

Registered number SC016288

SCOTTISH & NEWCASTLE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



SCOTTISH & NEWCASTLE LIMITED

CONTENTS

	Pages
Company Information	1
Strategic Report	2 - 5
Directors' Report	6 - 7
Directors' Responsibilities Statement	8
Independent Auditor's Report to the Members of Scottish & Newcastle Limited	9 - 10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13 - 14
Notes to the Financial Statements	15 - 41

SCOTTISH & NEWCASTLE LIMITED

COMPANY INFORMATION

Directors	R C Hunter L J Nicoll R Sikorsky K Taylor-Welsh C G Van Tooren
Registered number	SC016288
Registered office	3-4 Broadway Park South Gyle Broadway Edinburgh United Kingdom EH12 9JZ
Independent auditor	Deloitte LLP Statutory Auditor Saltire Court 20 Castle Terrace Edinburgh United Kingdom EH1 2DB

SCOTTISH & NEWCASTLE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report of Scottish & Newcastle Limited (the "company") for the year ended 31 December 2019. The company is a wholly owned subsidiary of Sunrise Acquisitions Limited. The ultimate parent company at the year-end is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L de Carvalho-Heineken. Heineken N.V and subsidiary undertakings form the "group", with Heineken N.V. heading up the largest and smallest company into which the results of the company are consolidated.

BUSINESS REVIEW

The company is an investment holding company, holding investment in Heineken UK Limited, the UK group's main trading company. The company is also the principle employer of the Scottish & Newcastle Limited Group Defined Benefit Pension Scheme, which covers several employers across the UK Group of companies, consisting the company and subsidiary companies.

The primary source of income for the company was interest on intercompany loans and royalties from subsidiaries for brands held by the company. The operating profit in the current year was £46,406k (2018: £27,770k), up £18,636k on prior year. In 2018 the company incurred a one-off past service pension cost, relating to guaranteed minimum pension following a landmark court ruling on relating to the equalisation of pension benefits, the total amount expensed in 2018 was £10,000k. Additionally 73 of Scottish & Newcastle Limited employees were transferred to Heineken UK Limited on 1 January 2019 resulting in lower employee costs in the year by £5,795k. The profit before taxation for the year amounted to £67,461k (2018: £48,040k). In the year, the interest rate charged on intercompany loans decreased to 0.65% (2018: 0.75%) plus LIBOR leading to a reduction in intercompany interest receivable and payable in the year. Interest receivable and similar income consists of £24,413k of dividend in specie received following the strike off of the subsidiaries, EX C.P. Limited and Cunningham's and T.&W. Thwaites Limited on 28 May 2019. This is offset by the write-off of the investments in the aforementioned subsidiaries, included in other finance costs, totalling to £24,408k, leaving an immaterial overall impact to the profit for the year.

The main Statement of Financial Position items are investments of which the reason for the movement is explained above, intercompany loans, the group's defined benefit pension scheme, details of which are disclosed in note 20, and leasing balances as a result of the accounting policy change to IFRS16 effective 1 January 2019, the details of which can be found in the notes to the financial statements.

Management do not use any KPIs to monitor performance other than the figures included in the Statement of Comprehensive Income and Statement of Financial Position, as the company is an investment holding company.

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.

At the start of 2018 the UK Management Team established a Brexit Risk Cabinet which includes functional experts from across the business. Throughout 2019 UK operations were actively stress tested and contingency plans were put in place to mitigate any impact of a No Deal Brexit.

The UK formally exited the EU on 31 January 2020 and entered a transition period until 31 December 2020. During this transition period, the UK's trading relationship will be used to negotiate the future trading relationship between the UK and the EU.

The impact of Brexit is anticipated to be minimal to the company as investments are largely based in the UK, with the majority of production and trade taking place in the UK. The impact of Brexit on the defined benefit pension plan is not significant as the plan is well hedged in terms of interest rate and inflation risk. Additionally, the portfolio is globally diversified thus no significant exposure to UK markets.

SCOTTISH & NEWCASTLE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES

Effective management of risk forms an integral part of how the company operates as a business and is embedded in 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.

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 company and for reviewing the adequacy of the company's internal control system.

The main risk that the directors consider the company to be exposed to is that of the risks of the pension scheme: volatility of financial markets, notably investment returns and valuations, the rates used to value the liabilities and changes to life expectancy, all of which could result in material changes in the accounting cost and cash contributions required. The company continues to work closely with the Trustee of the defined benefit pension scheme to ensure the scheme financial position is at an acceptable cash cost to Heineken UK Limited, which has a constructive obligation to settle the contributions to the scheme. Please refer to note 3 on pages 24 - 25 for further information on the estimation risk.

FINANCIAL RISK MANAGEMENT POLICY

The main risks associated with the company's financial assets and liabilities are set out below.

Interest rate risk

Interest rate risk refers to the risk that changes in market rates will impact on the performance of the company. The company benefits from the management of interest rate risk being undertaken at group level and therefore interest rate risk is viewed at a group level.

Price risk

Price risk refers to the risk that the company will not be able to mitigate against changes in the market. There is no significant exposure to changes in the carrying value of financial liabilities and assets because all of these bear interest at floating rates.

Liquidity risk

Liquidity risk refers to the risk that the company will not be able to meet its liabilities as they fall due. The company benefits from the management of liquidity risk being undertaken at global level. With the spread of the COVID-19 crisis to all geographies, the Heineken group has entered the crisis with a strong balance sheet as well as undrawn committed credit facilities and has successfully secured additional financing on the debt capital market. The management of liquidity risk continues to be managed globally and the company benefits from the support by other UK Group companies. Liquidity risk is therefore deemed limited.

Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will impact on the performance of the company. The company benefits from the management of foreign currency risk being undertaken at group level.

SUBSEQUENT EVENTS: COVID - 19

The COVID-19 pandemic and its impact on British society and the UK economy has been unprecedented. It has required the company to demonstrate resilience and adaptability in the face of considerable challenge and uncertainty.

The company has a direct investment in Heineken UK Limited, the UK's main trading company. The Heineken UK Group, encompassing Heineken UK Limited and subsidiary companies, has entered into this period of uncertainty with a strong market position. The closure of pubs, restaurants and bars on 23 March 2020 has significantly impacted the operating performance for the UK Group in 2020, however the UK Group have managed the situation as it has developed taking a number of mitigating actions to allow the business to face this unprecedented crisis in the best possible way and to protect the long-term potential of our business.

SCOTTISH & NEWCASTLE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

SUBSEQUENT EVENTS: COVID – 19 (CONTINUED)

The UK Group has focused its response in three areas – the health, safety and wellbeing of stakeholders; the continuity of business operations; and finally, the mitigation of financial impact. All considerations have been addressed in the consolidated financial statements of Heineken UK Limited. The Heineken UK Group management team convened on a bi-weekly basis to manage business operations and interests guided by these principles and regularly communicated its decisions and actions to employees. Specific measures taken by the company include assessing the affordability of the pension deficit (discussed further below) and ensuring the carrying value of the subsidiary holding is supportable.

While the impact of COVID-19 cannot be wholly determined in isolation of other factors, the company's pension liability increased to £388.8m based on the latest pension valuation as at 30 June 2020. Since December 2019 bond yields have decreased and together with changes to inflation assumptions, an increased value has been placed on the plan's benefit obligation. While investment returns have been higher than assumed, the increase in the liabilities at June 2020 more than offset the increase in the asset value, which has led to a deterioration in the funded status compared to that as at 31 December 2019. The increased funded status does not impact on the company's ability to continue making deficit reduction contributions to the scheme. The company works closely with the scheme Trustee in assessing the required contributions to the scheme. The latest schedule of contributions was agreed by the Trustees and the company in April 2019. The schedule of contributions will be reviewed and jointly agreed by the Trustees and the company no later than 15 months after the effective date of each actuarial valuation due every three years. The current schedule of deficit recovery payments will remain in place until May 2023 at which point it will be reviewed. There is no change to the schedule of contributions as a result of COVID-19.

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) of Companies Act 2006

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

The board of Directors of the company, both together and separately, consider that they have acted in a way they consider in good faith and would promote the success of the company, through our agreed strategy, for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) (a-f) of the Act, in the decisions taken during the year ended 31 December 2019.

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

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

In discharging our section 172 duty we, the directors of the company, have regard to factors set out above, as follows:

- a. The board takes direct responsibility for safeguarding the interests of the company's obligations to the pension scheme, ensuring full affordability of the funded status and investment strategy of the scheme in the short and long term. Additionally the directors understand the business and the evolving environment in which we operate. The strategy followed by the board and decisions taken to implement it, is intended to strengthen our position over the long term. In line with the global organisation and subsidiary companies, the company is managed with the intention of maintaining a conservative financial profile over the longer term.
- b. The company is a holding company and has no employees.
- c. The directors recognise the importance of clear communication and proactive engagement with stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the company. Given the company is a holding company there is no suppliers and customers.

SCOTTISH & NEWCASTLE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) of Companies Act 2006 (continued)


In discharging our section 172 duty we, the directors of the company, have regard to factors set out above, as follows (continued):

- d. The directors apply the policies of the wider Heineken business, as referred to in the consolidated financial statements of Heineken UK Limited, in all aspects of our business, protecting its people, communities and environment. The group wide policies are embedded into the culture and activities of the business and is endorsed by the group and UK management teams.
- e. In line with the wider Heineken Group, the directors are committed to conduct business with integrity and fairness, with respect for the law, our values and our company policies. This commitment is outlined in 'The Heineken Company Code of Business Conduct'.
- f. By weighing up all relevant factors, the directors consider which course of action best enables delivery through the long-term, taking into consideration the impact of stakeholders.

Principle Decisions

Being part of a global organisation, the company adheres to policies and procedures which are often set by the ultimate parent company, Heineken N.V. Where principle decisions are made, they are made within the context of Heineken N.V.'s global strategy.

This report was approved by the board on 24 September 2020 and signed on its behalf by:

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R Sikorsky
Director

SCOTTISH & NEWCASTLE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements of Scottish & Newcastle Limited (the "company") for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of an investment holding company.

DIRECTORS

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

D M Forde (resigned on 31 July 2020)
R C Hunter
L J Nicoll
R Sikorsky
K Taylor-Welsh
C G Van Tooren

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £55,417k (2018: £38,374k). A review is presented in the Strategic Report on page 2 and forms part of this report by way of cross reference.

During the year, no dividends were paid or proposed by the company (2018: £nil).

SUBSEQUENT EVENTS

As noted in the Strategic Report on pages 3 to 4 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Strategic Report details the additional work we have undertaken and factors considered as a result of COVID-19, and confirms our ability to continue on a going concern basis.

FUTURE DEVELOPMENTS

The company expects to continue as the investment holding company of Heineken UK Limited for the foreseeable future.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

The company made no political contributions or charitable donations during the year (2018: £nil).

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.

FINANCIAL RISK MANAGEMENT

The financial risk management of the company is discussed in the Strategic Report on page 3 and forms part of this report by way of cross reference.

SCOTTISH & NEWCASTLE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

GOING CONCERN

The financial position of the company is set out in the Statement of Financial Position on page 12 of the financial statements. The company has net current assets of £60,290k at 31 December 2019 (2018: net current liabilities of £2,639k). The subsequent events section of the Strategic Report on page 3 details the impact on the pension obligation across the 6 month period to 30 June 2020 (the latest available IAS 19 pension valuation). The increased obligation will not change or impact the company's affordability of scheme contributions, in which Heineken UK Limited has a constructive obligation to pay.

The company together with subsidiary undertakings entered the COVID-19 crisis with a strong market position. We have managed the situation as it has developed taking a number of mitigating actions across the business to allow the UK Group to face this unprecedented crisis in the best possible way and to protect the long-term potential of our business. Any further developments will be managed carefully as we have already demonstrated, taking mitigating actions where required.

Having reviewed the UK operating company's forecasts, projections and sensitivity analysis, as well as other relevant evidence including external industry judgement, the directors have a reasonable expectation that the UK Group and the company, will continue in operational existence for the foreseeable future.

Additionally, Heineken International B.V., an intermediary parent company, has confirmed that they will not request a repayment of borrowings granted to UK companies under existing agreements for at least 12 months from the date of this report. The company benefits from the support by other UK Group companies under common control.

Accordingly, the financial statements of the company have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

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 company'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 company'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 company and, under Sections 485 to 488 of the Companies Act 2006, will be deemed re-appointed.

This report was approved by the board on 24 September 2020 and signed on its behalf by:

DocuSigned by:

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R Sikorsky
Director

SCOTTISH & NEWCASTLE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 these financial statements, the directors are required to:

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

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 Scottish & Newcastle Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish & Newcastle Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation 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 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 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.

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.

Independent auditor's report to the members of Scottish & Newcastle Limited (continued)

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

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



David Crawford, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
24 September 2020

SCOTTISH & NEWCASTLE LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Other income		47,139	43,985
Administrative expenses		(733)	(16,215)
Operating profit	4	46,406	27,770
Interest receivable and similar income	7	68,767	49,674
Interest payable and similar costs	8	(15,404)	(17,604)
Other finance costs	9	(32,308)	(11,800)
Profit before tax		67,461	48,040
Taxation	10	(12,044)	(9,666)
Profit for the financial year		55,417	38,374
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit scheme		(86,500)	172,900
Movements of deferred tax relating to pension liability	16	14,705	(29,359)
Other comprehensive (expenditure)/income (will not be reclassified subsequently to profit or loss)		(71,795)	143,541
Total comprehensive (expenditure)/income for the year		(16,378)	181,915

The notes on pages 15 to 41 form part of these financial statements.

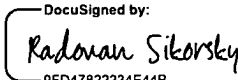
Profits are derived wholly from continued operations.

SCOTTISH & NEWCASTLE LIMITED
REGISTERED NUMBER: SC016288

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	-	-
Intangible assets	12	816	857
Investments	13	3,324,986	3,349,394
		3,325,802	3,350,251
Current assets			
Debtors: amounts falling due after more than one year	14	70,043	60,439
Debtors: amounts falling due within one year	14	2,778,396	2,751,336
Cash and bank		343	-
		2,848,782	2,811,775
Creditors: amounts falling due within one year	15	(2,788,492)	(2,814,414)
Net current assets / (liabilities)		60,290	(2,639)
Total assets less current liabilities		3,386,092	3,347,612
Provisions for liabilities			
Creditors: amounts falling due after more than one year	15	(2,181)	-
Other provisions	17	(586)	(1,004)
Pension liability	20	(353,900)	(300,200)
Net assets		3,029,425	3,046,408
Capital and reserves			
Called-up share capital	18	192,868	192,868
Share premium account	19	1,391,699	1,391,699
Capital redemption reserve	19	72,413	72,413
Other reserves	19	118,423	118,423
Merger reserve	19	286,000	286,000
Profit and loss account	19	968,022	985,005
Total shareholders' funds		3,029,425	3,046,408

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2020.

DocuSigned by:

R Sikorsky
 Director

The notes on pages 15 to 41 form part of these financial statements.

SCOTTISH & NEWCASTLE LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2019	192,868	1,391,699	72,413	118,423	286,000	985,005	3,046,408
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	-	-	55,417	55,417
Changes in accounting policy – IFRS 16	-	-	-	-	-	(605)	(605)
Actuarial loss on pension scheme, net of deferred tax	-	-	-	-	-	(71,795)	(71,795)
Other comprehensive expenditure for the year	-	-	-	-	-	(71,795)	(71,795)
Total comprehensive expenditure for the financial year	-	-	-	-	-	(16,983)	(16,983)
At 31 December 2019	192,868	1,391,699	72,413	118,423	286,000	968,022	3,029,425

The notes on pages 15 to 41 form part of these financial statements.

SCOTTISH & NEWCASTLE LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2018	192,868	1,391,699	72,413	118,423	286,000	803,090	2,864,493
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	-	-	38,374	38,374
Actuarial gain on pension scheme, net of deferred tax	-	-	-	-	-	143,541	143,541
Other comprehensive income for the year	-	-	-	-	-	143,541	143,541
Total comprehensive income for the financial year	-	-	-	-	-	181,915	181,915
At 31 December 2018	<u>192,868</u>	<u>1,391,699</u>	<u>72,413</u>	<u>118,423</u>	<u>286,000</u>	<u>985,005</u>	<u>3,046,408</u>

The notes on pages 15 to 41 form part of these financial statements.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Scottish & Newcastle Limited (the "company") is an investment holding company. The company is a private company limited by shares, 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, which is the company's functional and presentational currency.

The financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Heineken N.V. The group accounts of Heineken N.V. are available to the public and can be obtained as set out in note 23.

Adoption of new and revised standards

New and amended IFRS standards that are mandatorily effective for the current year.

The company 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 2019.

IFRS 16 Leases

The company has implemented IFRS 16 'Leases' as at 1 January 2019, replacing existing guidance on leases (including IAS 17). The adoption of IFRS 16 has changed the accounting for leases as under the new standard all operating lease contracts are recognised on the company's Statement of Financial Position by recognising a right of use ("ROU") asset, a lease receivable and lease liability, except for short term and low value leases. Lease expenses previously recorded in the company's Statement of Comprehensive Income are replaced by depreciation and interest income and expenses for all lease contracts in scope of the standard. Refer to note 2.12 for the accounting policy on leases.

The company has implemented IFRS 16 as at 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers are not restated. The company has operating leases relating to land and buildings.

The company is operating both as a lessee (referred to as head lease contracts) and a lessor (referred to as sublease contracts) for the land and buildings. The company has analysed the sublease contracts and concluded that under the new standard these contracts are treated as finance lease, where under the previous standard these same leases were treated as an operating lease.

In the transition to IFRS 16, the company applied the following transition expedients:

- Use the option to grandfather the lease classification for existing contracts.
- Use the transition option for leases with a remaining contract period of less than one year, meaning that these leases will not be recorded on balance and the payments will be expensed in the Statement of Comprehensive Income on a straight-line basis.
- Measure the ROU asset based on the lease liability recognised.

As a result of applying IFRS 16, the company recognised £3,223k of finance lease receivables and £4,344k of lease liabilities as at 1 January 2019 relating to headlease and subleased land and buildings. An amount of £605k, net of deferred tax of £88k, has been recorded in retained earnings as at 1 January 2019. The lease receivables and liabilities are included within debtors and creditors respectively.

When measuring the lease liability, the company discounted the lease payments using the incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied is 2.4%.

During 2019 the company recorded £nil depreciation, £91k of interest costs on lease liabilities and £66k of interest receivable on lease receivables. In 2018, operating lease expenses were reported under administrative expenses.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****1. GENERAL INFORMATION (CONTINUED)****Adoption of new and revised standards (continued)*****New and amended IFRS standards that are mandatorily effective for the current year (continued).*****IFRS 16 Leases (continued)**

As at 31 December 2018, the total off-balance sheet commitment for leases was £4,469k. The difference between the opening Statement of Financial Position impact as at 1 January 2019 and the off-balance sheet commitments is wholly due to discounting of future lease payments. Refer to the table below for the reconciliation:

	£000
Operating lease commitments at 31 December 2018 (restated*)	4,469
Impact of discounting using the incremental borrowing rate as at 1 January 2019	(125)
Lease liability recognised as at 1 January 2019	4,344

* Operating lease commitments were reassessed as a result of the IFRS 16 transition project.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The company has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The company applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the company does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the company originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION (CONTINUED)

Adoption of new and revised standards (continued)

New and amended IFRS standards that are mandatorily effective for the current year (continued).

IFRS 3 Business Combinations

The amendments clarify that when the company obtains control of a business that is a joint operation, the company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the company does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

As there has not been any amendment, curtailment or settlement of the defined benefit pension scheme, the directors have concluded that this amendment has had no impact.

IFRIC 23 Uncertainty over Income Tax Treatments

The company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the company to:

- determine whether uncertain tax positions are assessed separately or as a company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: If yes, the company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES****2.1 Basis of preparation of financial statements**

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, fair value measurement, capital management, presentation of a cash flow statement, comparative reconciliations for fixed assets, standards not yet effective, impairment of assets and related party transactions.

The company is a wholly-owned subsidiary of Sunrise Acquisitions Limited and of its ultimate parent, Heineken Holding N.V. and the ultimate controlling party is Mrs C.L de Carvalho-Heineken. Heineken N.V and subsidiary undertakings form the "group". The company is included in the consolidated financial statements of Heineken N.V. which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The financial statements have been prepared on a going concern basis, based on the historical cost convention. Historical cost is generally based on fair value of the consideration given in exchange for the goods and services.

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 company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

2.2. Going concern

The financial position of the company is set out in the Statement of Financial Position on page 12 of the financial statements. The company has net current assets of £60,290k at 31 December 2019 (2018: net current liabilities of £2,639k). The subsequent events section of the Strategic Report on page 3 details the impact on the pension obligation across the 6 month period to 30 June 2020 (the latest available IAS 19 pension valuation). The increased obligation will not change or impact the company's affordability of scheme contributions, in which Heineken UK Limited has a constructive obligation to pay.

The company together with subsidiary undertakings entered the COVID-19 crisis with a strong market position. We have managed the situation as it has developed taking a number of mitigating actions across the business to allow the UK Group to face this unprecedented crisis in the best possible way and to protect the long-term potential of our business. Any further developments will be managed carefully as we have already demonstrated, taking mitigating actions where required.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.2. Going concern (continued)

Having reviewed the UK operating company's forecasts, projections and sensitivity analysis, as well as other relevant evidence including external industry judgement, the directors have a reasonable expectation that the UK Group, and the company, will continue in operational existence for the foreseeable future.

Additionally, Heineken International B.V., an intermediary parent company, has confirmed that they will not request a repayment of borrowings granted to UK companies under existing agreements for at least 12 months from the date of this report. Additionally the company benefits from the support by other UK Group companies under common control.

Accordingly, the financial statements of the company have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

The principal accounting policies adopted are set out below:

2.3. 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.

Brands

Acquired brands, which are separately identifiable, are recorded at fair value on acquisition where this can be measured reliably. Brands are amortised on a straight line basis over their expected useful life of 25 years.

2.4. Impairment of 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 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.

2.5. Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

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.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.5. Valuation of investments (continued)

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.

2.6. Financial instruments

The company 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 company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

Fair value through profit or loss

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for 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 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. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Cash and bank

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.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.6. Financial Instruments (continued)

Other financial liabilities

The company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

The company comprises only out-of-the-money derivatives. They are carried in the Statement of Financial Position at fair value recognised in the Statement of Comprehensive Income.

Financial liabilities at amortised cost

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

Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

At each period 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'interest receivable and similar income or interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.7. 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.

2.8. Pensions

Defined benefit pension plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ACCOUNTING POLICIES (CONTINUED)****2.8. Pensions (continued)****Defined benefit pension plans (continued)**

Certain past employees of Scottish & Newcastle Limited are members of the Scottish & Newcastle Limited group defined benefit pension scheme, which covers 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 the Statement of Financial Position. However, Heineken UK Limited, another group company within the pension scheme, has been determined to have a constructive obligation to make the payments to the scheme and has historically made these payments on behalf of Scottish & Newcastle Limited. As such, the associated costs have been charged to the Statement of Comprehensive Income of Heineken UK Limited.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

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.

2.9. Interest income

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

2.10. Provisions for liabilities

Provisions are made where an event has taken place that gives the company 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 company 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.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.11. Current and deferred taxation

The tax expense for the year comprises 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 company operates and generates income.

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 Statement of Financial Position 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 company 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 company intends to settle its current tax assets and liabilities on a net basis.

2.12. Leases

Definition of a lease

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

The company as a lessee

At the start date of the lease, the company (lessee) recognises a right of use (ROU) asset and a lease liability in the Statement of Financial Position. The ROU asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.12. Leases (continued)

The company as a lessee (continued)

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

- The short-term lease exemption, meaning that leases with a duration of less than a year are expensed in the income statement on a straight-line basis.
- The low value lease exemption, meaning that leased assets with an individual value of €5k or less if bought new, are expensed in the income statement on a straight-line basis.

The company as a lessor

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

2.13. Lease receivables

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

2.14. Lease liabilities

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

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

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

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

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

- Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics.

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions 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.

Estimates and 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 area of judgement:

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (CONTINUED)****Impairment/reversal of impairment in investments**

The company has significant investments in subsidiaries. The carrying amount of investments in subsidiary companies at year end was £3,324,986k (2018: £3,349,394k). Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may to a large extent depend upon the selection of key assumptions about the future.

Sources of estimation uncertainty

The preparation of the financial statements requires the company to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumption or conditions.

The directors believe the following to be the key area of estimates:

Defined Benefit Pension Scheme Accounting estimates and judgements

The directors engage an independent and qualified actuary to calculate the company's liability in respect of the defined benefit plan. In order to arrive at this valuation certain assumptions in respect of discount rates, salary escalations, expected return on the plan's assets and future pension increases have been made. Assumptions regarding future mortality are based on published statistics and mortality tables. As the actual rates of increase and mortality may differ from those assumed, the actual pension liability may differ from that recognised in these financial statements. The company's liabilities at the year-end amounted to £353,900k (2018: £300,200k). Assumptions used and full details of the company's liability are set out in full in note 20.

Impairment of Intangible fixed assets

At each reporting date, the company 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The carrying amount of intangible fixed assets, relating to brands at year-end was £816k (2018: £857k).

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.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

Lease term and incremental borrowing rate

Significant judgement is required to determine the lease term and the incremental borrowing rate. The assessment of whether the company is reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

The outcome of a sensitivity analysis of up to 200 basis points adverse change in key assumptions (lower discount rate) did not result in a materially different outcome of the lease liability.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****4. OPERATING PROFIT**

The operating profit is stated after charging:

	2019	2018
	£000	£000
Staff costs (note 5)	2,400	8,195
Amortisation of intangible fixed assets	41	41
	2,441	8,236

Fees in respect of the audit of the financial statements were £22k (2018: £21k) and were paid on behalf of the company by its subsidiary company Heineken UK Limited. No non-audit services were provided to the company in the current or previous year.

5. EMPLOYEES

Staff costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	-	4,677
Social security costs	-	529
Defined contribution pension cost	-	389
Other pension costs	2,400	2,600
	2,400	8,195

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

	2019	2018
	No.	No.
Finance	-	34
Human resource	-	32
General management	-	7
	-	73

Employees with contracts with Scottish and Newcastle Ltd signed contracts with Heineken UK Ltd on 1 January 2019. Costs relating to the employees are now consolidated with Heineken UK Limited. The other pension costs relating to administrative costs of the defined benefit pension scheme continue to be incurred by the company as it has been determined as part of the FRS 101 transition that the company is the principal employer of the scheme.

6. DIRECTORS' REMUNERATION

From 1 January 2019, directors that were previously contracted and employed by the company are now employed by Heineken UK Limited, a subsidiary of the company. Directors' remuneration of £330k (2018: £309k) is borne by the company's subsidiary in the current year whilst in previous years, it was borne by the company.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019	2018
	£000	£000
Interest receivable from group companies	44,235	49,670
Dividend in specie from struck-off subsidiaries	24,413	-
Interests on lease receivables	66	-
Bank interest income	13	4
Other interest income	40	-
	68,767	49,674

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£000	£000
Interest payable to group undertakings	15,304	17,571
Interest on lease liabilities	91	-
Bank interest payable	9	33
	15,404	17,604

9. OTHER FINANCE COSTS

	2019	2018
	£000	£000
Net interest on net defined benefit liability (note 20)	7,900	11,800
Write off investment in subsidiary (note 13)	24,408	-
	32,308	11,800

10. TAX ON PROFIT

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	6,330	5,456
Adjustment in respect of prior years	(866)	1,100
Total current tax	5,464	6,556

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****10. TAX ON PROFIT (CONTINUED)****Deferred tax**

Current year	5,805	3,666
Prior year	775	(170)
Effect of changes in tax rates	-	(386)
Total deferred tax	6,580	3,110
Tax on profit	12,044	9,666

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is the lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%) as set out below:

	2019	2018
	£000	£000
Profit before tax	67,461	48,040

Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	12,818	9,128
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EFFECTS OF:

Fixed asset differences	2	
Expenses not deductible for tax purposes	4,637	2
Prior year adjustment	(91)	930
Non-taxable income	(4,639)	(8)
Tax rate changes	1,037	(386)
Transfer pricing adjustments	(5,009)	(5,830)
Effects of group relief/other reliefs	5,009	5,830
Effect of difference in CT and DT rates on amounts credited and charged directly to OCI	(1,720)	-
TOTAL TAX CHARGE FOR THE YEAR	12,044	9,666

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance (No. 2) Act 2015 and The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the Statement of Financial Position date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been £8,000k higher.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****11. TANGIBLE ASSETS****Right Of Use (ROU) assets**

	2019	2018
	£000	£000
Land and buildings	-	-
Carrying amount ROU assets as at 31 December	-	-

The company leases land and buildings during 2019, of which the average outstanding lease term is 3 years from the balance sheet date. Over 75% of the property was subleased out for the same term with the vacant portion of the asset impaired down to nil carrying value on transition to IFRS 16. There were no expired or new headleases entered into during the period resulting in nil additions and disposals during 2019.

There is no depreciation of right-of-use assets. Interest income and expense on lease receivables and liabilities are disclosed in note 7 and 8 of the financial statements, respectively. There company does not have any low value or short term leases which are expensed in the period or committed at the reporting date, nor does the contracts include any variable lease payments which are not included in the measurement of the lease liability.

All future cash flows are reflected in the lease liability. Income in the period from sub-leasing right-of-use assets are recorded against finance lease receivable and the future finance lease receivables are disclosed in note 14 to the financial statements.

12. OTHER INTANGIBLE ASSETS

	Brands
	£000
Cost	
At 1 January 2019	1,030
At 31 December 2019	1,030
Accumulated amortisation	
At 1 January 2019	173
Charge for the year	41
At 31 December 2019	214
Net book value	
At 31 December 2019	816
At 31 December 2018	857

The amortisation of other intangible assets is presented in the Statement of Comprehensive Income under administrative expenses.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****13. INVESTMENTS**

	Investments in subsidiary companies £000
Cost	
At 1 January 2019	3,349,394
Write-off of investments (note 9)	(24,408)
At 31 December 2019	3,324,986
Net book value	
At 31 December 2019	3,324,986
At 31 December 2018	3,349,394

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding
Heineken UK Limited ⁽²⁾	Scotland	Ordinary	100%
HP Bulmer Limited ⁽¹⁾	England & Wales	Ordinary	100%
Scottish & Newcastle (Curaçao) N.V. ⁽¹⁰⁾	Curaçao	Ordinary	100%
Scottish & Newcastle India Limited ⁽¹⁾	England & Wales	Ordinary	100%
Scottish & Newcastle Pension Plan Trustee Limited ⁽²⁾	Scotland	Ordinary	100%
The Caledonian Brewing Company Limited ⁽²⁾	Scotland	Ordinary	100%

INDIRECT 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 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&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%
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%

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****13. INVESTMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Country of incorporation	Class of shares	Holding
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%
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%

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****13. INVESTMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Country of incorporation	Class of shares	Holding
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%
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%
Marr Holdings Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Marr Taverns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Newmarsh Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch (JT) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Beer Brands Limited ^{(1)*}	England & Wales	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 (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 (Vintage) Limited ^{(1)*}	England & Wales	Ordinary	100%

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****13. INVESTMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Country of incorporation	Class of shares	Holding
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%
Rogano Limited ^{(2)*}	Scotland	Ordinary	100%
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 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%
Heliotrope Limited ⁽¹¹⁾	Guernsey	Ordinary	100%

JOINT VENTURES AND ASSOCIATES

Brixton Brewery Limited ⁽¹³⁾	England & Wales	Ordinary	49%
Camerons Brewery Limited ⁽⁵⁾	England & Wales	Ordinary	24%
Coors On-Line Limited ⁽¹⁴⁾	England & Wales	Ordinary	27%
Maltex Malsters Limited ⁽¹²⁾	India	Ordinary	19%
Serviced Dispense Equipment (Holdings) Limited ⁽⁷⁾	England & Wales	Ordinary	49.95%
T. & R. Theakston Limited ⁽⁸⁾	England & Wales	Ordinary	28.3%
United Breweries Limited ⁽⁹⁾	India	Ordinary	37.25%

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENTS (CONTINUED)

The company had a 100% indirect interest in Heineken Northern Ireland Limited which was voluntarily struck off in February 2019.

The company had a 100% indirect interest in Cunningham's and T. & W. Thwaites Limited, EX C.P. Limited, S&N Finland Limited, S&N Portugal Limited, S&N UK Limited, which were voluntarily struck off in May 2019.

The company had a 100% indirect interest in Punch Funding II Ltd, registered in the Cayman Islands, which was dissolved in September 2019.

The company had a 100% indirect interest in the below 8 subsidiary companies, which were voluntarily struck off in October 2019:

- Ma Pardoe'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

* Denotes a subsidiary the company has a 100% indirect interest in, which was voluntarily struck off in September 2020.

Registered address of investments:

- (1) Registered address of Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE
- (2) Registered address of 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ
- (3) Registered address of Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG
- (4) Registered address of 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 Maltings Building, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
- (8) Registered address of The Brewery, Masham, Ripon, North Yorkshire, HG4 4YD
- (9) Registered address of UB Tower, Level 4, UB City, 24 Vittal Mallya Road, Bangalore (Karnataka), 560 001, India
- (10) Registered address of Paraweg 45, Curacao, Netherlands Antilles
- (11) Registered address of Manor Place, St Peter Port, Guernsey, GY1 4EW
- (12) Registered address of PO BOX 45, RAUNI PATIALA PUNJAB PB 147001 INDIA
- (13) Registered address of Arch 547, Brixton Station Rd, Brixton, London SW9 8PF
- (14) Registered address of 137 High Street, Burton On Trent, Staffordshire, DE14 1JZ

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****14. DEBTORS**

	2019	2018
	£000	£000
Amounts falling due after more than one year		
Deferred taxation (note 16)	68,476	60,439
Finance lease receivable	1,567	-
	<u>70,043</u>	<u>60,439</u>
	2019	2018
	£000	£000
Amounts falling due within one year		
Amounts owed by parent undertaking	6,394	6,291
Amounts owed by direct and indirect subsidiary undertakings	2,765,983	2,738,176
Amounts owed by group undertakings	196	-
Corporation tax receivable	5,167	6,869
Finance lease receivable	656	-
	<u>2,778,396</u>	<u>2,751,336</u>

All amounts owed by group undertakings are of a funding nature, unsecured and accrue interest at 0.65% (2018: 0.75%) plus LIBOR per annum. All amounts are repayable on demand and reflect their fair value.

Leased assets were fully sublet throughout the year and on transition to IFRS16 a finance lease receivable was recognised for future rents receivable. The average outstanding term of the lease receivables, including the long and short-term portion of lease receivables, is 3 years (2018: nil). No new leasing arrangements were entered into during 2019.

15. CREDITORS

	2019	2018
	£000	£000
Amounts falling due within one year		
Trade creditors	22	104
Bank overdrafts	-	408
Amounts owed to intermediate parent undertakings	108,069	106,371
Amounts owed to direct and indirect subsidiary undertakings	2,453,619	2,665,239
Group relief payable	225,869	42,292
Lease liabilities	913	-
	<u>2,788,492</u>	<u>2,814,414</u>
	2019	2018
	£000	£000
Amounts falling due after more than one year		
Lease liabilities	2,181	-
	<u>2,181</u>	<u>-</u>

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****15. CREDITORS (CONTINUED)**

Analysis of maturity of lease liabilities:

	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	Between 1 and 5 years £000	More than 5 years £000
Lease liabilities	3,094	3,193	913	2,181	-
Total 2019	3,094	3,193	913	2,181	-

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.

All amounts owed to group undertakings are of a funding nature, unsecured and accrue interest at 0.65% (2018: 0.75%) plus LIBOR per annum. All amounts are repayable on demand and reflect their fair value.

16. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2019	60,439
Changes in accounting policy (IFRS 16)	(88)
Charged to the Income Statement (note 10)	(5,805)
Charged to other comprehensive income	14,705
Adjustment in respect of prior years	(775)
At 31 December 2019	68,476

In respect of prior year:	Deferred tax £000
At 1 January 2018	92,908
Charged to the Income Statement (note 10)	(3,280)
Charged to other comprehensive income	(29,393)
Adjustment in respect of prior years	204
At 31 December 2018	60,439

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	1,120	1,366
Other timing differences	100	946
Trading losses	7,093	7,093
Deferred tax on pension liability	60,163	51,034
	68,476	60,439

At the reporting date, the company has unused tax losses of £41,727k (2018: £41,727k) available for offset against future profits. A deferred tax asset of £7,094k (2018: £7,094k) has been recognised in respect of such losses. There are no unrecognised deferred tax assets in the current or previous year.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****17. PROVISIONS**

	Onerous leases
	£000
At 1 January 2019	1,004
Created during the year	358
Utilised during the year	(141)
Change in accounting policy – IFRS 16	(628)
Released during the year	(7)
At 31 December 2019	586

Onerous leases

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

18. CALLED-UP SHARE CAPITAL

	2019	2018
	£000	£000
Authorised, allotted, called-up and fully paid		
964,337,647 (2018: 964,337,647) Ordinary shares of £0.20		
(2018: £0.20) each	192,868	192,868
	Ordinary shares No. of shares	Share premium £000
At 31 December 2019 and 31 December 2018	964,337,647	1,391,698

19. RESERVES**Share premium account**

The share premium account represents the amount subscribed for share capital in excess of the nominal value.

Capital redemption reserve

A reserve relating to the purchase of the company's own shares.

Other reserves

Other reserves represents fair value adjustments on hedged derivatives and other reserves.

Merger reserve

A reserve credited in place of a share premium account when merger relief is made use of.

Profit and loss account

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

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****20. PENSION COMMITMENTS**

The company operates a number of pension schemes, the main group scheme is a defined benefit scheme. The company's defined benefit pension plan is a final salary plan for the company's employees, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The defined benefit scheme is administered by a separate fund that is legally separate from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the administration of the plan assets and for the definition of the investment strategy.

A full actuarial valuation was carried out at 31 October 2019. The actuarial valuation has been updated to 31 December 2019 by a qualified independent actuary.

The defined benefit plan (Scottish & Newcastle pension plan 'SNPP') was closed to future accrual in 2011 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2019, the company has renewed the funding plan (until 31 May 2023) including an annual deficit reduction contribution of £39.2 million in 2018, thereafter increasing with £1.7 million per year. At the end of 2018, an agreement (the Funding Agreement) was reached with the UK pension fund Trustees on a more conservative longer term funding approach toward 2030. This agreement has been formalised during 2019 and leads to a gradual decrease of investment risk. The current schedule of deficit recovery payments will remain in place until May 2023. As of June 2023 deficit recovery payments will be conditional on the funding position of the pensions fund and will be capped on the current contribution level.

Heineken UK Limited, another group company within the pension scheme, has been determined to have a constructive obligation to make the payments to the scheme and has historically made these payments on behalf of the company. Heineken UK Limited expects to make a contribution of £45,200k (2018: £40,700k) on behalf of the company to the defined benefit plans during the next financial year.

The average duration of the defined benefit plan obligation at the end of the reporting period is 16 years.

The risks of the scheme are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

However, the company also holds a significant proportion of bonds which provide far more stability in the short term. The company holds a diverse portfolio of assets so this risk is considered to be mitigated.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****20. PENSION COMMITMENTS (CONTINUED)**

The weighted average asset allocation was as follows:

	2019	2018
	£000	£000
Equities	567,000	511,100
Bonds	2,350,600	2,105,400
Real estate	227,000	219,700
Cash and cash equivalents	63,600	138,200
Derivatives	(509,500)	(460,400)
Investment funds	436,400	423,700
Assets held by an insurance company	(132,700)	(7,600)
	<u>3,002,400</u>	<u>2,930,100</u>
Fair value of plan assets	3,002,400	2,930,100
Present value of plan liabilities	(3,356,300)	(3,230,300)
NET PENSION SCHEME LIABILITY	(353,900)	(300,200)

The amounts recognised in profit or loss are as follows:

	2019	2018
	£000	£000
Other income	(40,700)	(39,200)
Past service cost (within administrative expenses)	-	10,000
Net interest on obligation (note 9)	7,900	11,800
TOTAL	(32,800)	(17,400)
	<u>187,600</u>	<u>5,000</u>
Actual return on scheme assets	187,600	5,000

Reconciliation of fair value of plan liabilities were as follow:

	2019
	£000
Opening defined benefit obligation	(3,230,300)
Interest cost	(89,800)
Actuarial losses	(192,200)
Benefits paid	156,000
CLOSING DEFINED BENEFIT OBLIGATION	(3,356,300)

Reconciliation of fair value of plan assets were as follows:

	2019
	£000
Opening fair value of scheme assets	2,930,100
Interest income on plan assets	81,900
Actuarial gains	105,700
Contributions by employer	40,700
Benefits paid	(156,000)
CLOSING FAIR VALUE OF SCHEME ASSETS	3,002,400

SCOTTISH & NEWCASTLE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****20. PENSION COMMITMENTS (CONTINUED)**

The principal assumptions used in valuing the schemes were as follows:

	2019	2018
	%	%
Rate of increase in pensions (LPI max 5%)	2.85%	3.00%
Discount rate	2.05%	2.85%
Inflation rate - RPI	2.95%	3.15%
Inflation rate - CPI	2.10%	2.15%
	2019	2018
Mortality		
- for a male aged 65 now	20.9 years	21.2 years
- at 65 for a male aged 45 now	22.3 years	23.1 years
- for a female aged 65 now	22.8 years	23.4 years
- at 65 for a female member aged 45 now	24.6 years	25.1 years

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustee of SNPP implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for current pensioners.

21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the company had operating leases for land and buildings, future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018 restated
	£000	£000
Not later than 1 year	-	1,277
Later than 1 year and not later than 5 years	-	3,192
Total	-	4,469

Commitments under operating leases were restated from £2,450k to £4,469k in 2018 in light of the IFRS 16 transition project where more leasing information was obtainable.

As per the introduction of IFRS 16, operating lease commitments are accounted for on the balance sheet as per 1 January 2019. The discounted future lease commitments are reported under Creditors at note 15.

SCOTTISH & NEWCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22. SUBSEQUENT EVENTS

As noted in the Strategic report on pages 3 to 4 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Strategic report details the additional work we, and the wider UK group, have undertaken and factors considered as a result of COVID-19. The Director's report on page 7 confirms our ability to continue on a going concern basis.

23. ULTIMATE PARENT COMPANY

The immediate parent undertaking at the Statement of Financial Position date is Sunrise Acquisitions Limited, a company registered in Jersey at 44 Esplanade, St Helier, Jersey, JE4 9WG. The ultimate parent undertaking at the Statement of Financial Position date is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L de Carvalho-Heineken. Heineken N.V., a company registered in The Netherlands is the parent for the largest and smallest group of undertakings for which group financial statements were drawn up and of which the company was a member. Group financial statements for this company may be obtained from the Company Secretary, Heineken N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands, which is also the registered office.