69 form part of these financial statements.

HEINEKEN UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £M	2019 £M
(Loss) / Profit for the year		**(137)**	132
Adjustments for:			
Share of loss of Joint ventures and associates	15	**4**	1
Finance income	10	**(56)**	(103)
Finance costs	11	**54**	86
Depreciation and impairment of PP&E and AHFS	7	**247**	70
Amortisation of intangible assets	14	**16**	13
Income tax (credit) / expense	12	**(44)**	40
Loss on disposal of property, plant and equipment	7	**11**	12
Long-term prepayments, accrued income and fulfilment costs		**(26)**	-
Amortisation of advances to customers		**8**	13
Increase / (Decrease) in provisions	24	**7**	(5)
Other non-cash items in profit and loss		**-**	(1)
Operating cash flows before movements in working capital		**84**	258
Increase in inventories	19	**(3)**	(6)
Decrease / (Increase) in trade and other receivables		**138**	(6)
Decrease in trade and other payables		**(79)**	(9)
Cash generated by operations		**140**	237
Interest paid		**(29)**	(34)
Net cash from operating activities		**111**	203
Investing activities			
Disposal of subsidiary		**-**	2
Proceeds on disposal of property, plant and equipment		**11**	78
Purchases of property, plant and equipment	13	**(56)**	(110)
Proceeds on disposal of intangible assets		**1**	-
Purchases of intangible assets	14	**(6)**	(18)
Loans and advances issued to customers		**(8)**	(16)
Repayments on loans to customers		**2**	3
Net cash used in investing activities		**(56)**	(61)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		£M	£M
Financing activities			
Repayments of group loans		**(50)**	(110)
Loans issued to associates		**(9)**	(4)
(Expenses) / Proceeds from financing liabilities / assets		**(2)**	2
Payment of lease liabilities		**(14)**	(17)
Net cash used in financing activities		**(75)**	(129)
Net (decrease)/increase in cash and cash equivalents		**(20)**	13
Cash and cash equivalents at beginning of year		**14**	1
Cash and cash equivalents at end of year	22	**(6)**	14

The notes on pages 29 to 69 form part of these financial statements.

1. CORPORATE INFORMATION

Heineken UK Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland, at the following address: 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, registered number SC065527.

The consolidated financial statements of the Group, consisting of Heineken UK Limited and subsidiary companies consolidated, have been prepared under 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

The Group and Company financial statements are presented in £ 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 2020 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies. On 25 August 2021 the outstanding liabilities at the Statement of Financial Position date, 31 December 2020, of the named subsidiaries had been guaranteed by the parent undertaking, Heineken UK Limited (registered number: SC065527), pursuant to s479A to s479C of the Act:

Subsidiary	Registered number
Blue Star Pub Company Limited	SC366273
Broadway Inns Limited	05267571
Caledonian Brewery Limited	SC104493
Fountain Pub Company Limited	05999916
Punch Partnerships (PTL) Limited	3512363
Punch Taverns (Chiltern) Limited	10840658
Punch Taverns (Jubilee) Limited	4821157
Punch Taverns (RH) Limited	00124723
Punch Taverns Holdco (A) Limited	09233812
Punch Taverns Holdings Limited	03499144
Punch Taverns Intermediate Holdco (A) Limited	09235476
Punch Taverns Loanco (A) Limited	08870991
Red Star Pub Company (WR) Limited	SC194006
Red Star Pub Company (WRH) Limited	SC200229
Red Star Pub Company (WRII) Limited	SC202689
Red Star Pub Company (WRIII) 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)

Dormant subsidiary exemption from the preparation/filing of accounts

For the year ended 31 December 2020 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 Act.

On 25 August 2021 the outstanding liabilities at the Statement of Financial Position date, 31 December 2020, of the named subsidiaries had been guaranteed by the parent undertaking, Heineken UK Limited (registered number: SC065527), pursuant to s394C of the Act:

Subsidiary	Registered number
Agnew Stores (Holdings) Limited	SC046887
Alloa Brewery Company Ltd	SC002871
Alloa Pubs & Restaurants Ltd	SC041535
Ansells Properties Ltd	00070490
B.W.B. Ltd	00055803
BK Investments Ltd	02928438
XXFM Ltd	00219876
Marr Holdings Limited	02506120
Ind Coope (London) Ltd	00043104
Inn Business Property Ltd	02669542
Heineken UK Group Life Scheme Trust Company Limited	SC425468
Newcastle Federation Breweries Limited	01873267
Punch Taverns (DC) Holdings Limited	03982425
Punch Taverns (FH) Limited	03982429
Punch Taverns (IB) Limited	01899248
Punch Taverns (MH) Ltd	01676516
Punch Taverns (PPCF) Limited	03946310
Punch Taverns (PR) Ltd	00050484
Punch Taverns (VPR) Ltd	03982447
Punch Taverns Properties Limited	03528601
Scottish & Newcastle Property 3 Limited	06374366
Tetley Walker Limited	00664108
The Globe Pub Company Limited	05167852
Tolchard & Son Limited	00683250
Walker Cain Ltd	00176978

2. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards adopted during the year

The Group has adopted the following new International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2020.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9 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 affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The adoption of the standard has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and amended standards adopted during the year (continued)

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19–related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The below practical expedient only applies when the Group is a lessee and not a lessor.

The practical expedient applies only to rent concession occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption

The Group has benefited from a 9-month waiver of lease payments on a leased building. The waiver of lease payments of £20k was accounted for as a negative variable lease payment in the Consolidated Statement of Comprehensive Income. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9: 3.3.1.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC – 32.

The adoption of the standard has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 Definition of the business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New and amended standards adopted during the year (continued)

Amendments to IFRS 3 Definition of the business (continued)

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020.

As the Group has no business combinations, the directors have concluded that the amendments have had no impact on these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 was replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The adoption of the standard has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 Standards that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU):

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	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
Amendments to IFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021
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

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, expect as noted below:

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards not yet adopted during the year (continued)

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flow and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards not yet adopted during the year (continued)

Amendments to IFRS 3 – Reference to Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards not yet adopted during the year (continued)

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

The amendment is to extend that date to permit a lessee to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020 Cycle Amendments to IFRS 1 First–time Adoption of International Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

The Annual improvements include amendments to four Standards:

IFRS 1 First–time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first–time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1: D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustment were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention.

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 (IFRIC's) 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 2020 are provided in the appendix to the financial statements (see pages 88 to 92).

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.

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.

3. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Investment in associates and joint ventures (continued)
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.

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

The financial position of the Group is set out in the Consolidated Statement of Financial Position on pages 24 and 25 of the financial statements. The Group has net assets of £5,049m (2019: £5,130m) and net current liabilities of £4,262m (2019: £3,841m). Funding amounts owed to other group companies of £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 loss for the financial year of £137m (2019: profit £132m) as set out in the Consolidated Statement of Comprehensive Income on page 23. The loss is driven by the COVID-19 pandemic in terms of core trading and a non-cash asset impairment totalling to £172m.

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 16.

As noted in the Strategic Report on pages 7-9 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Director's Report details the additional work we have undertaken, and factors considered as a result of COVID-19 and confirms our ability to continue on a going concern basis.

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'.

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 and excise taxes collected on behalf of third parties.

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.

3. ACCOUNTING POLICIES (CONTINUED)

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 as excise duties become payable when goods are moved from bonded warehouses. Excise duty is borne by the Group and included in net revenue applying IFRS 15. Duty on products brought in for resale is excluded from net revenue and deemed a cost of sale, not shown separately on the face of 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. 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 has agreed and communicated to customers that they can return their stock and receive a credit thus a stock credit provision is created in the year. The stock credit provision is included in the Consolidated Statement of Financial Position.

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

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. Any such impairment is charged to the Statement of Comprehensive Income.

3. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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 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.

Software

Internally developed software, development costs and software with contact support, in use, is amortised on a straight-line basis over its expected useful life of 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 23.

3. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (continued)
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, (£4,254) 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.

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.

Lessor rent concessions
Rent concessions are deemed as modification to the lease. Rent concessions were recognised upfront in the Statement of Comprehensive Income and it is 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'.

Lease receivables

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

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 therefore measures them subsequently at amortised cost using the effective interest method, less any impairment.

3. ACCOUNTING POLICIES (CONTINUED)

Receivables (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or 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.

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.

With heightened risk given the COVID-19 pandemic, the Group and Company has taken a prudent approach in terms of the credit management procedures. Customers that are deemed to have a higher risk to the Group and Company, their outstanding balance will either be fully or partially provided for based on the assessment carried out. Following the restart of On-Trade from April 2021, the procedures are being reviewed and is expected to revert back pre-pandemic procedures.

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 in their entirety at either amortised cost of 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)

This category comprises only in-the-money derivatives. These are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

3. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Fair Value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value and through profit or loss (FVTPL).

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.

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.

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 and the Company 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.

3. ACCOUNTING POLICIES (CONTINUED)

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.

Lease liabilities

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.

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.

Pensions

Defined benefit pension plans

Certain employees and past employees of the Group are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the group. It has previously been determined that Scottish & Newcastle Limited is the principal employer of the scheme 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 2019, 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 plans

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 plans, 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.

3. ACCOUNTING POLICIES (CONTINUED)

Share based payment plan (long-term incentive plan)

The ultimate parent undertaking, Heineken N.V. operates an equity settled share-based payment scheme in respect of certain employees of the Company, the criteria of which are set out in note 27 to the financial statements. The cost of the scheme is 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 is 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.

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.

3. ACCOUNTING POLICIES (CONTINUED)

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.

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.

In the current year, grant accounting has only been applied to the Coronavirus Job Retention Scheme (CJRS) and Retail, Hospitality and Leisure Grant Fund (RHLGF) launched as a part of the Government's response to the COVID-19 pandemic. The Group has also taken advantage of government assistance in the form of both business rates and tax deferrals.

Prior year restatement

The 2019 Consolidated Statement of Financial Position has been restated to correct a classification error in relation to the presentation of amounts due from and to group companies. Amounts due from group companies of £7,743m were not expected to be realised within 12 months of 31 December 2019 and have therefore been reclassified from current assets to non-current assets. In addition, the Consolidated Statement of Financial Position has been restated to correct presentation of amounts due to group companies. An amount due to group companies of £1,160m has been transferred from current liabilities to non-current liabilities as the liability is not due to be settled within twelve months of 31 December 2019. The reclassification has no impact on the Consolidated Statement of Comprehensive Income in either the current year or prior year.

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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period. Critical judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The directors believe the following to be the key areas of judgement:

- Taxation
  The Group's current tax credit of £44m relates to the Group's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with HMRC. In determining the current and deferred income tax position, judgement is required. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

Key sources of estimation uncertainty

The directors believe the following to be the key area of estimation uncertainty:

- Impairment of goodwill, other intangibles and property, plant and equipment

  At each reporting date, the Group reviews the carrying amounts of its intangible and tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

  Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. 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. 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.

  Details of COVID-19 driven impairment losses recognised in respect of property, plant and equipment in the pub estate are provided in note 13. The valuation methodology requires two key sources of estimation uncertainty: estimation of fair value less costs of disposal as determined by a valuation multiple and forecast cash flows. An adjustment to any of the embedded assumptions could lead to a material change in the property valuation. Sensitivity analysis of changes in valuation multiples, projected cash flows and discount rate is provided on page 53.

5. ANALYSIS OF REVENUE

	2020	2019
	£M	£M
Sales of cider and beer	1,857	2,233
Proceeds from services from vending equipment, machine income and other services provided to third party	23	29
Rental income	64	84
	1,944	2,346

Analysis of revenue by country of destination:

	2020	2019
	£M	£M
United Kingdom	1,917	2,313
Rest of the world	27	33
	1,944	2,346

6. RESTRUCTURING COSTS

Restructuring costs primarily relate to several reorganisation projects across business support functions. Provisions for restructuring costs were created during the year to provide for the expected redundancies.

The restructuring costs charged to profit or loss consist of the following:

	2020	2019
	£M	£M
Redundancy costs (note 8)	9	1
	9	1

7. OPERATING (LOSS) / PROFIT

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

	2020	2019
	£M	£M
Depreciation of property, plant and equipment (note 13)	75	70
Impairment of property plant and equipment (note 13)	167	-
Impairment of assets classified as held for sale (note 21)	5	-
Loss on disposal of property, plant and equipment	11	12
Amortisation of intangible fixed assets (note 14)	16	13
Foreign exchange loss / (gain)	3	(4)
Staff costs (note 8)	187	194
Low value lease expense	3	3
Variable lease expense	3	4
Write downs of inventories recognised as an expense	3	-
Inventory expensed through profit and loss	406	488
	879	780

7. OPERATING (LOSS) / PROFIT (CONTINUED)

Audit fees for the Group in the year were £0.3m (2019: £0.3m). The audit fee does not include any fees for the subsidiaries of the Group as they are unaudited. There were non-audit services totalling £7,500 (2019: £6,000) 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 £22,500 (2019: £22,000) on behalf of its immediate parent company, Scottish & Newcastle Limited.

In 2020, the Group received Government subsidies for qualifying business of £0.7m in relation to the Retail Hospitality and Leisure Grant Fund (RHLGF). The amount received was reported within the Administrative expenses line in the Consolidated Statement of Comprehensive Income.

8. EMPLOYEES

	2020	2019
	£M	£M
Wages and salaries	**106**	121
Social security costs	**14**	15
Other pension costs	**58**	57
Restructuring costs (note 6)	**9**	1
	187	194

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

	2020	2019
	No.	No.
Supply chain	**1,040**	1,146
Finance	**139**	138
Commerce	**981**	910
Information technology	**97**	105
Human resource	**63**	61
General management	**48**	62
	2,368	2,422

9. 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 31).

10. FINANCE INCOME

	2020	2019
	£M	£M
Interest receivable from group companies	**55**	102
Other interest receivable	**1**	1
	56	103

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

11. FINANCE COSTS

	2020	2019
	£M	£M
Interest payable to group undertakings	50	80
Interest expense on lease liabilities	3	3
Other	1	3
	54	86

12. INCOME TAX

	2020	2019
	£M	£M
Current tax		
Current tax on (loss)/profits for the year	(1)	14
Adjustments in respect of prior years	(4)	1
Total current tax	(5)	15
Deferred tax		
Current year	(31)	23
Adjustments in respect of previous periods	2	5
Effect of changes in tax rates	(10)	(3)
Total deferred tax	(39)	25
Tax per Consolidated Statement of Comprehensive Income	(44)	40

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£M	£M
(Loss) / profit for the period – continuing operations	(181)	172
Tax on (loss) / profit at standard rate of corporation tax in the UK of 19% (2019: 19%)	(34)	33
Effects of:		
Adjustments in respect of prior years	(2)	6
Expenses not deductible	11	5
Tax rate changes	(10)	(3)
PPE tax basis on consolidation	(4)	(2)
Transfer pricing adjustments	-	1
Group relief claimed for no payment	(8)	(1)
Other movements	-	1
Losses carried back	3	-
Income tax (credit)/expense reported in the Consolidated Statement of Comprehensive Income	(44)	40

12. INCOME TAX (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance (No. 2) Act 2015 and The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% would not occur and the Corporation Tax Rate was to be held at 19%. This change was substantively enacted on 17 March 2020. Deferred Tax is recognised at the rate substantively enacted at the Statement of Financial Position date and this has resulted in an Increase to the deferred tax asset.

In the March 2021 the UK Government announced a further increase to the main Corporation Tax Rate from 19% to 25% with effect from 1 April 2023. As enactment of this change is after the Statement of Financial Position date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The Group, however, expects that deferred tax assets for future financial years to be measured at the increased rate of 25%. This will result in a one-off increase to the deferred tax asset of £40m and an increase to the tax credit accordingly in the financial year ended 31 December 2021.

13. 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:

	2020	2019
	£M	£M
Property, plant and equipment – owned assets (note 13a)	**1,809**	2,007
Right of use assets (note 13b)	**75**	84
	1,884	2,091

13a) Owned assets	**Land and buildings**	**Plant and equipment**	**Total**
	£M	**£M**	**£M**
Cost			
At 1 January 2019	1,846	636	2,482
Additions	54	55	109
Transfers from assets held for sale (note 21)	2	-	2
Transfers to assets held for sale (note 21)	(78)	(4)	(82)
Disposals	(20)	(47)	(67)
At 31 December 2019	**1,804**	**640**	**2,444**
Additions	38	18	56
Transfers to assets held for sale (note 21)	(16)	(2)	(18)
Disposals	(5)	(41)	(46)
At 31 December 2020	**1,821**	**615**	**2,436**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accumulated depreciation	**Land and buildings**	**Plant and equipment**	**Total**
	£M	**£M**	**£M**
At 1 January 2019	96	332	428
Charge for the year	14	44	58
Transfers to assets held for sale (note 21)	(2)	(1)	(3)
Disposals	(1)	(45)	(46)
At 31 December 2019	**107**	**330**	**437**
Charge for the year	14	49	63
Impairment	143	24	167
Transfers to assets held for sale (note 21)	-	(1)	(1)
Disposals	(2)	(37)	(39)
At 31 December 2020	**262**	**365**	**627**
Net book value			
At 31 December 2020	**1,559**	**250**	**1,809**
At 31 December 2019	1,697	310	2,007

The net book value of properties comprises:

	2020	2019
	£M	£M
Freehold	**1,559**	1,697

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 outbreak of COVID-19 and the restrictive lockdowns put in place by the UK government significantly impacted the 2020 results of the owned pub estate. The impact of governmental restrictions put in place across hospitality resulted in lower EBITDA and cash inflows, which triggered an impairment review being performed across property, plant and equipment of the pub estate. As a result, the impacted assets were reviewed for impairment by comparing their recoverable amount to carrying values. The Group considers that each of its individual pubs is a cash-generating unit (CGU). Following the impairment test, an impairment of £167m on owned PP&E and £5m relating to assets held for sale, was recorded in 2020. Recoverable amount is determined as being the higher of fair value less costs to dispose (FVLCD) or value in use (VIU). FVLCD is the appropriate measure in the current year and therefore the basis for impairment across the categories of assets.

The impairments have been charged to the line Administrative expenses in the Consolidated Statement of Comprehensive Income, as set out on page 23.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sensitivity analysis

Changes in valuation multiple, forecast cash flows and discount rate could materially impact the impairment charge recognised for property, plant and equipment.

Valuation multiple
In absence of up to date estate valuations and fair maintainable cash flows, and in order to calculate a FVLCD, an EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) multiple was applied to each pub's projected future cash flows. This is a typical market valuation methodology to determine a 'fair selling price' in this sector and a multiple of 10 times (10X) is deemed a reasonable mid-point, as confirmed with external consultants and based on prior market transactions. The most significant, relevant and recent transaction in the market generated a multiple of 11.4 times (11.4X) but it was for a portfolio of sites across London and South East England which consequently attracted a premium and higher multiplier. Given our portfolio covers a wider geographical area, the directors consider the 10X multiplier used as the basis for the impairment calculation is reasonable. Based on our experience, we do not consider it probable that a reduction in this multiple could occur.

Forecast cash flows
The forecast cash flows are based on site level expected future cash flows. The directors do not believe there is any material long term impact on the valuation of the Group's cash flows as a result of the COVID-19 pandemic, as evidenced by the strong bounce back in trade to pre-pandemic levels observed during the temporary lifting of trading restrictions.

13b) 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 747 (2019: 770) 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 right-of-use ("ROU") assets per asset class:

	2020	2019
	£M	£M
Land and buildings	**67**	77
Plant and equipment	**8**	7
Carrying amount ROU assets	**75**	84

During 2020 £6m (2019: £10m) was added to the ROU assets as a result of entering into new leases which did not exist at the beginning of the year and the remeasurement of existing leases. The depreciation of ROU assets during the financial year were as follows:

	2020	2019
	£M	£M
Land and buildings	**10**	10
Plant and equipment	**2**	2
Depreciation of ROU assets	**12**	12

The Group has benefited from a 9-month waiver of lease payments on some buildings. The waiver of lease payments totalling £20k was accounted for as a negative variable lease payment in Consolidated Statement of Comprehensive Income. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9.

The income from subleasing ROU assets was £2m (2019: £nil).

14. INTANGIBLE ASSETS

	Brands and licences	Customer lists	Software	Goodwill	Other intangibles	Total
	£M	£M	£M	£M	£M	£M
Cost						
At 1 January 2019	349	2	38	1	22	412
Additions	-	-	18	-	-	18
Transfers to assets held for sale (note 21)	-	-	-	-	(1)	(1)
Disposals	-	-	(17)	-	(2)	(19)
Effects due to change in accounting policy IFRS 16	-	-	-	-	(1)	(1)
At 31 December 2019	**349**	**2**	**39**	**1**	**18**	**409**
Additions	-	-	6	-	-	6
At 31 December 2020	**349**	**2**	**45**	**1**	**18**	**415**
Accumulated amortisation						
At 1 January 2019	100	1	24	-	1	126
Charge for the year	10	-	2	-	1	13
Disposals	-	-	(18)	-	-	(18)
At 31 December 2019	**110**	**1**	**8**	**-**	**2**	**121**
Charge for the year	10	1	5	-	-	16
At 31 December 2020	**120**	**2**	**13**	**-**	**2**	**137**
Net book value						
At 31 December 2020	**229**	**-**	**32**	**1**	**16**	**278**
At 31 December 2019	239	1	31	1	16	288

The Group has been granted licences by other group undertakings in respect of Strongbow and Bulmers cider brands. Brand licences are amortised over 25 years. Carrying amount of the cider brands was £37m (2019: £42m) and the remaining amortisation period was 8 years (2019: 9 years).

The Foster's brand is amortised over 50 years. Carrying amount was £192m (2019: £197m) and the remaining amortisation period was 37 years (2019: 38 years).

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

14. INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions
The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

Indefinite useful life

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

	2020	2019
	£M	£M
Goodwill	1	1
	1	1

15. 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 £98m as per 31 December 2020 (2019: £102m) and the total share of loss was £4m in 2020 (2019: £1m).

The investments in associates and joint ventures includes the interest of the Group in United Breweries Limited (UBL) in India. On 10 October 2018, officials from the Competition Commission of India visited UBL for an investigation in relation to allegations of price fixing. The updated investigation report was communicated to UBL on 19 March 2020. UBL has filed its comments to the investigation report on 28 August 2020. As the decision of the Competition Commission of India is pending, UBL deems it not practicable at this stage to estimate its potential financial effect, if any.

Summarised financial information for equity accounted joint ventures and associates:

	Joint ventures		Associates	
	2020	2019	2020	2019
	£M	£M	£M	£M
Carrying amounts of interest	8	8	90	94
Share of:				
Loss from continuing operations	-	-	(4)	(1)

16. 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.

	2020	2019
	£M	£M
Amounts falling due within one year		
Loans to customers	3	-
Advances to customers	7	-
	10	-

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2020	2019
	£M	£M
Amounts falling due after more than one year		
Loans to customers	-	5
Advances to customers	5	16
	5	21

Within the Consolidated Statement of Financial Position on page 24, in 2020, loans and advances to customers of £15m has been split between current and non-current assets. In comparison, in 2019, total loans and advances to customers of £21m have been classified as non-current assets. The 2019 classification of the full loans and advances to customers balance as non-current does not have a material impact to the users of the financial statements thus no reclassification was required or performed.

17. DEFERRED TAXATION

The deferred taxation balance is made up as follows:

	2020	2019
	£M	£M
Fixed assets	6	(22)
Temporary differences - trading	1	5
Temporary differences – non-trading	36	30
Tax losses	82	73
	125	86

	Accelerated tax depreciation	Provisions	Deferred interests deductions	Tax losses	Total
	£M	£M	£M	£M	£M
At 1 January 2019	(5)	5	35	78	113
(Charge) / Credit to profit and loss	(17)	2	(5)	(5)	(25)
(Charge) to other comprehensive income	-	(2)	-	-	(2)
At 1 January 2020	**(22)**	**5**	**30**	**73**	**86**
(Charge) / Credit to profit and loss	28	(4)	6	9	39
At 31 December 2020	**6**	**1**	**36**	**82**	**125**

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 on capital losses of £55m (2019: £49m) have not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

18. OTHER NON-CURRENT ASSETS

	2020 £M	Restated* 2019 £M
Prepayments, accrued income and fulfilment costs**	**26**	-
Investments	**3**	3
Loans to joint ventures and associates	**15**	6
Finance lease receivables	**11**	17
Funding amounts owed by direct and intermediate parent undertakings	**7,514**	7,366
Funding amounts owed by subsidiaries of direct and intermediate parent undertakings	**373**	377
	7,942	7,769

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

** Within the Consolidated Statement of Financial Position on page 24, in 2020, fulfilment costs of £21m have been split between current and non-current assets. In comparison, in 2019, total fulfilment costs of £25m have been classified as current assets. The 2019 classification of the full balance as current does not have a material impact to the users of the financial statements thus no reclassification was required or performed.

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.

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 (2019: 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 3.2%.

None of the finance lease receivable is past due at the 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 10.

	2020 £M	2019 £M
Amounts receivables under finance lease		
Less than 1 year	**5**	3
Between 1 and 5 years	**7**	11
Greater than 5 years	**4**	6
Undiscounted lease payments	**16**	20
Less unearned finance income	**1**	1
Present value of lease payments receivables	**15**	19
Lease receivable allowance for credit losses	**(4)**	-
Net investment in the lease	**11**	19

18. OTHER NON-CURRENT ASSETS (CONTINUED)

Finance Lease Receivables (continued)

Undiscounted lease payments analysed as:

	2020	2019
	£M	£M
Recoverable after 12 months	11	17
Recoverable within 12 months	5	3

Net investment in the lease analysed as:

	2020	2019
	£M	£M
Recoverable after 12 months	11	17
Recoverable within 12 months	-	2

19. INVENTORIES

	2020	2019
	£M	£M
Raw materials and consumables	10	8
Work in progress	42	45
Finished goods and goods for resale	54	50
	106	103

20. TRADE AND OTHER RECEIVABLES

	2020	Restated* 2019
	£M	£M
Amounts falling due within one year		
Trade receivables (net of provisions and factoring)	97	217
Other receivables		
Trade amounts owed by direct and intermediate parent undertakings	1	-
Trade amounts owed by subsidiaries of direct and intermediate parent undertakings	4	3
Other receivables	1	4
Amounts owed by joint ventures	5	-
	11	7
Prepayments, accrued income and fulfilment costs**	22	45
	130	269

20. 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	**2020 Total**	**Not past due**	**0-30 days**	**31-120days**	**Past due >120 days**
Gross	**127**	**77**	**13**	**10**	**27**
Allowance	**(19)**	**(3)**	**-**	**(4)**	**(12)**
	108	**74**	**13**	**6**	**15**

£M	Restated* 2019 Total	Not past due	0-30 days	31-120days	Past due >120 days
Gross	235	196	20	5	14
Allowance	(11)	-	-	(1)	(10)
	224	196	20	4	4

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

** Refer to note 18 on page 57 for further detail on prepayments, accrued income and fulfilment costs.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. *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 at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable. As a result of COVID-19 pandemic, the Group has taken a prudent approach in terms of the credit management procedures. Customers that are deemed to have a higher risk to the Group, their outstanding balance will either be fully or partially provided for based on the assessment carried out. Following the restart of On-trade from April 2021, the estimation techniques and significant assumptions made are being reviewed and will revert back pre-pandemic procedures.

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'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 18) at the year-end.

Amounts due by group undertakings are repayable on demand. An annual interest rate of 0.24% plus average Sterling Overnight Index Average (SONIA) (2019: 0.65% plus LIBOR) is charged on outstanding balances per annum. Amounts due by joint ventures bear interest of 4% (2019: 4%) plus LIBOR. All amounts reflect their fair values.

21. ASSETS CLASSIFIED AS HELD FOR SALE

	£M
Cost	
At 1 January 2019	2
Transfers from PPE (note 13a)	82
Transfers to PPE (note 13a)	(2)
Transfers from Intangible assets (note 14)	1
Disposals	(72)
At 31 December 2019	**11**
Transfers from PPE (note 13a)	18
Disposals	(14)
At 31 December 2020	**15**
Accumulated depreciation	
At 1 January 2019	-
Transfers from PPE (note 13a)	3
Disposals	(2)
At 31 December 2019	**1**
Impairment (note 7)	5
Transfers from PPE (note 13a)	1
Disposals	(1)
At 31 December 2020	**6**
Net book value	
At 31 December 2020	**9**
At 31 December 2019	10

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

Given the impact of COVID-19 on UK's markets and businesses, the Group assessed its pubs estates for an indication of an impairment. As a result the impacted assets were reviewed for impairment by comparing their recoverable amount to carrying values. Following the impairment tests, impairments of £5m on assets held for sale (2019: £nil) were recorded in 2020.

The impairments were charged to the line Administrative expenses in the Consolidated Statement of Comprehensive Income, as set out on page 23.

22. 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:

	2020	2019
	£M	£M
Cash at bank	**6**	17
Bank overdrafts (note 23b)	**(12)**	(3)
Cash and cash equivalents	**(6)**	14

22. CASH AND BANK BALANCES (CONTINUED)

Analysis of movement in financing activities:

	At 31 December 2019 £M	Financing cash flows £M	Other non-cash changes £M	At 31 December 2020 £M
Cash at bank	17	(11)	-	6
Cash and cash equivalents for the Consolidated Statement of Financial Position	**17**	**(11)**	**-**	**6**
Overdrafts	(3)	(9)	-	(12)
Cash and cash equivalents for the Consolidated Statement of Cash Flows	**14**	**(20)**	**-**	**(6)**
Lease liabilities	(108)	14	(1)	(95)
Group loans	(4,860)	50	(61)	(4,871)
Other financing liabilities	(19)	2	-	(17)
Liabilities from financing activities	**(4,987)**	**66**	**(62)**	**(4,983)**

Other non-cash changes consist of interest on intercompany loans and royalty income between Heineken UK Group companies and transactions relating to simplification of Heineken UK Group structure.

23. TRADE AND OTHER PAYABLES

	2020 £M	Restated* 2019 £M
Amounts falling due within one year		
Trade payables	**155**	282
Other payables		
Funding amounts owed to direct and intermediate parent undertakings	**3,185**	2,869
Funding amounts owed to subsidiaries of direct and intermediate parent undertakings	**876**	831
Trade amounts owed to direct and intermediate parent undertakings	**8**	7
Trade amounts owed to subsidiaries of direct and intermediate parent undertakings	**32**	27
Other payables	**21**	22
Bank overdrafts (note 22)	**12**	3
Lease liabilities	**14**	15
	4,148	**3,774**
Accruals and deferred income	**41**	41
Current tax liabilities		
Other taxation and social security	**136**	103
Tax payable	**23**	28
	159	131
	4,503	4,228

	2020 £M	2019 £M
Amounts falling due after more than one year		
Funding amounts owed to direct and intermediate parent undertakings	**810**	1,160
Preference shares (note 25)	**116**	116
Lease liabilities	**81**	93
Other payables	**1**	3
	1,008	1,372

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

Amounts due to group undertakings are repayable on demand. An annual interest rate of 0.24% plus average Sterling Overnight Index Average (SONIA) (2019: 0.65% plus LIBOR) is charged on outstanding balances with other 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% (2019: 2.57%) and variable rates of between LIBOR + 0.65% (2019: 0.65%) and LIBOR + 1.50% (1.50% from 3 October 2019, previously LIBOR + 0.75%).

23. TRADE AND OTHER PAYABLES (CONTINUED)

As a result of the COVID-19 pandemic, HMRC allowed a short-term postponement of payment of value added tax (VAT). As at 31 December 2020, an amount of £67m of delayed VAT payment is included in Other taxation and social security. The deferred VAT has been fully paid in March 2021.

Disclosure of the terms and conditions attached to the non-equity shares is made in note 25.

In accordance with IFRS the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% are shown under creditors with the balance shown under shareholders' funds.

Trade and other payables include lease liabilities of £14m (2019: £15m) and £81m (2019: £93m) due within one year and greater than one year respectively. The maturity of the lease liabilities and the contractual cash flows are as follows:

	Carrying amount	Contractual cash flows			
		Total	Less than 1 year	1 - 5 years	More than 5 years
	£M	£M	£M	£M	£M
Lease liabilities	95	144	17	40	87
Total 2020	**95**	**144**	**17**	**40**	**87**
Total 2019	108	164	18	48	98

24. PROVISIONS

	Onerous contracts	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2020	**9**	**15**	**2**	**26**
Created during the year	3	16	8	27
Released during the year	(6)	(9)	(3)	(18)
Utilised during the year	-	(1)	(1)	(2)
At 31 December 2020	**6**	**21**	**6**	**33**
Non-current	**6**	**6**	**1**	**13**
Current	**-**	**15**	**5**	**20**

A provision is a liability of uncertain timing or amount. A provision is recognised when the Group has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable (> 50%) that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of net finance expenses.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be received by the Group are lower than the unavoidable cost of meeting its obligations under the contract. 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. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

24. PROVISIONS (CONTINUED)

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.

Other
Other provisions primarily relate to insurance claims and stock credit provisions. £1m of stock credit provision will be utilised within the second and third quarter of 2021 respectively.

25. CALLED-UP SHARE CAPITAL

	2020 £M	2019 £M
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,019,070,089 (2019: 1,019,070,089) Ordinary shares of £1 (2019: £1) each (1,107,147,650 authorised shares)	**1,019**	1,019
13,376,175 (2019: 13,376,175) 6.5% Preference shares of £2 (2019: £2) each	**27**	27
	1,046	1,046

	2020 £M	2019 £M
Shares classified as debt		
Authorised, allotted, called up and fully paid		
58,050,000 (2019: 58,050,000) 6.5% Preference shares of £2 (2019: £2) each	**116**	116

6.5% 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 6.5% 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 6.5% are shown under creditors with the balance shown under shareholders' funds.

26. RESERVES

Other reserves
Other reserves represent cumulative dividends on preference shares treated as debt.

Profit and loss account
The profit and loss account represents 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.

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).

27. SHARE BASED PAYMENTS

As from 1 January 2006, a performance-based share plan (Long-term Variable Award, LTV) was established for the senior management of the Company. Under this LTV share rights are awarded to incumbents on an annual basis. The scheme is operated by Heineken N.V. The vesting of the share rights is subject to the performance of Heineken N.V. on specific performance conditions and continued service over a three-year period.

The performance conditions for LTV 2017–2019, LTV 2018-2020, LTV 2019-2021 and LTV 2020 - 2022 comprise solely of internal financial measures, being for LTV 2017 – 2022 Organic Net Revenue growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100 per cent of the shares will vest. At threshold performance, 50 per cent of the awarded shares vest. At maximum performance, 200 per cent of the awarded shares will vest.

The performance period for share rights granted in 2017 is from 1 January 2017 to 31 December 2019. The performance period for share rights granted in 2018 is from 1 January 2018 to 31 December 2020. The performance period for share rights granted in 2019 is from 1 January 2019 to 31 December 2021. The performance period for share rights granted in 2020 is from 1 January 2020 to 31 December 2022.

The vesting date for senior management is the latest of 1 April and 20 business days after the publication of the annual results of 2020, 2021 and 2022 respectively. As a result of COVID-19, performance thresholds were missed and the 2018-2020 LTIP plan did not vest in April 2021.

As Heineken N.V. will withhold the tax related to vesting on behalf of the individual employees of the Company, the number of Heineken N.V. shares to be received by senior management will be a net number.

The effect of future expected grants is recognised in the Consolidated Statement of Comprehensive Income during the performance period and amounts to a charge of £829,945 in 2020 (2019: £840,316).

	Number 2020	Number 2019
Outstanding at the beginning of the year	**52,672**	59,127
Granted during the year	**22,563**	16,217
Forfeited during the year	**(4,352)**	(11,282)
Vested during the year	**(13,143)**	(11,390)
Outstanding at the end of the year	**57,740**	52,672
Share price as at 31 December in EUR (€)	**91.22**	94.92

The terms and conditions of the share rights granted are as follows:

In EUR (€)

Grant date/employees entitled	**Number ***	**Based on share price**	**Vesting conditions**	**Contractual life of right**
Share rights granted to senior management in 2017	14,817	71.26	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2018	21,638	86.93	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2019	16,217	77.20	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2020	22,563	94.92	Continued service, 100% internal financial measures	3 years

* The number of shares is estimated based on target performance.

Amounts presented in EUR as this is the currency Heineken N.V. shares are denominated.

28. 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 2020 the Group had future minimum lease income under non-cancellable operating leases as follows:

	2020	2019
	£M	£M
Not later than 1 year	**64**	72
Later than 1 year and not later than 5 years	**166**	197
Later than 5 years	**206**	450
TOTAL	**436**	719

29. OFF- BALANCE SHEET COMMITMENTS

	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**

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.

29. OFF- BALANCE SHEET COMMITMENTS (CONTINUED)

	2019	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	3	3	-	-
Marketing and merchandising commitments	29	26	3	-
Other off-balance sheet obligations	899	146	338	415
Off-balance sheet obligations	**939**	**183**	**341**	**415**

During the year ended 31 December 2019 £7m was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases and rent.

As per the introduction of IFRS 16, operating lease commitments are capitalised on Consolidated Statement of Financial Position as per 1 January 2019. The discounted future lease commitments are reported under Other Payables. The contractual maturities for the capitalised leases are included in the table of note 23.

Before 1 January 2019 operating lease commitments were not recognised in the Group's Consolidated Statement of Financial Position. Payments made under operating leases were charged to Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease. The lease commitments contain lease payments for the non-cancellable period of the lease and the period of extension options that are reasonably certain to be exercised.

30. PENSION COMMITMENTS

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes 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 (2019: £12m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions of £nil (2019: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

Defined benefit schemes

Certain current and past employees of the Company and Group are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the Group. It has previously been determined that Scottish & Newcastle Limited is the principal employer of the scheme 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 2019, 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 2020. The schedule of contributions will be reviewed and jointly agreed by the Trustees and Scottish and Newcastle Limited no later than 15 months after the effective date of each actuarial valuation due every three years. The associated cost of £45m (2019: £43m) has been charged to the Company. The net pension scheme liability, to which the Company has an obligation to make payments, is £280m at 31 December 2020 (2019: £354m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

31. TRANSACTIONS WITH RELATED PARTIES

	2020	2019
Joint ventures:	£M	£M
Purchases	(58)	(77)

	2020	2019
Associates:	£M	£M
Sales	1	2
Purchases	(9)	(9)

	2020	2019
Group companies – trading activities:	£M	£M
Sales	27	28
Purchases	(208)	(221)
Other transactions	(16)	(1)

	2020	2019
	£M	£M
Amounts owed by joint ventures (within receivables)	-	-
Amounts owed to joint ventures (within payables)	-	-

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:

	2020	2019
	£M	£M
Total directors' remuneration		
Short term employee benefits	3	5
Share based payments	1	1
Other long-term employee benefits	-	-
	4	6

	2020	2019
	£M	£M
Highest paid director		
Short term employee benefits	1	1
Share based payments	-	-
Other long-term employee benefits	-	-
	1	1

The Group operates a defined contribution pension scheme. In the year there were 8 directors to whom retirement benefits were accruing under this scheme (2019: 9 directors).

Directors may be eligible for share and share options of the ultimate parent company, Heineken N.V. During the year 8 directors received such awards in respect of qualifying services (2019: 11 directors), further details per note 27.

32. EVENTS AFTER THE REPORTING DATE

On 28 January 2021, Heineken UK Limited acquired the remaining 51% share capital of Brixton Brewery Limited ("Brixton") making it a wholly owned subsidiary. Consideration for the acquisition consisted cash paid plus deferred consideration which will be calculated based on an earn-out period from the purchase date to 31 December 2023.

In March 2021, the Group paid a distribution in specie of £1,032m to its parent, Scottish & Newcastle Limited. This transaction is related to the steps to reduce the capital of S&N Angel Investments Limited, while mitigating any foreign currency risk across the UK Group.

During April 2021, the Group drew down additional funds of £90m from an already available borrowing facility with its intermediary parent company, Heineken International B.V., of which £25m was repaid in June 2021. Additionally, a new loan facility with Heineken International B.V. of £100m was entered into to fund short-term cash need over 2021 as the continued impact of the COVID-19 restrictions impacted the Group's cash position, in addition to settling VAT deferred from 2020. This loan facility was fully repaid in June 2021.

33. 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. 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 N.V., a company registered and incorporated in the Netherlands is the parent for the largest and smallest group of undertakings for which group financial statements were drawn up and of which the Company was a member. 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.

34. 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 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 £0.3m.

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £M	Restated* 2019 £M
ASSETS			
Non-current assets			
Property, plant and equipment	8	**375**	397
Other intangible assets	9	**70**	73
Investment in subsidiaries	10	**1,109**	1,109
Interests in joint ventures and associates	11	**103**	103
Loans and advances to customers	12	**4**	21
Deferred tax asset	13	**87**	79
Other non-current assets	14	**7,501**	7,488
		9,249	9,270
Current assets			
Loans and advances to customers	12	**10**	-
Inventories	15	**106**	102
Trade receivables	16	**83**	193
Other receivables	16	**156**	114
Prepayments and accrued income	16	**9**	18
Current tax assets	16	**70**	63
Cash and bank balances		**4**	10
		438	500
Total assets		**9,687**	9,770
LIABILITIES			
Current liabilities			
Trade payables	17	**(150)**	(271)
Other payables	17	**(3,819)**	(3,465)
Accruals and deferred income	17	**(32)**	(33)
Current tax liabilities	17	**(131)**	(83)
Provisions	18	**(17)**	(11)
		(4,149)	(3,863)
Net current liabilities		**(3,711)**	(3,363)
Non-current liabilities			
Provisions	18	**(8)**	(10)
Other non-current liabilities	17	**(969)**	(1,326)
		(977)	(1,336)
Total liabilities		**(5,126)**	(5,199)
Net assets		**4,561**	4,571

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 DECEMBER 2020

	Note	2020 £M	Restated* 2019 £M
EQUITY			
Called-up share capital	19	**1,046**	1,046
Other reserves	20	**(116)**	(116)
Retained earnings	20	**3,631**	3,641
		4,561	4,571
Capital and reserves attributable to:			
Owners of Heineken UK Limited		**4,561**	4,571
Non-controlling interest		**-**	-
Total Equity		**4,561**	4,571

* The Company Statement of Financial Position at 31 December 2019 has been restated as set out in notes 3, 14, 16 and 17.

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 loss after tax of £9m and £1m other comprehensive expense for the year ended 31 December 2020 (2019: profit after tax of £3,697m and £1m other comprehensive expense).

The financial statements on pages 70 to 92 were approved and authorised for issue by the board and were signed on its behalf on 08-Sep-2021 by:

DocuSigned by:
Radovan Sikorsky
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R Sikorsky
Director

The notes on pages 73 to 92 form part of these financial statements.

HEINEKEN UK LIMITED

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

	Called-up share capital	Other reserves	Profit and loss account	Total equity
	£M	£M	£M	£M
Balance at 1 January 2020	**1,046**	**(116)**	**3,641**	**4,571**
Comprehensive expense for the financial year	-	-	(1)	(1)
Loss for the financial year	-	-	(9)	(9)
Total comprehensive expense for the financial year	**-**	**-**	**(10)**	**(10)**
Total transactions with owners	**-**	**-**	**-**	**-**
Balance at 31 December 2020	**1,046**	**(116)**	**3,631**	**4,561**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called-up share capital	Other reserves	Profit and loss account	Total equity
	£M	£M	£M	£M
Balance at 1 January 2019	1,046	(116)	(55)	875
Comprehensive expense for the financial year	-	-	(1)	(1)
Profit for the financial year	-	-	3,697	3,697
Total comprehensive income for the financial year	-	-	3,696	3,696
Total transactions with owners	-	-	-	-
Balance at 31 December 2019	1,046	(116)	3,641	4,571

The notes on pages 73 to 92 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Heineken UK Limited (the "Company") is the United Kingdom'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 United Kingdom 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.

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 Financial Reporting Standard 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 a cash flow statement, comparative reconciliations for fixed assets, standards not yet effective, 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 consolidated 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 70 to 71 of the financial statements. The Company has net assets of £4,561m (2019: £4,571m) and net current liabilities of £3,711m (2019: £3,363m). Funding amounts owed to other group companies of £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 owing 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 16.

3. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

As noted in the Strategic Report on pages 7-9 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Director's Report details the additional work we have undertaken, and factors considered as a result of COVID-19 and confirms our ability to continue on a going concern basis.

Investments in subsidiaries

Investments held in fixed 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 the Statement of Comprehensive Income, 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.

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 Heineken 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 and 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.

Prior year restatement

The 2019 Statement of Financial Position has been restated to correct a classification error in relation to the presentation of amounts due from and to group companies. Amounts due from group companies of £7,479m were not expected to be realised within 12 months of 31 December 2019 and have therefore been reclassified from current assets to non-current assets. In addition, the Statement of Financial Position has been restated to correct presentation of amounts due to group companies. An amount due to group companies of £1,160m has been transferred from current liabilities to non-current liabilities as the liability is not due to be settled within twelve months of 31 December 2019. This reclassification has no impact on the Statement of Comprehensive Income in either the current year or prior year.

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 judgements in applying accounting policies of the Company are the same as those of the Group which are set out in note 4 to the consolidated financial statements.

Key sources of estimation uncertainty

The estimates in applying accounting policies of the Company are the same as those of the Group which are set out in the note 4 to the consolidated 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 loss after tax of £9m and £1m other comprehensive expense for the year ended 31 December 2020 (2019: profit after tax of £3,697m and £1m other comprehensive expense).

6. FINANCE COSTS

	2020	2019
	£M	£M
Impairment of investment in subsidiary	**-**	908
Interest payable to group undertakings	**40**	78
Bank interest payable	**-**	2
Interest expense on lease liabilities	**1**	2
Other	**1**	1
	42	991

7. EMPLOYEES

	2020	2019
	£M	£M
Wages and salaries	**110**	106
Social security costs	**14**	13
Other pension costs	**58**	55
Restructuring costs	**9**	1
	191	175

7. EMPLOYEES (CONTINUED)

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

	2020	2019
	No.	No.
Supply chain	**1,040**	1,146
Finance	**139**	138
Commerce	**981**	645
Information technology	**97**	105
Human resource	**63**	61
General management	**48**	62
	2,368	2,157

During the year, employee costs of Star Pubs & Bars Limited, a direct subsidiary of the Company, are recognised within the Company's employee costs. The change is following a review of the employment contracts of these employees and Companies Act 2006 S411 (Information about employee numbers and costs). These employees are employed by the Company thus their costs are recognised here. A total of £16.9m (2019: £nil) of employee costs and 263 (2019: nil) monthly average employees have been recognised in the year.

In 2020, Government grants were received in relation to the Coronavirus Job Retention Scheme (CJRS), to contribute towards the cost of employee wages and salaries, social security costs and pensions. This was introduced by the UK Government in response to the COVID-19 pandemic. The total Government grant received in relation to CJRS was £4m (2019: £nil).

8. 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:

	2020	2019
	£M	£M
Property, plant and equipment – owned assets (note 8a)	**324**	338
Right of use assets (note 8b)	**51**	59
	375	397

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8a) Owned assets

	Land and buildings £M	Plant and equipment £M	Total £M
Cost			
At 1 January 2020	**191**	**505**	**696**
Additions	**3**	**20**	**23**
Disposals	**(3)**	**(36)**	**(39)**
At 31 December 2020	**191**	**489**	**680**
Accumulated depreciation			
At 1 January 2020	**66**	**292**	**358**
Charge for the year	**5**	**27**	**32**
Disposals	**(1)**	**(33)**	**(34)**
At 31 December 2020	**70**	**286**	**356**
Net book value			
At 31 December 2020	**121**	**203**	**324**
At 31 December 2019	125	213	338

The net book value of properties comprises:

	2020 £M	2019 £M
Freehold	**121**	125

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.

8b) 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 right-of-use ("ROU") assets per asset class:

	2020 £M	2019 £M
Land and buildings	**42**	52
Plant and equipment	**9**	7
Carrying amount ROU assets	**51**	59

During 2020 £3m (2019: £9m) was added to the ROU assets as a result of entering into new leases which did not exist at the beginning of the year and the remeasurement of existing leases. The depreciation of ROU assets during the financial year were as follows:

	2020 £M	2019 £M
Land and buildings	**9**	9
Plant and equipment	**2**	2
Depreciation of ROU assets	**11**	11

9. INTANGIBLE ASSETS

	Brand licences	Customer lists	Software	Total
	£M	£M	£M	£M
Cost				
At 1 January 2020	115	2	39	156
Additions	-	-	7	7
At 31 December 2020	115	2	46	163
Accumulated amortisation				
At 1 January 2020	73	2	8	83
Charge for the year	5	-	5	10
At 31 December 2020	78	2	13	93
Net book value				
At 31 December 2020	37	-	33	70
At 31 December 2019	42	-	31	73

The Company has been granted licences by other group undertakings in respect of Strongbow and Bulmers cider brands. Brand licences are amortised over 25 years. Carrying amount of the cider brands was £37m (2019: £42m) and the remaining amortisation period was 8 years (2019: 9 years).

Sensitivity to changes in assumptions
The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

10. INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiary companies
	£M
Cost	
At 1 January 2020	1,531
Additions	-
At 31 December 2020	1,531
Impairment	
At 1 January 2020	422
At 31 December 2020	422
Net book value	
At 31 December 2020	1,109
At 31 December 2019	1,109

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2020 are provided in the appendix to the financial statements (see pages 88 to 92).

11. INTERESTS IN JOINT VENTURES AND ASSOCIATES

The Company has interest in a number of joint ventures and associates. The total carrying amount of these joint ventures and associates was £103m as per 31 December 2020 (2019: £103m).

The investments in associates and joint ventures includes the interest of the Group in United Breweries Limited (UBL) in India. Refer to note 15 of the consolidated financial statements for further detail.

Summarised financial information for joint ventures and associates:

	Joint Ventures	Associates
	£M	£M
Cost		
At 1 January and 31 December 2020	7	96
Net book value		
At 31 December 2020	7	96
At 31 December 2019	7	96

12. 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.

	2020	2019
	£M	£M
Amounts falling due within one year		
Loans to customers	3	-
Advances to customers	7	-
	10	-
Amounts falling due after more than one year		
Loans to customers	-	5
Advances to customers	4	16
	4	21

Within the Company Statement of Financial Position on page 70, in 2020, loans and advances to customers of £14m has been split between current and non-current assets. In comparison, in 2019, total loans and advances to customers of £21m have been classified as non-current assets. The 2019 classification of the full loans and advances to customers balance as non-current does not have a material impact to the users of the financial statements thus no reclassification was required or performed.

13. DEFERRED TAXATION

The deferred taxation balance is made up as follows:

	2020	2019
	£M	£M
Accelerated capital allowances	9	8
Other timing differences	2	3
Tax losses	76	68
	87	79

	Accelerated tax depreciation	Tax losses	Other	Total
	£M	£M	£M	£M
At 1 January 2019	16	71	3	90
(Charge)/credit to profit and loss	(8)	(3)	1	(10)
(Charge) to other comprehensive income	-	-	(1)	(1)
At 1 January 2020	8	68	3	79
Credit/(charge) to profit and loss	1	8	(1)	8
At 31 December 2020	9	76	2	87

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 on capital losses of £14m (2019: £12m) have not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance (No. 2) Act 2015 and The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% would not occur and the Corporation Tax Rate was to be held at 19%. This change was substantively enacted on 17 March 2020. Deferred Tax is recognised at the rate substantively enacted at the Statement of Financial Position date and this has resulted in an increase to the deferred tax asset.

In the March 2021 the UK Government announced a further increase to the main Corporation Tax Rate from 19% to 25% with effect from 1 April 2023. As enactment of this change is after the Statement of Financial Position date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The Company, however, expects that deferred tax assets for future financial years to be measured at the increased rate of 25%. This will result in a one-off increase to the deferred tax asset of £28m and an increase to the tax credit accordingly in the financial year ended 31 December 2021.

14. OTHER NON-CURRENT ASSETS

	2020	Restated* 2019
	£M	£M
Investments	**3**	3
Loans to joint ventures and associates	**15**	6
Funding amounts owed by direct and intermediate parent undertakings and their subsidiaries	**6,103**	6,076
Funding amounts owed by direct and indirect subsidiary undertakings	**1,380**	1,403
	7,501	7,488

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

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.

15. INVENTORIES

	2020	2019
	£M	£M
Raw materials and consumables	**10**	8
Work in progress	**42**	45
Finished goods and goods for resale	**54**	49
	106	102

16. RECEIVABLES

	2020	Restated* 2019
	£M	£M
Amounts falling due within one year		
Trade receivables (net of provisions and factoring)	**83**	193
Other receivables		
Trade amounts owed by direct and intermediate parent undertakings and their subsidiaries	**3**	1
Trade amounts owed by direct and indirect subsidiary undertakings	**147**	113
Amounts owed by joint ventures	**5**	-
Other receivables	**1**	-
	156	114
Prepayments and accrued income	**9**	18
Current tax assets		
Group relief	**67**	63
Other current tax	**3**	-
	70	63
	318	388

16. RECEIVABLES (CONTINUED)

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

Amounts due by group undertakings are repayable on demand. An annual interest rate of 0.24% plus average Sterling Overnight Index Average (SONIA) (2019: 0.65% plus LIBOR) is charged on outstanding balances per annum. Amounts due by joint ventures bear interest of 4% (2019: 4%) plus LIBOR.

17. PAYABLES

	2020	Restated* 2019
	£M	£M
Amounts falling due after more than one year		
Funding amounts owed to direct and intermediate parent undertakings	**810**	1,160
Preference shares	**116**	116
Lease liabilities	**43**	50
	969	1,326

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

Disclosure of the terms and conditions attached to the non-equity shares is made in note 19. In accordance with FRS 101 the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% (2019: 6.5%) are shown under creditors with the balance shown under shareholders' funds.

	2020	Restated* 2019
	£M	£M
Amounts falling due within one year		
Trade payables	**150**	271
Other payables		
Bank overdrafts	**12**	3
Funding amounts owed to direct and intermediate parent undertakings and their subsidiaries	**3,351**	2,873
Trade amounts owed to direct and intermediate parent undertakings and their subsidiaries	**40**	194
Funding amounts owed to direct and indirect subsidiary undertakings	**201**	195
Trade amounts owed to direct and indirect subsidiary undertakings	**203**	184
Other payables	**1**	5
Lease liabilities	**11**	11
	3,819	3,465
Accruals and deferred income	**32**	33
Other taxation and social security	**131**	83
	4,132	3,852

17. PAYABLES (CONTINUED)

* Amounts due from group companies as at 31 December 2019 have been restated as set out in note 3.

The bank overdrafts are unsecured. The Company is a participant in group cash pooling arrangements. Amounts due to group undertakings are repayable on demand. An annual interest rate of 0.24% plus average Sterling Overnight Index Average (SONIA) (2019: 0.65% plus LIBOR) is charged on outstanding balances with other 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% (2019: 2.57%) and variable rates of between LIBOR + 0.65% (2019: 0.65%) and LIBOR + 1.50% (1.50 % from 3 October 2019, previously LIBOR + 0.75%).

As a result of the COVID-19 pandemic, HMRC allowed a short-term postponement of payment of value added tax (VAT). As at 31 December 2020, an amount of £67m of delayed VAT payment is included in Other taxation and social security. The deferred VAT has been fully paid in March 2021.

Trade and other payables include lease liabilities of £11m (2019: £11m) and £43m (2019: £50m) due within one year and greater than one year respectively. The maturity of the lease liabilities and the contractual cash flows are as follows:

	Carrying amount	Contractual cash flows			
		Total	Less than 1 year	1 - 5 years	More than 5 years
	£M	£M	£M	£M	£M
Lease liabilities	54	81	12	24	45
Total 2020	**54**	**81**	**12**	**24**	**45**
Total 2019	61	92	13	30	49

18. PROVISIONS

	Onerous leases	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2020	**4**	**16**	**1**	**21**
Created during the year	-	15	5	20
Released during the year	(3)	(9)	(3)	(15)
Utilised during the year	-	(1)	-	(1)
At 31 December 2020	**1**	**21**	**3**	**25**
Non-current	**1**	**6**	**1**	**8**
Current	**-**	**15**	**2**	**17**

Onerous leases
The provision for onerous leases relates to a number of leasehold properties which are surplus to requirements. It is expected that the majority of this provision will be utilised within the next five years.

Restructuring
The restructuring provision relates to a significant reorganisation to business support capabilities within the UK.

Other
The other provision primarily relates to insurance claims. It is expected that the majority of this provision will be utilised within the next five years.

19. CALLED-UP SHARE CAPITAL

	2020 £M	2019 £M
Shares classified as equity		
Authorised, allotted, called-up and fully paid		
1,019,070,089 (2019: 1,019,070,089) Ordinary shares of £1 (2019: £1) each (1,107,147,650 authorised shares)	**1,019**	1,019
13,376,175 (2019: 13,376,175) 6.5% Preference shares of £2 (2019: £2) each	**27**	27
	1,046	1,046

	2020 £M	2019 £M
Shares classified as debt		
Authorised, allotted, called-up and fully paid		
58,050,000 (2019: 58,050,000) 6.5% Preference shares of £2 (2019: £2) each	**116**	116

6.5% 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 6.5% 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 6.5% are shown under creditors with the balance shown under shareholders' funds.

20. RESERVES

Other reserves
Other reserves represent cumulative dividends on preference shares treated as debt.

Profit and loss account
The profit and loss account represents the accumulated profits, losses and distributions of the Company.

21. OPERATING LEASE RECEIVABLES

As per introduction of IFRS 16 the Company held no finance lessor agreements as at 31 December 2020. 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 2020 the Company had future minimum lease income under non-cancellable operating leases as follows:

	2020 £M	2019 £M
Later than 1 year and not later than 5 years	**1**	1
Later than 5 years	**1**	1
TOTAL	**2**	2

22. OFF-BALANCE SHEET COMMITMENTS

	2020 £M	Less than 1 year £M	1-5 years £M	More than 5 years £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**

As per the introduction of IFRS 16, operating lease commitments are capitalised on Statement of Financial Position as per 1 January 2019. The discounted future lease commitments are reported under Payables. The contractual maturities for the capitalised leases are included in the table of note 16.

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.

	2019 £M	Less than 1 year £M	1-5 years £M	More than 5 years £M
Property, plant and equipment ordered	8	8	-	-
Raw materials purchase contracts	3	3	-	-
Marketing and merchandising commitments	29	26	3	-
Other off-balance sheet obligations	899	146	338	415
Off-balance sheet commitments	**939**	**183**	**341**	**415**

23. PENSION COMMITMENTS

Defined contribution schemes
The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes 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 (2019: £10m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £nil (2019: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

Defined benefit schemes
Certain employees of the Company are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the group. As part of the transition to FRS 101, it has been determined that Scottish & Newcastle Limited is the principal employer of the scheme 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 2019, 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 2020. The schedule of contributions will be reviewed and jointly agreed by the Trustees and Scottish and Newcastle Limited no later than 15 months after the effective date of each actuarial valuation due every three years. The associated cost of £45m (2019: £43m) has been charged to the Statement of Comprehensive Income of the Company. The net pension scheme liability, to which the Company have an obligation to make payments, is £280m at 31 December 2020 (2019: £354m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

24. TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	2020	2019
Joint ventures:	£M	£M
Purchases	(61)	(77)

	2020	2019
Associates:	£M	£M
Sales	1	2
Purchases	(9)	(9)

	2020	2019
	£M	£M
Amounts owed by joint ventures (within receivables)	-	-
Amounts owed to joint ventures (within payables)	-	-

25. EVENTS AFTER THE REPORTING DATE

On 28 January 2021, Heineken UK Limited acquired the remaining 51% share capital of Brixton Brewery Limited ("Brixton") making it a wholly owned subsidiary. Consideration for the acquisition consisted cash paid plus deferred consideration which will be calculated based on an earn-out period from the purchase date to 31 December 2023.

In March 2021, the Company received a distribution in specie of £1,021m from its subsidiary, S&N Angel Investments Ltd, offset by impairments of investments of £797m. The Company then paid a distribution in specie of £1,032m to its parent, Scottish & Newcastle Limited. These transactions are related to the steps to reduce the capital of S&N Angel Investments Limited, while mitigating any foreign currency risk across the UK Group.

In May 2021, the Company received a distribution of £60m from its subsidiary, S&NF Limited.

During April 2021, the Company drew down additional funds of £90m from an already available borrowing facility with its intermediary parent company, Heineken International B.V., of which £25m was repaid in June 2021. Additionally, a new loan facility with Heineken International B.V. of £100m was entered into to fund short-term cash need over 2021 as the continued impact of the COVID-19 restrictions impacted the Company's cash position, in addition to settling VAT deferred from 2020. This loan facility was fully repaid in June 2021.

26. ULTIMATE PARENT COMPANY

Refer to note 33 of the consolidated financial statements for information on the Company's immediate and ultimate parent undertaking.

The parent undertaking of the smallest group of undertakings for which group financial statements were drawn up and of which the Company was a member, was Heineken UK Limited, a company registered in Scotland. Copies of its financial statements may be obtained from the Company Secretary, Heineken UK Limited, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, which is also its registered office. Please refer to pages 29-30 of the Group financial statements, detailing the guarantee provided by the Company for its subsidiaries in relation to the subsidiary audit exemption and the dormant subsidiary exemption from the preparation and filing of financial statements.

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 £0.3m.

APPENDIX TO THE FINANCIAL STATEMENTS

List of subsidiaries as at 31 December 2020:

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
Blue Star Pub Company Limited (2)	Scotland	Ordinary	100%
Caledonian Brewery Limited (2)	Scotland	Ordinary	100%
Heineken UK (Canada) Inc. (5)	Canada	Ordinary	100%
Heineken UK Group Life Scheme Trust Company Limited (2)	Scotland	Ordinary	100%
Newcastle Federation Breweries Limited (1)	England & Wales	Ordinary	100%
Punch Taverns (Chiltern) Limited (1)	England & Wales	Ordinary	100%
Punch Taverns Loanco (A) Limited (1)	England & Wales	Ordinary	100%
S&N Angel Investments Ltd. (1) A	England & Wales	Ordinary	100%
S&NF Limited (2)	Scotland	Ordinary	100%
Star Pubs & Bars Limited (2)	Scotland	Ordinary	100%
The Globe Pub Company Limited (1)	England & Wales	Ordinary	100%

INDIRECT SUBSIDIARY UNDERTAKINGS

At 31 December 2020 investments were indirectly held in the following companies:

Name	Country of incorporation	Class of shares	Holding
Blue Star Pub Company Holdings (No.2) Limited (3) D	Jersey	Ordinary	100%
Fountain Pub Company Limited (1)	England &Wales	Ordinary	100%
Red Star Pub Company (WR III) Limited (1)	England & Wales	Ordinary	100%
Red Star Pub Company (WR) Limited (2)	Scotland	Ordinary	100%
Red Star Pub Company (WRH) Limited (2)	Scotland	Ordinary	100%
Red Star Pub Company (WR II) Limited (2)	Scotland	Ordinary	100%
Refresh Pub Company (Holdings) Limited (3) D	Jersey	Ordinary	100%
Broadway Inns Limited (1)	England & Wales	Ordinary	100%
Scottish & Newcastle Property 3 Limited (1)	England & Wales	Ordinary	100%
Star Pubs & Bars (Property) Limited (1)	England & Wales	Ordinary	100%
Agnew Stores (Holdings) Limited (2) B	Scotland	Ordinary	100%
Alloa Brewery Company Ltd (2) B	Scotland	Ordinary	100%
Alloa Pubs & Restaurants Ltd (2) C	Scotland	Ordinary	100%
Ansells Properties Ltd (1) C	England & Wales	Ordinary	100%
B.W.B. Ltd (1) B	England & Wales	Ordinary	100%
BK Investments Ltd (1) B	England & Wales	Ordinary	100%
Friary Meux Ltd (1) B E	England & Wales	Ordinary	100%
Graham's Golden Lager Ltd (2) D	Scotland	Ordinary	100%
Ind Coope (London) Ltd (1) C	England & Wales	Ordinary	100%

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Country of incorporation	Class of shares	Holding
Inn Business Property Ltd (1) B	England & Wales	Ordinary	100%
Marr Holdings Ltd (1) C	England & Wales	Ordinary	100%
Marr Taverns Ltd (1) D	England & Wales	Ordinary	100%
Punch Management Services Limited (1) D	England & Wales	Ordinary	100%
Punch Partnerships (PTL) Limited (1)	England & Wales	Ordinary	100%
Punch Taverns (DC) Holdings Ltd (1) C	England & Wales	Ordinary	100%
Punch Taverns (FH) Limited (1) C	England & Wales	Ordinary	100%
Punch Taverns (Fradley) Limited (1) D	England & Wales	Ordinary	100%
Punch Taverns (IB) Limited (1) C	England & Wales	Ordinary	100%
Punch Taverns (Jubilee) Limited (1)	England & Wales	Ordinary	100%
Punch Taverns (MH) Ltd (1) C	England & Wales	Ordinary	100%
Punch Taverns (PPCF) Limited (1) C	England & Wales	Ordinary	100%
Punch Taverns (PR) Ltd (1) B	England & Wales	Ordinary	100%
Punch Taverns (RH) Limited (1) B	England & Wales	Ordinary	100%
Punch Taverns (VPR) Ltd (1) B	England & Wales	Ordinary	100%
Punch Taverns Finance plc (1) F	England & Wales	Ordinary	100%
Punch Taverns Holdco (A) Limited (1)	England & Wales	Ordinary	100%
Punch Taverns Holdings Limited (1)	England & Wales	Ordinary	100%
Punch Taverns Intermediate Holdco (A) Limited (1)	England & Wales	Ordinary	100%
Punch Taverns Properties Limited (1)	England & Wales	Ordinary	100%
Tetley Walker Limited (1) B	England & Wales	Ordinary	100%
Tolchard & Sons Limited (1) B	England & Wales	Ordinary	100%
Walker Cain Ltd (1) B	England & Wales	Ordinary	100%

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

PARTICIPATING INTERESTS

JOINT VENTURES AND ASSOCIATES

Name	Principal activity	Country of incorporation[17]	Class of shares	Holding	Year-end
Brixton Brewery Limited[9] G	Brewery	England & Wales	Ordinary	49%	30 Sep
Camerons Brewery Limited [4]	Brewery	England & Wales	Ordinary	24%	30 Apr
Coors On-Line Limited [11]	Financing	England & Wales	Ordinary	27%	31 Dec
Serviced Dispense Equipment (Holdings) Limited [6]	Technical services	England & Wales	Ordinary	49.95%	29 Dec
TP & Munch Limited [10]	Brewery	England & Wales	Ordinary	49%	31 Mar
T.& R. Theakston Limited [7]	Brewery	England & Wales	Ordinary.	28.3%	31 Dec
United Breweries Limited [8]	Brewery	India	Ordinary	3.21%	31 Mar

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

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 Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG
(4) Registered address of Main Gate House, Waldon Street, Hartlepool, Cleveland, TS24 7QS
(5) Registered address of 33 Carlingview Drive, Etobicoke ON M9W 5E4, Canada
(6) Registered address of Maltings Building, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
(7) Registered address of The Brewery, Masham, Ripon, North Yorkshire, HG4 4YD
(8) Registered address of UB Tower, Level 4, UB City, 24 Vittal Mallya Road, Bangalore (Karnataka), 560 001, India
(9) Registered address of Unit 1&2, Dylan Road, London, SE24 0HL
(10) Registered address of Unit 17 and 18, Lockwood Industrial Estate, Mill Mead Road, London, N17 9PQ
(11) 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 subsequent to the reporting date have been approved:

A Denotes a subsidiary the Company has a 100% direct interest in, which the capital of the subsidiary was reduced to a de-minimis amount during 2021.

B Denotes a subsidiary the Company has a 100% indirect interest in, which the capital of the subsidiary was reduced to a de-minimis amount during 2021.

C Denotes a subsidiary the Company has a 100% indirect interest in, which an application to voluntarily strike off the subsidiary was submitted to Companies House during 2021.

D Denotes a subsidiary the Company has a 100% indirect interest in, which was dissolved during 2021.

E Name of the company changed in April 2021 to XXFM Limited.

F 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.

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

The Company had a 100% indirect interest in the below 72 subsidiary companies, which were dissolved in September 2020:

- ADR Financial Services (Birmingham) Limited
- ADR Financial Services (Finchley) Limited
- Agnews Liquorworld Limited
- Andrew Dick & Sons Limited
- Ansells Ind Coope (South Wales) Limited
- Ansells Leisure Limited
- Ansells Limited
- Archibald Arrol & Sons Ltd
- Ardeer Tavern (unlimited)
- Bartlett & Hobbs Limited
- Brierley Court Hop Farms Limited
- Bruce's Brewery (World's End) Limited
- Bunker Beverage Company Limited
- Cameron Park Limited
- Caskies of Alloa Limited
- Cavalier Restaurants Limited
- Chas Rose & Company Limited
- Cougar Beer Company Limited
- Dalgarno (Wine Cellars) Limited
- Duke's of Argyle Street Limited
- Duke's of Exchange Place Limited
- Golisha Limited

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company had a 100% indirect interest in the below 72 subsidiary companies, which were dissolved in September 2020 (continued):

- Guildford Holdings Limited
- Halls Brewery Company Limited
- Hooden Horse Inns Limited
- I.C.E.A. Limited
- Ind Coope (E.M.) Limited
- Ind Coope (West Midlands) Limited
- Ind Coope-Friary Meux Limited
- Inn Business (Marr) Limited
- Inn Business (Sycamore) Limited
- Inn Business Limited
- Ivell Inns Limited
- J T & S (Allied) Limited
- J. & M. Polson Limited
- L&P 34 Limited
- La Societe Brasserie Bleu Limited
- M Milne Limited
- Newmarsh Limited
- Punch (JT) Limited
- Punch Beer Brands Limited
- Punch Inns (UK) Limited
- Punch National Brands Limited
- Punch Taverns (Ash) Limited
- Punch Taverns (BS) Company Limited
- Punch Taverns (CMG) Limited
- Punch Taverns (JPC) Limited
- Punch Taverns (OS) Limited
- Punch Taverns (Red) Limited
- Punch Taverns (Vintage) Limited
- Punch Taverns (Willow) Limited
- Rogano Limited
- Scorpio Inns Limited
- Skol Lager Limited
- Strettons Brewery Company Limited
- Sycamore Taverns Limited
- Tetley Limited
- Tetley Walker Production Limited
- The Aylesbury Brewery Company Limited
- The Pitfield Brewery Company Limited
- The Tetley Pub Company Limited
- The Wiltshire Brewery Investments Limited
- The Wiltshire Brewery Property Company Limited
- Thorne Brothers Limited
- Tramhill Limited
- Trent Taverns Limited
- United Breweries Limited
- Verdon Developments Limited
- Victoria Wine (Concessions) Limited
- White Rose Inns Limited
- William Jackson (Sunderland) Limited
- Wine Market Limited (The).