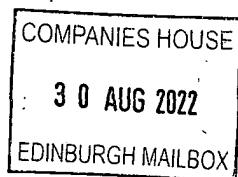


Registered number SC016288



**SCOTTISH & NEWCASTLE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



## **SCOTTISH & NEWCASTLE LIMITED**

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**SCOTTISH & NEWCASTLE LIMITED**

**COMPANY INFORMATION**

**Directors**

R C Hunter  
L J Nicoll  
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 2021

The Directors present their Strategic Report of Scottish & Newcastle Limited ('the Company') for the year ended 31 December 2021. The Company is a wholly owned subsidiary of Heineken International B.V.. Further information on the parent company is outlined in note 23.

Scottish & Newcastle Limited is an investment holding company with several investments, including its wholly owned subsidiary Heineken UK Limited, the main operating company of a leading United Kingdom (UK) pub, cider and beer business. The Company and its subsidiary undertakings (together 'the Group') are part of a global organisation led by Heineken Holding N.V. ('the Heineken Group').

The Company is also the principal employer of the Scottish & Newcastle Pension Plan ('the Plan'). The Plan is a defined benefit pension plan that is closed to new entrants. The members of the Plan are past employees of the Company, who are currently employed by Heineken UK Limited or are no longer employed by the Group. Heineken UK Limited has an obligation to make employer's contributions to the Plan, and has historically made these payments on behalf of the Company.

#### BUSINESS REVIEW

The primary sources of income for the Company were management income from recharges to Heineken UK Limited for the participation of its employees in the Plan, leases, and royalties from subsidiaries and third parties for brands held by the Company. The contribution towards operating profit as a result of these core activities was £47,266k (2020: £44,659k). The increase year on year, was largely a result of an increase in management income in line with higher contributions paid to the Plan, as well as a decrease in administrative expenses due to no past service pension costs in the year. Further information on the Plan can be found in note 20.

In addition to the above, the Company was impacted by legal entity rationalisation activity in the Group. In respect of the Company's subsidiary, The Caledonian Brewing Company Limited, transactions relating to the distribution of reserves in the subsidiary and the write down of the investment value in the Company's Statement of Financial Position, contributed towards total operating profit in the current year of £47,292k (restated 2020: £266,088k). Further information on operating profit is outlined in notes 2.14 and 4. Further information on legal entity rationalisation in the year is included in note 21.

After the inclusion of interest on intercompany loans and other finance costs, the profit before tax for the year amounted to £46,386k (2020: £267,229k).

During the year, movements in the net pension obligation owing to actuarial gains and losses and deferred tax were recognised in other comprehensive income totalling £106,872k (2020: £31,995k). In addition, unrealised gains on investments totalling £1,296,781k (2020: £nil) were recognised as a result of transactions to rationalise indirect subsidiaries, Heliotrope Limited and S&N Angel Investments Limited. Further detail on the nature of the transactions is outlined in note 21. Total comprehensive income for the year amounted to £1,436,874k (2020: £247,723k).

The financial position of the Company is set out in the Statement of Financial Position on page 13 of the financial statements. The Company has net assets of £3,001,210k (2020: £3,277,148k), largely comprised of investments in subsidiary companies of £1,402,778k (2020: £1,939,930), defined benefit pension obligation of £126,800k (2020: £280,200k) and intercompany loans. The impact of subsequent events on the financial position of the Company is included in the Directors Report on page 6.

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. The principal assumptions used in valuing the Plan are included in note 20.

#### PRINCIPAL RISKS AND UNCERTAINTIES

Effective management of risk forms an integral part of how the Group, including 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 the Management Team of Heineken UK Limited, the main operating company of the Group, in consultation with the Directors of the Company. The Management Team consist of the Managing Director and commercial channel and functional leaders of Heineken UK Limited, some of whom are also Directors.

## **SCOTTISH & NEWCASTLE LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

The Management Team define the direction of the Heineken business in the UK and are represented on the Board of the Company and its subsidiary companies to give effect to collective decisions and risk management priorities across the Group. The decisions and risk management priorities defined by the Management Team are endorsed by the Directors, who bear 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 risks that the Directors consider the Company to be exposed to is that of the risks of the defined benefit pension plan: volatility of financial markets, returns on investments, valuations of investments, 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 Trustees of the Plan to ensure the liability and, therefore, funding requirement are appropriate and sustainable for Heineken UK Limited, which has the constructive obligation to settle contributions to the Plan. Please refer to note 3 on page 24 for further information on the estimation risk.

The Company has significant investments in subsidiaries as shown in the Statement of Financial Position. The Directors do not believe that the valuations of investments expose the Company to significant risk due to their understanding of the underlying performance of the businesses to which the investments relate. An impairment review is completed on an annual basis and indicates that the carrying values of investments are recoverable.

#### **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 monitoring and management of interest rate risk being undertaken at 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 assets and liabilities 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 Group level. As a result of the COVID-19 pandemic, there is increased attention for and monitoring of risks associated with working capital that might impact liquidity. There are strong cost and cash management procedures in place, including controls over investment proposals. The Company receives support from other Group companies under common control and liquidity risk is 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.

#### **COVID-19**

The COVID-19 pandemic and its impact on British society and the UK economy has been unprecedented. It has required the Group to demonstrate resilience and adaptability in the face of considerable challenge and uncertainty. The Group entered into this period of uncertainty with a strong market position. We 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 2021****COVID-19 (CONTINUED)**

In 2021, the Group experienced a shortage of labour resources impacting the supply chain. This was a sector wide issue resulting from a number of factors, including driver shortages as a result of Brexit, COVID-19 restrictions, unprecedented demand for goods and supply chain challenges with our logistics partners. Management implemented a number of initiatives, including holding buffer stocks and re-negotiation of some commercial terms with our logistics partners, that provided stability across our end to end supply chain and in turn enhanced the customer experience. Further information on performance is included in the consolidated financial statements of Heineken UK Limited, which can be obtained from the registered office at Company Secretary, Heineken UK Limited, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, United Kingdom, EH12 9JZ.

Specific measures taken by management included assessing the affordability of the pension deficit 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, since December 2019, bond yields have decreased and together with changes in inflation assumptions, this resulted in an increase in pension obligations with an offsetting larger increase in pension assets. The overall deficit (on an IAS 19 accounting basis) of the Plan decreased to £126,800k, down from £280,200k at 31 December 2020. The Company has renewed the schedule of contributions to the Plan from 1 May 2022 until 30 April 2027. At the end of 2018, an agreement ('the Funding Agreement') was reached with the Trustees of the Plan on a more conservative longer term funding and investment approach towards 2030. This agreement was formalised during 2019, and signed in early 2020, and leads to a gradual decrease of investment risk. The current schedule of deficit recovery payments until May 2023 will remain in place. As of June 2023, additional contingent contributions may be payable to the Plan between 1 June 2023 and 30 October 2030 contingent on the annual assessed Probability of SFT Success as set out in the Funding Agreement dated 28 January 2020 (as amended) between the Company and the Trustees.

**UK WITHDRAWAL FROM THE EU**

The UK formally exited the European Union on 31 January 2020 and entered a transition period until 31 December 2020. The Group formally considered the risk of the UK withdrawal from the European Union through establishing a Brexit Risk Cabinet in 2018 and actively stress testing our UK operations, focusing on the end to end movement of goods. The vast majority of our cider and beer is already produced and sold in the UK. Investment over the past five years in improving and expanding our UK breweries has meant that we are less reliant on imports and have robust UK production capabilities. Contingency plans were put in place to maintain business continuity in case of disruption caused by the transition period ending. As discussed in the COVID-19 section above, the Group has experienced supply chain challenges, the issue resulted from a number of factors, including driver shortages as a result of Brexit. Following the transition, the actualised risk of Brexit for the Group is limited and we have not experienced any material impact on our ability to trade.

The Company holds a number of investments, with the majority of these being UK based. The majority of subsidiaries' revenues are generated in the UK. The impact of Brexit on this entity is therefore limited.

**ENERGY AND CARBON REPORTING**

The Company is an investment holding company and does not trade, thus, the energy consumption of the Company is below the threshold and exempt from reporting requirement under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the '2018 Regulations'). The emission information for the Group can be obtained from the Heineken UK Limited financial statements.

**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 2021.

## SCOTTISH & NEWCASTLE LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

- a. The likely consequences of any decisions in the long-term.
- b. The 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.

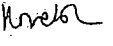
In discharging our section 172 duty we, the Directors of the Company, have regard to factors set out above, as follows:

- a. The Board takes direct responsibility for safeguarding the interests of the Company's obligations to the Plan, ensuring full affordability of the funded status and investment strategy of the Plan 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, including with Trustees and actuarial consultants of the Plan. 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 are no other suppliers and customers.
- 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 Heineken Group and UK Management Team.
- 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 of the Heineken Group. The management of the Heineken Group is assigned by the ultimate parent company, Heineken Holdings N.V., to Heineken N.V. and its subsidiaries and associated companies. The structure allows Heineken Holdings N.V. to supervise the management and promote the continuity, independence and stability of the Heineken Group. Where principle decisions are made, they are made within the context of Heineken Group's global strategy.

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

DocuSigned by:  
  
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**K Taylor-Welsh**  
Director

## **SCOTTISH & NEWCASTLE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their annual report and the audited financial statements of Scottish & Newcastle Limited ('the Company') for the year ended 31 December 2021.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company during the year was that of an investment holding company and principal employer of a defined benefit pension plan.

#### **DIRECTORS**

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

R C Hunter  
L J Nicoll  
R Sikorsky (resigned 15 August 2022)  
K Taylor-Welsh  
C G Van Tooren

#### **RESULTS AND DISTRIBUTIONS**

The profit for the financial year amounted to £33,221k (2020: £215,728k). A review is presented in the Strategic Report on page 2 and form part of this report by way of cross reference.

The Company declared distributions in kind of £1,712,812k and £5,696,952k during the year and after the year end, respectively. No distributions were paid or proposed in the prior year.

#### **FUTURE DEVELOPMENTS**

The Company expects to continue as the investment holding company for the foreseeable future.

#### **POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS**

The Company made no political contributions or charitable donations during the year (2020: £nil).

#### **MATTERS INCLUDED IN THE STRATEGIC REPORT**

Details of principal risks, financial risk management and of energy and carbon reporting are discussed in the Strategic Report on pages 2 - 4, and form part of this report by way of cross reference.

#### **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.

#### **SUBSEQUENT EVENTS**

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

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

- The Company executed a bonus issue of £404,423k, the full balance of the merger and other reserves.
- The Company undertook a capital reduction of £2,058,416k, by reducing share premium and capital redemption reserves in full to £nil and reducing ordinary share capital of £594,305k to £2,986k.
- The Company received a distribution from Heineken UK Limited of £3,898,465k.
- Intercompany loans were rationalised, with a net debtor of £1,617,225k as at 31 December 2021 removed from the Company Statement of Financial Position.
- The Company declared a distribution of £5,696,952k.



## SCOTTISH & NEWCASTLE LIMITED

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

#### GOING CONCERN

The financial position of the Company is set out in the Statement of Financial Position on page 13 of the financial statements. The Company has net assets of £3,001,210k (2020: £3,277,148k) and net current assets of £1,682,920k at 31 December 2021 (2020: net current liabilities of £1,231,450k). Funding amounts owed to other Group companies of £849,323k (2020: £959,717k) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owing to companies under common control and will not be recalled within 12 months without prior consideration of the Company's liquidity position.

The Company together with subsidiary undertakings have managed the COVID-19 crisis as it has developed taking a number of mitigating actions across the business to allow the Group to face this unprecedented crisis in the best possible way and to protect the long-term potential of our business.

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 Group and the Company, will continue in operational existence for at least 12 months from the date of this report.

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.

#### EMPLOYEE ENGAGEMENT

The Company has no employees other than the Directors and, therefore, has nothing to report in respect of employee engagement activity during the year.

#### STAKEHOLDER ENGAGEMENT

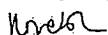
In line with section 172(c), the Directors and the UK Management Team have recognised the importance of clear communication and have proactively engaged with Trustees and actuarial consultants during the year and subsequent to the year end regarding the Funding Agreement and actuarial valuations of the Plan. In addition, the Trustees were consulted in advance of the internal legal entity restructure outlined in subsequent events. The Company has no other suppliers or customers and therefore has nothing to report in respect of engagement with other suppliers or customers during the year.

#### 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 August 2022 and signed on its behalf by:

DocuSigned by:



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**K Taylor-Welsh**  
Director

## **SCOTTISH & NEWCASTLE LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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.

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

## **Independent auditor's report to the members of 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 statements 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 UK Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (UK Generally Accepted Accounting Practice).

#### **Basis for opinion**

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

We are independent of the 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**

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

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

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

#### **Other information**

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

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

We have nothing to report in this regard.

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

### **Report on the audit of the financial statements (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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the 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.



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

24 August 2022

**SCOTTISH & NEWCASTLE LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

		<b>2021</b>	<b>Restated*</b>
	<b>Note</b>	<b>£000</b>	<b>2020</b>
			<b>£000</b>
Operating income		<b>587,737</b>	1,653,306
Administrative expenses		<b>(540,445)</b>	(1,387,218)
<b>Operating profit</b>	<b>4</b>	<b>47,292</b>	266,088
Interest receivable and similar income	7	<b>3,903</b>	12,192
Interest payable and similar expenses	8	<b>(1,109)</b>	(4,251)
Other finance costs	9	<b>(3,700)</b>	(6,800)
<b>Profit before tax</b>		<b>46,386</b>	267,229
Tax on profit	10	<b>(13,165)</b>	(51,501)
<b>Profit for the financial year</b>		<b>33,221</b>	215,728
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gain on defined benefit pension plan	20	<b>112,938</b>	39,500
Movements of deferred tax relating to pension obligation	16	<b>(6,066)</b>	(7,505)
Unrealised gains on investments	21	<b>1,296,781</b>	-
<b>Other comprehensive income, net of tax</b>		<b>1,403,653</b>	31,995
<b>Total comprehensive income for the year</b>		<b>1,436,874</b>	247,723

\* Distribution in kind from subsidiaries and amounts written off of investments in subsidiaries for the year ended 31 December 2020 have been reclassified from other finance income and other finance costs to operating income and administrative expenses, respectively, as set out in notes 2.14 and 4.

The notes on pages 16 to 39 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 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	11	-	-
Intangible assets	12	732	774
Investments	13	1,402,778	1,939,930
Debtors: amounts falling due after more than one year	14	42,126	2,849,330
		<u>1,445,636</u>	<u>4,790,034</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	2,529,043	4,513
Cash at bank and in hand		4,500	1,739
		<u>2,533,543</u>	<u>6,252</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(850,623)</u>	<u>(1,237,702)</u>
<b>Net current assets/(liabilities)</b>		<u>1,682,920</u>	<u>(1,231,450)</u>
<b>Total assets less current liabilities</b>		<u>3,128,556</u>	<u>3,558,584</u>
Creditors: amounts falling due after more than one year	15	-	(634)
<b>Provisions for liabilities</b>			
Other provisions	17	(546)	(602)
Defined benefit pension obligation	20	(126,800)	(280,200)
<b>Net assets</b>		<u>3,001,210</u>	<u>3,277,148</u>
<b>Capital and reserves</b>			
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	939,807	1,215,745
<b>Total shareholders' funds</b>		<u>3,001,210</u>	<u>3,277,148</u>

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

DocuSigned by:  
  
 DC067148E010443...  
**K Taylor-Welsh**  
 Director

The notes on pages 16 to 39 form part of these financial statements.

## SCOTTISH &amp; NEWCASTLE LIMITED

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

	Note	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
<b>At 1 January 2020</b>		192,868	1,391,699	72,413	118,423	286,000	968,022	3,029,425
<b>Comprehensive income for the financial year</b>								
Profit for the financial year		-	-	-	-	-	215,728	215,728
Actuarial gain on defined benefit pension plan	20	-	-	-	-	-	39,500	39,500
Movements of deferred tax relating to pension obligation	16	-	-	-	-	-	(7,505)	(7,505)
Unrealised gains on investments	21	-	-	-	-	-	-	-
<b>Other comprehensive income for the year</b>		-	-	-	-	-	31,995	31,995
<b>Total comprehensive income for the financial year</b>		-	-	-	-	-	247,723	247,723
Distribution in kind	21	-	-	-	-	-	-	-
<b>At 31 December 2020</b>		192,868	1,391,699	72,413	118,423	286,000	1,215,745	3,277,148

The notes on pages 16 to 39 form part of these financial statements.



## SCOTTISH &amp; NEWCASTLE LIMITED

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

	Note	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
<b>At 1 January 2021</b>		192,868	1,391,699	72,413	118,423	286,000	1,215,745	3,277,148
<b>Comprehensive income for the financial year</b>								
Profit for the financial year		-	-	-	-	-	33,221	33,221
Actuarial gain on defined benefit pension plan	20	-	-	-	-	-	112,938	112,938
Movements of deferred tax relating to pension obligation	16	-	-	-	-	-	(6,066)	(6,066)
Unrealised gains on investments	21	-	-	-	-	-	1,296,781	1,296,781
<b>Other comprehensive income for the year</b>		-	-	-	-	-	1,403,653	1,403,653
<b>Total comprehensive income for the financial year</b>		-	-	-	-	-	1,436,874	1,436,874
Distribution in kind	21	-	-	-	-	-	(1,712,812)	(1,712,812)
<b>At 31 December 2021</b>		192,868	1,391,699	72,413	118,423	286,000	939,807	3,001,210

The notes on pages 16 to 39 form part of these financial statements.

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****1. GENERAL INFORMATION**

Scottish & Newcastle Limited ('the Company') is an investment holding company and principal employer of a pension plan. The Company is a private company limited by shares, is incorporated in the UK under the Companies Act 2006 and is registered in Scotland. The address of its registered office is 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, United Kingdom.

These financial statements are presented in pounds sterling, which is the Company's functional and presentational currency, and all values are rounded to the nearest thousand except where otherwise indicated.

The financial statements are separate financial statements. The Company is exempt by virtue of section 401 of the Companies Act 2006 from the preparation and delivery of consolidated financial statements, because its results are included in the consolidated financial statements of Heineken N.V.. The Group financial statements 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 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 UK endorsement for annual periods beginning on or after 1 January 2021.

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

In 2019, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments are concerned with interest rate reform of hedging instruments. As the Company has no hedging instruments, Phase 1 has had no impact.

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

As a result of the Phase 2 amendments, the Company transitioned away from using the London Inter-Bank Offered Rate (LIBOR), selecting the Sterling Overnight Index Average (SONIA) as an alternative benchmark rate. SONIA reflects the average interest rate that banks pay to borrow sterling overnight from other financial institutions and investors. The Bank of England is the administrator for SONIA, enabling the Company to obtain reliable data from an independent source.

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

***Risks arising from the interest rate benchmark reform***

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

The Company has transitioned to using alternative benchmark rates as outlined in this policy, further information is outlined in notes 14 and 15. The adoption of the standard has not had a material impact on the disclosures or on the amounts reported in these financial statements.

**COVID-19 Related Rent Concessions beyond 30 June 2021 amendment to IFRS 16 Leases**

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

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES****2.1. Basis of preparation of financial statements**

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS) 100 issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The Company's results are included in the Group financial statements of Heineken N.V. as disclosed in note 1.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The disclosure exemptions from IFRS 7 'Financial Instruments: Disclosures'.
- The disclosure exemptions from IFRS 13 'Fair Value Measurement' to the extent that they apply to financial instruments.
- The disclosure exemptions from paragraphs 30 and 31 of IAS 8 'Accounting Policies, changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The disclosure exemption of paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1, reconciliation of number of shares outstanding at start and end of the prior period;
  - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - Paragraph 118(e) of IAS 38, 'Intangible assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) ('Statement of Cash Flows');
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B - D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134 - 136 (capital management disclosures).
- The disclosure exemptions from IAS 36 'Impairment of Assets'.
- The requirements of paragraphs 17 and 18A of IAS 24 'Related party disclosures'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

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 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 value in use in IAS 36.

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES (CONTINUED)****2.1. Basis of preparation of financial statements (continued)**

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 13 of the financial statements. The Company has net assets of £3,001,210k (2020: £3,277,148k) and net current assets of £1,682,920k at 31 December 2021 (2020: net current liabilities of £1,231,450k). Funding amounts owed to other Group companies of £849,323k (2020: £959,717k) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owing to companies under common control and will not be recalled within 12 months without prior consideration of the Company's liquidity position.

The Company together with subsidiary undertakings have managed the COVID-19 crisis as it has developed taking a number of mitigating actions across the business to allow the Group to face this unprecedented crisis in the best possible way and to protect the long-term potential of our business.

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 Group and the Company, will continue in operational existence for at least 12 months from the date of this report.

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.

**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. Amortisation in the year is recognised within administrative expenses in the Statement of Comprehensive Income.

*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 lives 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 (CGU) to which the asset has been allocated) is tested for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

## **SCOTTISH & NEWCASTLE LIMITED**

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

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.5. 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.

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, within administrative expenses, 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 the Statement of Comprehensive Income.

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, within operating 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.

###### **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.

## **SCOTTISH & NEWCASTLE LIMITED**

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

#### **2. ACCOUNTING POLICIES (CONTINUED)**

##### **2.6. Financial instruments (continued)**

###### **Cash at bank and in hand**

Cash at bank and in hand 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.

###### **Other financial liabilities**

The Company classifies all of its other financial liabilities as liabilities at amortised cost.

###### **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.

##### **2.7. 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.

##### **2.8. Pensions**

###### **Defined benefit pension plan**

A defined benefit pension plan defines 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.

Certain past employees of the Company are members of the defined benefit pension plan. The Company is the principal employer of the Scottish & Newcastle Pension Plan ('the Plan') and the defined benefit pension obligation has been reflected on the Statement of Financial Position. Heineken UK Limited has a constructive obligation to make the payments to the Plan and has historically made these payments on behalf of the Company. As such, the associated costs have been charged to the Statement of Comprehensive Income of Heineken UK Limited.

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES (CONTINUED)****2.8. Pensions (continued)****Defined benefit pension plan (continued)**

The defined benefit pension obligation recognised in the Statement of Financial Position in respect of the Plan is the present value of the pension obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit pension obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the pension 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 plan**

A defined contribution plan is a pension plan under which a company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the plan 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 pension plan.

For a defined contribution pension plan, a 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 expenses 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.

The Company does not operate a defined contribution pension plan and only a defined benefit pension plan as noted above.

**2.9. Interest receivable and payable**

Interest receivable and payable is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.10. Management income**

Management income is included in operating income, which is recognised in the Statement of Comprehensive Income. Management income represents contributions to the defined benefit pension plan received from Heineken UK Limited. These amounts are recognised as the related expenses are incurred.

**2.11. Other provisions**

Other 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.

Other 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 2021****2. ACCOUNTING POLICIES (CONTINUED)****2.12. Current and deferred tax**

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.

**2.13. 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 the Company has the right to obtain substantially all of the economic benefits from use of that asset and when the Company has 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.

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, (£4k) or less if bought new, are expensed in the income statement on a straight-line basis.



**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES (CONTINUED)****2.13. Leases (continued)****The Company as a lessee (continued)**

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.

**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.

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

**2.14. Presentation of operating profit**

In 2020, the Company received a distribution in kind of £1,606,485k from its subsidiary, Scottish & Newcastle (Curacao) N.V., which was subsequently dissolved on 24 December 2020. This was offset by an expense of £1,385,056k relating to the write off of investment in the aforementioned subsidiary. In 2020, the amounts were recognised in other finance income and other finance costs, respectively. In 2021, this presentation in the 2020 Statement of Comprehensive Income has been amended. In line with a change in accounting policy on the presentation of distributions received by the Company, the distribution in kind of £1,606,485k has been reclassified from other finance income to operating income. Similarly, in line with a change in accounting policy on the presentation of write off/ impairment of investments, the expense of £1,385,056k has been reclassified from other finance costs into administrative expenses. The presentation of the amounts above operating profit reflects the nature of the income and expenses derived from the principal activities of the Company.

**For the year ended 31 December 2020**

	As previously reported £000	Adjustments £000	As restated £000
Operating income	46,821	1,606,485	1,653,306
Administrative expenses	(2,162)	(1,385,056)	(1,387,218)
Operating profit	44,659	221,429	266,088
Other finance income	1,606,485	(1,606,485)	-
Other finance costs	(1,391,856)	1,385,056	(6,800)

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****2. ACCOUNTING POLICIES (CONTINUED)****2.15. Distributable reserves**

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

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

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

Subsequently, the Company may distribute all or part of the reserves in accordance with section 846 of the Companies Act. This states that where a company makes a distribution in kind, and any part of the asset relevant to the distribution represents an unrealised profit, the amount is to be treated as realised for the purposes of the distribution. Further details on transactions relating to legal entity rationalisation during the year and transactions occurring after the reporting date are included in notes 21 and 22 respectively.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements requires the Company to make use of estimates, judgements 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.

**Critical accounting judgements in applying the Company's accounting policies**

The Directors believe there are no critical accounting judgements in preparing these financial statements.

**Key sources of estimation uncertainty**

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

**Defined benefit pension plan accounting estimates and judgements**

The Directors engage an independent and qualified actuary to calculate the Company's obligation in respect of the defined benefit pension plan. In order to arrive at this valuation certain assumptions in respect of discount rates, mortality and salary escalations have been made. As the actual outcomes may differ from those assumed, the actual defined benefit pension obligation may differ from that recognised in these financial statements. The Company's obligation at the year end amounted to £126,800k (2020: £280,200k). Assumptions used, sensitivity analysis and full details of the Company's obligation are set out in full in note 20.

**4. OPERATING PROFIT**

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

	2021	Restated*
	£000	2020 £000
Management income (note 20)	(46,762)	(45,058)
Amortisation of intangible fixed assets (note 12)	42	42
Impairment of subsidiary (notes 13 and 21)	537,152	1,385,056
Realised profit on distributions from subsidiary (note 21)	(537,178)	(1,606,485)

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****4. OPERATING PROFIT (CONTINUED)**

\* Distribution in kind from subsidiaries and amounts written off of investments in subsidiaries for the year ended 31 December 2020 have been reclassified as set out in note 2.14.

Operating income included in operating profit consists of management income, royalties and increase in rental income from sublease. It also includes realised profit from an investment as outlined above.

Management income from Heineken UK Limited is equal to the amount of contribution required to be paid by the Company to the defined benefit pension plan.

Fees in respect of the audit of the financial statements were £30k (2020: £23k) and were incurred and 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**

The Company had no employees in 2021 (2020: none).

**6. DIRECTORS' REMUNERATION**

Directors' remuneration of £353k (2020: £373k) is borne by Heineken UK Limited, the principal employer of the Group, in the current and previous year.

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2021	2020
	£000	£000
Interest receivable from Group undertakings	3,864	12,134
Interest on lease receivables	25	45
Bank interest income	2	-
Other interest income	12	13
	<b>3,903</b>	<b>12,192</b>

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2021	2020
	£000	£000
Interest payable to Group undertakings	1,076	4,182
Interest on lease liabilities	32	62
Bank interest payable	1	7
	<b>1,109</b>	<b>4,251</b>

**9. OTHER FINANCE COSTS**

	2021	2020
	£000	£000
Net interest on net pension obligation (note 20)	<b>3,700</b>	<b>6,800</b>

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****10. TAX ON PROFIT**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Adjustment in respect of prior years	-	51,887
<b>Total current tax</b>	-	51,887
<b>Deferred tax</b>		
Current year	15,729	7,670
Effect of changes in tax rates	(2,564)	(8,056)
<b>Total deferred tax</b>	13,165	(386)
<b>Tax on profit</b>	13,165	51,501

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The effective tax rate of 28.38% (2020: 19.27%) for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) as set out below:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Profit before tax	46,386	267,229
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	8,813	50,774

**EFFECTS OF:**

Fixed asset differences	2	2
Expenses not deductible for tax purposes	23,011	263,160
Prior year adjustment	-	51,887
Non-taxable income	(23,019)	(305,232)
Group relief claimed	(917)	(1,034)
Remeasurement of deferred tax for changes in tax rates	(10,110)	(8,056)
Effect of difference in current and deferred tax rates on amounts credited and charged directly to other comprehensive income	15,385	-
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	13,165	51,501

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

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

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****11. TANGIBLE ASSETS****Right Of Use (ROU) assets**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Land and buildings	-	-
<b>Carrying amount of ROU assets as at 31 December</b>	<b>-</b>	<b>-</b>

Total cash outflow for leases in 2021 is £1,277k (2020: £1,227k). The Company leases land and buildings, of which the average outstanding lease term is 0.5 years (2020: 1.5 years) from the reporting date. Income has been generated from sub-leasing over 75.00% of the property leased by the Company, which are viewed as finance leases and accordingly no ROU asset has been recorded. There were no expired or new headleases entered into during the period resulting in nil additions and disposals during 2021 (2020: nil).

There is no depreciation of ROU assets (2020: £nil). Interest income and expense on lease receivables and liabilities are disclosed in note 7 and 8 of the financial statements, respectively. The Company does not have any low value or short term leases that are expensed in the period or committed at the reporting date, nor do the contracts include any variable lease payments that are not included in the measurement of the lease liabilities.

All future cash flows are reflected in lease liabilities. 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. INTANGIBLE ASSETS**

	<b>Brands</b>
	<b>£000</b>
<b>Cost</b>	
At 1 January 2021	1,030
<b>At 31 December 2021</b>	<b>1,030</b>
<b>Accumulated amortisation</b>	
At 1 January 2021	256
Charge for the year	42
<b>At 31 December 2021</b>	<b>298</b>
<b>Net book value</b>	
<b>At 31 December 2021</b>	<b>732</b>
At 31 December 2020	774

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****13. INVESTMENTS**

	Investments in subsidiary companies £000
<b>Cost</b>	
At 1 January and 31 December 2021	<u>1,939,930</u>
<b>Accumulated impairment</b>	
At 1 January 2021	-
Impairment of subsidiary (note 21)	<u>537,152</u>
At 31 December 2021	<u>537,152</u>
<b>Net book value</b>	
At 31 December 2021	<u>1,402,778</u>
At 31 December 2020	<u>1,939,930</u>

**DIRECT SUBSIDIARY UNDERTAKINGS**

The following were direct subsidiary undertakings of the Company:

Name	Country of incorporation/ Principal place of business	Class of shares	Holding
Heineken UK Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
HP Bulmer Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Scottish & Newcastle India Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Scottish & Newcastle Pension Plan Trustee Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
The Caledonian Brewing Company Limited <sup>(2) A</sup>	Scotland	Ordinary	100.00%

**INDIRECT SUBSIDIARY UNDERTAKINGS**

The following were indirect subsidiary undertakings of the Company:

Name	Country of incorporation/ Principal place of business	Class of shares	Holding
Caledonian Brewery Limited <sup>(2) A</sup>	Scotland	Ordinary	100.00%
Heineken UK (Canada) Inc. <sup>(4)</sup>	Canada	Ordinary	100.00%
Heineken UK Group Life Scheme Trust Company Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
Newcastle Federation Breweries Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
S&N Angel Investments Ltd. <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
S&NF Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
Star Pubs & Bars Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
Punch Taverns (Chiltern) Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Punch Taverns Loanco (A) Limited <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Fountain Pub Company Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Red Star Pub Company (WR III) Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Red Star Pub Company (WR) Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****13. INVESTMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

<b>Name</b>	<b>Country of incorporation/ Principal place of business</b>	<b>Class of shares</b>	<b>Holding</b>
Red Star Pub Company (WRH) Limited <sup>(2) B</sup>	Scotland	Ordinary	100.00%
Red Star Pub Company (WR II) Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
Blue Star Pub Company Limited <sup>(2)</sup>	Scotland	Ordinary	100.00%
The Globe Pub Company Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Broadway Inns Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Scottish & Newcastle Property 3 Limited <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Star Pubs & Bars (Property) Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Agnew Stores (Holdings) Limited <sup>(2) B</sup>	Scotland	Ordinary	100.00%
Alloa Brewery Company Ltd <sup>(2) A</sup>	Scotland	Ordinary	100.00%
B.W.B. Ltd <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
BK Investments Ltd <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
XXFM Limited <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Inn Business Property Ltd <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Punch Partnerships (PTL) Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Punch Taverns (Jubilee) Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Punch Taverns (PR) Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Punch Taverns (RH) Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Punch Taverns (VPR) Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Punch Taverns Finance Limited <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Punch Taverns Holdco (A) Limited <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Punch Taverns Holdings Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Punch Taverns Intermediate Holdco (A) Limited <sup>(1) B</sup>	England & Wales	Ordinary	100.00%
Punch Taverns Properties Limited <sup>(1)</sup>	England & Wales	Ordinary	100.00%
Tetley Walker Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Tolchard and Son Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Walker Cain Limited <sup>(1) A</sup>	England & Wales	Ordinary	100.00%
Brixton Brewery Limited <sup>(9)</sup>	England & Wales	Ordinary	100.00%

**JOINT VENTURES AND ASSOCIATES**

<b>Name</b>	<b>Associate/ Joint Venture</b>	<b>Country of incorporation/ Principal place of business</b>	<b>Class of shares</b>	<b>Holding</b>
Camerons Brewery Limited <sup>(3)</sup>	Associate	England & Wales	Ordinary	24.00%
Coors On-Line Limited <sup>(10)</sup>	Associate	England & Wales	Ordinary	27.00%
Maltex Malsters Limited <sup>(8)</sup>	Associate	India	Ordinary	19.00%
Serviced Dispense Equipment (Holdings) Limited <sup>(5)</sup>	Joint venture	England & Wales	Ordinary	50.00%
T. & R. Theakston Limited <sup>(6)</sup>	Associate	England & Wales	Ordinary	28.30%
United Breweries Limited <sup>(7)</sup>	Associate	India	Ordinary	37.25%
TP & Munch Ltd <sup>(10)</sup>	Associate	England & Wales	Ordinary	49.00%

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****13. INVESTMENTS (CONTINUED)**

The Company had a 100.00% indirect interest in the below 16 subsidiary companies, which were dissolved in 2021:

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

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

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

B The subsidiary was dissolved during 2022.

Registered address of investments:

- (1) Registered address of Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE
- (2) Registered address of 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ
- (3) Registered address of Main Gate House, Waldon Street, Hartlepool, Cleveland, TS24 7QS
- (4) Registered address of 33 Carlingview Drive, Etobicoke ON M9W 5E4, Canada
- (5) Registered address of Maltings Building, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
- (6) Registered address of The Brewery, Masham, Ripon, North Yorkshire, HG4 4YD
- (7) Registered address of UB Tower, Level 4, UB City, 24 Vittal Mallya Road, Bangalore (Karnataka), 560 001, India
- (8) Registered address of PO BOX 45, Rauni Patiala Punjab PB 147001 India
- (9) Registered address of Arch 547, Brixton Station Rd, Brixton, London SW9 8PF
- (10) Registered address of Unit 17/18, Lockwood Industrial Estate, Mill Mead Road, London, N17 9PQ

**14. DEBTORS**

	2021	2020
	£000	£000
<b>Amounts falling due after more than one year</b>		
Deferred taxation (note 16)	42,126	61,357
Finance lease receivable	-	483
Funding amounts owed by parent undertaking	-	4,239
Funding amounts owed by direct and indirect subsidiary undertakings	-	2,783,251
	<b>42,126</b>	<b>2,849,330</b>



**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****14. DEBTORS (CONTINUED)**

	2021	2020
	£000	£000
<b>Amounts falling due within one year</b>		
Funding amounts owed by direct and indirect subsidiary undertakings	2,521,513	-
Funding amounts owed by parent undertaking	5,597	-
Trade amounts owed by parent and direct and indirect subsidiary undertakings	541	378
Corporation tax receivable	908	3,185
Finance lease receivable	484	950
	<b>2,529,043</b>	<b>4,513</b>

Amounts falling due after more than one year were expected to be utilised on a continuing basis.

Funding amounts owed by parent and direct and indirect subsidiary undertakings are unsecured. All loans with Group undertakings were recorded at their fair value. Loans denominated in GBP accrue interest at 0.10% (2020: 0.24%) plus average SONIA per annum. In 2020, all loans were denominated in GBP. No interest was charged on balances considered trading in nature.

During the year, historic group relief balances from other group undertakings were recategorised to intercompany, with an offsetting entry in Scottish & Newcastle Limited as settlor. As a result, funding amounts owed by the parent undertaking were increased by £1,424k and funding amounts owed by direct and indirect subsidiary undertakings were increased by £80,701k. After netting intercompany balances, including £276,682k that had previously been recorded in group relief payable (note 15), the balance recognised in corporation tax receivable was £908k. It was agreed for the 2020 Financial Statements and going forward not to charge for group relief, in line with legal entity rationalisation.

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 0.5 years (2020: 1.5 years). No new leasing arrangements were entered into during 2021.

The average effective interest rate contracted approximates 2.47% (2020: 2.47%).

Finance income on the present value of the lease receivable is included within interest on lease receivables as disclosed in note 7.

	2021	2020
	£000	£000
<b>Amounts receivables under finance lease</b>		
Less than 1 year	487	974
Between 1 and 5 years	-	487
Undiscounted lease payments	487	1,461
Less unearned finance income	3	28
<b>Present value of lease payments receivables</b>	<b>484</b>	<b>1,433</b>

Undiscounted lease payments analysed as:

	2021	2020
	£000	£000
Recoverable after 12 months	-	487
Recoverable within 12 months	487	974
<b>Total</b>	<b>487</b>	<b>1,461</b>

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****14. DEBTORS (CONTINUED)**

Present value of lease payments receivable analysed as:

	2021	2020
	£000	£000
Recoverable after 12 months	-	483
Recoverable within 12 months	484	950
<b>Total</b>	<b>484</b>	<b>1,433</b>

**15. CREDITORS**

	2021	2020
	£000	£000
<b>Amounts falling due within one year</b>		
Trade creditors	75	58
Funding amounts owed to intermediate parent undertakings	442,824	108,542
Funding amounts owed to direct and indirect subsidiary undertakings	406,499	851,175
Trade amounts owed to direct and indirect subsidiary undertakings	591	-
Group relief payable	-	276,682
Lease liabilities	634	1,245
	<b>850,623</b>	<b>1,237,702</b>

	2021	2020
	£000	£000
<b>Amounts falling due after more than one year</b>		
Lease liabilities	-	634

Analysis of maturity of lease liabilities:

	£000	Contractual cash flows £000	Less than 1 year £000	Between 1 and 5 years £000	More than 5 years £000
Lease liabilities	634	639	639	-	-
<b>Total 2021</b>	<b>634</b>	<b>639</b>	<b>639</b>	<b>-</b>	<b>-</b>
Total 2020	1,879	1,916	1,277	639	-

The bank overdrafts are unsecured.

Funding amounts owed to intermediate parent and direct and indirect subsidiary undertakings are unsecured. All loans with Group undertakings were recorded at their fair value. Loans denominated in GBP accrue interest at 0.10% (2020: 0.24%) plus average SONIA per annum, while loans denominated in EUR accrue interest at 1.40%. In 2020, all loans were denominated in GBP. No interest was charged on balances considered trading in nature.

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****16. DEFERRED TAXATION**

	<b>Deferred tax £000</b>
At 1 January 2021	61,357
Charged to the Income Statement	(13,165)
Charged to other comprehensive income	(6,066)
<b>At 31 December 2021</b>	<b>42,126</b>

	<b>Deferred tax £000</b>
In respect of prior year:	
At 1 January 2020	68,476
Credited to the Income Statement	386
Charged to other comprehensive income	(7,505)
<b>At 31 December 2020</b>	<b>61,357</b>

The deferred tax asset is made up as follows:

	<b>2021 £000</b>	<b>2020 £000</b>
Accelerated capital allowances	1,108	1,027
Other timing differences	137	114
Trading losses	9,181	6,978
Deferred tax on pension obligation	31,700	53,238
	<b>42,126</b>	<b>61,357</b>

At the reporting date, the Company has unused tax losses of £36,727k (2020: £36,727k) available for offset against future profits. Based on current forecasts, the Company expects to make sufficient profits to utilise these losses within the foreseeable future. Accordingly, a deferred tax asset of £9,181k (2020: £6,978k) has been recognised in respect of such losses. There are no unrecognised deferred tax assets in the current or previous year.

**17. OTHER PROVISIONS**

	<b>Onerous leases 2021 £000</b>	<b>Onerous leases 2020 £000</b>
At 1 January	602	586
Utilised during the year	(68)	-
Unwinding of discount	12	-
Created during the year	-	16
<b>At 31 December</b>	<b>546</b>	<b>602</b>

**Onerous leases**

The provision for onerous leases relates to a leasehold property that is surplus to requirements. It is expected that the majority of the provision will be utilised within the next 0.5 years.

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****18. CALLED-UP SHARE CAPITAL**

	2021 £000	2020 £000
<b>Authorised, allotted, called-up and fully paid</b>		
964,337,647 (2020: 964,337,647) Ordinary shares of £0.20 (2020: £0.20) each	192,868	192,868
	<b>Ordinary shares No. of shares</b>	<b>Share premium £000</b>
<b>At 31 December 2021 and 31 December 2020</b>	<b>964,337,647</b>	<b>1,391,699</b>

**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 utilised.

**Profit and loss account**

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

**20. PENSION COMMITMENTS**

Scottish & Newcastle Pension Plan ('the Plan') is a defined benefit pension plan for former employees of the Company and is closed to new members. The Plan provides 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 Plan is administered by a separate fund that is legally separate from the Company. The Trustees are required by law to act in the interest of the Plan and of all relevant stakeholders. The Trustees are responsible for the administration of the defined benefit pension plan assets ('plan assets') and for the definition of the investment strategy.

A full statutory funding valuation was carried out at 31 October 2021. The actuarial valuation has been updated to 31 December 2021 by a qualified independent actuary.

The Plan was closed to future accrual in 2011 and the obligation relates to past service before Plan closure. Based on the triennial review finalised in early 2022, the Company has renewed the funding plan (until 31 May 2023) including an annual deficit reduction contribution of £39,200k in 2018, thereafter increasing by £1,700k per year. During 2020, an agreement ('the Funding Agreement') was reached with the Trustees on a more conservative longer term funding approach toward 2030. This agreement as well as further de-risking steps will lead 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, additional contingent contributions may be payable to the Plan between 1 June 2023 and 30 October 2030 contingent on the annual assessed Probability of SFT Success as set out in the Funding Agreement dated 28 January 2020 (as amended) between the Company and the Trustees.

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****20. PENSION COMMITMENTS (CONTINUED)**

As a result of a constructive obligation to make payments to the Plan, Heineken UK Limited expects to make a contribution of £48,800k (2020: £46,800k) on behalf of the Company to the Plan during the next financial year.

The average duration of the pension obligations at the end of the reporting period is 16 years (2020: 16 years).

The risks of the Plan are as follows:

**(a) Asset volatility**

The defined benefit pension obligation is 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 Plan also holds a significant proportion of bonds which provide far more stability in the short term. The Plan holds a diverse portfolio of assets and this risk is considered to be mitigated.

**(b) Changes in bond yields**

A decrease in corporate bond yields will increase the defined benefit pension obligation, although this will be partially offset by an increase in the value of the Plans' bond holdings.

**(c) Life expectancy**

The majority of the Plans' obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the defined benefit pension obligation.

**(d) Inflation risk**

The Plan's obligations are linked to inflation, and higher inflation will lead to a higher defined benefit pension obligation (although, in most cases, caps on the level of inflationary increases are in place to protect the Plan against extreme inflation). The majority of plan 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.

The amounts in the following tables were rounded to the nearest hundred thousand for presentation purposes.

The weighted average asset allocation was as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Equities	<b>131,400</b>	75,300
Bonds	<b>4,251,100</b>	3,426,900
Real estate	<b>263,500</b>	279,400
Cash and cash equivalents	<b>182,700</b>	170,000
Derivatives	<b>(1,235,500)</b>	(425,000)
Investment funds	<b>1,600</b>	1,600
Assets held by an insurance company	<b>(117,700)</b>	(125,200)
Other	<b>(800)</b>	(30,600)
Fair value of plan assets	<b>3,476,300</b>	3,372,400
Present value of defined benefit pension obligation	<b>(3,603,100)</b>	(3,652,600)
<b>NET DEFINED BENEFIT PENSION OBLIGATION</b>	<b>(126,800)</b>	(280,200)

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****20. PENSION COMMITMENTS (CONTINUED)**

The amounts recognised in profit or loss are as follows:

	2021	2020
	£000	£000
Management income (within operating income)	(46,800)	(45,100)
Administrative costs (within administrative expenses)	2,600	2,600
Past service cost (within administrative expenses)	-	1,500
Net interest on pension obligation (within other finance costs)	3,700	6,800
<b>TOTAL</b>	<b>(40,500)</b>	<b>(34,200)</b>

Actual return on plan assets	<b>214,500</b>	<b>483,500</b>
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Reconciliation of the present value of the defined benefit pension obligation was as follows:

	2021	2020
	£000	£000
Opening defined benefit pension obligation	(3,652,600)	(3,356,300)
Interest cost	(50,100)	(67,200)
Actuarial losses	(55,200)	(383,600)
Past service costs	-	(1,500)
Benefits paid	154,800	156,000
<b>CLOSING DEFINED BENEFIT PENSION OBLIGATION</b>	<b>(3,603,100)</b>	<b>(3,652,600)</b>

Reconciliation of fair value of plan assets was as follows:

	2021	2020
	£000	£000
Opening fair value of plan assets	3,372,400	3,002,400
Interest income	46,400	60,400
Actuarial gains	168,100	423,100
Contributions by employer	44,200	42,500
Benefits paid	(154,800)	(156,000)
<b>CLOSING FAIR VALUE OF PLAN ASSETS</b>	<b>3,476,300</b>	<b>3,372,400</b>

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

	2021	2020
Rate of increase in pensions (RPI max 5.00%)	3.35%	2.95%
Discount rate	1.80%	1.40%
Inflation rate - RPI	3.55%	3.05%
Inflation rate - CPI	2.95%	2.50%

	2021	2020
Mortality		
- for a male aged 65 now	21.2 years	20.9 years
- at 65 for a male aged 45 now	22.3 years	22.2 years
- for a female aged 65 now	23.3 years	22.9 years
- at 65 for a female member aged 45 now	24.6 years	24.5 years

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****20. PENSION COMMITMENTS (CONTINUED)****Sensitivity analysis**

As at 31 December, the value of the defined benefit pension obligation was £(126,800)k (2020: £(280,200)k). Changes to one of the relevant actuarial assumptions that are considered reasonably possible, holding other assumptions constant, would have (increased)/decreased the net obligation by the following amounts:

	<b>2021</b>		<b>2020</b>	
	<b>Increase in assumption</b>	<b>Decrease in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Discount rate (0.25% movement)	<b>136,400</b>	<b>(145,000)</b>	140,000	(149,000)
Inflation rate (0.25% movement)	<b>(119,900)</b>	<b>113,300</b>	(125,200)	110,300
Life expectancy (1 year)	<b>154,600</b>	<b>(156,200)</b>	(156,700)	154,800

**Life expectancy**

The majority of the Plans' obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the defined benefit pension obligation. This is particularly significant in the UK Plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustees of the Plan implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for current pensioners.

**Defined benefit pension plan assets**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>QUOTED:</b>		
Equity instruments:		
Europe	-	3,100
Northern America	<b>100</b>	3,000
Asia other than Japan	-	500
	<b>100</b>	6,600
Debt instruments:		
Debt instruments - Bonds Investment grade	<b>3,837,000</b>	3,091,300
	<b>3,837,000</b>	3,091,300
Derivatives	<b>3,200</b>	800
Properties and real estate	<b>263,500</b>	6,800
Cash and cash equivalents	<b>118,000</b>	113,600
Other	<b>5,300</b>	-
	<b>390,000</b>	121,200
<b>TOTAL QUOTED PLAN ASSETS</b>	<b>4,227,100</b>	3,219,100

**SCOTTISH & NEWCASTLE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021****20. PENSION COMMITMENTS (CONTINUED)****Defined benefit pension plan assets (continued)****UNQUOTED:**

## Equity instruments:

Other	<b>131,300</b>	68,700
	<b>131,300</b>	68,700

## Debt instruments:

Debt instruments - Bonds Investment grade	<b>167,000</b>	189,600
Debt instruments - Bonds non-investment grade	<b>247,100</b>	146,000
	<b>414,100</b>	335,600

Derivatives	<b>(1,238,700)</b>	(425,800)
Properties and real estate	-	272,600
Cash and cash equivalents	<b>64,700</b>	56,400
Investment funds	<b>1,600</b>	1,600
Assets held by insurance company	<b>(117,700)</b>	(125,200)
Other	<b>(6,100)</b>	(30,600)
	<b>(1,296,200)</b>	(251,000)

<b>TOTAL UNQUOTED PLAN (OBLIGATIONS)/ASSETS</b>	<b>(750,800)</b>	153,300
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<b>TOTAL PLAN ASSETS (QUOTED AND UNQUOTED)</b>	<b>3,476,300</b>	3,372,400
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**21. GROUP LEGAL ENTITY RATIONALISATION**

In February 2021, the share capital of the Company's subsidiary, The Caledonian Brewing Company Limited, was reduced from £537,153k to £1.

In March 2021, the subsidiary received a distribution in kind from its investment, Heliotrope Limited, of £657,555k. This was as a result of an intercompany loan transferred within the Group. In addition, the subsidiary recognised an impairment loss on the investment in Heliotrope Limited of £468,521k. After offsetting the unrealised profit against the impairment loss, the subsidiary recognised an unrealised gain on investment in other comprehensive income of £189,034k. Following adjustment of historic foreign exchange differences on translation of Heliotrope, a balance of £680,441k was transferred from the subsidiary to the Company by way of a distribution in kind, in accordance with section 846 of the Companies Act. The Company also partially impaired the investment in the subsidiary by £416,031k, which was recognised in administrative expenses. As the distribution in kind was considered a return of capital, the portion of the distribution returned to offset the impairment loss was recognised in operating income, and the excess distribution of £264,410k was considered an unrealised gain on investment and recognised in other comprehensive income.

Also in March 2021, the Company received a distribution in kind of £1,032,371k from Heineken UK Limited. This amount related to the steps to reduce the capital of the indirect subsidiary, S&N Angel Investments Limited and the transfer of an intercompany loan within the Group.

Consequently, in respect of the above transactions relating to Heliotrope Limited and S&N Angel Investments Limited, the Company has recognised unrealised gains on investments totalling £1,296,781k in other comprehensive income.

Following the transactions above, the Company paid a distribution in kind of £1,712,812k to Sunrise Acquisitions Limited as shown on the Statement of Changes in Equity.



## **SCOTTISH & NEWCASTLE LIMITED**

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

#### **21. GROUP LEGAL ENTITY RATIONALISATION (CONTINUED)**

In May 2021, as part of the steps to reduce the share capital of The Caledonian Brewing Company Limited, following rationalisation of intercompany loans, an amount owed to the Company of £121,147k was reduced to £1, with a distribution in kind of a similar amount. This was largely offset by the remaining impairment of the investment in the subsidiary of £121,121k. The total realised profit on distributions from the subsidiary and total impairment of the investment, recognised in operating income and administrative expenses, amounted to £537,178k and £537,152, respectively.

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

#### **22. SUBSEQUENT EVENTS**

The Directors' Report on page 6, details the transactions subsequent to the reporting date in relation to the ongoing simplification of the UK corporate structure.

#### **23. ULTIMATE PARENT COMPANY**

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

Heineken Holding N.V. is the parent company of Heineken N.V. and its subsidiary undertakings, including Heineken International B.V.. The Company became a wholly owned subsidiary of Heineken International B.V., the immediate parent undertaking of the Company, from 28 June 2022. The immediate parent undertaking at the Statement of Financial Position date was Sunrise Acquisitions Limited, a company registered in Jersey at 44 Esplanade, St Helier, Jersey, JE4 9WG.

Heineken International B.V. is exempt from preparing individual and group financial statements and the financial results of the company are consolidated into the group financial statements of Heineken N.V.. As a result, Heineken N.V. is the parent of the smallest group of undertakings for which group financial statements were drawn up and of which the Company is a member.

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