

Registered number SC065527

HEINEKEN UK LIMITED

**COMPANIES HOUSE
EDINBURGH**

30 SEP 2019

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**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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HEINEKEN UK LIMITED

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HEINEKEN UK LIMITED

COMPANY INFORMATION

Directors	S P Amor J S Brydon M J Callan A Elberg D M Forde L J W Mountstevens L J Nicoll D G Paterson R Sikorsky C Tervoort
Company secretary	L J Nicoll
Registered number	SC065527
Registered office	3 - 4 Broadway Park South Gyle Broadway Edinburgh EH12 9JZ
Independent auditor	Deloitte LLP Saltire Court 20 Castle Terrace Edinburgh United Kingdom EH1 2DB

HEINEKEN UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2018 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, Kronenbourg 1664, Desperados and Bulmer'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 2,708 pubs (2017: 2,923 pubs) throughout the United Kingdom, which was strengthened by the acquisition of the Punch pub estate as later referred to in Note 13 of the consolidated financial statements. 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 and controlling company at the year end was Heineken N.V., which together with the Group and Heineken N.V.'s other subsidiary undertakings form the "Heineken Group", and is the largest company into which the results of the Company and Group are consolidated.

BUSINESS REVIEW

Our core principles are to make Cider and Beer that people love. We continue to drive growth in our brand portfolio through marketing and campaigns. The Group also operates in rental and management of public houses and the supply of own and third party products to the public house estate. The recently expanded pub estate prospers through high quality well invested pubs run by skilled operators.

In the 2018 financial year the Group posted a profit for the year of £76m and net revenue of £1.4bn, despite significant challenges. In 2018 the food and drinks sector experienced a significant shortage of carbon dioxide gas (CO₂). The combination of the reported CO₂ shortages coupled with the very high demand in the market, led by record breaking weather and significant sporting events, meant that the Group had to work hard to meet demand and succeed in the face of industry pressures.

Additionally the recently acquired Pub estate was successfully integrated and at the same time the Group delivered significant organic growth through executing planned synergies and optimising the capital expenditure & disposal plan.

The 2018 full year result includes full year performance of the acquired estate (2017: circa 4 months) while the business sees through the remaining divestment plan as the portfolio of pubs is streamlined.

Top-line performance has delivered strong organic growth across several key growth initiatives including Pricing execution, Premium Beer, Low-No segment and Draught Cider (including Strongbow Dark Fruit), with price mix accelerating revenue growth ahead of volume development.

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.

The UK and other EU member states agreed to an extension of the two-year period on 22 March 2019, to 22 May 2019, (if the UK Parliament approved the withdrawal agreement by 29 March 2019) or 12 April 2019 (if it did not). On 11 April 2019, the UK and the other EU member states agreed to a further extension to 31 October 2019 (or if the withdrawal agreement is ratified by both parties before this date, until the first day of the following month). The terms of the UK's withdrawal from the EU remain unclear and Brexit has created significant uncertainties.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

UK WITHDRAWAL FROM THE EU (CONTINUED)

To mitigate the impact of this uncertainty the Group established in early 2018 a Brexit Risk Cabinet comprised of key members of the UK Management Team and relevant subject matter experts. The vast majority of our Cider and Beer is 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. We have taken steps to map our supply chain and are working with our suppliers to ensure adequate stocks of key raw and packaging materials are available in advance of Brexit. Strong contingency plans are in place for finished goods for the UK market.

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. Responsibility for identifying potential strategic, operational, reporting and compliance risks, and for implementing fit-for-purpose responses, lies primarily with line management.

Heineken Group-wide 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: climate risk, 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.

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.

Climate risk

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 have embedded sustainability into our business strategy. Our sustainable development strategy, Brewing a Better World, includes 2020 targets in six key areas across our entire value chain. Through this strategy, we are determined to contribute to the UN Sustainable Development Goals (SDGs). Our focus areas are linked with specific 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.

The challenges related to climate change require us to take measures which may result in additional costs to the business. 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 in the priorities of our Brewing a Better World sustainability programme.

We are ahead of our 2020 ambition for reducing CO₂ in production and have made a 66% reduction from 2008 to 2019 vs. target of 40%. We've made a 23% reduction in CO₂ emission from cooling since 2010 through buying 100% green fridges. We continue efforts to reach the 20% reduction target in distribution (currently we're at 7%). We reassess our carbon footprint every three years, the last assessment was in 2018 based on 2017 data. In 2018, we also launched our CO₂ reduction strategy for 2030, Drop the C. It focuses on energy efficiency, electricity and thermal renewable energy generation in production, distribution, packaging and cooling.

HEINEKEN UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

RISK MANAGEMENT POLICY (CONTINUED)

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 operates 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 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. 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 and 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 17 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.

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 Heineken Group level. It obtains any required funding from other group companies.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

RISK MANAGEMENT POLICY (CONTINUED)

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 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.

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.

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. In light of the increasing exposure to cybercrime and changing regulations that place stricter security requirements on data processing, we frequently re-assess our security exposure and posture. 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.

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 or the UK wide imposition of minimum unit pricing. This could lead to changes in consumer purchase patterns. Responsible consumption is one of the priorities of the Heineken Group's Brewing a Better World sustainability programme. Using the power and reach of its brands, the Heineken Group strives to make responsible consumption aspirational 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.

HEINEKEN UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

RISK MANAGEMENT POLICY (CONTINUED)

For further information on the risk management approach of the Group within the Heineken Group framework, please see pages 26 to 31 of the Heineken N.V. 2018 Annual Report, copies can be obtained from <https://www.theheinekencompany.com/Investors/Reports-and-Presentations>.

FUTURE OUTLOOK

For 2019, the Company expects the following:

- Continued volatility in economic conditions, particularly the uncertainty surrounding Brexit;
- Superior top-line growth driven by volume, price and premiumisation; and
- Continued cost management and productivity initiatives.

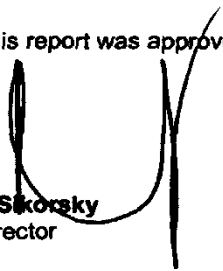
Given this, operating profit is expected to grow by low to mid-single digit % growth on an organic basis, excluding any major unforeseen macro-economic and political developments.

KEY PERFORMANCE INDICATORS

The Group and Company key measurements of effectiveness of its operations is revenue, gross profit, operating profit and free operating cash flow.

The Group achieved net revenue and gross profit of £1,425m and £929m respectively (2017: net revenue £1,295m, gross profit £850m). The Group achieved operating profit of £138m in 2018 (2017: £111m). The Consolidated Statement of Comprehensive Income for the year is set out on page 14 of the financial statements. The Group achieved net cash from operating activities of £286m (2017: £211m) as reported in the Consolidated Statement of Cash Flows on page 18.

This report was approved by the board on 30 September 2019 and signed on its behalf by:



R Sikorsky
Director

HEINEKEN UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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, Statement of Changes in Equity and the related notes 1 to 25, and related appendix.

The consolidated financial statements of the Company and its subsidiaries has been prepared for the first time as at 31 December 2018. 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.

DIRECTORS

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

S P Amor
J S Brydon
M J Callan (appointed 1 August 2018)
G A Colquhoun (resigned 8 May 2018)
A Elberg
D M Forde
C M Jowsey (resigned 28 June 2019)
L J W Mountstevens
L J Nicoll (appointed 14 June 2018)
D G Paterson
R Sikorsky
C Tervoort
J H A van Esch (resigned 9 August 2018)

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £76m (2017: £106m). A review is presented in the Strategic Report on pages 2 to 6, and forms part of this report by cross reference.

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

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

The Group made no political contributions during the year (2017: nil) and made charitable donations during the year amounting to £0.8m (2017: £1.1m).

FINANCIAL RISK MANAGEMENT

The financial risk management of the Group is discussed in the Strategic Report on pages 2 to 6 and forms part of this report by cross reference.

HEINEKEN UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

EVENTS AFTER THE REPORTING DATE

The following subsidiaries of the Group (direct subsidiaries of the Company) were voluntarily struck off in May 2019:

- S&N Finland Ltd
- S&N Portugal Ltd
- S&N UK Ltd

The following subsidiaries of the Group's (indirect subsidiaries of the Company) statement of financial position's were reduced to a de-minimis amount in June 2019 and an application to voluntarily strike off the subsidiaries was submitted to Companies House.

- Ma Pardone's Steak and Ale Houses Ltd
- Marr Trustees Ltd
- Poacher Inns Ltd
- Punch Taverns (CMS) Ltd
- Punch Taverns (Trent) Ltd
- Revival Inns Ltd
- Sycamore Taverns (Management) Ltd
- Sycamore Taverns Trust Company Ltd

Intra-group balances are eliminated on consolidation, therefore there will be no impact on the Group consolidated financial statements.

In June 2019, the Group have identified and marketed 150 pubs for packaged sale and have classified these pubs as assets held for sale subsequent to the balance sheet date. This is a non-adjusting event, indicative of conditions that arose after the reporting period. Contracts were exchanged on 24th September 2019 and the deal will complete in October 2019. The price and associated financial impact is not disclosed given this is commercially sensitive.

FUTURE DEVELOPMENTS

The Group does not expect there to be any changes in its operations in the immediate future.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company 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.

GOING CONCERN

The financial position of the Group is set out in the Consolidated Statement of Financial Position on pages 15 to 16 of the financial statements. The Group has net current assets of £2,630m (2017: £2,555m). The Group made a profit for the financial year of £76m (2017: £106m) as set out in the Statement of Comprehensive Income on page 14.

The Group's intermediate parent undertaking, Heineken International B.V., has confirmed to the directors its intention to provide sufficient financial assistance to enable the Group to continue operations and fulfil its financial obligations for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements of the Group. Based on this and the forecast trading of the Group, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

HEINEKEN UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

EMPLOYEE INVOLVEMENT

The Group has a number of channels that we use to regularly provide employees with such information and consult with them. The Group has an Employee Council, consisting of elected representatives from all business areas, and this forum meets every second month to discuss the performance of the Group and to consult on a wide range of matters affecting employees. The Group also has regular dialogue with local representatives of the Union on these topics. In addition, to keep employees informed of the Group's performance and other matters affecting them as employees, the Group uses various intranet sites, several regular magazines and publications, Group-wide email correspondence, videos, local team-talk sessions, management team road-shows, drop in forums with management team members and Facebook at Work, to name a few.

There are also several bonus schemes in operation that have a link with the profitability of the Group.

DISABLED EMPLOYEES

The Group has appropriate equal opportunities policies in place to ensure equal treatment for disabled persons throughout the recruitment process and duration of employment. We also have policies and training in place to ensure that disabled 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.

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 30 September 2019 and signed on its behalf by:


R Sikorsky
Director

HEINEKEN UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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) as adopted by the European Union 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 judgments 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 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- 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 statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 34 to the consolidated financial statements;
- the related notes 1 to 25 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 IFRSs as adopted by the European Union. 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

We have nothing to report in respect of these matters.

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

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 respect of these matters.

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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.

Other matter

As set out in note 1, Heineken UK Limited have prepared consolidated financial statements for the first time for the year ended 31 December 2018. No audit opinion has been issued over the consolidated financial statements of Heineken UK Limited in previous years.

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, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

30 September 2019

HEINEKEN UK LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £M	2017* £M
Revenue	5	2,329	2,130
Excise tax expense		(904)	(835)
Net revenue		<u>1,425</u>	<u>1,295</u>
Cost of sales		(496)	(445)
Gross profit		<u>929</u>	<u>850</u>
Distribution costs		(160)	(154)
Administrative expenses		(624)	(560)
Restructuring costs	6	(6)	(25)
Share of loss from joint ventures and associates	16	(1)	-
Operating profit	7	<u>138</u>	<u>111</u>
Finance income	10	49	89
Other gains and losses		-	(14)
Finance costs	11	(88)	(56)
Profit before tax		<u>99</u>	<u>130</u>
Income tax	12	(23)	(24)
Profit for the year		<u>76</u>	<u>106</u>
Other comprehensive income			
(that will not be reclassified subsequently to profit or loss)			
Exchange differences on translation		9	41
Total comprehensive income for the financial year		<u>85</u>	<u>147</u>

* presented to reflect the change in accounting policy on revenue from contracts with customers (IFRS 15), refer to note 2 for further details.

The notes on pages 20 to 55 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 2018

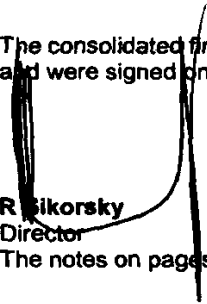
	Note	2018 £M	2017 £M
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,054	2,086
Goodwill	15	1	4
Other intangible assets	15	285	287
Investments in joint ventures & associates	16	103	36
Loans and advances to customers	17	21	20
Deferred tax asset	18	113	136
Other non-current assets	19	5	4
		<u>2,582</u>	<u>2,573</u>
Current assets			
Inventories	20	97	85
Trade receivables	21	194	195
Other receivables	21	7,937	7,596
Prepayments and accrued income	21	56	60
Assets classified as held for sale	22	2	7
Cash at bank	23	8	103
		<u>8,294</u>	<u>8,046</u>
Total assets		<u>10,876</u>	<u>10,619</u>
LIABILITIES			
Current liabilities			
Trade payables	24	(278)	(214)
Other payables	24	(5,052)	(4,954)
Accruals and deferred income	24	(35)	(34)
Current tax liabilities	24	(299)	(289)
		<u>(5,664)</u>	<u>(5,491)</u>
Net current assets		<u>2,630</u>	<u>2,555</u>
Non-current liabilities			
Other payables	24	(116)	(116)
Provisions	25	(41)	(42)
Deferred tax liabilities	18	-	-
		<u>(157)</u>	<u>(158)</u>
Total liabilities		<u>(5,821)</u>	<u>(5,649)</u>
Net assets		<u>5,055</u>	<u>4,970</u>

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018	2017
		£M	£M
EQUITY			
Called-up share capital	26	1,046	1,046
Other reserves	27	(116)	(116)
Translation reserve	27	50	41
Retained earnings	27	4,075	3,999
		<u>5,055</u>	<u>4,970</u>
Capital and reserves attributable to:			
Owners of Heineken UK Limited		5,055	4,970
Non-controlling interest		-	-
Total Equity		<u>5,055</u>	<u>4,970</u>

The consolidated financial statements on pages 14 to 55 were approved and authorised for issue by the board and were signed on its behalf on 30 September 2019 by:


R. Sikorsky
Director

The notes on pages 20 to 55 form part of these financial statements.

HEINEKEN UK LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called-up share capital £M	Other reserves £M	Translation reserve £M	Retained Earnings £M	Total equity £M
Balance at 1 January 2018	1,046	(116)	41	3,999	4,970
Profit for the year	-	-	-	76	76
Other comprehensive income for the year – exchange differences on translation	-	-	9	-	9
Total comprehensive income for the year	-	-	9	76	85

Balance at 31 December 2018

1,046	(116)	50	4,075	5,055
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called-up share capital £M	Other reserves £M	Translation reserve £M	Retained Earnings £M	Total equity £M
Balance at 1 January 2017	1,046	(116)	-	3,893	4,823
Profit for the year	-	-	-	106	106
Other comprehensive income for the year	-	-	41	-	41
Total comprehensive income for the year	-	-	41	106	147

Balance at 31 December 2017

1,046	(116)	41	3,999	4,970
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The notes on pages 20 to 55 form part of these financial statements.

HEINEKEN UK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018	2017
		£M	£M
Profit for the year		76	106
Adjustments for:			
Share of loss of JV's and associates	16	1	-
Finance income	10	(49)	(89)
Finance costs	11	88	56
Depreciation of property, plant and equipment	14	54	47
Amortisation of intangible assets	15	12	10
Impairment of goodwill	15	3	-
Income tax expense	12	23	24
Loss/(gain) on disposal of property, plant and equipment	7	10	(12)
Other losses		-	14
Amortisation of advances to customers		12	10
Other non-cash items in profit and loss		-	-
Movement in provisions	25	(1)	11
Operating cash flows before movements in working capital		229	177
Increase in inventories		(12)	(1)
Decrease in trade and other receivables		14	2
Increase in trade and other payables		55	33
Cash generated by operations		286	211
Income taxes paid		-	-
Net cash from operating activities		286	211
Investing activities			
Proceeds on disposal of property, plant and equipment		44	22
Purchases of property, plant and equipment	13/14	(72)	(56)
Purchases of intangible assets	15	(10)	(4)
Advances and loans issued to customers		(17)	(13)
Repayments on loans to customers		4	4
Acquisition of investment in an associate		(68)	(3)
Acquisition of subsidiary		-	(258)
Net cash used in investing activities		(119)	(308)

HEINEKEN UK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	£M	£M
Financing activities		
Repayments of group loans	(230)	-
Gross financing to associates	(2)	-
Proceeds from other group companies	-	182
Interest paid	(31)	(26)
Net cash (used in)/from financing activities	<u>(263)</u>	<u>156</u>
Net (decrease)/increase in cash and cash equivalents	(96)	59
Cash and cash equivalents at beginning of year	97	38
Effect of foreign exchange rate changes	-	-
Cash and cash equivalents at end of year	23 <u>1</u>	<u>97</u>

The notes on pages 20 to 55 form part of these financial statements.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

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 Company and its subsidiaries has been prepared for the first time as at 31 December 2018. 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-479C of the Companies Act 2006.

The Group and Company financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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'.

The Group and Company financial statements are presented in £ sterling and all values are rounded to the nearest million except where otherwise indicated.

Subsidiary audit exemption

For the year ended 31 December 2018 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies. On 30 September 2019 the outstanding liabilities at the Statement of Financial Position date, 31 December 2018, 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	Subsidiary	Registered number
Blue Star Pub Company Limited	SC366273	Punch Taverns Loanco (A) Limited	08870991
Broadway Inns Limited	05267571	Red Star Pub Company (WR) Limited	SC194006
Caledonian Brewery Limited	SC104493	Red Star Pub Company (WRH) Limited	SC200229
Fountain Pub Company Limited	05999916	Red Star Pub Company (WRH) Limited	SC202689
Punch Partnerships (PTL) Limited	3512363	Red Star Pub Company (WRH) Limited	04089947
Punch Taverns (Chiltern) Limited	10840658	S&N Angel Investments Ltd.	00525192
Punch Taverns (Jubilee) Limited	4821157	S&N F Limited	SC300161
Punch Taverns Holdco (A) Limited	09233812	Star Pubs & Bars (Property) Limited	00236608
Punch Taverns Holdings Limited	03499144	Star Pubs & Bars Limited	SC250925
Punch Taverns Intermediate Holdco (A) Limited	09235476		

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****1. CORPORATE INFORMATION (CONTINUED)****Dormant subsidiary exemption from the preparation/filing of accounts**

For the year ended 31 December 2018 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 s448C of the Act. On 30 September 2019 the outstanding liabilities at the Statement of Financial Position date, 31 December 2018, 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	Subsidiary	Registered number
ADR Financial Services (Birmingham) Limited	01438436	Punch (JT) Limited	00742332
ADR Financial Services (Finchley) Limited	00976082	Punch Beer Brands Limited	00397375
Agnew Stores (Holdings) Limited	SC046887	Punch Inns (UK) Limited	03106332
Agnews Liquorworld Limited	01184196	Punch Management Services Limited	00854673
Alloa Brewery Company Ltd	SC002871	Punch National Brands Limited	00217405
Alloa Pubs & Restaurants Ltd	SC041535	Punch Taverns (Ash) Limited	SC075815
Andrew Dick & Sons, Limited	SC020957	Punch Taverns (BS) Company Limited	03499143
Ansell's Ind Coope (South Wales) Ltd	00046099	Punch Taverns (CMG) Limited	02639687
Ansell's Leisure Limited	01781755	Punch Taverns (CMS) Ltd	03982445
Ansell's Limited	00263047	Punch Taverns (DC) Holdings Ltd	03982425
Ansell's Properties Ltd	00070490	Punch Taverns (FH) Limited	03982429
Archibald Arrol & Sons Ltd	SC015478	Punch Taverns (Fradley) Limited	03562121
Ardeer Tavern (unlimited)	SC031438	Punch Taverns (IB) Limited	01899248
B.W.B. Ltd	00055803	Punch Taverns (JPC) Limited	01294392
Bartlett & Hobbs Limited	00466904	Punch Taverns (MH) Ltd	01676516
BK Investments Ltd	02928438	Punch Taverns (OS) Limited	03595233
Brierley Court Hop Farms Limited	00473025	Punch Taverns (PPCF) Limited	03946310
Bruce's Brewery (World's End) Limited	01658906	Punch Taverns (PR) Ltd	00050484
Bunker Beverage Company Limited	01603079	Punch Taverns (Red) Limited	04257062
Cameron Park Limited	SC082142	Punch Taverns (RH) Limited	00124723
Caskies of Alloa Limited	SC032690		
Cavalier Restaurants Ltd	00405980	Punch Taverns (Vintage) Limited	00199193
Chas Rose & Co.Ltd	00235418	Punch Taverns (VPR) Ltd	03982447
Cougar Beer Company Limited	SC061237	Punch Taverns (Willow) Limited	00095855
Dalgarno (Wine Cellars) Limited	SC057673	Punch Taverns Properties Limited	03528601
Duke's of Argyle Street Limited	SC081269		
Duke's of Exchange Place Limited	SC087080	Rogano Limited	SC007896
Friary Meux Ltd	00219876	Scorpio Inns Ltd	02620462
Golisha Limited	SC085743	Scottish & Newcastle Property 3 Limited	06374366
Graham's Golden Lager Ltd	SC027803	Skol Lager Limited	00219306
Guildford Holdings Ltd	00570695	Strettons Brewery Company Limited	00039351
Halls Brewery Company Limited	00054344		
Hooden Horse Inns Ltd	02700525	Sycamore Taverns Ltd	02698688
I.C.E.A. Ltd	00092710		
Ind Coope (E.M.) Ltd	00032894	Tetley Limited	00820790

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION (CONTINUED)

Dormant subsidiary exemption from the preparation/filing of accounts (Continued)

Subsidiary	Registered number	Subsidiary	Registered number
Ind Coope (London) Ltd	00043104	Tetley Walker Limited	00664108
Ind Coope (West Midlands) Ltd	00028599	Tetley Walker Production Ltd	00031254
Ind Coope-Friary Meux Limited	00942535	The Aylesbury Brewery Company Ltd	00046374
Inn Business (Marr) Ltd	03171064	The Globe Pub Company Limited	05167852
Inn Business (Sycamore) Ltd	03305719	The Pitfield Brewery Company Ltd	02548882
Inn Business Ltd	03052693	The Tetley Pub Company Limited	00684800
Inn Business Property Ltd	02669542	The Wiltshire Brewery Investments Ltd	01965660
Ivell Inns Ltd	02558883	The Wiltshire Brewery Property Company Ltd	02761817
J T & S (Allied) Ltd	00053443	Thorne Brothers Ltd	00055433
J. & M. Polson, Limited	SC033315	Tolchard & Son Limited	00683250
L&P 34 Limited	04009334	Tramhill Limited	01726507
La Societe Brasserie Bleu Limited	00407057	Trent Taverns Ltd	02652181
M Milne Limited	SC086660	United Breweries Ltd	01973100
Heineken UK Group Life Scheme Trust Company Limited	SC425468	Verdon Developments Limited	00303819
Marr Holdings Ltd	02506120	Victoria Wine (Concessions) Limited	00446382
Marr Taverns Limited	02677899	Walker Cain Ltd	00176978
Newcastle Federation Breweries Limited	01873267	White Rose Inns Limited	02668228
Newmarsh Limited	01566869	William Jackson (Sunderland) Ltd	00138355
		Wine Market Limited (The)	00587190

2. ADOPTION OF NEW AND REVISED STANDARDS

New 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 2018.

IFRS 9 Financial Instruments

IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model. The standard replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The Group has implemented IFRS 9 from 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative financial information is not restated. Any impact of IFRS 9 as of 1 January 2018 is recognised directly in equity, which amounted to £0.1m.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IFRS 9 Financial Instruments (Continued)

The Group has reviewed the impact of this new standard and has concluded that the impact is limited:

- With regard to the revised classification and measurement principles, IFRS 9 contains three classification categories: 'measured at amortised cost', 'fair value through other comprehensive income' (FVOCI) and 'fair value through profit and loss' (FVPL). The standard eliminates the existing IAS 39 categories: 'loans and receivables', 'held to maturity' and 'available-for-sale'. For the Group this new classification only means that the assets currently classified as available-for-sale will be measured at FVOCI which constitutes no significant change, except for the accounting for cumulative gains or losses when equity securities measured at FVOCI are disposed of. These cumulative gains or losses are not recognised in the Consolidated Statement of Comprehensive Income upon disposal but kept in the fair value reserve. The Group has no investments classified as held to maturity and the other categories involve no change in measurement for the Group.
- With regard to the impact of the expected loss model on trade receivables and both advances and loans to customers the Group concluded that the impact is immaterial. The impact on the Group's future Consolidated Statement of Comprehensive Income is also expected to be immaterial as the standard requires provisions to be recorded earlier and the initial impact of this timing difference is recorded in equity upon implementation.

IFRS 15 Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which was subsequently endorsed by the European Union on 22 September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. The Group applied the new standard as per 1 January 2018. For implementation the full retrospective method has been applied, meaning prior period financial information will be restated. The Group concluded that IFRS 15 will not impact the timing of revenue recognition. However the amount of recognised revenue will be impacted by payments to customers and excise taxes. The Group has evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on the Group's revenue recognition. The practical expedients will therefore not be applied.

IFRS 15 will impact the accounting for certain payments to customers, such as listing fees and marketing support expenses. Most of these payments were previously recorded as operating expenses, but now considered a reduction of revenue under IFRS 15. Only when these payments relate to a distinct service the amounts will continue to be recorded as operating expenses.

IFRS 15 will also impact the accounting for excise tax. Based on the current revenue standards different policies are applied by peers in our industry. Some companies include all excises in revenue, some record excise only for specific countries and some, like Heineken Group, exclude all excise from revenue. The clarifications to IFRS 15 describes that an 'all or nothing' approach is no longer possible; an assessment of the excise tax needs to be done on a business basis. For the Cider and Beer business, excise duties are effectively a production tax. Increases in excise duty are not always (fully) passed on to customers and where customers fail to pay for products received, the Group cannot, or can only partly, reclaim the excise duty. The excise tax is therefore borne by the Group and included in revenue applying IFRS 15.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IFRS 15 Revenue from contracts with customers (Continued)

The IFRS 15 changes described above will have no impact on operating profit, net profit and EPS. There is also no impact on the Statement of Financial Position.

The following table presents 2017 figures, including the impact of applying IFRS 15:

	2017 under IAS 18	Impact of IFRS 15	2017 under IFRS 15
	£M	£M	£M
Revenue	1,331	799	2,130
Excise tax expense	-	(835)	(835)
Net revenue	1,331	(36)	1,295
Cost of sales	(444)	(1)	(445)
Gross profit	887	(37)	850
Distribution costs	(176)	22	(154)
Administrative expenses	(575)	15	(560)
Restructuring costs	(25)	-	(25)
Operating profit	111	-	111
Profit before tax	130	-	130
Income tax	(24)	-	(24)
Profit for the year from continuing operations	106	-	106

Amendments to existing standards

In the current year, the group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in the financial statements.

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions

The group adopted the amendments to IFRS 2 for the first time in the current year which addressed three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 included in the Annual Improvements to IFRS Standards 2014 -2016 Cycle for the first time in the current year. The amendments clarify that the option for a venture capital organisation and similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Amendments to IAS 28 Investments in Associates and Joint Ventures (continued)

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or on-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New standards not yet adopted

IFRS 16 Leases

On 1 January 2019 the Group will adopt IFRS 16 "Leases", which is endorsed by the EU and is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 is a new standard, the impacts of which on the Group's financial reporting are currently being assessed.

IFRS 16 "Leases" was issued in January 2016 to replace IAS 17 "Leases". The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 January 2019.

IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

- Right-of-use assets will be recorded for assets that are leased by the Group; currently no lease assets are included on the Group's Consolidated Statement of Financial Position for operating leases.
- Liabilities will be recorded for future lease payments in the Group's/Company's Consolidated Statement of Financial Position for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported, but may not be dissimilar.
- Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities; interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards not yet adopted during the year (Continued)

IFRS 16 Leases (Continued)

Operating lease cash flows are currently included within operating cash flows in the Consolidated Statement of Cash Flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

A high volume of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore, the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact on its legal entities; however, the changes highlighted above will have a material impact on the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows after the Group's adoption on 1 January 2019.

When IFRS 16 is adopted, it will be applied with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption.

3. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention as modified by financial instruments recognised at fair value.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS issued by the IASB as endorsed by the EU, 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 2018 are provided in the appendix to the financial statements (see pages 73 to 77).

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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.

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.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (CONTINUED)

Investment in associates and joint ventures (continued)

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.

Going concern

The financial position of the Group is set out in the Statement of Financial Position on pages 15 and 16 of the financial statements. The Group has net current assets of £2,630m (2017: £2,555m). The Group made a profit for the financial year of £76m (2017: £106m) as set out in the Statement of Comprehensive Income on page 14.

The Company's intermediate parent undertaking, Heineken International B.V., has confirmed to the directors its intention to provide sufficient financial assistance to enable the Group and the Company to continue operations and fulfil its financial obligations for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements of the Group and the Company. Based on this and the forecast trading of the Group and the Company, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

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 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.

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.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any provision for impairment.

Cost comprises the initial purchase price and expenditures that are directly attributable to the acquisition of the asset.

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

Breweries, maltings and other properties

- Freehold land is not depreciated
- Freehold buildings 40 years
- Leasehold buildings the shorter of 50 years or the unexpired term of the lease

Other tangible assets

- 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 for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Any such impairment is charged to the Statement of Comprehensive Income.

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

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

Brands are considered to have a finite life and are amortised over 50 years straight-line from the date of acquisition.

Licences

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.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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.

Goodwill

The carrying amount is subject to impairment reviews, both annually and when there are indicators that the carrying value may not be recoverable.

Software

Internally developed software and software with contact support, in use, is amortised on a straight-line basis over its expected useful life of 7 years.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income, net of any incentives received from the lessor, on a straight-line basis over the period of the lease.

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.

Inventory

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 is 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.

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.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (CONTINUED)

Receivables (continued)

The carrying amounts of the trade receivables include receivables which 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.

However the Group and the Company has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortised cost.

Cash and cash equivalents

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 or fair value, depending on the classification of the financial assets. Other than the financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

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.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 or 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 IAS 17, 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.

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.

HEINEKEN UK LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. ACCOUNTING POLICIES (CONTINUED)

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 of the Group are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the group. As part of the Company's 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 has been reflected on its Statement of Financial Position. However, the Company has been determined to have a constructive obligation to make the payments to the trustees of the scheme, and has historically made these payments, on behalf of Scottish & Newcastle Limited. As such, the associated cost has been charged to the Statement of Comprehensive Income of the Company.

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 employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based payment 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 28 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. Fair value is determined using the Monte Carlo pricing model, taking into account the terms and conditions of the plan.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. ACCOUNTING POLICIES (CONTINUED)

Provisions for liabilities

Onerous contracts

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

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

Restructuring

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

Current Income Tax

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

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

Deferred Tax

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

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

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 judgments 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.

Critical accounting judgements and estimates

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:

- **Impairment of goodwill and other intangibles**
At each reporting date, the Group reviews the carrying amounts of its intangible assets (other than goodwill) 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 CGU 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

- **Onerous lease provision**
Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.
- **Restructuring provision**
Provisions are recognised in respect of restructuring measures, provided that work has begun on the implementation of a detailed, formal plan or such a plan has already been communicated. The provisions for obligations arising from our sales activities cover expected burdens in the form of subsequent reductions in already generated revenues, and risks arising from pending transactions. Provisions for payroll obligations essentially cover expenditures likely to be incurred by the Group for variable, performance-related remuneration components. Provisions for obligations in the production and engineering sphere relate primarily to provisions for warranties.

5. ANALYSIS OF REVENUE

	2018	2017
	£M	£M
Sales of ciders and beers	2,213	2,023
Sales of services	28	47
Rental income	88	60
	2,329	2,130

Analysis of revenue by country of destination:

	2018	2017
	£M	£M
United Kingdom	2,292	2,078
Rest of the world	37	52
	2,329	2,130

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:

	2018	2017
	£M	£M
Redundancy costs	6	2
Other restructure costs	-	23
	6	25

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****7. OPERATING PROFIT**

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

	2018	2017
	£M	£M
Depreciation of property, plant and equipment (note 14)	54	47
Loss/(gain) on disposal of property, plant and equipment	10	(12)
Impairment of goodwill (note 15)	3	-
Amortisation of intangible fixed assets (note 15)	12	10
Foreign exchange differences	(2)	4
Operating lease charges	18	22
Staff costs (note 8)	184	159
Staff restructure charges (note 8)	6	2
Other restructure charges	-	23
Inventory expensed through profit and loss	<u>496</u>	<u>444</u>

Audit fees for the Group in the year were £0.3m (2017: £0.2m). There were non-audit services totalling £31,000 (2017: £nil) provided to the Group. This work consisted of the review and confirmation of license volume information as well as joint venture stock count activity.

8. EMPLOYEES

	2018	2017
	£M	£M
Wages and salaries	116	98
Social security costs	14	12
Other pension costs	54	49
Restructuring costs	6	2
	<u>190</u>	<u>161</u>

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

	2018	2017
	No.	No.
Supply chain	1,117	1,077
Finance	86	32
Commerce	892	765
Information technology	96	87
Human resource	29	11
General management	64	36
	<u>2,284</u>	<u>2,008</u>

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****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 32).

10. FINANCE INCOME

	2018	2017
	£M	£M
Interest receivable from group companies	48	88
Other interest receivable	1	1
	49	89

11. FINANCE COSTS

	2018	2017
	£M	£M
Bank interest payable	-	1
Interest payable to group undertakings	86	49
Other	2	6
	88	56

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12. INCOME TAX

	2018 £M	2017 £M
Current tax		
Current tax on profits for the year	1	12
Adjustments in respect of prior years	(1)	(1)
Total current tax	<u>-</u>	<u>11</u>
Deferred tax		
Current year	24	11
Adjustments in respect of previous periods	2	1
Effect of changes in tax rates	(3)	1
Total deferred tax	<u>23</u>	<u>13</u>
Tax per income statement	<u>23</u>	<u>24</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £M	2017 £M
Profit for the period – continuing operations	<u>99</u>	<u>120</u>
Tax on profit at standard rate of corporation tax in the UK of 19% (2017: 19.25%)	19	23
Effects of:		
Adjustments in respect of prior years	2	-
Expenses not deductible	7	7
Income not taxable	-	(3)
Transfer pricing adjustments	-	1
Tax rate changes	(3)	(2)
PPE tax basis on consolidation	(2)	-
JV & Associates	-	(1)
Reversal of DTA for share options	-	(1)
Income tax expense reported in the income statement	<u>23</u>	<u>24</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Finance (No. 2) Act 2015 and Finance Act 2016 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020, respectively. These rate reductions have been reflected in the calculation of corporation tax and deferred tax at the Statement of Financial position date. The Finance Act 2019, which received Royal Assent in February 2019 will have no impact.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

13. ACQUISITION OF SUBSIDIARIES

On 29 August 2017, the Group through a subsidiary of the Company, Punch Taverns (Chiltern) Limited, acquired Punch Securitisation A ('Punch A'), comprising approximately 1,900 pubs across the UK. The Group believes that there is compelling strategic rationale for enlarging its existing pub business through the acquisition of Punch A. The Group considers pubs to be an integral part of British culture and believes that high-quality, well invested pubs run by skilled and motivated operators will continue to prosper.

The Group paid an aggregate consideration of £308 million for all shares in Punch A. This consideration was funded by intercompany loans provided by a Heineken Group entity, Punch Taverns (Chiltern) Limited.

The following table summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	£M
Property, plant and equipment	1,255
Intangible assets	21
Inventories	1
Cash and cash equivalents	44
Other assets	69
Assets acquired	1,390
Short-term liabilities	(1,072)
Long-term liabilities	(11)
Liabilities assumed	(1,083)
Total net identifiable assets	307
Consideration transferred	308
Net identifiable assets acquired	307
Goodwill on acquisition	1

The Group considered the measurement period for the acquisition of Punch to be closed as per 31 December 2017, the comparative period. Any adjustments after this date will be recognised in the Consolidated Statement of Comprehensive Income.

In total £12m of acquisition-related costs have been recognised in the Statement of Comprehensive Income for the period ended 31 December 2017, £5m for the year ended 31 December 2018.

The amount of revenue generated post acquisition and after obtaining control amounts to £99m; the amount of profit before tax recognised after obtaining control amounts to £22m. Had the acquisition have taken place on 1 January 2017, revenue and profit before tax for the Group would have been £297m and £66m respectively.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Breweries, pubs and other properties £M	Other tangible assets £M	Total £M
Cost			
At 1 January 2017	699	671	1,370
Additions	1,211	100	1,311
Transfers	9	(9)	-
Transfers to assets held for sale (note 22)	(5)	(3)	(8)
Disposals	(10)	(11)	(21)
At 31 December 2017	1,904	748	2,652
Additions	11	61	72
Transfers	7	(7)	-
Disposals	(76)	(166)	(242)
At 31 December 2018	1,846	636	2,482
Accumulated depreciation			
At 1 January 2017	100	431	531
Charge for the year	11	36	47
Transfers to assets held for sale (note 22)	-	(1)	(1)
Disposals	(1)	(10)	(11)
At 31 December 2017	110	456	566
Charge for the year	13	41	54
Disposals	(27)	(165)	(192)
At 31 December 2018	96	332	428
Net book value			
At 31 December 2018	1,750	304	2,054
At 31 December 2017	1,794	292	2,086

The net book value of properties comprises:

	2018 £M	2017 £M
Freehold	1,750	1,794

HEINEKEN UK LIMITED
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**
15. INTANGIBLE ASSETS

	Brands	Customer lists	Other intangibles	Software	Goodwill	Total
	£M	£M	£M	£M	£M	£M
Cost						
At 1 January 2017	349	27	-	39	3	418
Additions	-	-	21	4	1	26
Disposals	-	-	-	-	-	-
At 31 December 2017	349	27	21	43	4	444
Additions	-	-	1	9	-	10
Disposals	-	(25)	-	(14)	-	(39)
Impairment	-	-	-	-	(3)	(3)
At 31 December 2018	349	2	22	38	1	412
Accumulated amortisation						
At 1 January 2017	80	26	-	37	-	143
Charge for the year	10	-	-	-	-	10
Disposals	-	-	-	-	-	-
At 31 December 2017	90	26	-	37	-	153
Charge for the year	10	-	1	1	-	12
Disposals	-	(25)	-	(14)	-	(39)
At 31 December 2018	100	1	1	24	-	126
Net book value						
At 31 December 2018	249	1	21	14	1	286
At 31 December 2017	259	1	21	6	4	291

The Company has been granted licences by other group undertakings in respect of several cider brands. Other intangibles relate to lease premiums paid upfront for head leases purchased as part of the Punch acquisition (note 13).

Indefinite useful life

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

	2018	2017
	£M	£M
Goodwill	1	4
	1	4

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****16. INVESTMENTS 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 £103m as per 31 December 2018 (2017: £36m) and the total share of loss was £1m in 2018 (2017: £nil).

The Group now owns 11,196 A Ordinary shares in TP & Munch Limited, a minority stake.

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 their investigation in relation to allegations of price fixing and performed search of the premises and inquiries with certain officials at its registered office. As UBL has not received any demand order in respect of this matter and the investigation is ongoing, UBL deems it not practicable to estimate its potential financial effect, if any.

Summarised financial information for equity accounted joint ventures and associates:

	Joint ventures		Associates	
	2018	2017	2018	2017
	£M	£M	£M	£M
Carrying amounts of interest	7	7	96	29
Share of:				
Profit or (loss) from continuing operations	-	-	(1)	-

17. 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.

	2018	2017
	£M	£M
Loans to customers	20	20
Advances to customers	1	-
	21	20

18. DEFERRED TAXATION

	Deferred tax
	£M
At 1 January 2018	136
Charged to the Statement of Comprehensive Income (note 12)	(23)
At 31 December 2018	113

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****18. DEFERRED TAXATION (CONTINUED)**

In respect of prior year:

	Deferred tax
	£M
At 1 January 2017	106
Charged to the Statement of Comprehensive Income	(13)
Movement arising on acquisition of a business	43
At 31 December 2017	136

The deferred taxation balance is made up as follows:

	2018	2017
	£M	£M
Fixed assets	(5)	10
Temporary differences - trading	5	6
Temporary differences – non-trading	35	41
Tax losses	78	79
	113	136

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 £47m (2017: £9m) have not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

19. OTHER NON-CURRENT ASSETS

	2018	2017
	£M	£M
Investments	3	3
Loans to joint ventures and associates	2	1
	5	4

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

20. INVENTORY

	2018	2017
	£M	£M
Raw materials and consumables	7	8
Work in progress	44	41
Finished goods and goods for resale	46	36
	97	85

HEINEKEN UK LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. TRADE AND OTHER RECEIVABLES

	2018	2017
	£M	£M
Amounts falling due within one year		
Trade receivables (net of provisions)	194	195
Funding amounts owed by intermediate parent undertakings and their subsidiaries	7,930	7,581
Trade amounts owed by intermediate parent undertakings and their subsidiaries	2	7
Other receivables	5	8
Prepayments and accrued income	56	60
	8,187	7,851

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

	2018				Past due
£M	Total	Not past due	0-30 days	31-120days	>120 days
Gross	8,142	8,106	18	7	11
Allowance	(11)	-	-	(3)	(8)
	8,131	8,106	18	4	3

	2017				Past due
£M	Total	Not past due	0-30 days	31-120days	>120 days
Gross	7,806	7,756	30	10	10
Allowance	(15)	-	(2)	(6)	(7)
	7,791	7,756	28	4	3

The Group always 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. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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 (refer to note 19) at the year-end.

Amounts due by group undertakings are repayable on demand. An annual interest rate of 0.75% plus LIBOR is charged on outstanding balances per annum. Amounts due by joint ventures bear interest of 4% plus LIBOR. All amounts reflect their fair values.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****22. ASSETS CLASSIFIED AS HELD FOR SALE**

	£M
Cost	
At 1 January 2017	2
Transfers from PPE (note 14)	8
Disposals	<u>(2)</u>
At 31 December 2017	<u>8</u>
Disposals	<u>(6)</u>
At 31 December 2018	<u>2</u>
 Depreciation	
At 1 January 2017	-
Transfers from PPE (note 14)	<u>1</u>
At 31 December 2017	<u>1</u>
Disposals	<u>(1)</u>
At 31 December 2018	<u>-</u>
 Net book value	
At 31 December 2018	<u>2</u>
At 31 December 2017	<u>7</u>

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

HEINEKEN UK LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. CASH AND CASH EQUIVALENTS

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

	2018	2017
	£M	£M
Cash at bank	8	103
Bank overdrafts (note 24)	(7)	(6)
Cash and cash equivalents	<u>1</u>	<u>97</u>

24. TRADE AND OTHER PAYABLES

Amounts falling due within one year

	2018	2017
	£M	£M
Trade payables	278	214
Funding amounts owed to direct and intermediate parent undertakings and their subsidiaries	4,701	4,353
Trade amounts owed to direct and intermediate parent undertakings and their subsidiaries	307	539
Amounts owed to joint ventures	7	27
Other taxation and social security	103	94
Tax payable	196	195
Other payables	30	29
Bank overdrafts (note 23)	7	6
Accruals and deferred income	35	34
	<u>5,664</u>	<u>5,491</u>

Amounts falling due after more than one year

	2018	2017
	£M	£M
Preference shares	<u>116</u>	<u>116</u>
	<u>116</u>	<u>116</u>

Amounts due to group undertakings are repayable on demand. An annual interest rate of 0.75% 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% and variable rates of between LIBOR + 0.65 % and LIBOR + 0.75%.

Disclosure of the terms and conditions attached to the non-equity shares is made in Note 26.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

25. PROVISIONS

	Onerous contracts	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2017	29	2	-	31
Created during the year	3	24	-	27
Released during the year	(10)	-	-	(10)
Utilised during the year	(4)	(2)	-	(6)
At 31 December 2017	18	24	-	42
Created during the year	21	5	4	30
Released during the year	(9)	(1)	(1)	(11)
Utilised during the year	(8)	(11)	(1)	(20)
At 31 December 2018	22	17	2	41

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.

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

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

26. CALLED-UP SHARE CAPITAL

	2018 £M	2017 £M
Shares classified as equity		
Allotted, called up and fully paid		
1,019,070,089 (2017: 1,019,070,089) Ordinary shares of £1 (2017: £1) each (1,107,147,650 authorised shares)	1,019	1,019
13,376,175 (2017: 13,376,175) 6.5% Preference shares of £2 (2017: £2) each	27	27
	<u>1,046</u>	<u>1,046</u>
	2018 £M	2017 £M
Shares classified as debt		
Allotted, called up and fully paid		
58,050,000 (2017: 58,050,000) 6.5% Preference shares of £2 (2017: £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.

27. RESERVES

Other reserves

Other reserves represents 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

28. 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 2015 – 2017, 2016 – 2018, LTV 2017 – 2019 and LTV 2018 - 2020, comprise solely of internal financial measures, being for LTV 2015 – 2020 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 2015 is from 1 January 2015 to 31 December 2017. The performance period for share rights granted in 2016 is from 1 January 2016 to 31 December 2018. 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 vesting date for senior management is the latest of 1 April and 20 business days after the publication of the annual results of 2018, 2019 and 2020 respectively.

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 profit or loss during the performance period and amounts to a charge of £1,681,481 in 2018 (2017: £1,582,981).

	Number 2018	Number 2017
Outstanding at the beginning of the year	59,014	60,514
Granted during the year	21,638	14,817
Forfeited during the year	(10,243)	(35,040)
Vested during the year	(11,282)	18,723
Outstanding at the end of the year	59,127	59,014
Share price as at 31 December in EUR (€)	77.20	86.93

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 2015	21,525	58.95	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2016	22,672	78.77	Continued service, 100% internal financial measures	3 years
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	12,244	86.93	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.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

29. OPERATING LEASE RECEIVABLES

Operating lease arrangements for the Group as a lessor relate to the rental cost of Land & Buildings and Plant & Machinery expensed through the Statement of Comprehensive Income.

At 31 December 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £M	2017 £M
Not later than 1 year	76	79
Later than 1 year and not later than 5 years	215	165
Later than 5 years	707	134
TOTAL	998	378

30. OFF- BALANCE SHEET COMMITMENTS

	2018 £M	Less than 1 year £M	1-5 years £M	More than 5 years £M	2017 £M
Operating lease commitments	170	17	52	101	125
Property, plant and equipment ordered	9	9	-	-	11
Raw materials purchase contracts	16	16	-	-	51
Marketing and merchandising commitments	19	19	-	-	22
Other off – balance sheet obligations	861	139	331	391	1,206
Off-balance sheet obligations	1,075	200	383	492	1,415
Undrawn committed bank facilities	21	21	-	-	-

During the year ended 31 December 2018 £18m (2017: £22m) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases and rent.

Operating lease commitments are not recognised in the Group's statement of financial position. Payments made under operating leases are charged to profit and loss 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 reasonable certain to be exercised.

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.

Committed bank facilities are credit facilities offered to joint venture companies that are undrawn on the balance sheet date.

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

30. OFF- BALANCE SHEET COMMITMENTS (CONTINUED)

	2017 £M	Less than 1 year £M	1-5 years £M	More than 5 years £M	2016 £M
Operating lease commitments	125	11	35	79	98
Property, plant and equipment ordered	11	11	-	-	3
Raw materials purchase contracts	51	45	2	4	43
Marketing and merchandising commitments	22	22	-	-	-
Other off – balance sheet obligations	1,206	126	409	671	687
Off-balance sheet obligations	1,415	215	446	754	831
Undrawn committed bank facilities	-	-	-	-	-

During the year ended 31 December 2017 £22m (2016: £17m) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases and rent.

31. 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 income of £10m (2017: £9m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2018, contributions of £nil (2017: £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 has been reflected on its Statement of Financial Position. However, the Company has been determined to have a constructive obligation to make the payments to the trustees of the scheme, 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 2019. 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 £42m (2017: £39m) has been charged to the Statement of Comprehensive Income of the Company. The net pension scheme liability, to which the Company has an obligation to make payments, is £300m at 31 December 2018 (2017: £490m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

HEINEKEN UK LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

32. TRANSACTIONS WITH RELATED PARTIES

	2018	2017
	£M	£M
Joint ventures:		
Purchases	<u>(73)</u>	<u>(235)</u>
Associates:		
Purchases	<u>(4)</u>	<u>-</u>
Group companies:		
Sales	31	45
Purchases	(222)	(193)
Other transactions	<u>(58)</u>	<u>17</u>
Amounts owed by joint ventures (within receivables)	-	8
Amounts owed to joint ventures (within payables)	<u>7</u>	<u>27</u>

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:

	2018	2017
	£M	£M
Total directors remuneration		
Short term employee benefits	5	5
Share based payments	-	-
Other long term employee benefits	-	-
	<u>5</u>	<u>5</u>

	2018	2017
	£M	£M
Highest paid director		
Short term employee benefits	1	1
Share based payments	-	-
Other long term employee benefits	-	-
	<u>1</u>	<u>1</u>

The Group operates a defined contribution pension scheme. In the year there were 8 directors to whom retirement benefits were accruing under this scheme (2017: 10 directors).

HEINEKEN UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

32. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 (2017: 8 directors), further details per note 28.

33. EVENTS AFTER THE REPORTING DATE

The following subsidiaries of the Group (direct subsidiaries of the Company) were voluntarily struck off in May 2019:

- S&N Finland Ltd
- S&N Portugal Ltd
- S&N UK Ltd

The following subsidiaries of the Group's (indirect subsidiaries of the Company) capital was reduced to a de-minimis amount in June 2019 and an application to voluntarily strike off the subsidiaries was submitted to Companies House.

- Ma Pardone's Steak and Ale Houses Ltd
- Marr Trustees Ltd
- Poacher Inns Ltd
- Punch Taverns (CMS) Ltd
- Punch Taverns (Trent) Ltd
- Revival Inns Ltd
- Sycamore Taverns (Management) Ltd
- Sycamore Taverns Trust Company Ltd

Intra-group balances are eliminated on consolidation, therefore there will be no impact on the Group consolidated financial statements.

In June 2019 the Group marketed 150 pubs for packaged sale and have classified these pubs as assets held for sale subsequent to the balance sheet date. This is a non-adjusting event, indicative of conditions that arose after the reporting period. Contracts were exchanged on 24th September 2019 and the deal will complete in October 2019. The price and associated financial impact is not disclosed given this is commercially sensitive.

34. 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, and controlling party, at the Statement of Financial Position date, which was also the parent for the largest group of undertakings for which group financial statements were drawn up and of which the Company was a member, was Heineken N.V., a company registered in The Netherlands. Group financial statements for this company may be obtained from the Company Secretary, Heineken N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands, which is also the registered office.

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £M	2017 £M
ASSETS			
Non-current assets			
Property, plant and equipment	7	328	334
Goodwill	8	-	3
Other intangible assets	8	62	52
Investment in subsidiaries	9	2,018	2,018
Investments in joint ventures & associates	10	103	35
Loans and advances to customers	11	21	20
Deferred tax asset	12	90	102
Other non-current assets	13	5	3
		<u>2,627</u>	<u>2,567</u>
Current assets			
Inventories	14	95	84
Trade receivables	15	171	168
Other receivables	15	3,339	3,307
Prepayments and accrued income	15	16	20
Current tax assets	15	67	58
Cash and cash equivalents		3	92
		<u>3,691</u>	<u>3,729</u>
Total assets		<u>6,318</u>	<u>6,296</u>
LIABILITIES			
Current liabilities			
Trade payables	16	(276)	(178)
Other payables	16	(4,908)	(4,942)
Accruals and deferred income	16	(27)	(56)
Current tax liabilities	16	(84)	(83)
		<u>(5,295)</u>	<u>(5,259)</u>
Net current liabilities		<u>(1,604)</u>	<u>(1,530)</u>
Non-current liabilities			
Provisions	17	(32)	(31)
Other non-current liabilities	16	(116)	(116)
		<u>(148)</u>	<u>(147)</u>
Total liabilities		<u>(5,443)</u>	<u>(5,406)</u>
Net assets		<u>875</u>	<u>890</u>

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £M	2017 £M
EQUITY			
Share capital and share premium	18	1,046	1,046
Other reserves	19	(116)	(116)
Retained earnings	19	(55)	(40)
		875	890
Capital and reserves attributable to:			
Owners of Heineken UK Limited		875	890
Non-controlling interest		-	-
Total Equity		875	890

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 £15m for the year ended 31 December 2018 (2017: loss of £23m).

The financial statements on pages 56 to 77 were approved and authorised for issue by the board and were signed on its behalf on 30 September 2019 by:

R Sikorsky
Director

The notes on pages 59 to 77 form part of these financial statements.

HEINEKEN UK LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called-up share capital £M	Other reserves £M	Profit and loss account £M	Total equity £M
Balance at 1 January 2018	<u>1,046</u>	<u>(116)</u>	<u>(40)</u>	<u>890</u>
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(15)	(15)
Other comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive expense for the financial year	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(15)</u>
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2018	<u>1,046</u>	<u>(116)</u>	<u>(55)</u>	<u>875</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called-up share capital £M	Other reserves £M	Profit and loss account £M	Total equity £M
Balance at 1 January 2017	<u>1,046</u>	<u>(116)</u>	<u>(17)</u>	<u>913</u>
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(23)	(23)
Other comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive expense for the financial year	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(23)</u>
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2017	<u>1,046</u>	<u>(116)</u>	<u>(40)</u>	<u>890</u>

The notes on pages 59 to 77 form part of these financial statements.

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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, Kronenbourg 1664, Desperados and Bulmer'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.

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.

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, standards not yet effective, impairment of assets, share based payments and related party transactions.

Where relevant, equivalent disclosures have been provided in the Group accounts in which the Company is consolidated.

Adoption of new and revised standards

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 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 56 to 57 of the financial statements. The Company has net current liabilities of £1,604m (2017: £1,530m). This is mainly due to net amounts owed to fellow group undertakings within the next 12 months of £4,892m (2017: £4,935m), the demand for repayment of which is entirely within the control of the Group.

The Company's intermediate parent undertaking, Heineken International B.V., has confirmed to the directors its intention to provide sufficient financial assistance to enable the Company to continue operations and fulfil its financial obligations for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements of the Company. Based on this and the forecast trading of the Company, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

HEINEKEN UK LIMITED

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. ACCOUNTING POLICIES (CONTINUED)

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.

Investments 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.

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

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Sources of estimation uncertainty

The judgements in applying accounting policies and key sources of estimation uncertainty of the Company are the same as those of the Group which are set out in 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 £15m for the year ended 31 December 2018 (2017: loss of £23m).

6. EMPLOYEES

	2018	2017
	£M	£M
Wages and salaries	104	92
Social security costs	12	12
Other pension costs	53	50
Restructuring costs	6	2
	<u>175</u>	<u>156</u>

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

	2018	2017
	No.	No.
Supply chain	1,117	1,077
Finance	86	32
Commerce	650	664
Information technology	96	87
Human resource	29	11
General management	64	36
	<u>2,042</u>	<u>1,907</u>

HEINEKEN UK LIMITED

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. PROPERTY, PLANT AND EQUIPMENT

	Breweries, malting and other properties £M	Other tangible assets £M	Total £M
Cost			
At 1 January 2018	290	887	1,177
Additions	8	33	41
Transfer to Intangible Assets	-	(39)	(39)
Disposals	(117)	(371)	(488)
At 31 December 2018	<u>181</u>	<u>510</u>	<u>691</u>
Accumulated depreciation			
At 1 January 2018	173	670	843
Charge for the year	5	26	31
Transfer to Intangible Assets	-	(23)	(23)
Disposals	(117)	(371)	(488)
At 31 December 2018	<u>61</u>	<u>302</u>	<u>363</u>
Net book value			
At 31 December 2018	<u>120</u>	<u>208</u>	<u>328</u>
At 31 December 2017	<u>117</u>	<u>217</u>	<u>334</u>

The net book value of properties comprises:

	2018 £M	2017 £M
Freehold	<u>120</u>	<u>117</u>

HEINEKEN UK LIMITED

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. INTANGIBLE ASSETS

	Brand licences £M	Customer lists £M	Software £M	Goodwill £M	Total £M
Cost					
At 1 January 2018	115	27	-	3	145
Additions	-	-	-	-	-
Disposals	-	(25)	-	-	(25)
Transfer from Property, Plant and Equipment	-	-	39	-	39
Impairment	-	-	-	(3)	(3)
At 31 December 2018	<u>115</u>	<u>2</u>	<u>39</u>	<u>-</u>	<u>156</u>
Accumulated amortisation					
At 1 January 2018	64	26	-	-	90
Charge for the year	5	-	1	-	6
Transfer from Fixed Assets	-	-	23	-	23
Disposals	-	(25)	-	-	(25)
At 31 December 2018	<u>69</u>	<u>1</u>	<u>24</u>	<u>-</u>	<u>94</u>
Net book value					
At 31 December 2018	<u>46</u>	<u>1</u>	<u>15</u>	<u>-</u>	<u>62</u>
At 31 December 2017	<u>51</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>55</u>

The Company has been granted licences by other group undertakings in respect of several cider brands.

Indefinite useful life

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

	2018 £M	2017 £M
Goodwill	-	3
	<u>-</u>	<u>3</u>

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9. INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiary companies £M
Cost	
At 1 January 2018	2,440
Additions	-
At 31 December 2018	2,440
Impairment	
At 1 January 2018	422
Reversal of Impairment	-
At 31 December 2018	422
Net book value	
At 31 December 2018	2,018
At 31 December 2017	2,018

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2018 are provided in the appendix to the financial statements (see pages 73 to 77).

10. INVESTMENTS 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 2018 (2017: £35m).

The Company now owns 11,196 A Ordinary shares in TP & Munch Limited, a minority stake.

The investments in associates and joint ventures includes the interest of the Company in United Breweries Limited (UBL) in India. On 10 October 2018, officials from the Competition Commission of India visited UBL for their investigation in relation to allegations of price fixing and performed search of the premises and inquiries with certain officials at its registered office. As UBL has not received any demand order in respect of this matter and the investigation is ongoing, UBL deems it not practicable to estimate its potential financial effect, if any.

Summarised financial information for joint ventures and associates

	Joint ventures		Associates	
	2018	2017	2018	2017
	£M	£M	£M	£M
Carrying amounts of interest	7	7	96	28

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****11. LOANS AND ADVANCES TO CUSTOMERS**

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

	2018	2017
	£M	£M
Loans to customers	20	20
Advances to customers	1	-
	21	20

12. DEFERRED TAXATION

	Deferred tax
	£M
At 1 January 2018	102
Charged to the Statement of Comprehensive Income	(12)
At 31 December 2018	90

In respect of prior year:

	Deferred tax
	£M
At 1 January 2017	107
Charged to the Statement of Comprehensive Income	(5)
At 31 December 2017	102

The deferred taxation balance is made up as follows:

	2018	2017
	£M	£M
Accelerated capital allowances	16	27
Other timing differences	3	4
Tax losses	71	71
	90	102

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 £12m (2017: £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.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****13. OTHER NON-CURRENT ASSETS**

	2018	2017
	£M	£M
Investments	3	3
Loans to joint ventures and associates	2	-
	<u>5</u>	<u>3</u>

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

14. INVENTORY

	2018	2017
	£M	£M
Raw materials and consumables	7	8
Work in progress	44	41
Finished goods and goods for resale	44	35
	<u>95</u>	<u>84</u>

15. RECEIVABLES

	2018	2017
	£M	£M
Amounts falling due within one year		
Trade receivables	171	168
Funding amounts owed by direct and intermediate parent undertakings and their subsidiaries	1,773	1,440
Trade amounts owed by direct and intermediate parent undertakings and their subsidiaries	2	16
Funding amounts owed by direct and indirect subsidiary undertakings	1,484	1,576
Trade amounts owed by direct and indirect subsidiary undertakings	79	271
Other receivables	1	4
Prepayments and accrued income	16	20
Group relief	67	58
	<u>3,593</u>	<u>3,553</u>

Amounts due by group undertakings are repayable on demand. An annual interest rate of 0.75% plus LIBOR is charged on outstanding balances per annum. Amounts due by joint ventures bear interest of 4% plus LIBOR.

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

16. PAYABLES

Amounts falling due after more than one year

	2018	2017
	£M	£M
Preference shares	116	116
	<u>116</u>	<u>116</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in Note 18. 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.

	2018	2017
	£M	£M
Amounts falling due within one year		
Bank overdrafts	7	6
Trade payables	269	151
Funding amounts owed to direct and intermediate parent undertakings	3,911	3,565
Trade amounts owed to direct and intermediate parent undertakings	307	548
Funding amounts owed to direct and indirect subsidiary undertakings	551	542
Trade amounts owed to direct and indirect subsidiary undertakings	123	280
Amounts owed to joint ventures	7	27
Other taxation and social security	84	83
Other payables	9	1
Accruals and deferred income	27	56
	<u>5,295</u>	<u>5,259</u>

The bank overdrafts are unsecured. The Company is a participant in group cash pooling arrangements. Bank overdrafts have been netted against surplus cash balances as allowed under the pooling agreements.

Amounts due to group undertakings are repayable on demand. An annual interest rate of 0.75% plus LIBOR is charged on outstanding balances with other UK group undertakings per annum. A rate of 0.65% plus LIBOR is charged on outstanding balances with other group undertakings outside the UK per annum.

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

17. PROVISIONS

	Onerous leases	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2018	7	24	-	31
Created during the year	16	5	2	23
Released during the year	(1)	(1)	(1)	(3)
Utilised during the year	(8)	(10)	(1)	(19)
At 31 December 2018	14	18	-	32

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. It is expected that this provision will be utilised within the next five years.

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.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****18. CALLED-UP SHARE CAPITAL**

	2018	2017
	£M	£M
Shares classified as equity		
Allotted, called up and fully paid		
1,019,070,089 (2017: 1,019,070,089) Ordinary shares of £1 (2017: £1) each (1,107,147,650 authorised shares)	1,019	1,019
13,376,175 (2017: 13,376,175) 6.5% Preference shares of £2 (2017: £2) each	27	27
	1,046	1,046
	2018	2017
	£M	£M
Shares classified as debt		
Allotted, called up and fully paid		
58,050,000 (2017: 58,050,000) 6.5% Preference shares of £2 (2017: £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.

19. RESERVES**Other reserves**

Other reserves represents 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.

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

20. OPERATING LEASE RECEIVABLES

Operating lease arrangements relate to the rental cost of Land & Buildings and Plant & Machinery expensed through the Statement of Comprehensive Income.

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £M	2017 £M
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	1	1
Later than 5 years	1	2
TOTAL	2	3

21. OFF- BALANCE SHEET COMMITMENTS

	2018 £M	Less than 1 year £M	1-5 years £M	More than 5 years £M	2017 £M
Operating lease commitments	96	10	32	54	53
Property, plant and equipment ordered	9	9	-	-	11
Raw materials purchase contracts	16	16	-	-	51
Marketing and merchandising commitments	19	19	-	-	22
Other off – balance sheet obligations	861	139	331	391	1,206
Off-balance sheet obligations	1,001	193	363	445	1,343
Undrawn committed bank facilities	21	21	-	-	-

During the year ended 31 December 2018 £12m (2017: £15m) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases and rent.

Operating lease commitments are not recognised in the Company's statement of financial position. Payments made under operating leases are charged to profit and loss 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 reasonable certain to be exercised.

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.

Committed bank facilities are credit facilities offered to joint venture companies that are undrawn on the Statement of Financial Position date.

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

22. 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 income of £10m (2017: £9m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £nil (2017: £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 has been reflected on its Statement of Financial Position. However, the Company has been determined to have a constructive obligation to make the payments to the trustees of the scheme, 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 2019. 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 £42m (2017: £39m) 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 £300m at 31 December 2018 (2017: £490m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

23. TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	2018	2017
	£M	£M
Joint ventures:		
Purchases	73	235
	<u>73</u>	<u>235</u>
	2018	2017
	£M	£M
Associates:		
Purchases	4	-
	<u>4</u>	<u>-</u>
	2018	2017
	£M	£M
Amounts owed by joint ventures (within receivables)	-	8
Amounts owed to joint ventures (within payables)	7	27
	<u>7</u>	<u>27</u>

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

24. EVENTS AFTER THE REPORTING DATE

The following subsidiaries of the Group were voluntarily struck off in May 2019:

- S&N Finland Ltd
- S&N Portugal Ltd
- S&N UK Ltd

In February 2019, as part of the steps to strike the above subsidiaries off, the Company received dividend income of £4,537,414,000, offset by impairment of investments of £908,566,000.

25. ULTIMATE PARENT COMPANY

Refer to note 34 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 20 to 22 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.

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

APPENDIX TO THE FINANCIAL STATEMENTS

List of subsidiaries as at 31 December 2018:

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
Caledonian Brewery Limited ⁽²⁾	Scotland	Ordinary	100%
Heineken Northern Ireland Limited ⁽⁴⁾	Northern Ireland	Ordinary	99%
Heineken UK (Canada) Inc. ⁽⁶⁾	Canada	Ordinary	100%
Heineken UK Group Life Scheme Trust Company Limited ⁽²⁾	Scotland	Ordinary	100%
Newcastle Federation Breweries Limited ⁽¹⁾	England & Wales	Ordinary	100%
S&N Angel Investments Ltd. ⁽¹⁾	England & Wales	Ordinary	100%
S & N Finland Limited ^{(1)**}	England & Wales	Ordinary	100%
S & N Portugal Limited ^{(2)**}	Scotland	Ordinary	100%

Name	Country of incorporation	Class of shares	Holding
S&N UK Limited ^{(1)**}	England & Wales	Ordinary	100%
S&NF Limited ⁽²⁾	Scotland	Ordinary	100%
Star Pubs & Bars Limited ⁽²⁾	Scotland	Ordinary	100%
Punch Taverns (Chiltern) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Loanco (A) Limited ⁽¹⁾	England & Wales	Ordinary	100%

INDIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
Project Fox Pty Limited ^{(8)***}	Australia	Ordinary	100%
Blue Star Pub Company Holdings (No.2) Limited ⁽³⁾	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⁾	Jersey	Ordinary	100%
Blue Star Pub Company Limited ⁽²⁾	Scotland	Ordinary	100%
The Globe Pub Company Limited ⁽¹⁾	England & Wales	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%
ADR Financial Services (Birmingham) Limited ⁽¹⁾	England & Wales	Ordinary	100%
ADR Financial Services (Finchley) Limited ⁽¹⁾	England & Wales	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****DIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Agnew Stores (Holdings) Limited ⁽²⁾	Scotland	Ordinary	100%
Agnews Liquorworld Limited ⁽¹⁾	England & Wales	Ordinary	100%
Alloa Brewery Company Ltd ⁽²⁾	Scotland	Ordinary	100%
Alloa Pubs & Restaurants Ltd ⁽²⁾	Scotland	Ordinary	100%
Andrew Dick & Sons, Limited ⁽²⁾	Scotland	Ordinary	100%
Ansells Ind Coope (South Wales) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ansells Leisure Limited ⁽¹⁾	England & Wales	Ordinary	100%
Ansells Limited ⁽¹⁾	England & Wales	Ordinary	100%
Ansells Properties Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Archibald Arrol & Sons Ltd ⁽²⁾	Scotland	Ordinary	100%
Ardeer Tavern (unlimited) ⁽²⁾	Scotland	Ordinary	100%
B.W.B. Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Bartlett & Hobbs Limited ⁽¹⁾	England & Wales	Ordinary	100%
BK Investments Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Brierley Court Hop Farms Limited ⁽¹⁾	England & Wales	Ordinary	100%
Bruce's Brewery (World's End) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Bunker Beverage Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
Cameron Park Limited ⁽²⁾	Scotland	Ordinary	100%
Caskies of Alloa Limited ⁽²⁾	Scotland	Ordinary	100%
Cavalier Restaurants Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Chas Rose & Co.Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Cougar Beer Company Limited ⁽²⁾	Scotland	Ordinary	100%
Dalgarno (Wine Cellars) Limited ⁽²⁾	Scotland	Ordinary	100%
Duke's of Argyle Street Limited ⁽²⁾	Scotland	Ordinary	100%
Duke's of Exchange Place Limited ⁽²⁾	Scotland	Ordinary	100%
Friary Meux Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Golisha Limited ⁽²⁾	Scotland	Ordinary	100%
Graham's Golden Lager Ltd ⁽²⁾	Scotland	Ordinary	100%
Guildford Holdings Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Halls Brewery Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
Hooden Horse Inns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
I.C.E.A. Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ind Coope (E.M.) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ind Coope (London) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ind Coope (West Midlands) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ind Coope-Friary Meux Limited ⁽¹⁾	England & Wales	Ordinary	100%
Inn Business (Marr) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Inn Business (Sycamore) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Inn Business Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Inn Business Property Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ivell Inns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
J T & S (Allied) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
J. & M. Polson, Limited ⁽²⁾	Scotland	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****DIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

L&P 34 Limited ⁽¹⁾	England & Wales	Ordinary	100%
La Societe Brasserie Bleu Limited ⁽¹⁾	England & Wales	Ordinary	100%
M Milne Limited ⁽²⁾	Scotland	Ordinary	100%
Ma Pardoe's Steak & Ale Houses Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Marr Holdings Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Marr Taverns Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Marr Trustees Limited ⁽¹⁾	England & Wales	Ordinary	100%
Newmarsh Limited ⁽¹⁾	England & Wales	Ordinary	100%
Poacher Inns Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Punch (JT) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Beer Brands Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Funding II Ltd (Cayman) ⁽¹⁴⁾	Cayman	Ordinary	100%
Punch Inns (UK) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Management Services Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch National Brands Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Partnerships (PTL) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Ash) Limited ⁽²⁾	Scotland	Ordinary	100%
Punch Taverns (BS) Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (CMG) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (CMS) Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Punch Taverns (DC) Holdings Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (FH) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Fradley) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (IB) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (JPC) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Jubilee) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (MH) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (OS) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (PPCF) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (PR) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Red) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (RH) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Trent) Limited ^{(1)*****}	England & Wales	Ordinary	100%
Punch Taverns (Vintage) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (VPR) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Willow) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Finance plc ⁽¹⁾	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%
Revival Inns Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Rogano Limited ⁽²⁾	Scotland	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****DIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Scorpio Inns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Skol Lager Limited ⁽¹⁾	England & Wales	Ordinary	100%
Strettons Brewery Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
Sycamore Taverns (Management) Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Sycamore Taverns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Sycamore Taverns Trust Company Ltd ^{(1)*****}	England & Wales	Ordinary	100%
Tetley Limited ⁽¹⁾	England & Wales	Ordinary	100%
Tetley Walker Limited ⁽¹⁾	England & Wales	Ordinary	100%
Tetley Walker Production Ltd ⁽¹⁾	England & Wales	Ordinary	100%
The Aylesbury Brewery Company Ltd ⁽¹⁾	England & Wales	Ordinary	100%
The Pitfield Brewery Company Ltd ⁽¹⁾	England & Wales	Ordinary	100%
The Tetley Pub Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
The Wiltshire Brewery Investments Ltd ⁽¹⁾	England & Wales	Ordinary	100%
The Wiltshire Brewery Property Company Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Thorne Brothers Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Tolchard & Son Limited ⁽¹⁾	England & Wales	Ordinary	100%
Tramhill Limited ⁽¹⁾	England & Wales	Ordinary	100%
Trent Taverns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
United Breweries Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Verdon Developments Limited ⁽¹⁾	England & Wales	Ordinary	100%
Victoria Wine (Concessions) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Walker Cain Ltd ⁽¹⁾	England & Wales	Ordinary	100%
White Rose Inns Limited ⁽¹⁾	England & Wales	Ordinary	100%
William Jackson (Sunderland) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Wine Market Limited (The) ⁽¹⁾	England & Wales	Ordinary	100%

PARTICIPATING INTERESTS**JOINT VENTURES AND ASSOCIATES**

Name	Principal activity	Country of incorporation	Class of share
Brixton Brewery Limited ⁽¹³⁾	Brewery	England & Wales	Ordinary
Camerons Brewery Limited ⁽⁵⁾	Brewery	England & Wales	Ordinary
Coors On-Line Limited ⁽¹⁶⁾	Financing	England & Wales	Ordinary
Serviced Dispense Equipment (Holdings) Limited ⁽⁹⁾	Technical services	England & Wales	Ordinary
TP & Munch Limited ⁽¹⁵⁾	Brewery	England & Wales	Ordinary
T. & R. Theakston Limited ⁽¹¹⁾	Brewery	England & Wales	Ordinary
United Breweries Limited ⁽¹²⁾	Brewery	India	Ordinary
UseYourLocal Limited ⁽²⁾	Website	Scotland	Ordinary

HEINEKEN UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

Registered address of Investments:

- (1) Registered address of Eisey 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 6th Floor, Leslie Tower, 42-46 Fountain Street, Belfast, BT1 5EF
- (5) Registered address of Main Gate House, Waldon Street, Hartlepool, Cleveland, TS24 7QS
- (6) Registered address of 33 Carlingview Drive, Etobicoke ON M9W 5E4, Canada
- (7) Registered address of Kuehne + Nagel House, Sunrise Parkway, Linford Wood, Milton Keynes, Buckinghamshire, MK14 6BW
- (8) Registered address of c/o RSM Australia, Level 21, 55 Collins Street, Melbourne VIC 3000, Australia
- (9) Registered address of Maltings Building, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
- (10) Registered address of The Old Maltings, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
- (11) Registered address of The Brewery, Masham, Ripon, North Yorkshire, HG4 4YD
- (12) Registered address of UB Tower, Level 4, UB City, 24 Vittal Mallya Road, Bangalore (Karnataka), 560 001, India
- (13) Registered address of Unit 1&2, Dylan Road, London, SE24 0HL
- (14) Registered address of Maples & Calder, Uglan House, PO Box 309, Georgetown, Grand Cayman, Cayman Islands
- (15) Registered address of Unit 17 and 18, Lockwood Industrial Estate, Mill Mead Road, London, N17 9PQ
- (16) Registered address of 137 High Street, Burton On Trent, Staffordshire, DE14 1JZ

* The Company had a 50% direct interest in Kuehne + Nagel Drinkflow Logistics Holdings Limited, a company registered in England and Wales, this interest was sold on 26 February 2018 with all accounting entries reflected in these financial statements.

** The Company had a 100% direct interest in S&N Finland Limited, S&N Portugal Limited and S&N UK Limited, which were voluntarily struck off in May 2019.

*** This indirect subsidiary had a non-concurrent year-end of 30 June 2018. Project Fox Pty Limited is domiciled in Australia and dormant with de minimis net assets. Therefore the amounts at 31 December 2018 were as those reported at 30 June 2018.

**** These indirect subsidiaries in the current year had a concurrent year-end of 31 December 2018. In the comparative year their year-end was 19 August 2017. These subsidiaries were dormant companies purchased as part of the Punch acquisition. Therefore the amounts at 31 December 2017 were as those reported at 19 August 2017.

***** The Company had a 100% indirect interest in these 8 subsidiary companies, their capital was reduced to a de-minimis amount in June 2019 and an application to voluntarily strike off the subsidiaries was submitted to Companies House.