

# United Breweries International (UK) Limited

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 December 2018



# United Breweries International (UK) Limited

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# United Breweries International (UK) Limited

## Company Information

<b>Directors</b>	Dr V Mallya (Chairman) M Narayanan
<b>Company secretary</b>	M Davis
<b>Registered office</b>	Kingfisher House 380c New Hythe Lane Aylesford Kent ME20 6RZ
<b>Auditors</b>	Hawsons Chartered Accountants Statutory Auditor Jubilee House 32 Duncan Close Moulton Park Northampton NN3 6WL

# United Breweries International (UK) Limited

## Directors' Report for the Year Ended 31 December 2018

The director presents his report and the consolidated financial statements for the year ended 31 December 2018.

### Directors of the group

The directors who held office during the year were as follows:

J Merchant (resigned 16 September 2018)

Dr V Mallya (Chairman)

M Narayanan (resigned 20 September 2019)

The following director was appointed after the year end:

T V Lakshmi Kanthan (appointed 20 September 2019)

### Dividends

The directors do not recommend payment of a dividend (2017: £nil).

### Small companies provision statement

The report of the director has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



M Davis  
Company secretary

24 September 2019

## **United Breweries International (UK) Limited**

### **Statement of Directors' Responsibilities**

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and 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.

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

#### **Disclosure of information to the auditor**

The directors have each taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows the auditor is unaware.

# **United Breweries International (UK) Limited**

## **Independent Auditor's Report to the Members of United Breweries International (UK) Limited**

### **Opinion**

We have audited the financial statements of United Breweries International (UK) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise Consolidated Statement of Income and Retained Earnings, Consolidated Statement of Financial Position, Statement of Financial Position, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

### **Conclusions relating to going concern**

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

# United Breweries International (UK) Limited

## Independent Auditor's Report to the Members of United Breweries International (UK) Limited

### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## United Breweries International (UK) Limited

### Independent Auditor's Report to the Members of United Breweries International (UK) Limited

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### 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.

*Hawson*

**Richard Burkimsher**  
**Senior Statutory Auditor**

For and on behalf of Hawsons Chartered Accountants  
Statutory Auditor  
Jubilee House  
32 Duncan Close  
Moulton Park  
Northampton  
NN3 6WL

*24 September 2019*



# United Breweries International (UK) Limited

## Consolidated Statement of Income and Retained Earnings for the Year Ended 31 December 2018

	2018 £	2017 £
Revenue	18,224,813	14,490,593
Cost of sales	<u>(11,430,363)</u>	<u>(8,473,442)</u>
Gross profit	6,794,450	6,017,151
Distribution costs	(4,132,838)	(3,684,514)
Administrative expenses	(2,492,223)	(2,037,689)
Other operating income	34,504	60,113
Interest payable and similar charges	<u>(55,471)</u>	<u>(40,709)</u>
Profit before tax	148,422	314,352
Taxation	<u>(14,568)</u>	<u>-</u>
Profit for the financial year	<u>133,854</u>	<u>314,352</u>
<b>Profit/(loss) attributable to:</b>		
Owners of the company	133,854	314,352
Retained earnings brought forward	<u>480,891</u>	<u>166,539</u>
Retained earnings carried forward	<u><u>614,745</u></u>	<u><u>480,891</u></u>

# United Breweries International (UK) Limited

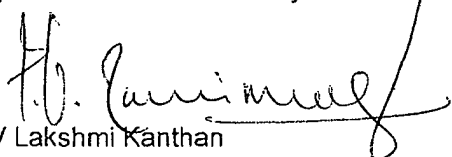
(Registration number: 01688201)

## Consolidated Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
<b>Non-Current Assets</b>			
Intangible assets	4	1	1
Property, Plant and Equipment	5	520,662	557,641
		<u>520,663</u>	<u>557,642</u>
<b>Current assets</b>			
Inventories	7	468,866	217,541
Trade and other receivables	8	3,328,564	2,502,106
Cash at bank and in hand		271,507	216,594
		<u>4,068,937</u>	<u>2,936,241</u>
Current liabilities	10	(3,862,223)	(2,889,834)
Net current assets		<u>206,714</u>	<u>46,407</u>
Total assets less current liabilities		727,377	604,049
Non-current liabilities	10	(12,632)	(23,158)
Net assets		<u>714,745</u>	<u>580,891</u>
<b>Equity</b>			
Called up share capital		100,000	100,000
Retained earnings		614,745	480,891
Total equity		<u>714,745</u>	<u>580,891</u>

These annual accounts and reports have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

Approved and authorised by the director

  
T V Lakshmi Kanthan

Director

24 September 2019

United Breweries International (UK) Limited

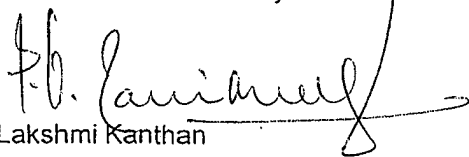
(Registration number: 01688201)

Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
<b>Non-Current Assets</b>			
Investments	6	299,119	299,119
<b>Current assets</b>			
Trade and other receivables	8	412,336	549,143
Current liabilities	10	<u>(454,036)</u>	<u>(587,535)</u>
Net current liabilities		<u>(41,700)</u>	<u>(38,392)</u>
Net assets		<u>257,419</u>	<u>260,727</u>
<b>Equity</b>			
Called up share capital		100,000	100,000
Retained earnings		<u>157,419</u>	<u>160,727</u>
Total equity		<u>257,419</u>	<u>260,727</u>

These annual accounts and reports have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

Approved and authorised by the director



T V Lakshmi Kanthan

Director

24 September 2019

# United Breweries International (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

### 1 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

United Breweries International (UK) Limited is a company limited by shares incorporated in England within the United Kingdom. The address of the registered office is given in the company information on page 1 of these financial statements.

The financial statements are presented in sterling, which is the functional currency of the company.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102, section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that, as disclosed in the accounting policies, certain items are shown at fair value.

#### Basis of consolidation

The group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2018.

The results of subsidiaries acquired or disposed of during the year are included in the Statement of Income and Retained Earnings from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

#### Going concern

These financial statements have been prepared on a going concern basis since the directors have prepared trading and cashflow forecasts, which show that the company will have sufficient working capital to remain solvent for the foreseeable future.

#### Revenue recognition

Revenue is derived principally from the sale of Kingfisher beer in the ordinary course of business and represents amounts receivable by the company, net of VAT, returns, customer discounts and other sales-related discounts.

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements and is included as other operating income.

#### Investments

Fixed asset investments are stated at historic cost less provision for any diminution in value.

#### Goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the Statement of Financial Position and amortised on a straight line basis over its useful economic life. It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

##### Asset class

Goodwill

##### Amortisation method and rate

10 years

# United Breweries International (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

### 1 Accounting policies (continued)

#### Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	4 years
Fixtures and fittings	2 to 5 years

#### Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the Statement of Financial Position date. All exchange differences are included in the Statement of Income and Retained Earnings.

#### Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell, after due regard for obsolete and slow moving inventories.

#### Leases

Rentals payable under operating leases are charged in the Statement of Income and Retained Earnings on a straight line basis over the lease term.

Assets obtained under finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Income and Retained Earnings so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

#### Borrowings

Interest-bearing borrowings are recorded at present value, net of transaction costs, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Income and Retained Earnings over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### Defined contribution pension obligation

The group operates a defined contribution pension scheme. Contributions are charged in the Statement of Income and Retained Earnings as they become payable in accordance with the rules of the scheme.

### 2 Employees

The average number of persons employed by the group (including the director) during the year was as follows:

	2018 No.	2017 No.
Employees	<u>38</u>	<u>34</u>

# United Breweries International (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

### Notes to the Financial Statements (continued)

#### 3 Profit attributable to members of the company

United Breweries International (UK) Limited has not presented a company profit and loss account or cash flow statement as permitted by Section 408 of the Companies Act 2006.

The (loss)/profit retained for the year of the parent company amounted to £(3,308) (2017: £1,298).

#### 4 Intangible assets

##### Group

	Goodwill £
<b>Cost</b>	
At 1 January 2018	16,001
At 31 December 2018	16,001
<b>Amortisation</b>	
At 1 January 2018	16,000
At 31 December 2018	16,000
<b>Carrying amount</b>	
At 31 December 2018	1
At 31 December 2017	1

#### 5 Property, plant and equipment

##### Group

	Motor vehicles £	Plant and equipment £	Total £
<b>Cost</b>			
At 1 January 2018	73,907	1,224,952	1,298,859
Additions	-	250,165	250,165
Disposals	-	(516,287)	(516,287)
At 31 December 2018	73,907	958,830	1,032,737
<b>Depreciation</b>			
At 1 January 2018	24,104	717,114	741,218
Charge for the year	6,314	280,830	287,144
Eliminated on disposal	-	(516,287)	(516,287)
At 31 December 2018	30,418	481,657	512,075
<b>Carrying amount</b>			
At 31 December 2018	43,489	477,173	520,662
At 31 December 2017	49,803	507,838	557,641

# United Breweries International (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

### Notes to the Financial Statements (continued)

#### 6 Investments

##### Company

	2018 £	2017 £
Investments in subsidiaries	<u>299,119</u>	<u>299,119</u>

##### Subsidiaries

##### Cost or valuation

At 1 January 2018 and 31 December 2018	<u>299,119</u>
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##### Carrying amount

At 31 December 2018	<u>299,119</u>
At 31 December 2017	<u>299,119</u>

##### Details of undertakings

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

The company owns 100% (2017: 100%) of the Ordinary share capital and voting rights in Kingfisher Beer Europe Limited, a company registered in the UK.

The principal activity of Kingfisher Beer Europe Limited is the marketing and distribution of beer.

#### 7 Inventories

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Goods for resale	<u>468,866</u>	<u>217,541</u>	<u>-</u>	<u>-</u>

# United Breweries International (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

### Notes to the Financial Statements (continued)

#### 8 Receivables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade receivables	2,847,443	1,634,297	-	-
Amounts owed by group undertakings	8,690	399,980	317,222	539,278
Other receivables	-	9,865	-	9,865
Prepayments	472,431	452,975	95,114	-
Other loans	-	4,989	-	-
	<u>3,328,564</u>	<u>2,502,106</u>	<u>412,336</u>	<u>549,143</u>

#### 9 Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
<b>Non-current loans and borrowings</b>				
Finance lease liabilities	<u>12,632</u>	<u>23,158</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
<b>Current loans and borrowings</b>				
Bank borrowings	579,960	854,488	-	-
Finance lease liabilities	<u>10,526</u>	<u>10,526</u>	<u>-</u>	<u>-</u>
	<u>590,486</u>	<u>865,014</u>	<u>-</u>	<u>-</u>

#### Security

Bank loans and overdrafts were secured against certain trade debtors and other assets of the company under a fixed and floating charge dated 20 July 2016 over all present and future assets of the group.

Finance leases are secured against the asset to which the lease relates.



# United Breweries International (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

### Notes to the Financial Statements (continued)

#### 10 Creditors

		Group		Company	
	Note	2018 £	2017 £	2018 £	2017 £
<b>Due within one year</b>					
Loans and borrowings	9	590,486	865,014	-	-
Trade payables		2,102,489	996,840	-	-
Amounts due to group undertakings		-	42,881	161,999	204,881
Social security and other taxes		251,384	177,712	62,541	47,193
Other payables		-	105,207	-	105,207
Accrued expenses		917,864	702,180	229,496	230,254
		<u>3,862,223</u>	<u>2,889,834</u>	<u>454,036</u>	<u>587,535</u>
<b>Due after one year</b>					
Loans and borrowings	9	<u>12,632</u>	<u>23,158</u>	<u>-</u>	<u>-</u>

#### 11 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £100,003 (2017 - £94,757).

Contributions totalling £16,270 (2017 - £14,678) were payable to the scheme at the end of the year and are included in trade and other payables.

#### 12 Obligations under leases

##### Group

##### Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	70,340	83,319
Later than one year and not later than five years	<u>83,809</u>	<u>68,186</u>
	<u>154,149</u>	<u>151,505</u>

#### 13 Related party transactions

In the context of the new Kingfisher license granted directly to the company from United Breweries Limited and the change in the operating structure of the American Holding company, Mendocino Brewing Co. Inc, the company has reviewed the funds paid in advance to Mendocino Brewing Co. Inc against marketing and management fees. The company has concerns with regard to the recoverability and future values of the advance and have decided to provide in full against the £249,217 paid to Mendocino Brewing Co. Inc in these accounts.

# **United Breweries International (UK) Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2018**

### **Notes to the Financial Statements (continued)**

#### **14 Parent undertaking**

The company's immediate parent undertaking is Mendocino Brewing Company Inc., incorporated in the United States of America.

The address of Mendocino Brewing Company Inc. is 1601 Airport Road, Ukiah, California 95482, United States of America, which is also its principle place of business.