

Molson Coors Brewing Company (UK) Limited

Annual Report and Financial Statements for the year ended 31
December 2014

Registered number: 00026018

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Strategic Report

For the year ended 31 December 2014

The directors present their strategic report and the audited financial statements of the company for the year ended 31 December 2014.

Principal activities

The principal activities of the company comprise malting, brewing, packaging and the supply of beer, cider, wines, spirits and soft drinks.

Results and business review

Molson Coors Brewing Company (UK) Limited ("MCBC (UK)") is the United Kingdom's second-largest beer company with unit volume sales of approximately 8.6 million hectolitres in 2014 (2013: 8.5 million). MCBC (UK) has an approximate 18.6% share of the UK beer market, Western Europe's second-largest market. Sales are primarily in England and Wales, with the Carling brand (a mainstream lager) representing more than two thirds of MCBC (UK)'s total beer volume. During the year Carling Cider was successfully launched into the on premise as part of the continuing expansion of the Carling brand, with Carling Zest having been added in 2012. Coors Light also continues to build a strong footprint in the UK market.

MCBC (UK) has an associate arrangement for the production and distribution of Grolsch in the UK and Republic of Ireland, a joint arrangement for the production and distribution of the Cobra brands in the UK and Republic of Ireland, factored brand sales (beverage brands owned by other companies, but sold and delivered to retailers by MCBC (UK)), and a 100% investment in Sharps Brewery Limited which owns the Doom Bar brand. Additionally MCBC (UK) distributed the G Modelo brands, including Corona, pursuant to a distribution agreement with G Modelo and has a 100% subsidiary called Docklands Brewing Company Limited, a craft brewer specialising in cask ales based in Cork, Ireland.

The beer industry is subject to seasonal sales fluctuations primarily influenced by holiday periods, weather and by certain major televised sporting events. Weather conditions can significantly impact sales volumes, as noted during 2013 when an unusually warm summer resulted in higher sales volumes.

The UK Beer market volume increased by 1.3% overall, with on premise decline of 0.8% being more than offset by an off premise increase of 3.5%. Turnover for MCBC (UK) increased by 1.9% in 2014, which was driven by an increase to overall volume of 1.4%.

Industry pricing continues to be the biggest challenge causing margin pressure in the UK beer business in both the on and off-trade. The company is managing pricing by channel, in the context of local competition, while staying focused on the core strategy of building strong brands for the long term.

Strategic Report (continued)

For the year ended 31 December 2014

Results and business review (continued)

As a result of the increase in turnover, and further cost saving initiatives, operating profit before exceptional one-time costs for the year increased by £32.2m from £40.1m to £72.3m.

Profit/(loss) before taxation saw a period on period increase of £92.7m from a loss of (£9.0m) to a profit of £83.7m. This has been primarily driven by exceptional costs in 2013 for one-time contract termination payments of £24.4m, and a loss on disposal of the investment in Tradetam of £22.1m.

During 2014, Heineken provided MCBC (UK) with notice of their intent to terminate the contract brewing arrangement for Fosters and Kronenbourg from April 2015. This represented an early termination of the existing contract as Heineken now had internal brewing capacity within their network to accommodate this volume.

As a consequence of the reduced contract brewing volumes, MCBC (UK) undertook a comprehensive review of its own brewing network. In the last quarter of 2014, the proposed closure of Alton Brewery was announced. After a consultation process, the brewery was closed in April 2015 and the site is currently being prepared for disposal.

In July 2015, the MCBC (UK) owned malting facility at Shobnall in Burton was sold to Malteries Soufflet, one of the world's leading malt producers. At the same time, MCBC (UK) entered into a long-term contract with Malteries Soufflet for the supply of malt. As a result, MCBC (UK) no longer produces malt internally.

In December 2014, the UK & Ireland distribution rights to the Modelo portfolio transferred to AB Inbev, following the purchase of the global Modelo business by ABI. MCBC (UK) sought to re-orientate its premium portfolio following this transition and during the first half of 2015 took proactive steps by repatriating the UK and Ireland distribution of Staropramen from Carlsberg and acquiring Rekorderlig (UK) Limited, which owned the exclusive UK & Ireland distribution rights for the Rekorderlig Cider portfolio.

MCBC (UK) management strongly believes that the addition of Staropramen and Rekorderlig Cider further strengthens its existing brand portfolio and provides additional presence in the growing premium lager and premium flavoured cider markets.

A cash injection of £150m was made into the Molson Coors Brewing Company (UK) Limited defined benefit pension scheme in January 2015.

Future developments

The company will continue to develop and invest in the key brands of the business in order to build a well-balanced product portfolio and to maximise profitability. The company will also continue to invest in the

Strategic Report (continued)

For the year ended 31 December 2014

redevelopment of the Burton brewery in order to improve efficiency and reduce production costs. This will enable the company to alleviate the key risks of both a further shift into the lower-margin off-premise market and increased price pressure in the light of current economic conditions.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

We depend exclusively on one logistics provider for distribution of our products in the United Kingdom. Tradeteam handles all of the physical distribution for MCBC (UK) in the UK, except where a different distribution system is requested by a customer. If Tradeteam were unable to continue distribution of our product and we were unable to find a suitable replacement in a timely manner, we could experience significant disruptions in our business that could have an adverse financial impact.

Sales volume trends in the UK brewing industry reflect movement from on-premise locations to off-premise locations, a trend which adversely impacts our profitability. In recent years, beer volume sales in the UK have been shifting from pubs and restaurants (on-premise) to retail stores (off-premise), for the industry in general. Margins on sales to off-premise customers tend to be lower than margins on sales to on-premise customers, and, as a result, continuation or acceleration of these trends could adversely impact our profitability.

Our success as a business depends largely on the success of one primary product in a mature market; failure or weakening could materially adversely affect our financial results. Although we currently have a variety of different products in our portfolio, Carling lager is the best-selling lager brand in the United Kingdom and represented more than two thirds of our sales volume during the year. Any material shift in consumer preferences away from this brand, or from the categories in which it competes, would have a disproportionately large adverse impact on our business.

Strategic Report (continued)

For the year ended 31 December 2014

Principal risks and uncertainties (continued)

Changes in tax, environmental or other regulations or failure to comply with existing licensing, trade and other regulations could have a material adverse effect on our financial condition. Our industry is highly regulated by legislation and regulations regarding such matters as licensing requirements, trade and pricing practices, labelling, advertising, promotion and marketing practices, relationships with distributors, environmental matters, smoking bans at on-premise locations, and other matters. These laws and regulations are subject to frequent re-evaluation. Failure to comply with existing laws and regulations or changes in these laws and regulations or in tax, environmental, excise tax levels, imposed or any other laws or regulations could result in the loss, revocation or suspension of our licenses, permits or approvals and could have a material adverse effect on our business, financial condition, and results of operations.

Our operations face significant commodity price change exposure which could materially and adversely affect our operating results. We use a large volume of agricultural and other raw materials to produce our products, including barley, barley malt, hops, corn, other various starches, water, and packaging materials, including aluminium, cardboard and other paper products. We also use a significant amount of diesel fuel and electricity in our operations. The supply and price of these raw materials and commodities can be affected by a number of factors beyond our control, including market demand, global geopolitical events (especially as to their impact on crude oil prices and the resulting impact on diesel fuel prices), frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases and theft. To the extent any of the foregoing factors affect the prices of ingredients or packaging or our hedging arrangements do not effectively or completely hedge changes in commodity price risks, our results of operations could be materially and adversely impacted.

Poor investment performance of pension plan holdings and other factors impacting pension plan costs could adversely impact liquidity and results of operations. Our costs of providing for historic defined benefit pension plans are dependent upon a number of factors, such as the rates of return on the plan's assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plan, future government regulation and our required and/or voluntary contributions made to the plan. Without sustained growth in the pension investments over time to increase the value of the plan assets and depending on certain other factors as listed above, we could be required to fund the plan with significant amounts of cash. Such cash funding obligations could have a material impact on our cash flows, credit rating and cost of borrowing, financial position or results of operations.

Strategic Report (continued)

For the year ended 31 December 2014

Financial risk management

The company's operations expose it to a variety of financial risks that include currency risk, credit risk, commodity risk, liquidity risk and interest rate cash flow risk. The company has in place financial risk management control processes that seek to limit the adverse effects of financial performance of the company by monitoring levels of trade debtors and creditors. Overseas suppliers and customers are monitored, though dealings with overseas suppliers and customers are limited, hence minimising the company's exposure to currency risk. The company uses derivative financial instruments to manage currency risk and commodity risk exposure in the form of forward purchase contracts. The company has taken the exemptions allowed under FRS 26 to elect not to apply fair value measurement to these contracts. The company is funded through various inter-group loans, details of which are provided in notes 13 and 14.

Currency risk. The company undertakes a few transactions in foreign currency but its exposure to currency risk as a result of its operations is considered to be minimal. The company may, from time to time, minimise currency risk exposures by entering into forward contracts to purchase foreign currency at fixed exchange rates. In the current year forward contracts were used to minimise foreign exchange risk for a specific supply contract.

Commodity risk. The company purchases a variety of commodities used in the production process. In the current period forward contracts to purchase diesel and natural gas have been used to minimise the risk caused by price fluctuations in the diesel fuel and natural gas market.

Credit risk. The company has implemented policies that require appropriate credit checks on potential customers before sales are made and continued contact with customers after sales have been made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a regular basis by senior management.

Strategic Report (continued)

For the year ended 31 December 2014

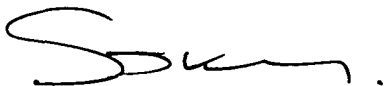
Financial risk management (continued)

Liquidity risk. The company actively monitors working capital and ensures that the company has sufficient available funds for operations and meeting its debts as they fall due.

Interest rate cash flow risk. The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include trade loans and cash balances. Interest bearing liabilities include bank overdrafts and intercompany debt. The company has a policy of maintaining debt at a fixed rate to ensure certainty of future cash flows. This is in line with the policy set out by the MCBC group.

Approved by the board on 30/01/15

and signed on its behalf by:



S Kerry
Director

137 High Street
Burton on Trent
Staffordshire
DE14 1JZ

Directors' Report

For the year ended 31 December 2014

The directors present their annual report on the affairs of the company, together with the audited financial statements for the financial year ended 31 December 2014. The company's registered number is 00026018. Prior to 2013 the period end was always on the last Saturday of each year, in line with that of the ultimate parent, Molson Coors Brewing Company. During 2013 the group transitioned to a calendar year end of 31st December 2013 in line with its ultimate parent. These financial statements therefore cover the year to 31 December 2014 and the prior year comparatives cover the period from 30th December 2012 to 31st December 2013.

Dividends

The directors do not recommend the payment of a dividend (2013: none).

Future developments

Details of the development and performance of the business of the company during the financial year and the position of the company at the year end are disclosed in the strategic report.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

S Albion

M Coyle (appointed 9 June 2015)

S J Cox (appointment terminated 28 January 2015)

A Cray (appointment terminated 9 June 2015)

S Kerry

F Landtmeters (appointed 28 January 2015)

Supplier payment policy

The company's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment. Trade creditors of the company at 31 December 2014 were equivalent to 89 days' purchases (2013: 80 days), based on the average daily amount invoiced by suppliers during the year.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' Report (continued)

For the year ended 31 December 2014

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, and the internal communications website. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Fixed assets

Details of the company's fixed assets are given in note 9. The breweries and the maltings are considered to be specialised properties where a market value is not available.

Research and development

Research in the brewing business is concentrated on the development of new products and dispense technologies capable of generating greater turnover.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he/she has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report (continued)

For the year ended 31 December 2014

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

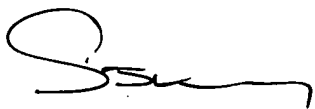
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company 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;
- 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.

Approved by the board on

and signed on its behalf by:



S Kerry

Director

137 High Street
Burton on Trent
Staffordshire
DE14 1JZ

Independent auditors' report to the members of Molson Coors Brewing Company (UK) Limited

Report on the financial statements

Our opinion

In our opinion, Molson Coors Brewing Company (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the Profit and loss account and Statement of total recognised gains and losses for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Molson Coors Brewing Company (UK) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

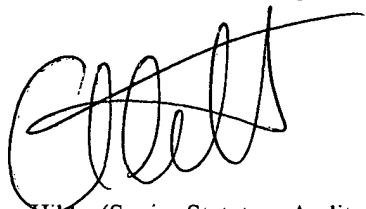
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

10 September 2015

Profit and loss account

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Turnover	1	1,372,364	1,346,221
Cost of sales		(1,105,876)	(1,104,691)
Gross profit		266,488	241,530
Other operating expenses		(53,973)	(50,579)
Administrative expenses excluding exceptional items	2	(135,359)	(120,194)
Exceptional restructuring costs	2	(4,882)	(30,661)
Administrative expenses	2	(140,241)	(150,855)
Operating profit		67,392	9,435
Loss on disposal of fixed assets	9	(1,643)	(1,230)
Loss on disposal of fixed asset investments	10	-	(22,100)
Income from other fixed asset investments	4	3,789	4,696
Profit/(loss) on ordinary activities before interest and taxation		69,538	(9,199)
Interest receivable and similar income	5	2,486	392
Interest payable and similar charges	5	(593)	(2,887)
Other finance income	6	12,300	2,700
Profit/(loss) on ordinary activities before taxation		83,731	(8,994)
Tax on profit/(loss) on ordinary activities	7	(13,669)	7,035
Profit/(loss) for the financial year/period	18	70,062	(1,959)

The above results relate to continuing operations.

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year/period stated above and their historical cost equivalents.

Statement of total recognised gains and losses

For the year ended 31 December 2014

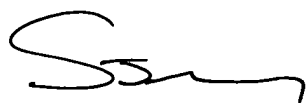
	Note	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Profit/(loss) for the financial year/period		70,062	(1,959)
Actuarial (loss)/gain on pension scheme	6	(31,900)	72,900
Movement on deferred tax relating to pension deficit	15	4,826	(32,331)
Total gains and losses recognised relating to the year/ period		42,988	38,610

Statement of accounting policies

For the year ended 31 December 2014

	Note	31 December 2014 £'000	31 December 2013 £'000
Fixed assets			
Intangible assets	8	28,824	30,792
Tangible assets	9	251,520	256,395
Investments	10	81,676	82,601
		<u>362,020</u>	<u>369,788</u>
Current assets			
Stocks	11	69,366	62,761
Debtors	12	231,022	277,533
Cash at bank and in hand		189,415	37,703
		<u>489,803</u>	<u>377,997</u>
Creditors: amounts falling due within one year	13	(435,480)	(360,378)
		<u>54,323</u>	<u>17,619</u>
Net current assets			
		<u>416,343</u>	<u>387,407</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	14	(720)	(33,174)
Provisions for liabilities	15	(7,887)	(8,483)
		<u>407,736</u>	<u>345,750</u>
Net assets excluding pension liability			
Net pension liability	6	(126,176)	(107,178)
		<u>281,560</u>	<u>238,572</u>
Net assets including pension liability			
Capital and reserves			
Called up share capital	17	1,722	1,722
Share premium account	18	598,278	598,278
Revaluation reserve	18	795	795
Profit and loss account	18	(319,235)	(362,223)
		<u>281,560</u>	<u>238,572</u>
Total shareholders' funds	18		

The financial statements on pages 11 to 46 were approved by the Board of Directors on 30/09/15 and were signed on its behalf by:



S Kerry
Director

Statement of accounting policies

For the year ended 31 December 2014

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding period and which the directors consider to be the most appropriate to the company's circumstances as required by FRS 18, is set out below.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The financial statements contain information about Molson Coors Brewing Company (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Molson Coors Brewing Company, a company incorporated in the USA. The company is exempt from the requirement of FRS 1 (revised 1996) to present a cash flow statement. The consolidated financial statements of the ultimate parent company are publicly available.

Intangible assets

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is between 4 and 20 years. Provision is made for any impairment.

Research and development

Research and development expenditure is written off as incurred.

Statement of accounting policies (continued)

For the year ended 31 December 2014

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Cost is determined as the purchase costs plus associated costs in bringing the asset into working condition and location. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Land and Buildings:

Breweries and maltings freehold buildings	25 years
Freehold buildings	40 years

Plant and machinery 5-20 years

Fixtures and fittings:

Office furniture and fittings	3-10 years
Equipment in retail outlets	2-7 years
Information technology equipment	3-5 years

On adoption of FRS 15, the Company has followed the transitional arrangements to retain the book value of properties which were revalued in the year ended 30 September 1999 and not to adopt a policy of further revaluations. Previous valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve. Where a permanent impairment in the value of a property is identified, the deficit is eliminated against any revaluation reserve in respect of that property with any excess being charged to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials; direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity and is measured on a first-in first-out basis (FIFO). Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Fixed asset investments

Shares in subsidiaries and associated undertakings are stated at cost less any provision for impairment. Provisions are made subsequent to impairment reviews. Trade loans are stated at cost less any provision for impairment.

Statement of accounting policies (continued)

For the year ended 31 December 2014

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT. Turnover is recognised at the point of delivery aside from contract brewing, where turnover is recognised at the point of collection, with revenue adjusted for accrued and deferred income as appropriate. Turnover includes amounts received from customers in respect of trade loan interest receipts as the commercial substance of the transaction is that they are part of the normal terms of trade.

Statement of accounting policies (continued)

For the year ended 31 December 2014

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Assets leased under finance leases are included in fixed assets at cost less depreciation. Obligations under finance leases, net of finance charges in respect of future periods, are included in creditors. The interest element of the rental is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Depreciation is charged on a straight line basis over the useful economic life.

Pension and post-retirement benefits

The company operates a funded defined benefit pension scheme for staff employees recruited prior to April 2006. The scheme fund is administered by trustees and is independent of the company's finances. On 4 April 2009 the fund was closed to future accruals of retirement benefits.

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The expected return on the scheme's assets and the increase in the period in the present value of liabilities arising from the passage of time are included in other financial income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme deficits are recognised in full. Pension surpluses will be recognised to the extent that they are considered recoverable.

The company operates a defined contribution scheme for employees recruited after April 2006. In 2009 another scheme was set up for employees who were previously in the defined benefit scheme. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share based payments

Molson Coors Brewing Company ("MCBC") issues equity-settled share-based payments to certain employees of MCBC (UK). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on MCBC's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. At each balance sheet date, the company revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves. Fair value of each equity-settled share-based payment is determined on the date of grant using the Black-Scholes option-pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Note 16 provides further detail of each type of share-based payment arrangement and the terms and conditions of each arrangement.

Statement of accounting policies (continued)

For the year ended 31 December 2014

Related party disclosure

The company has taken advantage of the exemption in FRS 8 as a wholly owned subsidiary not to disclose details of related party transactions required by the standard. The consolidated financial statements in which the subsidiary is included are publicly available.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All foreign exchange gains and losses are charged to the profit and loss account.

Commodity and currency forward contracts

The company has commodity and forward contracts to hedge its exposure. Gains and losses on hedges are recognised in the profit and loss account in the period to which they relate.

Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred, and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all of the activities that are necessary to get the asset ready for use are complete.

Dividends

Dividend distributions to equity holders of the company are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised as there is no present obligation at the balance sheet date. Dividends received from group undertakings are recognised when received.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Prior year restatement

The directors feel that in order to provide a fair comparative presentation, prior year accruals balances of £47,913,000 have been restated to trade creditors. There is no impact to underlying net asset or the results of the business.

Notes to the financial statements

For the year ended 31 December 2014

1. Turnover

Turnover is all attributable to the principal activities of the company.

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
<i>Geographical segments</i>		
United Kingdom	1,323,751	1,289,323
Rest of the World	48,613	56,898
	<u>1,372,364</u>	<u>1,346,221</u>

All turnover originates in the United Kingdom, all net assets are based in the United Kingdom and there is only one class of business.

2. Operating profit

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Operating profit is stated after charging/(crediting):		
Excise duty on own products	561,691	556,672
Staff costs (see note 3)	106,411	113,134
Depreciation (see note 9)	47,148	40,319
Amortisation of goodwill (see note 8)	1,968	1,968
Trade loan provision charged in year/period (see note 10)	(936)	603
Research and development expenditure	448	204
Exceptional restructuring costs		
- Termination payments	2,264	8,832
- Exceptional contract termination payments	-	24,429
- Other	2,542	(2,600)
Operating lease charges		
- Plant and machinery	6,221	4,398
- Land and Buildings	1,892	2,323

In 2014 auditors' remuneration relating to audit fees of £188,000 was borne by another group company (2013: £188,000). Auditors' remuneration in relation to non-audit fees for other services provided during the year were £nil (2013: £nil).

Termination payments are redundancy costs paid to employees which have resulted from restructuring activities during the year. Exceptional contract termination payments relate to the termination of the Tradet team contract.

Other exceptional restructuring costs in 2014 relate to accelerated depreciation on Alton brewery assets.

Notes to the financial statements (continued)

For the year ended 31 December 2014

3. Staff costs

	Year Ended 31 December 2014 Number	Period ended 31 December 2013 Number
<i>The average monthly number of employees (including executive directors) was:</i>		
Production	931	951
Sales	915	986
Administration	151	207
	1,997	2,144

	Year Ended 31 December 2014 £'000	Period Ended 31 December 2013 £'000
<i>Their aggregate remuneration comprised:</i>		
Wages and salaries	88,573	94,136
Social security costs	8,426	9,682
Other pension costs (note 6)	7,677	8,666
Cost of employee share schemes (note 16)	1,735	650
	106,411	113,134

The staff costs above do not include employee severance costs associated with the companywide restructuring. These are detailed in note 15.

Notes to the financial statements (continued)

For the year ended 31 December 2014

3. Staff Costs (continued)

Directors' remuneration

Remuneration was paid to directors of the company as follows:

	Year Ended 31 December 2014 £'000	Period Ended 31 December 2013 £'000
Fee as directors	754	892
Pensions costs	93	190
Other emoluments	2	394
Bonuses	417	561
	1,266	2,037

Four of the directors are accruing benefits under the defined contribution pension scheme (2013: Four). During the year none of the directors exercised share options (2013: three). Compensation payments paid to directors for loss of office totalling £nil (2013: £358,000) are included in other emoluments above.

The directors' remuneration included:

	Year Ended 31 December 2014 £'000	Period Ended 31 December 2013 £'000
<i>Remuneration of highest paid director:</i>		
Aggregate emoluments	426	507
Contributions into defined contribution pension scheme	6	6

The highest paid director did not exercise share options during the year (2013: one). The highest paid director received shares during the year under the MCBC Incentive Compensation Plan.

Notes to the financial statements (continued)

For the year ended 31 December 2014

4. Income from other fixed asset investments

	Year Ended 31 December 2014 £'000	Period Ended 31 December 2013 £'000
Dividends received	<u>3,789</u>	<u>4,696</u>

5. Interest and similar items

	Year Ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
<i>Interest receivable and similar income</i>		
Bank interest receivable	367	392
Group interest receivable	<u>2,119</u>	<u>-</u>
	<u>2,486</u>	<u>392</u>
<i>Interest payable and similar charges</i>		
Group interest payable	<u>(593)</u>	<u>(2,887)</u>
	<u>(593)</u>	<u>(2,887)</u>

Notes to the financial statements (continued)

For the year ended 31 December 2014

6. Net pension liability

The Company operates a contributory, self-administered, defined benefit pension plan. Assets are held in a separately administered fund.

An actuarial assessment of the Molson Coors Brewers Pension Plan was carried out based on full data as at 30 June 2013 and updated to 31 December 2014. As a result there will be an element of approximation relative to the results of a hypothetical full actuarial valuation for FRS 17 at the measurement date. The full valuation of the scheme used the projected unit method and was carried out by Mercer, an independent and professionally qualified actuary.

On 1 April 2008 a salary sacrifice programme was implemented. This means that, for all accounting purposes, most of the contributions to the plan are from the employer (as it will make contributions on behalf of most members). This has been taken into account in both the 2014 and forward looking profit and loss charge. The forward looking profit and loss charge is based on the assumption that employees participate in the salary sacrifice arrangement.

From 4 April 2009 the plan closed to future accruals of retirement benefits. Therefore all active members effectively became deferred pensioners from that date and salary linkage of retirement benefits ceased. However, certain risk benefits will continue to be provided to those members who were active as at 4 April 2009, whilst they remain in employment with MCBC (UK), and these benefits will continue to be linked to salaries.

The actuarial assumptions employed were as follows:

	Year ended 31 December 2014 % pa	Period ended 31 December 2013 % pa	52 weeks ended 31 December 2012 % pa
Price inflation	3.05	3.40	2.95
Rate of increase in pay	3.05	3.40	2.95
Rate of increase of pensions in payment			
- pre 2006 pension	2.95	3.30	2.85
- post 2006 pension	2.35	2.50	2.30
Rate of increase for deferred pensioners	3.05	3.05	3.05
Discount rate	3.60	4.55	4.30
Cash commutation	20.00	20.00	20.00

Mortality assumptions are as follows:

Active and deferred members and pensioners	110% of SINA tables with 2013 CMI projections and a 1.5% long term trend
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Notes to the financial statements (continued)

For the year ended 31 December 2014

6. Net pension liability (continued)

The fair value of scheme assets and expected return rates were as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>		<u>29 December 2012</u>	
	Fair value	Expected rate of return	Fair value	Expected rate of return	Fair value	Expected rate of return
	£'000	% pa	£'000	% pa	£'000	% pa
Equities	659,400	8.5	611,294	7.6	573,729	6.8
Fixed interest bonds	444,500	4.9	398,670	4.8	378,417	4.1
Index-linked bonds	272,300	2.9	199,335	4.0	183,105	3.4
Property	107,100	5.6	93,023	6.1	48,828	5.3
Cash	20,300	3.6	26,578	3.6	36,621	2.8
	<u>1,503,600</u>	<u>6.2</u>	<u>1,328,900</u>	<u>6.0</u>	<u>1,220,700</u>	<u>5.4</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The expected yield on bonds has been derived by using government and corporate bond yields at 30 November 2015. The expected return on equities is based on the assumption that equities will return 6.1% per annum above the yield on gilts. The expected return on property has been assumed to be halfway between the return on bonds and equities.

The following amounts were measured in accordance with FRS 17:

	<u>31 December 2014</u>	<u>31 December 2013</u>	<u>29 December 2012</u>	<u>31 December 2011</u>	<u>25 December 2010</u>
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	1,503,600	1,328,900	1,220,700	1,186,900	1,185,400
Present value of scheme liabilities	(1,665,200)	(1,468,800)	(1,465,400)	(1,375,200)	(1,295,600)
Deficit in the scheme	<u>(161,600)</u>	<u>(139,900)</u>	<u>(244,700)</u>	<u>(188,300)</u>	<u>(110,200)</u>
Related deferred tax asset (note 15)	35,424	32,722	63,336	62,801	59,511
Net pension liability	<u>(126,176)</u>	<u>(107,178)</u>	<u>(181,364)</u>	<u>(125,499)</u>	<u>(50,689)</u>

Notes to the financial statements (continued)

For the year ended 31 December 2014

6. Net pension liability (continued)

The movement in the deficit in the year was as follows:

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Deficit at the start of the year/period	(139,900)	(244,700)
Contributions paid	-	31,500
Actual expenses paid	(2,100)	(2,300)
Other finance income	12,300	2,700
Actuarial (loss)/gain	(31,900)	72,900
Deficit at the end of the year/period	(161,600)	(139,900)

The following amounts have been recognised in the performance statements in the year to 31 December 2014, under the requirements of FRS 17:

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Operating profit		
Current service costs	-	-
Actual expenses paid	2,100	2,300
Total operating charge	2,100	2,300
Other finance costs		
Expected return on pension assets	(77,600)	(64,300)
Interest on pension scheme liabilities	65,300	61,600
Net interest	(12,300)	(2,700)
Statement of total recognised gains and losses ("STRGL")		
Actual return less expected return on pension scheme assets	(169,000)	(81,500)
Changes in actuarial assumptions	200,900	8,600
Actuarial loss/(gain) recognised in the STRGL	31,900	(72,900)
Cumulative actuarial loss recognised in the STRGL	293,700	261,800

Notes to the financial statements (continued)

For the year ended 31 December 2014

6. Net pension liability (continued)

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000	52 weeks ended 29 December 2012 £'000	53 weeks ended 31 December 2011 £'000	52 weeks ended 25 December 2010 £'000
History of experience gains and losses					
(Gain)/loss on plan assets	(169,000)	(81,500)	(36,200)	8,200	(27,700)
% of plan assets at end of year/period	11.2%	6.1%	3.0%	0.7%	2.3%
Experience gain on plan liabilities	-	(17,000)	-	-	(198,800)
% of plan liabilities at end of year/period	-	1.2%	-	-	15.3%
Total actuarial loss/(gain) recognised in STRGL	31,900	(72,900)	57,300	82,000	(88,500)
% of plan liabilities at end of year/period	1.9%	5.0%	3.9%	6.0%	6.8%

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Reconciliation of plan liabilities over the year		
Scheme liabilities at the start of the year/period	1,468,800	1,465,400
Interest cost	65,300	61,600
Actual benefit payments by the company	(69,800)	(66,800)
Loss on change of assumptions	200,900	8,600
Present value of scheme liabilities at the end of the year/period	<u>1,665,200</u>	<u>1,468,800</u>

	Year ended 31 December 2014 £'000	52 weeks ended 31 December 2013 £'000
Reconciliation of plan assets over the year		
Scheme assets at the start of the year/period	1,328,900	1,220,700
Actual total benefit payments by the company	(69,800)	(66,800)
Actual expenses paid	(2,100)	(2,300)
Actual company contributions	-	31,500
Expected return on assets	77,600	64,300
Gain on assets	169,000	81,500
Market value at end of the year/ period	<u>1,503,600</u>	<u>1,328,900</u>

Notes to the financial statements (continued)

For the year ended 31 December 2014

6. Net pension liability (continued)

Actual return on scheme assets

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Expected return on scheme assets	77,600	64,300
Asset gain	169,000	81,500
Actual return on scheme assets	<u>246,600</u>	<u>145,800</u>

Expected contributions and benefits to be paid

	Year ended 31 December 2014 £'000
Expected company contributions for the year starting 1 January 2014	-
Expected member contributions for the year starting 1 January 2014	-

Forward looking defined benefit cost

Service cost	2,100
Expenses	-
Interest cost	(57,200)
Expected return on assets	58,700
Total expected profit and loss credit	<u>3,600</u>

Defined contribution scheme

The company also operates a defined contribution scheme. The company has paid £5,577,000 (2013: £6,366,000) of contributions into this scheme.

Notes to the financial statements (continued)

For the year ended 31 December 2014

7. Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Tax for the year comprises:		
Current tax		
UK corporation tax	6,757	(1,700)
Adjustments in respect of prior periods	1,154	5
Foreign tax	5	-
Total current tax	<u>7,916</u>	<u>(1,695)</u>
Deferred tax		
Origination and reversal of timing differences	9,346	(3,631)
Changes in recoverable amounts of deferred tax assets	(3,593)	(1,312)
Effect on changes in tax rate on opening liability	-	(397)
Total deferred tax	<u>5,753</u>	<u>(5,340)</u>
Tax on profit on ordinary activities	<u>13,669</u>	<u>(7,035)</u>

Factors affecting the tax charge for the year:

The tax assessed for the year is higher (2013: higher) than the standard effective rate of corporation tax in the UK for the year 31 December 2014 of 21.5% (2013: 23.3%). The differences are explained below:

	Year Ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Profit/(loss) on ordinary activities before taxation	<u>83,731</u>	<u>(8,994)</u>
Profit/(loss) on ordinary activities multiplied by effective rate of corporation tax in the UK of 21.5% (2013: 23.3%)	18,002	(2,091)
Effect of:		
Expenses not deductible for tax purposes	472	5,212
Capital allowances for the year/period less than depreciation	(2,577)	4,180
Other timing differences	(4,322)	(8,326)
Effect of difference in current tax and deferred tax rate	(817)	(675)
Adjustments in respect of prior periods	1,153	5
Higher taxes on overseas earnings	5	-
Utilisation of tax losses carried forward	(4,000)	-
Current tax charge for the year/period	<u>7,916</u>	<u>(1,695)</u>

Notes to the financial statements (continued)

For the year ended 31 December 2014

7. Tax on profit/(loss) on ordinary activities (continued)

Factors affecting current and future tax charges

The Finance Act 2013, which was substantively enacted on 2 July 2013, introduced legislation to reduce the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015.

In 2014, the corporation tax payable has been reduced by £1,916,000 because of group relief received from a fellow group undertaking for which payment will be made. In 2013, the corporation tax receivable has been reduced by £1,695,000 because of group relief surrendered to a fellow group undertaking for which a payment will be received.

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £8,899,000 split between profit (£477,000) and STRGL £9,376,000 reducing the tax expense for the period by £477,000.

8. Intangible fixed assets

Cost	£'000
	Goodwill
At 1 January 2014 and 31 December 2014	41,168
Accumulated amortisation	
At 1 January 2014	10,376
Charge for the year	1,968
At 31 December 2014	12,344
Net book value	
At 31 December 2014	28,824
At 31 December 2013	30,792

Notes to the financial statements (continued)

For the year ended 31 December 2014

9. Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 2014	81,522	375,908	248,463	705,893
Additions	3,367	15,929	27,146	46,442
Disposals	(186)	(7,740)	(109,063)	(116,989)
At 31 December 2014	84,703	384,097	166,546	635,346
Accumulated depreciation				
At 1 January 2014	31,896	220,624	196,978	449,498
Charge for the year	2,803	20,104	24,241	47,148
Disposals	(181)	(6,014)	(106,625)	(112,820)
At 31 December 2014	34,518	234,714	114,594	383,826
Net book value				
At 31 December 2014	50,185	149,383	51,952	251,520
At 31 December 2013	49,626	155,284	51,485	256,395

Leased assets included above within fixtures and fittings had a gross cost of £1,928,000 (2013: £1,928,000) and accumulated depreciation of £150,500 (2013: £54,000). Depreciation charged on leased assets during the year totalled £96,500 (2013: £54,000).

Interest capitalised on additions in the year amounted to £845,000 (2013: £506,000). The cumulative amount of interest capitalised in the total cost above amounts to £5,128,954 (2013: £4,283,954). The interest rate used to capitalise is 4.7% (2013: 4.7%).

All land and buildings are freehold.

Notes to the financial statements (continued)

For the year ended 31 December 2014

9. Tangible assets (continued)

	31 December 2014 £'000	31 December 2013 £'000
Analysis of cost or valuation		
Assets held at valuation	17,319	17,319
Assets held at historical cost	618,027	688,574
	<u>635,346</u>	<u>705,893</u>

Assets held at valuation relate to land and buildings only.

	Cost £'000	Depreciation £'000	Net book value £'000
Historical cost of land and buildings			
At 31 December 2014	85,348	33,964	51,384
At 31 December 2013	80,877	30,052	50,825

10. Investments

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Trade and other loans £'000	Total £'000
Cost				
At 1 January 2014	64,242	495	21,510	86,247
Additions/advances	-	-	5,438	5,438
Disposals/repayments	-	-	(6,259)	(6,259)
Write offs	-	-	(1,040)	(1,040)
At 31 December 2014	<u>64,242</u>	<u>495</u>	<u>19,649</u>	<u>84,386</u>
Provision for impairment				
At 1 January 2014	1,274	-	2,372	3,646
Released in the year	-	-	(936)	(936)
At 31 December 2014	<u>1,274</u>	<u>-</u>	<u>1,436</u>	<u>2,710</u>
Net book value				
At 31 December 2014	<u>62,968</u>	<u>495</u>	<u>18,213</u>	<u>81,676</u>
At 31 December 2013	62,968	495	19,138	82,601

There have been advances and repayments on trade loans during the year and where loans are no longer recoverable they have been provided against. Where loans previously provided for are considered irrecoverable they are written off.

Notes to the financial statements (continued)

For the year ended 31 December 2014

10. Investments (continued)

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

Name of company	Country of incorporation	Nature of business	Holding	%
Subsidiary undertakings				
Molson Coors Brewing Company (UK) Pensions Limited	England and Wales	Pension fund trustee	Direct	100
Molson Coors Brewing Company (UK) Healthcare Limited	England and Wales	Healthcare trustee	Direct	100
Coors On-line Limited	England and Wales	Non-trading (formerly electronic ordering)	Direct	73
Molson Coors Brewing Company (UK) Russia Limited	England and Wales	Non-trading (formerly Export sales)	Direct	100
Cobra Beer Partnership Limited	England and Wales	UK Beer sales	Direct	50.1
Molson Coors Brewing Company (Ireland) Limited	Republic of Ireland	Republic of Ireland Beer production and sales	Direct	100
Sharps Brewery Limited	England and Wales	UK Beer production and sales	Direct	100
Atlantic Beer Kitchen Limited	England and Wales	UK restaurant	Indirect	100
Caffrey's Canada Inc	England and Wales	Dormant	Direct	100
Carling Brewers Export Limited	England and Wales	Dormant	Direct	100
Charrington and Company Limited	England and Wales	Dormant	Direct	100
Coors Brewers Limited	England and Wales	Dormant	Direct	100
Molson Coors Beer Naturally Limited	England and Wales	Dormant	Direct	100
Molson Coors Worthington Limited	England and Wales	Dormant	Direct	100
Coors Brewers Limited	England and Wales	Dormant	Direct	100
Williams Stones Limited	England and Wales	Dormant	Direct	100
Bittersweet Partnership Limited	England and Wales	Dormant	Direct	100
Different World Drinks Company Limited	England and Wales	Dormant	Direct	100
Caffrey's Limited	England and Wales	Dormant	Direct	100

Notes to the financial statements (continued)

For the year ended 31 December 2014

10. Investments (continued)

Name of company	Aggregate of share capital and reserves £'000	Profit/(loss) for the year £'000
Subsidiary undertakings		
Molson Coors Brewing Company (UK) Pensions Limited	-	-
Molson Coors Brewing Company (UK) Healthcare Limited	-	-
Coors On-line Limited	(1,892)	52
Molson Coors Brewing Company (UK) Russia Limited	(2,227)	-
Cobra Beer Partnership Limited	12,716	4,289
Sharps Brewery Limited	9,485	1,391

In the opinion of the directors the value of the investments is supported by their underlying assets.

Associated undertakings

Name of company	Country of incorporation	Nature of business	Holding	%
Associated undertakings				
Grolsch (UK) Limited	England and Wales	Supply of beer	Direct	49

Name of company	Grolsch (UK) Limited £'000
Turnover	12,488
Profit before Tax	1,820
Taxation	(391)
Profit after Tax	1,429
Fixed Assets	163
Current Assets	4,379
Liabilities due within one year	(2,103)
Liabilities due after one year	-
Aggregate of share capital and reserves	2,439

Notes to the financial statements (continued)

For the year ended 31 December 2014

11. Stocks

	31 December 2014 £'000	31 December 2013 £'000
Raw materials	14,269	14,356
Work in progress	4,467	3,987
Finished goods	42,157	38,765
Consumable stores	8,473	5,653
	<u>69,366</u>	<u>62,761</u>

The replacement cost of stock does not materially differ from the balance sheet cost.

12. Debtors

	31 December 2014 £'000	31 December 2013 £'000
Amounts falling due within one year:		
Trade debtors	153,461	185,332
Amounts owed by group undertakings	52,977	69,067
Other debtors	6,348	3,967
Prepayments and accrued income	9,470	6,772
Deferred tax asset (note 15)	8,766	12,395
	<u>231,022</u>	<u>277,533</u>

Amounts owed by group undertakings are unsecured and have no set repayment date. Included within amounts owed by group undertakings falling due within one year are loans amounting to £1,803,000 which are unsecured and accrue interest at rates between 0.5% and 5% (2013: £21,803,000 at 0.5% to 5%).

All other amounts owed by group undertakings falling due within one year are unsecured, interest free and have no set repayment date.

Notes to the financial statements (continued)

For the year ended 31 December 2014

13. Creditors: amounts falling due within one year

	31 December 2014 £'000	31 December 2013 £'000 <i>As restated</i>
Trade creditors	159,797	144,184
Amounts owed to group undertakings	98,717	45,817
Taxation and social security	90,589	88,755
Accruals and deferred income	86,017	81,262
Finance leases	360	360
	<u>435,480</u>	<u>360,378</u>

Obligations under finance leases are secured over the assets to which they are associated.

The directors feel that in order to provide a fair comparative presentation, prior year accruals balances of £47,913,000 have been restated to trade creditors.

Included within amounts owed to group undertakings falling due within one year are amounts totalling £31,703,710 (2013: nil) that are unsecured and accrue interest at a rate of 4.5%. These amounts are repayable in March 2015.

All other amounts owed to group undertakings falling due within one year are unsecured, interest free and have no set repayment date.

14. Creditors: amounts falling due after more than one year

	31 December 2014 £'000	31 December 2013 £'000
Amounts owed to group undertakings	-	31,704
Accruals and deferred income	-	390
Finance leases	720	1,080
	<u>720</u>	<u>33,174</u>

Obligations under finance leases are secured over the assets to which they are associated.

Notes to the financial statements (continued)

For the year ended 31 December 2014

15. Provisions for liabilities

	Restructuring provision	Onerous lease provision	Total
	£'000	£'000	£'000
At 1 January 2014	8,202	281	8,483
Charged to the profit and loss account	2,264	(654)	1,610
Utilised in the year	(3,116)	910	(2,206)
At 31 December 2014	7,350	537	7,887

Restructuring provision

During the year the company continued a restructuring plan focused on labour savings across all functions as well as integration of the UK business into the Molson Coors European segment. These costs have been treated as exceptional administration costs due to their one-off nature.

Onerous lease provision

A provision has been made against the cost of various onerous leasehold premises. It is anticipated that this provision will not be fully utilised until 2046.

Deferred tax

	31 December 2013	Profit and loss	STRGL	31 December 2014
	£'000	£'000	£'000	£'000
Deferred tax is provided as follows:				
Accelerated capital allowances	(9,375)	4,716	-	(4,659)
Tax losses	(825)	(843)	-	(1,668)
Other timing differences	(2,195)	(244)	-	(2,439)
Provision for deferred tax excluding pensions	(12,395)	3,629	-	(8,766)
Pensions related deferred tax	(32,722)	2,124	(4,826)	(35,424)
Provision for deferred tax including pensions	(45,117)	5,753	(4,826)	(44,190)

Notes to the financial statements (continued)

For the year ended 31 December 2014

16. Share based payments

At 31 December 2014, MCBC had the following types of share-based payments in issuance to MCBC (UK) Limited employees:

Molson Coors Brewing Company Incentive Compensation Plan

MCBC has issued the following awards related to Class B common shares to certain MCBC (UK) Limited directors, MCBC (UK) Limited officers and other MCBC (UK) Limited eligible employees, pursuant of the MCBC Incentive Compensation Plan ("MCBC IC Plan"): stock options ("options"); stock only stock appreciation rights ("SOSAR"); restricted stock units ("RSU"); performance units ("PU"); and performance shares ("PSU").

Stock options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The stock options vest evenly over a three year period on the anniversary of the grant date and have a contractual life of ten years. The options are exercisable once vested and exercise of an option is not subject to continued employment. In 2014 MCBC granted 15,650 stock options to MCBC (UK) Limited employees. All options were granted on July, 3 2014 with a market value of \$58.24.

SOSARs are granted with an exercise price equal to the market value of a share of common stock on the date of grant. The SOSARs entitle the award recipient to receive shares of MCBC's stock with a market value equal to the excess of the trading price over the exercise price of such shares on the date of exercise. SOSARs have a term of ten years and the number of shares granted vest evenly over the three year period. Exercise of a vested option is not subject to continued employment. In 2014 MCBC granted no SOSARs to MCBC (UK) Limited employees.

RSUs are granted with a \$nil exercise price. The awards have a three year vesting period and employees must remain in the employment of the MCBC group for the full three year vesting period to achieve the award. The holder of a RSU is entitled to receive Class B MCBC stock for each vested RSU, with awards considered exercised once vested. In 2014 MCBC granted 20,102 RSU awards to MCBC (UK) Limited employees. All awards were granted on July, 3 2014. The RSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grants were \$58.24.

PU are granted with a \$nil exercise price. The awards have a vesting period ranging from one to three years and employees must remain in the employment of the MCBC group for the full vesting period to receive the award. The award receivable on completion of the vesting period will vary from zero to two times a predefined target value based on the achievement of specified earnings per share targets. These earnings per share targets are based on a calculation of actual diluted earnings per share, adjusted for special items and other significant benefits or charges, of MCBC and as approved by the compensation committee of MCBC. The PUs may be settled in cash or shares, or a combination of cash and shares, at the discretion of MCBC. If equity settled then the number of shares to be issued will be based on the closing MCBC Class B common stock price on the day of vesting. Prior to vesting no shares are issued and PUs have no voting rights. In 2014 MCBC granted no PUs to MCBC (UK) Limited employees.

Notes to the financial statements (continued)

For the year ended 31 December 2014

16. Share based payments (continued)

PSUs are granted with a \$nil exercise price. The awards vest over the estimated expected term to achieve projected financial targets established at the time of grant, with a condition being that the employee is still employed when the targets are met. The term of the PSU awards is 5 years. The holder is entitled to receive one share of company stock for each PSU held. In 2014 MCBC granted 23,536 PSU awards to MCBC (UK) Limited employees. All awards were granted on July, 3 2014. The PSUs were granted with a \$nil exercise price and the market price of the underlying shares at the date of grants were \$58.24.

The weighted average share price during the period for options exercised over the period ended 31 December 2014 was \$59.44 (2013: \$48.54). The total charge for the period ended 31 December 2014 relating to employee share-based payment plans was \$2,713,160 or £1,735,000 (2013: \$1,059,139 or £649,869), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was \$2,170,528 or £1,388,000 (2013: \$847,311 or £517,496).

All values relating to share-based payments have been disclosed in US Dollars. This is due to the fact that all shares issued to MCBC (UK) Limited employees are issued from the ultimate parent entity, being Molson Coors Brewing Company, a company incorporated in the State of Delaware, USA. The period end exchange rate was £1:\$1.56 and the average exchange rate during the period ended 31 December 2014 was £1:\$1.56 (2013: year end exchange rate was £1:\$1.66 and the average exchange rate during the period to 31 December 2013 was £1:\$1.64).

Notes to the financial statements (continued)

For the year ended 31 December 2014

16. Share based payments (continued)

The fair value of each option and SOSAR granted in 2014 and 2013 was determined on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the year ended 31 December 2014	For the period ended 31 December 2013
Risk-free interest rate	2.29%	1.43%
Dividend yield	2.57%	2.88%
Volatility range	22.66% - 26.57%	22.4% - 25.9%
Weighted average volatility	25.59%	25.02%
Expected term (years)	7.5	7.7
Weighted average fair value per option	\$12.78	\$8.39

The risk-free interest rates utilised for period throughout the contractual life of the options are based on a zero-coupon U.S. Treasury security yield at the time of grant. Expected volatility is based on historical volatility of MCBC stock. The expected term of options is estimated based upon observations of historical employee option exercise patterns and trends. The range on the expected term results from separate groups of employees who exhibit different historical exercise behaviour.

The fair value of each RSU, PU and PSU granted in 2014 and 2013 was determined based on an observable market price at the date of grant.

The following reconciles the outstanding stock options granted under the MCBC IC Plan at the beginning and end of the financial year:

	Year ended 31 December 2014		Period ended 31 December 2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial year/period	234,247	43.11	411,252	43.58
Granted during the financial year/period	15,650	58.24	23,838	45.22
Forfeited during the financial year/period	-	-	(14,632)	44.84
Exercised during the financial year/period	(84,526)	62.31	(186,211)	51.65
Balance at the end of the financial year/period	165,371	44.23	234,247	43.11
Exercisable at the end of the financial year/period	125,709	42.45	158,607	42.59

Notes to the financial statements (continued)

For the year ended 31 December 2014

16. Share based payments (continued)

The following reconciles the outstanding SOSARs granted under the MCBC IC Plan at the beginning and end of the financial year:

	Year ended 31 December 2014		Period ended 31 December 2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the financial year/period	54,729	54.38	86,909	53.82
Forfeited during the financial year/period	-	-	(19,028)	46.30
Exercised during the financial year/period	(6,544)	69.48	(13,152)	51.04
Balance at the end of the financial year/period	48,185	54.31	54,729	54.38
Exercisable at the end of the financial year/period	48,185	54.31	54,729	54.38

The following reconciles the outstanding RSUs, PUs and PSUs granted under the MCBC IC Plan at the beginning and end of the financial year:

	31 December 2014 £'000	31 December 2013 £'000
Balance at the beginning of the financial year/period	274,372	415,659
Granted during the financial year/period	43,638	71,616
Forfeited during the financial year/period	(165,666)	(172,567)
Exercised during the financial year/period	(28,435)	(40,336)
Balance at the end of the financial year/period	123,909	274,372
Exercisable at the end of the financial year/period	2,870	72,932

RSUs, PUs and PSUs outstanding at 31 December 2014 and 31 December 2013 have a weighted average exercise price of \$nil.

Notes to the financial statements (continued)

For the year ended 31 December 2014

16. Share based payments (continued)

The following table summarises information about stock options outstanding:

Range of exercise prices	Year ended 31 December 2014			Period ended 31 December 2013		
	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$32.79-\$34.55	3,250	1.21	34.57	3,250	2.21	34.57
\$34.56-\$37.20	10,800	1.20	37.18	10,800	1.20	37.18
\$37.63-\$42.02	31,604	4.37	42.02	44,456	5.37	42.02
\$43.13-\$44.54	104,067	6.52	43.82	175,741	7.31	43.91
\$45.22-\$58.24	15,650	9.19	58.24	-	-	-
	165,371	5.85	44.23	234,247	6.59	43.11

The following table summarises information about SOSARs outstanding:

Range of exercise prices	Year ended 31 December 2014			Period ended 31 December 2013		
	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
\$42.56-\$47.85	13,674	2.38	45.79	14,722	3.38	45.79
\$54.53-\$59.82	34,511	3.38	57.69	40,007	4.38	57.55
	48,185	3.09	54.31	54,729	4.11	54.38

The following summarises information about RSUs, PUs and PSUs outstanding:

The outstanding share awards have a weighted average exercise price of \$nil. The balance outstanding is made up of 68,859 RSUs, 2,870 PUs and 52,180 PSUs at 31 December 2014 (2013: 77,388 RSUs and 163,303 PUs and 33,681 PSUs). RSUs have a weighted average contractual life of 1.19 years (2013: 3.93 years), PUs have a weighted average contractual life of 4.31 years (2013: 4.31 years) and PSUs have a weighted average contractual life of 2.45 years (2013: 2.97 years).

Notes to the financial statements (continued)

For the year ended 31 December 2014

17. Called up share capital

	31 December 2014 £'000	31 December 2013 £'000
<i>Authorised, allotted, called-up and fully paid</i>		
1,721,600 (2013: 1,721,600) deferred ordinary shares of £1 each	1,722	1,722
100 (2013: 100) US\$ ordinary shares of 1 US Cent each	-	-
	<u>1,722</u>	<u>1,722</u>

The 1 cent shares were issued as a fully paid up bonus issue to Molson Coors Holdings Limited, the owner then and now of all of the deferred £1 shares. The 100 shares of 1 US cent were surrendered on the same day of issue in return for a warrant entitling the bearer to 100 fully paid-up ordinary shares of 1 US cent. Molson Coors Holdings Limited continues to hold the warrant. The bearer of the share warrant is entitled to the same rights and privileges as a holder of the specified shares.

For so long as the 1 US cent shares remain in issue the holders of the deferred shares shall not be entitled to any participation in the profits or assets of the company until the holders of every other class of shares in the capital of the company shall have received on a return of asset or liquidation or otherwise £100 million in respect of each share held. The company has the power and authority to purchase all or any of the deferred shares for an aggregate consideration of £1 which shall be applied for the benefit of the company.

18. Capital and Reserves

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders ' funds £'000
At 1 January 2014	1,722	598,278	795	(362,223)	238,572
Loss for the financial year	-	-	-	70,062	70,062
Actuarial gain/(loss) on pension scheme	-	-	-	(31,900)	(31,900)
Movement on deferred tax relating to actuarial loss	-	-	-	4,826	4,826
At 31 December 2014	<u>1,722</u>	<u>598,278</u>	<u>795</u>	<u>(319,235)</u>	<u>281,560</u>
Pension deficit	-	-	-	126,176	126,176
At 31 December 2014 excluding pension deficit	<u>1,722</u>	<u>598,278</u>	<u>795</u>	<u>(193,059)</u>	<u>407,736</u>

Notes to the financial statements (continued)

For the year ended 31 December 2014

18. Capital and Reserves (continued)

For the period ending 31 December 2013:

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 30 December 2012	1,722	598,278	795	(400,833)	199,962
Loss for the financial period	-	-	-	(1,959)	(1,959)
Actuarial gain/(loss) on pension scheme	-	-	-	72,900	72,900
Movement on deferred tax relating to actuarial loss	-	-	-	(32,331)	(32,331)
At 31 December 2013	1,722	598,278	795	(362,223)	238,572
Pension deficit	-	-	-	107,178	107,178
At 31 December 2013 excluding pension deficit	1,722	598,278	795	(255,045)	345,750

19. Financial commitments

The company has annual commitments under non-cancellable operating leases, which expire as follows:

	Land and buildings		Other	
	31 December 2014 £'000	31 December 2013 £'000	31 December 2014 £'000	31 December 2013 £'000
<i>Expiry date</i>				
- within one year	48	70	939	1,186
- between two and five years	847	1,274	2,632	4,306
- after five years	26	26	-	-
	921	1,370	3,571	5,492

Capital commitments at the end of the year for which no provision has been made are as follows:

	31 December 2014 £'000	31 December 2013 £'000
Contracted for but not provided for	1,228	5,852

Notes to the financial statements (continued)

For the year ended 31 December 2014

19. Financial commitments (continued)

Future minimum payments under finance leases are as follows:

	31 December 2014 £'000	31 December 2013 £'000
Within one year	360	360
In more than one year, but not more than five years	720	1,080
Total gross payments	<u>1,080</u>	<u>1,440</u>

The total value of leases repayable by instalments any part of which falls due after more than five years is £nil (2013: £nil).

20. Related party transactions

During the year ended 31 December 2014 Molson Coors Brewing Company (UK) Limited traded with related parties as follows:

	Coors On-line Limited £'000	Grolsch (UK) Limited £'000	Cobra Beer Partnership Limited £'000
Net turnover	-	8,224	42,438
Net purchases	-	12,488	62,757
Net interest receipts	65	26	-
Other administrative expenses	-	440	8,792
Marketing and management fee income	-	1,878	5,163
Debtor at 31 December 2014	156	2,042	-
Creditor at 31 December 2014	1,869	682	4,995
Sale of fixed assets	-	44	127

Tradeteam Limited ceased to be a related party on 30 December 2013 as Molson Coors Brewing Company (UK) Limited sold its shares in the company. In December 2013, the company terminated its existing distribution agreements with Tradeteam and concurrently entered into new agreements for the continued distribution of its products. In doing this the company incurred exceptional termination costs of £24.4m.

Notes to the financial statements (continued)

For the year ended 31 December 2014

20. Related party transactions (continued)

During the period ending 31 December 2013 Molson Coors Brewing Company (UK) Limited traded with related parties as follows:

	Coors On-line Limited £'000	Grolsch (UK) Limited £'000	Tradeteam Limited £'000	Cobra Beer Partnership Limited £'000
Net turnover	-	8,334	-	38,387
Net purchases	-	12,691	81,090	58,434
Net interest receipts	65	-	-	-
Other administrative expenses	-	466	-	8,448
Marketing and management fee income	-	1,868	-	2,877
Debtor at 31 December 2013	1,694	966	n/a	-
Creditor at 31 December 2013	156	486	n/a	4,803
Sale of fixed assets	-	119	-	353

21. Post balance sheet events

In the last quarter of 2014, the proposed closure of Alton Brewery was announced. After a consultation process, the brewery was closed in April 2015 and the site is currently being prepared for disposal.

In July 2015, the MCBC (UK) owned malting facility at Shobnall in Burton was sold to Malteries Soufflet. At the same time, MCBC (UK) entered into a long-term contract with Malteries Soufflet for the supply of malt.

In July 2015, Rekorderlig (UK) Limited was acquired, which owned the exclusive UK & Ireland distribution rights for the Rekorderlig Cider portfolio.

A cash injection of £150m was made into the Molson Coors Brewing Company (UK) Limited defined benefit pension scheme in January 2015.

22. Contingent liabilities

For the period ended 31 December 2014, we received an assessment for approximately £50 million relating to an indirect tax dispute for the prior 24 months. Based on the assessment received and related impacts, we estimate a range of loss could be between zero to £50 million. While we intend to vigorously challenge the validity of the assessment and defend our position, if the assessment, as issued, is ultimately upheld it could materially affect our results of operations. No provision is currently recorded for this matter. We continue to follow the required regulatory procedures in order to proceed with our appeal of the assessment.

Notes to the financial statements (continued)

For the year ended 31 December 2014

23. Ultimate parent undertaking and controlling party

Molson Coors Holdings Limited is the immediate parent company. Copies of the financial statements are available from the Company Secretary, 137 High Street, Burton-on-Trent, Staffordshire, DE14 1JZ.

The directors regard Molson Coors Brewing Company, a company incorporated in the state of Delaware, USA, as the ultimate parent company and the ultimate controlling party. Molson Coors Brewing Company is the parent company of the largest group of which the company is a member and both the smallest and largest company for which group financial statements are drawn up. Copies of the financial statements are available from the Company Secretary at 1225 Seventeenth Street, Denver, Colorado 80202, USA.