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HEINEKEN UK LIMITED

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



HEINEKEN UK LIMITED

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HEINEKEN UK LIMITED

COMPANY INFORMATION

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

HEINEKEN UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2019 for Heineken UK Limited ("the Company") and all of its subsidiary undertakings (together "the Group").

The Group is a major United Kingdom ("UK") Pub, Cider and Beer business. The Group produces and sells an expansive portfolio of brands including Foster's, Heineken, Strongbow, Kronenbourg 1664, Desperados and Bulmer's together with a full range of niche and speciality brands. We are a passionate supporter of the Great British Pub. Our Star Pubs & Bars estate is made up of 2,556 pubs (2018: 2,708 pubs) throughout the UK. There have been no changes in the Group's principal activities during the year and no significant change in the Group's principal activities are expected.

The Company is a wholly owned subsidiary of Scottish & Newcastle Limited. The ultimate parent company at the year-end was Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho – Heineken. Heineken N.V. and subsidiary undertakings form the Heineken Group, with Heineken N.V. heading up the largest and smallest company into which the results of the company are consolidated.

BUSINESS REVIEW

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

Top-line performance in 2019 has continued the trend of delivering strong organic growth across strategic initiatives including growth of Premium Beer and Low and No Alcohol ('LNA') segments, with Birra Moretti and Heineken and Heineken 0.0% showing continued strong performance.

Despite a continued market downturn in Cider the Group remains competitive, maintaining overall market leadership with volume and value share growth in the Off Trade.

Net revenue growth was driven by strong price mix, with premium lager growth supporting an improved revenue mix. On-trade is defined as the direct or indirect supply of beer and cider to licensed premises, for onward consumption by consumers. Off-trade is defined as the sale of beer and cider to grocers or wholesalers for sale onward to the ultimate consumer.

Operating profit increased by 12.3% with operating margin of 10.8% (operating profit as a % of net revenue), an increase of 110 basis points from 2018 financial year. Net revenue is revenue net of excise duty borne by the Group.

Continued volatility in economic conditions is expected in 2020, particularly considering the uncertainty surrounding Brexit and more recently the escalation of COVID-19 globally, discussed separately in the Directors' report on page 12. Operating efficiency is being monitored closely, while management take mitigating actions to protect the business, including making use of the support measures offered by the government while leveraging share growth initiatives in the off-trade to enhance off-trade operating profits in 2020.

UK WITHDRAWAL FROM THE EU

The UK electorate voted to leave the European Union ("EU") on 23 June 2016. The UK invoked Article 50 of the Lisbon Treaty on 29 March 2017, which triggered a two-year period, subject to extension, during which the UK government negotiated a withdrawal agreement with the EU.

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

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

HEINEKEN UK LIMITED

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

UK WITHDRAWAL FROM THE EU (CONTINUED)

The vast majority of our Cider and Beer is produced and sold in the UK. Investment over the past five years in improving and expanding our UK breweries means we are less reliant on imports and have robust UK production capabilities. We have taken steps to map our supply chain and are working with our suppliers to ensure adequate stocks of key raw and packaging materials are available in advance of Brexit. Strong contingency plans are in place for finished goods for the UK market.

Whilst being carefully monitored, the risk of Brexit is considered limited

CORPORATE GOVERNANCE STATEMENT

Introduction

The Company is a private limited company incorporated under the laws of Scotland. The Company is required to comply with, among other regulations, Company Law requirements. In this report, the Company addresses its corporate governance structure and states to what extent it applies the best practice provisions, as defined by Wates Corporate Governance Principles for Large Private Companies. This report also includes the information that the Company is required to disclose pursuant to the new private company reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018.

UK Corporate Governance Code and Section 172 Statement

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 and subsidiary companies, 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. In discharging our section 172 duty we have done so through our agreed strategy, for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act, in the decisions taken during the year ended 31 December 2019.

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

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

Our business priorities

Our Group wide focus is on growth, something we're well positioned to achieve thanks to our commitment to innovation, operational excellence and social and environmental sustainability. The Company's strategy is built around five business priorities: *Deliver top line Growth*, by leading the premium cider and beer markets in the UK; *Drive End2End Performance*, leveraging our scale of our operations to deliver increased efficiencies across the business; *Brew a Better World*, our strategy for building the brightest future for our business, the planet and its people; *Engage our People*, empowering our people to achieve their own and the business ambitions; and *Connect in a World of Digital*, as we place digital at the core of our business to connect with customers and retailers. We design our strategy to enable us to win in the marketplace, focus on the long-term sustainability of our business and create value for stakeholders. We aim to consider our effect on the wider society, communities and the environment.

Deliver Top Line Growth

Our strategy is to lead the premium segment in cider and beer by leveraging the strengths of Heineken, our international and local brands. Our goal is to be the leading pub, cider and beer business in the UK, while contributing to our global ambition of being number one in the global markets where Heineken operates with a full brand portfolio.

HEINEKEN UK LIMITED

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Our business priorities (continued)

Drive end2end performance

We use our scale to drive efficiency from end to end, saving costs and fuelling future growth through strategic investment and initiatives, developing a consumer and customer mindset, optimising our global footprint, expanding in developing markets and transforming our transactions.

Brew A Better World

Sustainable development is how we as a business and as individuals, seek to make a positive impact, ensuring our business contributes to improving the environment, local communities and society as a whole, through initiatives such as 'Drop the C' and 'Every Drop', while advocating responsible consumption and safety. 'Drop the C' is our vision for renewable energy and the name is inspired by the idea that taking the C out of CO₂ leaves Oxygen. The play on words is also about ensuring sea levels do not continue to rise. 'Every Drop' is Heineken's water ambition for 2030, announced in 2019, which will focus on lowering usage of water by improving water efficiency in its operations.

Engage and Develop Our People

The right people, leadership and culture are crucial for business success. How we engage and develop our people has never been more important. In this rapidly changing world, our employees are also expecting intuitive digital tools to manage business and their careers. Delivering on this expectation is part of our digital journey. Our business will foster key initiatives and objectives: Inclusion and diversity (I&D) are essential for our future success; engaging talent and rewarding performance, career ownership for employees, developing leaders across our business and attracting new talent.

Connect in a digital world

The Company is always looking for innovative ways to bring people together. Today, we are using the opportunities provided by digitalisation to connect with consumers and customers, as we have done throughout our history.

Board Composition

The Board is responsible for creating and delivering sustainable shareholder value through the management of the Group's business. The Board supports the Wates Principles on Corporate Governance for Large Private Companies, and confirms that it has complied with all of the provisions throughout the financial year ended 31 December 2019, and has applied the principles as set out below and in the Directors' Report.

In discharging its role, the Board shall be guided by the interests of the Company and its subsidiary companies, taking into consideration the interests of the Company's stakeholders. The Board is responsible for complying with all legislation, for managing the risks associated with the Company's activities and for financing the Company.

The Company has five operating pillars: Brewing & Operations, Customer Service & Logistics, On-trade, Off-trade and Star Pubs & Bars. Each pillar is represented by a Director. These members of the Board together with the Managing Director and Functional Directors (Finance, Legal, Corporate Affairs, Human Resources and Marketing) jointly form the Board. The Board ensure effective implementation of the key priorities and strategies across the organisation. The Management Team, consisting of the same commercial channel and functional leaders, excluding legal, define the direction of the business.

Employee Engagement

The Board understands that interests of employees are paramount to the long term success of the business. Health and safety of the Group's employees is a key priority. The Group engages in regular employee communication through internal company wide emails, intranet, social media and regular function cascades and town halls. The Group regularly seeks employee feedback; an annual survey is undertaken to allow colleagues to provide honest feedback about working for Heineken. The Group regularly invests in learning and development, providing a mix of optional classroom and e-learning opportunities. The Group forms part of a global company with operations in over 70 markets and we are multi-cultural. We use the power of our diversity to create an inclusive environment where everyone matters and where we all have equal opportunity to contribute to our business success.

HEINEKEN UK LIMITED

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Employee Engagement (continued)

We develop inclusive capabilities among our employees and have implemented I&D action plans. We integrate I&D into our people plans, talent management strategies, employee engagement survey and everyday business practices. We work to internal inclusive practices to guide people in embracing I&D. Further information on I&D can be found at www.theheinekencompany.com

In a highly competitive, and increasingly global market, we need to attract and retain the most talented and skilled people to remain the UK's leading pub, cider and beer company. Our colleagues are what makes the Group great. To ensure colleagues are kept informed of business performance and progress against targets, a strong communications infrastructure is in place. This includes, management led roadshows to all colleagues across all six business locations, twice yearly conferences for our Leadership Team and cascades for all People Managers. These events are supported by business area face to face events. In addition, a monthly Business Update, and on-line TV programme, Heineken Today, provide a regular drumbeat around how the business is performing and brings alive the people behind our success.

Workplace by Facebook is our internal social media channel which provides a platform for more informal interaction across all levels of the business. This channel is also used to host on-line Q&A sessions with our Management Team. Our annual Climate Survey provides an opportunity for all colleagues to give their views on life at the Group. The results are shared across the business and all teams produce a Climate Survey action plan to address key points raised.

In 2019, employee representatives met with the Employee Council on five occasions, with additional calls and sub groups being held throughout the year. Information is shared and discussed, with consultation on matters in accordance with the Council's Constitution.

Members of the Group's Management Team attended the meetings to address the Council, update on their areas and answer questions.

The Employee Council is made up of elected representatives representing non-negotiated colleagues and Unite, the Union shop stewards representing negotiated colleagues in our production sites.

The Unite the Union shop stewards also take part in local dialogue with the Group.

All colleagues participate in a short term incentive, or some other variable pay arrangement, which contains a strong link to performance at Group, channel/function or team level, as well as taking account of individual performance. In 2019, for the first time, we incorporated into the design of all incentive plans a 20% weighting for Operating Profit (our key profit measure) to ensure colleagues had a stake in, and are rewarded in line with, the overall UK Group performance. Additionally a performance-based share plan (Long-term Variable Award, LTV) is in place for the senior management of the Group. The scheme is operated by Heineken N.V. The vesting of the share rights is subject to internal financial measures of performance and continued service over a three-year period.

The Group has appropriate equal opportunities policies in place to ensure equal treatment throughout the recruitment process and duration of employment. We also have policies and training in place to ensure that colleagues are not subjected to discrimination and are treated fairly and equally at all times. In the event of employees becoming disabled, every effort is made to accommodate any reasonable adjustments necessary to allow the employee to continue in employment and to overcome any disadvantage suffered as a result of the disability.

Stakeholder engagement

Engaging with the stakeholders to deliver long term success is a key area of focus for the Board. The Group's strategy is built around five business priorities and all decisions take into account the impact on stakeholders. We design our strategy to enable us to win in the marketplace, focus on the long-term sustainability of our business and create value for stakeholders. We aim to consider our effect on the wider society, communities and the environment.

HEINEKEN UK LIMITED

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Stakeholder engagement (continued)

Working with stakeholders and partners

Our stakeholders and partners are crucial to the long term success of our Group. They help us to stay focused and tell us when they feel we are moving off track. We engage with them and measure the progress of our relationships in three ways: reputation research, roundtables and ongoing stakeholder dialogue.

Suppliers

We continue working together with our suppliers to ensure high ethical standards and respect for human rights and the environment. A key focus is on reducing our impacts through the design and production of our packaging. We support our suppliers to make the transition to using more renewable energy in the production of our packaging, while developing solutions to reduce emissions and ensuring our packaging is recyclable. As a large company the Board recognises that late supplier payment continues to be a problem for small and medium sized businesses as it affects cash flow and ability to trade. The Board welcomes the government initiative on late payment reporting as a long-overdue start to the process of increasing transparency on this issue.

Customers and consumers

The Board regularly reviews how the Group maintains positive relationships with customers and consumers. We know we must stay close to both our customers and our consumers. As digital innovation reshapes the beer industry's route to market, the consumer relationship is vital. We engage with consumers to encourage responsible drinking through our brand campaigns which provide a unique platform for sharing our responsible consumption message.

PRINCIPLE RISKS AND UNCERTAINTIES

Effective management of risk forms an integral part of how the Group operates as a business and is embedded in its day-to-day operations. Dedicated resource is in place to identifying potential strategic, operational, reporting and compliance risks, and for implementing fit-for-purpose responses.

The Heineken Group risk management priorities are defined by regional and functional management and endorsed by the Executive Board, who bears ultimate responsibility for managing the main risks faced by the Group and reviewing the adequacy of the Group's internal control system.

In the ordinary course of business the Group is exposed to the following specific risks: business framework, IT & data, regulation of alcohol, sustainability, interest rate risk, price risk, credit risk, liquidity risk and foreign currency risk. Each specific risk is detailed below in the Financial Risk Management Policy. COVID-19 is discussed separately in the Directors' Report on page 12.

Heineken Group business framework

The Heineken Group business framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation while protecting the Company's people, assets and reputation. The Heineken Group's vision, purpose and values, 'We are Heineken', underpin the strategic objectives, enabled by our organisational structure and governance.

Behaviours provide clear guidance to all employees on how to act and foster a culture of achievement, collaboration and growth, underpinned by the Behaviours framework that reflects the expected attitudes in decision making. Risk Management is an ongoing activity supporting achievement of our business objectives, based on our Risk Assessment Cycle, the Heineken Group's Code of Business Conduct and the Heineken Group's Rules.

The Heineken Group Rules articulate how we work and the standards to which we commit. They are a key element for managing the risks faced by our Company and translate our objectives into clear instructions on how to conduct our daily business. Our Code of Business Conduct and its underlying policies set out the Heineken Group's commitment to conducting business with fairness, integrity and respect for the law and our values. The Code is communicated to all colleagues and training is provided.

HEINEKEN UK LIMITED

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

PRINCIPLE RISKS AND UNCERTAINTIES (CONTINUED)

IT & data

Heineken Group's business increasingly relies on IT, both in the office environment as well as in the industrial control domain of our breweries. Failure of systems or security incidents may lead to business disruption, loss of confidential information, breach of data privacy, financial and reputational damage. Exposure to cybercrime is increasing and regulations place stricter security requirement on data processing. To manage this risk the Heineken Group regularly updates its information security strategy to ensure proportional adaptation of capabilities in response to evolving risks. Security Operations and Information Security Risk Management departments maintain a global cybersecurity framework to address continuity, integrity and confidentiality risks, and perform global monitoring of Heineken Group's IT landscape, focusing on enhancing the resilience of the IT infrastructure and increasing employee security awareness.

Regulation of alcohol

The topic of alcohol and health remains under scrutiny in the UK and regulators may look to other countries where measures to limit freedom to operate have been introduced, such as restrictions or bans on advertising and marketing, sponsorship, availability of products and increased taxes and duties. The UK wide imposition of minimum unit pricing could lead to changes in consumer purchase patterns. The Heineken Group strongly believes in the importance of reducing alcohol related harm, and responsible consumption is one of the priorities of the Heineken Group's Brewing a Better World sustainability programme. Using the power and reach of its brands through campaigns like the award-winning When You Drive Never Drink, The Heineken Group strives to make responsible consumption aspirational for all our consumers and works closely with local governments, NGOs and specialists to prevent and reduce harm caused by abuses such as underage drinking or drinking and driving. We are founding members of The Portman Group which encourages responsible consumption and regulates alcohol packaging and marketing in the UK and recently updated its Code of Practice following public consultation. We are expanding consumer choice by providing low and no-alcohol brands at scale in the on and off trade channels. For further information on the risk management approach of the Group within the Heineken Group framework, please see pages 27 to 33 of the Heineken N.V. 2019 Annual Report, copies can be obtained from <https://www.theheinekencompany.com/Investors/Reports-and-Presentations>.

FINANCIAL RISK MANAGEMENT POLICY

The Executive Board of Heineken Group sets rules and monitors the adequacy of the Group's risk management and control systems. These systems are regularly reviewed to reflect changes in market conditions and the Group's activities.

The main risks associated with the Group's financial assets and liabilities are detailed below.

Sustainability

Businesses have a big role to play in being a positive force for change. For the Group, this is what being a sustainable company is all about. The Group has been around for over 150 years, and intend to be around for another 150 years by making a difference in society. The way in which products are produced and served can have a significant impact on our customers, communities and the environment. And so working sustainably and responsibly is fundamental to how we do business. It's how we can protect the future of our business and our planet.

Climate change is one of the biggest challenges facing society. Climate change can impact on water scarcity, crop yield, cost and availability of raw materials and interruption in production. As the UK's largest Pub, Cider and Beer company we have responsibilities that extend beyond running a profitable business. We strive to have a positive impact in the communities where we work and to be able to do this, we have embedded sustainability into our business strategy.

The challenges related to climate change require us to take measures which may result in additional costs to the business. Business continuity plans have been developed and mitigations include long-term procurement contracts and global purchasing where required. Taking a long-term approach, the Group has included water stewardship to protect water resources and sustainable sourcing.

HEINEKEN UK LIMITED**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)****Sustainability (continued)**

Brewing a Better World is our sustainability strategy. It helps to focus our efforts so we're able to make a real difference. From growing the barley and apples that go into our beers and ciders, to working with our customers who serve a quality chilled pint – sustainability is embedded right across our value chain. Our strategy includes 2020 targets in six key areas across our entire value chain: reducing CO2 emissions, protecting water resources, sourcing sustainably, growing with communities, tackling alcohol harm, and promoting health and wellbeing. Through this strategy, we are determined to contribute to the UN Sustainable Development Goals (SDGs). Our focus areas are linked with specific SDGs and their targets, ensuring that we make a meaningful contribution to the common global goal to end poverty, protect the planet and ensure prosperity.

We have already met our 2020 target to reduce CO2 emissions in our breweries by 40% versus 2008. In 2019, we achieved a 69% reduction in our carbon footprint (CO2eq/h) versus 2008, and a 4.5% reduction versus 2018. We have also delivered a 24% reduction in CO2 emissions from cooling since 2010, through purchasing and supplying our customers with 100% green fridges. We continue efforts to reach the 20% carbon reduction target in distribution (currently 7%). The challenges we have faced in lowering our CO2 in distribution have come from the acquisition of pubs into our Star Pubs & Bars estate which has increased the number of secondary journeys we make and opening a new Regional Distribution Centre which increased the number of inter-unit moves. As part of our global "Drop the C" programme to significantly reduce our carbon emissions across our supply chain, we have set a 2030 target to grow our renewable energy usage to 70% by 2030. This is an ambitious plan that will require collaboration and game-changing innovation right across our business.

We have also already met our 2020 target to reduce water use in the production of our ciders and beers to at least 3.5hl/hl, which defines the quantity of water used as a proportion of the product produced by hectolitre. In 2019, we used an average of 3.19 hectolitres of water for every hectolitre of cider and beer produced; this is a 25% reduction versus our baseline year of 2008. All of our breweries and our cideries are able to treat waste water on site and control the flow of it being released back into the mains network. As part of our global "Every Drop" programme to reduce our water use, we are developing a more holistic approach to support the health of watersheds. The new strategy is built around three principles: water efficiency (using as little water as possible); water circularity (cleaning and reusing water); and water stewardship (supporting watersheds to absorb more water).

In other areas of our sustainability strategy, we have invested 11% of our Heineken® media spend behind promoting responsible consumption and have partnered with retail customers in the promotion of the Drinkaware "Drink Free Days" campaign. We purchase 100% of our barley and 98% of our apples from sustainable sources, which is above our target of 50%, and in doing so, are a significant economic contributor to British agriculture. Finally, we have invested in the communities where we work through pub CAPEX programme, and partnerships with national charities such as The Orchard Project and the School of Hard Knocks.

Interest rate risk

Interest rate risk refers to the risk that changes in market rates will impact on the performance of the Group. The Group benefits from the management of interest rate risk being undertaken at a Heineken Group level and therefore interest rate risk is monitored at a Heineken Group level with funding being derived from the Heineken Group.

Price risk

The Group and Company operate in a highly competitive market, which is a continuing risk and could result in losing sales to its key competitors. This risk is managed by providing high quality brands at competitive prices and maintaining strong relationships with both customers and suppliers.

Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group and Company's receivables from customers. Heineken Group places particular focus on a strong Global Credit Policy.

HEINEKEN UK LIMITED

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

FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Credit risk (continued)

All local operations are required to comply with the principles contained within the Global Credit Policy and develop local credit management procedures accordingly. Heineken Group annually reviews compliance with these procedures and continued focus is placed on ensuring that adequate controls are in place to mitigate any identified risks in respect of both customer and supplier risk. As at the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, in the Consolidated Statement of Financial Position.

(i) Loans to customers

The Group and Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group and Company's investments include loans to customers, issued based on a loan contract. Loans to customers are ideally secured by, among others, rights on property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated by the Group and Company and are at least based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given. The Group and Company establishes an allowance for impairment of loans that represents its estimate of incurred losses.

See note 16 for total loans and advances to customers which is deemed the Group's maximum exposure to credit risk.

(ii) Trade and other receivables

The Group and Company management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies, all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The review includes external ratings, where available, and financial review. Purchase limits are established for each customer and these limits are reviewed regularly. Customers that fail to meet benchmark creditworthiness or are deemed high risk are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of management.

The Group and Company establishes an allowance for impairment that represents its estimate of incurred and expected losses in respect of trade and other receivables.

Liquidity risk

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

Foreign currency risk

The Group is exposed to transactional risk on (future) sales, working capital, and (future) purchases denominated in a currency other than GBP. The Group benefits from the management of foreign currency risk being undertaken at Heineken Group level where foreign exchange risk is managed to minimise the impact of fluctuations in foreign exchange rates. The Heineken Group calculates its overall exposure to foreign currency risk to provide the basis of hedging decisions, which determine the instruments and the corresponding periods with which each instrument relates.

HEINEKEN UK LIMITED

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

FUTURE OUTLOOK

For 2020, the Group expects the following:

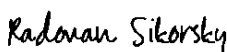
- The Group will navigate the COVID crisis in the best possible way, focusing on people & safety, consumers and customers, with a downward pressure on costs. The Group have already leveraged its unique strengths and has shown an ability to adapt quickly to new realities;
- Superior top-line growth in the off-trade channel driven by volume, price and premiumisation, as well as maintaining overall market share across all business channel's with our strong brand portfolio; and
- Continued cost management and productivity initiatives.

KEY PERFORMANCE INDICATORS

The Group and Company key measurements of effectiveness of their operations is net revenue, gross profit, operating profit net cash flow from operations.

The Group achieved net revenue and gross profit of £1,441m and £953m respectively (2018: net revenue £1,425m, gross profit £929m). The Group achieved operating profit of £155m in 2019 (2018: £138m). The Consolidated Statement of Comprehensive Income for the year is set out on page 19 of the financial statements. The Group achieved net cash from operating activities of £203m (2018: £255m) as reported in the Consolidated Statement of Cash Flows on page 23. Qualitative performance indicators are discussed separately in the strategic report on pages 3-6. Additional performance considerations can be referred to in the consolidated financial statements of Heineken N.V.

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

DocuSigned by:

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R Sikorsky
Director

HEINEKEN UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited consolidated financial statements of Heineken UK Limited ("the Company") and all of its subsidiary undertakings ("the Group") for the year ended 31 December 2019, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 33, together with the Company's Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 26, and related appendix.

The consolidated financial statements of the Group have been prepared under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The individual subsidiaries within the Group are exempt from audit under s479A to 479C of the Companies Act 2006, refer to note 1 of the accompanying Group financial statements for further information.

DIRECTORS

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

S P Amor
J S Brydon
M J Callan
A Elberg
D M Forde (resigned on 31 July 2020)
C M Jowsey (resigned on 28 June 2019)
L J W Mountstevens
L J Nicoll
D G Paterson (resigned on 25 February 2020)
R Sikorsky
C Tervoort (resigned on 1 February 2020)
S Watt (appointed on 25 February 2020)

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £132m (2018: £76m). A review is presented in the Strategic Report on pages 2 to 10 and forms part of this report by cross reference.

The directors do not recommend the payment of a dividend (2018: £nil).

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

The Group made no political contributions during the year (2018: £nil) and made charitable donations during the year amounting to £1.0m (2018: £0.8m).

FINANCIAL RISK MANAGEMENT AND FUTURE OUTLOOK

The financial risk management and future outlook of the Group are discussed in the Strategic Report on pages 2 to 10 and forms part of this report by cross reference.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Group 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.

HEINEKEN UK LIMITED

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

POST BALANCE SHEET EVENTS: 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 closure of pubs, restaurants and bars on 23 March 2020 has significantly impacted the operating performance for the Group in 2020. The ceasing of trade overnight of the 'on-trade' directly affects two of the three primary commercial units, namely On-Trade sales and revenue from our Star Pubs & Bars business.

The Group has focused its response in three areas – the health, safety and wellbeing of its employees; the continuity of business operations; and finally, the mitigation of financial impact and safeguarding of jobs. The Management Team convened on a bi-weekly basis to manage business operations and interests guided by these principles and regularly communicated its decisions and actions to employees.

Health and safety of employees

From the outset, the primary concern and motivation has been the health, safety and wellbeing of employees. Consistent with government advice, the Group moved quickly to adopt practices to safeguard the welfare of its 2,422 people. Wherever possible, colleagues have been asked to work from home. This necessitated mobilising IT and technological support to facilitate homeworking and putting in place flexible working arrangements to allow for childcare and supporting family members. Rigorous social distancing and hygiene measures are in place at our breweries and cider-making facilities, as well as distribution centres and warehousing. All employees deemed non-essential have been restricted from production areas. Where appropriate and in line with government direction, protective equipment has been issued to employees, together with detailed guidance on maintaining safe practices in the workplace. As a result of these measures, infection rates and absenteeism among employees has remained low. Furthermore, management understood the difficult circumstances colleagues had to cope with during the crisis and its effect on wellbeing and mental health and regular advice and support have been provided to those at work and those on furlough leave.

Continuity of business operations

The closure of pubs, bars and restaurants meant that consumer demand for beer and cider moved to the off-trade channel. The Group quickly adapted its supply facilities and logistics network to service this increased demand. Within our breweries, kegging lines were stopped and production focused on small pack lines including cans and bottles. The sourcing and storing of raw material inputs and finished product needed careful management to ensure consistent delivery to customers. The Group also introduced new innovative ways to optimise production lines across its facilities and maximise small pack output including for the first time packaging beer at its cideries in Herefordshire.

As one of the UK's largest pub companies, the Company's Star Pubs & Bars business worked with its Leased & Tenanted estate to ensure the safe and secure closure of pubs and the management of their businesses through the hibernation period. This included helping licensees access government support, but also providing pubs with cash flow relief through rent concessions (totalling £24 million) and suspensions, and practical advice through its bespoke website – the Pub Collective. As restrictions eased, the Group has aided licensees in the disposal of out-of-date stock, the replenishment of new stock and the implementation of safe working practices as outlined by government.

Financial mitigation and safeguarding jobs

While cognisant of the widespread impact on many creditors and debtors, the Group moved quickly to protect its cash position and reduce the impact on profitability. Marketing spend was reduced and commercial activity decreased in line with the closure of the on-trade and the consumer demand through the off-trade. Outstanding payments and debts were sought quickly, and further relief was achieved through the suspension of excise payments for a period during the crisis. To assist return to trade, under new restrictions, the wider Heineken Group developed the 'Swiftly' application, which allows for ordering and processing of cashless transactions at a safe distance for tenants, employees and customers.

HEINEKEN UK LIMITED

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

POST BALANCE SHEET EVENTS: COVID-19 (CONTINUED)

Financial mitigation and safeguarding jobs (continued)

While we facilitated the destruction of spoiled beer and cider broached kegs among our broad customer base, thousands of beer kegs in our own network were tested against reference samples and re-dated to reflect the longer useable life. This allowed the Group to be first back into market – enabling it to support licensees, whilst growing market share and saving the multi-million pound cost of disposal.

The Group was also committed to protecting jobs during this crisis. As such, it decided to access the Government's Coronavirus Job Retention Scheme and temporarily suspend the work of colleagues where it was unable to redirect resource to critical activities in support of the essential production and distribution of beer and cider to the retail sector. Overall close to 1,000 colleagues were placed on furlough leave which was phased and applied across all functions and levels within the organisation through April to September.

For all those employees affected, the Group committed to topping up the statutory government contribution to a minimum of 80% of everyone's monthly salary (regardless of the government maximum). For colleagues on lower pay, this contribution was more.

As the UK's leading cider, beer and pubs business, we also had a duty to support our communities and encourage responsible behaviours during these difficult times. Immediately after lockdown was announced, the Group set up and sponsored the Heineken Community Fund which distributed vital financial resource (£250,000) to small charitable organisations who in turn supported many thousands of vulnerable individuals throughout the UK. In addition, through our brand communications and operations we ran consumer campaigns prompting consumers to socialise responsibly, or in the case of pubs, re-socialise responsibly.

Clearly, an event as unprecedented as the COVID-19 pandemic will have consequences over the short and medium term, however significant learnings have been made and practices adopted that will support greater productivity, lower costs, improve agility and create a flexible working environment for all.

GOING CONCERN

The financial position of the Group is set out in the Consolidated Statement of Financial Position on pages 20 to 21 of the financial statements. The Group has net current assets of £2,742m (2018: £2,630m). The Group made a profit for the financial year of £132m (2018: £76m) as set out in the Consolidated Statement of Comprehensive Income on page 19.

In line with the FRC guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the use of the going concern basis of preparation.

We entered the COVID-19 crisis in a strong position with strong brands and market position. We have managed the situation 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 brands and business. As the status of Covid-19 across the United Kingdom business continues to evolve, further impacts on our business will be monitored and appropriate mitigating actions taken where required.

The Group made use of existing Heineken Group borrowing facilities during the crisis, and continues to have access to unutilised overdraft facilities which are not forecast to be required. Additionally, Heineken International B.V. has confirmed that it will not request a repayment of borrowings granted to the Company under existing agreements for at least 12 months from the date of this report.

Having reviewed the Group's forecasts, projections and other relevant evidence including external industry judgement, as well as stress testing the projections with sensitivities and reasonably possible scenarios, the directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Accordingly, the financial statements of the Group have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

HEINEKEN UK LIMITED

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

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

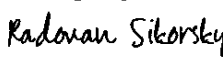
- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Deloitte LLP has expressed their willingness to continue in office as auditor of the Group and, under Sections 485 to 488 of the Companies Act 2006, will be deemed re-appointed.

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

DocuSigned by:

9FD47822234E44B..

R Sikorsky
Director

HEINEKEN UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Heineken UK Limited ("the parent company") and its subsidiaries ("the Group") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 33 to the consolidated financial statements;
- the related notes 1 to 26 to the parent company financial statements; and
- the related appendix.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



David Crawford, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

24 September 2020

HEINEKEN UK LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £M	2018 £M
Revenue	5	2,346	2,329
Excise tax expense		(905)	(904)
Net revenue		1,441	1,425
Cost of sales		(488)	(496)
Gross profit		953	929
Distribution costs		(143)	(160)
Administrative expenses		(653)	(624)
Restructuring costs	6	(1)	(6)
Share of loss from joint ventures and associates	15	(1)	(1)
Operating profit	7	155	138
Finance income	10	103	49
Finance costs	11	(86)	(88)
Profit before tax		172	99
Income tax	12	(40)	(23)
Profit for the year		132	76
Other comprehensive income			
Exchange differences on translation (that will not be reclassified subsequently to profit or loss)		(55)	9
Effects due to change in accounting policy IFRS 16		(2)	-
Total comprehensive income for the financial year		75	85

The notes on pages 25 to 61 form part of these financial statements.

All results are derived from continuing operations.

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019	2018
		£M	£M
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,091	2,054
Goodwill	14	1	1
Other intangible assets	14	287	285
Interests in joint ventures and associates	15	102	103
Loans and advances to customers	16	21	21
Deferred tax asset	17	86	113
Other non-current assets	18	26	5
		<u>2,614</u>	<u>2,582</u>
Current assets			
Inventories	19	103	97
Trade receivables	20	217	194
Other receivables	20	7,750	7,937
Prepayments and accrued income	20	45	56
Assets classified as held for sale	21	10	2
Cash and bank balances	22	17	8
		<u>8,142</u>	<u>8,294</u>
Total assets		<u>10,756</u>	<u>10,876</u>
LIABILITIES			
Current liabilities			
Trade payables	23	(282)	(278)
Other payables	23	(4,934)	(5,052)
Provisions	24	(12)	-
Accruals and deferred income	23	(41)	(35)
Current tax liabilities	23	(131)	(299)
		<u>(5,400)</u>	<u>(5,664)</u>
Net current assets		<u>2,742</u>	<u>2,630</u>
Non-current liabilities			
Other payables	23	(212)	(116)
Provisions	24	(14)	(41)
		<u>(226)</u>	<u>(157)</u>
Total liabilities		<u>(5,626)</u>	<u>(5,821)</u>
Net assets		<u>5,130</u>	<u>5,055</u>

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019	2018
		£M	£M
EQUITY			
Called-up share capital	25	1,046	1,046
Other reserves	26	(116)	(116)
Translation reserve	26	(5)	50
Retained earnings	26	4,205	4,075
		<u>5,130</u>	<u>5,055</u>
Capital and reserves attributable to:			
Owners of Heineken UK Limited		5,130	5,055
Total Equity		<u>5,130</u>	<u>5,055</u>

The consolidated financial statements on pages 19 to 61 were approved and authorised for issue by the board and were signed on its behalf on 24 September 2020 by:

DocuSigned by:

 9FD47822234E44B

R Sikorski

Director

The notes on pages 25 to 61 form part of these financial statements.

HEINEKEN UK LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called-up share capital £M	Other reserves £M	Translation reserve £M	Retained Earnings £M	Total equity £M
Balance at 1 January 2019 as previously reported	1,046	(116)	50	4,075	5,055
Profit for the year	-	-	-	132	132
Other comprehensive expense for the year	-	-	(55)	-	(55)
Effects due to change in accounting policy IFRS 16	-	-	-	(2)	(2)
Total comprehensive (expense)/ income for the year	-	-	(55)	130	75
Balance at 31 December 2019	1,046	(116)	(5)	4,205	5,130

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

	Called-up share capital £M	Other reserves £M	Translation reserve £M	Retained Earnings £M	Total equity £M
Balance at 1 January 2018	1,046	(116)	41	3,999	4,970
Profit for the year	-	-	-	76	76
Other comprehensive income for the year	-	-	9	-	9
Total comprehensive income for the year	-	-	9	76	85
Balance at 31 December 2018	1,046	(116)	50	4,075	5,055

The notes on pages 25 to 61 form part of these financial statements.

HEINEKEN UK LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019	2018
		£M	£M
Profit for the year		132	76
Adjustments for:			
Share of loss of Joint ventures and associates	15	1	1
Finance income	10	(103)	(49)
Finance costs	11	86	88
Depreciation of property, plant and equipment	13	70	54
Amortisation of intangible assets	14	13	12
Impairment of goodwill	14	-	3
Income tax expense	12	40	23
Loss on disposal of property, plant and equipment	7	12	10
Amortisation of advances to customers		13	12
Decrease in provisions	24	(5)	(1)
Other non-cash items in profit and loss		(1)	-
Operating cash flows before movements in working capital		258	229
Increase in inventories		(6)	(12)
Increase in trade and other receivables		(6)	14
(Decrease)/Increase in trade and other payables		(9)	55
Cash generated by operations		237	286
Interest paid		(34)	(31)
Net cash from operating activities		203	255
Investing activities			
Disposal of subsidiary		2	-
Proceeds on disposal of property, plant and equipment		78	44
Purchases of property, plant and equipment	13	(110)	(72)
Purchases of intangible assets	14	(18)	(10)
Advances and loans issued to customers		(16)	(17)
Repayments on loans to customers		3	4
Acquisition of investment in an associate		-	(68)
Net cash used in investing activities		(61)	(119)

HEINEKEN UK LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £M	2018 £M
Financing activities			
Repayments of group loans		(110)	(230)
Loans issued to associates		(4)	(2)
Proceeds from financing asset		2	-
Payment of lease liabilities*		(17)	-
Net cash (used in) financing activities		(129)	(232)
Net increase/(decrease) in cash and cash equivalents		13	(96)
Cash and cash equivalents at beginning of year		1	97
Cash and cash equivalents at end of year	22	14	1

* The lines indicated are in respect of application of IFRS 16 in the current year only. Discussed in note 2.

The notes on pages 25 to 61 form part of these financial statements.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****1. CORPORATE INFORMATION**

Heineken UK Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland, at the following address: 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, registered number SC065527.

The consolidated financial statements of the Group, consisting of Heineken UK Limited and subsidiary companies consolidated, have been prepared under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and adopted by the European Union. The individual subsidiaries within the Group are exempt from audit under s479A-479C of the Companies Act 2006.

Heineken UK Limited financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

The Group and Company financial statements are presented in £ sterling, as this is the functional currency of the Group and Company, and all values are rounded to the nearest million except where otherwise indicated.

Subsidiary audit exemption

For the year ended 31 December 2019 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies. On 24 September 2020 the outstanding liabilities at the Statement of Financial Position date, 31 December 2019, of the named subsidiaries had been guaranteed by the parent undertaking, Heineken UK Limited (registered number: SC065527), pursuant to s479A to s479C of the Act:

Subsidiary	Registered number
Blue Star Pub Company Limited	SC366273
Broadway Inns Limited	05267571
Caledonian Brewery Limited	SC104493
Fountain Pub Company Limited	05999916
Marr Holdings Limited	02506120
Marr Taverns Limited	02677899
Punch Partnerships (PTL) Limited	3512363
Punch Taverns (Chiltern) Limited	10840658
Punch Taverns (DC) Holdings Limited	03982425
Punch Taverns (FH) Limited	03982429
Punch Taverns (IB) Limited	01899248
Punch Taverns (Jubilee) Limited	4821157
Punch Taverns (RH) Limited	00124723
Punch Taverns Holdco (A) Limited	09233812
Punch Taverns Holdings Limited	03499144
Punch Taverns Intermediate Holdco (A) Limited	09235476
Punch Taverns Loanco (A) Limited	08870991
Red Star Pub Company (WR) Limited	SC194006
Red Star Pub Company (WRH) Limited	SC200229
Red Star Pub Company (WRH) Limited	SC202689
Red Star Pub Company (WRH) Limited	04089947
S&N Angel Investments Ltd.	00525192
S&N F Limited	SC300161
Star Pubs & Bars (Property) Limited	00236608
Star Pubs & Bars Limited	SC250925

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****1. CORPORATE INFORMATION (CONTINUED)****Dormant subsidiary exemption from the preparation/filing of accounts**

For the year ended 31 December 2019 the following dormant subsidiaries of the Company were entitled to exemption from preparing individual accounts under s394A of the Companies Act 2006, and from filing individual accounts under s448A of the Act

On 24 September 2020 the outstanding liabilities at the Statement of Financial Position date, 31 December 2019, of the named subsidiaries had been guaranteed by the parent undertaking, Heineken UK Limited (registered number: SC065527), pursuant to s394C of the Act:

Subsidiary	Registered number
Agnew Stores (Holdings) Limited	SC046887
Alloa Brewery Company Ltd	SC002871
Alloa Pubs & Restaurants Ltd	SC041535
Ansell's Properties Ltd	00070490
B.W.B. Ltd	00055803
BK Investments Ltd	02928438
Friary Meux Ltd	00219876
Graham's Golden Lager Ltd	SC027803
Ind Coope (London) Ltd	00043104
Inn Business Property Ltd	02669542
Heineken UK Group Life Scheme Trust Company Limited	SC425468
Newcastle Federation Breweries Limited	01873267
Punch Taverns (Fradley) Limited	03562121
Punch Taverns (MH) Ltd	01676516
Punch Taverns (PPCF) Limited	03946310
Punch Taverns (PR) Ltd	00050484
Punch Taverns (VPR) Ltd	03982447
Punch Taverns Properties Limited	03528601
Scottish & Newcastle Property 3 Limited	06374366
Tetley Walker Limited	00664108
The Globe Pub Company Limited	05167852
Tolchard & Son Limited	00683250
Walker Cain Ltd	00176978

2. ADOPTION OF NEW AND REVISED STANDARDS**New standards adopted during the year**

The Group has adopted the following new International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2019.

IFRS 16 Leases

The Group has implemented IFRS 16 as at 1 January 2019, replacing existing guidance on leases (including IAS 17). The adoption of IFRS 16 has changed the accounting for leases as under the new standard all operating lease contracts are recognised on the Group's Consolidated Statement of Financial Position by recognising a right of use ("ROU") asset, a lease receivable and a lease liability, except for short term and low value leases. Lease expenses previously recorded in the Group's Consolidated Statement of Comprehensive Income are replaced by depreciation and interest income and expenses for all lease contracts in scope of the standard. Refer to note 3 for the accounting policy on leases.

The Group has implemented IFRS 16 as at 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers are not restated. The Group has operating leases mainly relating to pubs, offices, warehouses, cars and (forklift) trucks.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)****New standards adopted during the year (continued)****IFRS 16 Leases (continued)**

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

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

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

As a result of applying IFRS 16, the Group recognised £87m of ROU assets, £20m of lease receivables and £116m of lease liabilities as at 1 January 2019. The ROU assets are included under Property, plant and equipment. The lease receivables are included under Other non-current assets and Other receivables. The lease liabilities are included under Other payables. As at 1 January 2019, deferred tax assets and deferred tax liabilities related to lease, which have been recognised are immaterial. These deferred tax positions are offset and reported on a net basis in the Statement of Financial Position.

When measuring the lease liability, the Group discounted the lease payments using the incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied is 2.9%.

During 2019, the Group reported £12m of depreciation of ROU assets and £3m of interest costs on lease liabilities. In 2018, operating lease expenses were reported under Administrative expenses. The lease payments are reported under 'Interest paid' (2019: £3m) and 'Payments for lease liabilities' (2019: £17m) in the Statement of Cash Flows. In 2018 the payments for lease liabilities were included in the cash flow from operations. There is no material impact on retained earnings and taxes.

As at 31 December 2018, the Group reported a total off-balance sheet commitment for leases of £170m. The difference between the opening balance sheet impact as at 1 January 2019 of £54m (lease liabilities) and the off-balance sheet commitments is primarily due to the impact of discounting of future lease payments. Refer to the table below for the reconciliation:

	£M
Operating lease commitments disclosed at 31 December 2018	170
Impact of discounting using the incremental borrowing rate as at 1 January 2019	(56)
Other reconciling items	<u>2</u>
Lease liability recognised as at 1 January 2019	<u>116</u>

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

Amendments to IFRS 9 Prepayment Features with Negative Compensation

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)****New standards adopted during the year (continued)****Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures**

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

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

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

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

IFRS 3 Business Combinations

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

IFRS 11 Joint Arrangements

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

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

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)****New standards adopted during the year (continued)****Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement (continued)**

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

IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a company; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

New standards not yet adopted during the year

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU):

IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

HEINEKEN UK LIMITED

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

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards not yet adopted during the year (continued)

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

As the Group has no business combinations, the directors have concluded that the amendments has had no impact.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flow and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is beginning of the period immediately preceding the date of initial application.

As the Group has no insurance contracts, the directors have concluded that the amendments has had no impact.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

HEINEKEN UK LIMITED

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

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

New standards not yet adopted during the year (continued)

Amendments to IAS 1 and IAS 8 Definition of material (continued)

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

3. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS issued by the IASB as endorsed by the EU, with interpretations issued by the IFRS Interpretations Committee (IFRIC's) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Heineken UK Limited. Heineken UK Limited controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by ownership of more than 50% of the voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On consolidation, intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with associates and JVs are netted against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2019 are provided in the appendix to the financial statements (see pages 79 to 84).

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (CONTINUED)****Basis of consolidation (continued)***Business combinations and goodwill*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognised in profit or loss.

Contingent liabilities assumed in a business combination are recognised at fair value even if it is not probable that an outflow will be required to settle the obligation. After initial recognition and until the liability is settled, cancelled or expired, the contingent liability is measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the initial liability amount.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Comprehensive Income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

HEINEKEN UK LIMITED

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

3. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Investment in associates and joint ventures (continued)

The financial statements of the associate or joint venture are prepared for the reporting period detailed in the appendix to the financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Comprehensive Income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the reporting period detailed in the appendix to the financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the Statement of Comprehensive Income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Going concern

The financial position of the Group is set out in the Statement of Financial Position on pages 20 and 21 of the financial statements. The Group has net current assets of £2,742m (2018: £2,630m). The Group made a profit for the financial year of £136m (2018: £76m) as set out in the Statement of Comprehensive Income on page 19.

The directors continue to adopt the going concern basis in preparing the annual report and financial statements, as confirmed in the directors report on the page 13.

As noted in the Director's Report on pages 12-13 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Director's Report details the additional work we have undertaken and factors considered as a result of COVID-19 and confirms our ability to continue on a going concern basis.

Foreign currency translation

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

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (CONTINUED)****Foreign currency translation (continued)**

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

Revenue

The majority of the Group's revenue is generated by the sale and delivery of products to customers. The product portfolio of the Group mainly consists of Cider and Beer. Products are mostly own-produced finished goods from the Heineken Group's brewing activities, but also contain purchased goods for resale from the Group's wholesale activities. The Group's customer group can be split between on-trade customers like cafés, bars and restaurants, including our own pubs, and off-trade customers like retailers and wholesalers. Revenue is recognised when control over products has transferred and the Group has fulfilled its performance obligation to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from the Group's premises. Revenue recognised is based on the price specified in the contract, net of returns, discounts, VAT and other sales taxes and excise taxes collected on behalf of third parties.

Other revenues include rental income from pubs, royalties, income from wholesale activities, pub management services and technical services to third parties. Royalties are sales-based and recognised in the Statement of Comprehensive Income on an accrual basis in accordance with the relevant agreement. Rental income, income from wholesale activities, pub management services and technical services are recognised in the Statement of Comprehensive Income when the services have been delivered.

Discounts

The Group uses different types of discounts depending on the nature of the customer. Some discounts are unconditional, like cash discounts, early payment discounts and temporary promotional discounts. Unconditional discounts are recognised at the same moment as the related sales transaction. The Group also provides conditional discounts to customers. These contractually agreed conditions include volume and promotional rebates. Conditional discounts are recognised based on estimated target realisation. The estimation is based on accumulated experience supported by historical and current sales information. A discount accrual is recognised at each reporting date for discounts payable to customers based on their expected or actual volume up to that date.

Other discounts include listing and shelving visibility fees charged by the customer whereby the payments to customers are closely related to the volumes sold. The Group assesses the substance of contracts with customers to determine the classification of payments to customers as either discounts or marketing expenses.

Discounts are accounted for as a reduction of revenue. Only when these payments to customers relate to a distinct service, the amount is classified as operating expense.

Excise tax expense

For the Cider and Beer business, excise duties are effectively a production tax as excise duties become payable when goods are moved from bonded warehouses. Excise duty is borne by the Group and included in net revenue applying IFRS 15. Duty on products brought in for resale is excluded from net revenue and deemed a cost of sale, not shown separately on the face of the Statement of Comprehensive Income.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any provision for impairment. Cost comprises the initial purchase price and expenditures that are directly attributable to the acquisition of the asset.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (CONTINUED)****Property, plant and equipment (continued)**

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

Breweries, maltings and other properties

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

Other tangible assets

- Brewing plant 10 to 30 years
- Kegging, bottling and canning plant 5 to 20 years
- Commercial vehicles and private cars 5 to 8 years
- Containers and other equipment 3 to 15 years
- Furniture, fixtures and fittings 5 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Any such impairment is charged to the Statement of Comprehensive Income.

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

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Assets held for sale

Property, plant and equipment are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Assets held for sale relate to pubs not part of our strategic vision that have been actively marketed.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation in the year is recognised within administrative expenses in the Statement of Comprehensive Income.

Brands and licences

Brands are considered to have a finite life and are amortised over 50 years straight-line from the date of acquisition. Acquired licences, which are separately identifiable, are recorded at fair value on acquisition where this can be measured reliably. Brand licences are amortised on a straight-line basis over their expected useful life of 25 years.

Customer lists

Customer lists were acquired on the purchase of a business. This intangible asset is amortised on a straight-line basis over its expected useful life of 5 years.

Software

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

Goodwill

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (CONTINUED)****Leases***Definition of a lease*

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

The Group as a lessee

At the start date of the lease, the Group (lessee) recognises a 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. For measurement of the lease liability, refer note 23.

The Group 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 Consolidated Statement of Comprehensive Income on a straight-line basis.
- The low value lease exemption, meaning that leased assets with an individual value of €5,000, (£4,254) or less if bought new, are expensed in the Consolidated Statement of Comprehensive Income on a straight-line basis. This policy is set by the Heineken Group, and embedded within our Group at the appropriate exchange rate.

The Group 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 Group acts as an intermediate lessor, the subleases are classified with reference to the ROU asset.

Impairment of non-current assets and intangible assets

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

Inventory

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first-in, first-out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value, net of transaction costs directly related to their issue. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any impairment.

HEINEKEN UK LIMITED

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

3. ACCOUNTING POLICIES (CONTINUED)

Receivables (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group and the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Certain customers are subject to a factoring arrangements. Under this arrangement the Group and the Company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables, under this arrangement the debt factor bear ultimate credit default risk. The amount repayable under the factoring agreement is netted against trade receivables in the statement of financial position.

Lease receivables

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

Cash and bank balances

For the purposes of the Consolidated Statement of Cash Flows, cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost of fair value, depending on the classification of the financial assets. Other than the financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Financial assets at amortised cost

Financial assets at amortised cost include financial assets held with the objective of collecting contractual cash flows from payments of principle and interest on the principle amount outstanding. Such assets are subsequently measured at amortised cost using the effective interest rate method, which ensures that the interest income over the period of repayment is at a constant rate on the balance of the asset carried into the Statement of Financial Position.

Fair value through other comprehensive income (FVOCI)

This category comprises only in-the-money derivatives. These are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Fair Value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value and through profit or loss (FVTPL).

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)****Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL, depending on the classification of the financial liability. Other than the financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

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.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the Statement of Comprehensive Income as interest payable.

Fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group and the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Payables

Payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

HEINEKEN UK LIMITED

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

3. ACCOUNTING POLICIES (CONTINUED)

Lease liabilities

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

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

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

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

The Group 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.

Finance income

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

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pensions

Defined benefit pension plans

Certain employees and past employees of the Group are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the group. It has previously been determined that Scottish & Newcastle Limited is the principal employer of the scheme and therefore the defined benefit pension liability has been reflected on its Statement of Financial Position. However, the Company has been determined to have a constructive obligation to make the payments to the trustees of the scheme, and has historically made these payments, on behalf of Scottish & Newcastle Limited. As such, the associated cost has been charged to the Company. Refer to the accompanying Statement of Comprehensive Income of the Group.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (CONTINUED)****Share based payment plan (long-term incentive plan)**

The ultimate parent undertaking, Heineken N.V. operates an equity settled share based payment scheme in respect of certain employees of the Company, the criteria of which are set out in note 27 to the financial statements. The cost of the scheme is measured by reference to the fair value at the date at which the shares are granted and is recognised as an expense over the vesting period, which ends on the date the employees become fully entitled to the award. As assessed by our global team, the grant date fair value is calculated by adjusting the Heineken N.V. share price at grant date for estimated foregone dividends during the performance period, as the participants are not entitled to receive dividends during that period. The foregone dividends are estimated by applying the Heineken Group's dividend policy on the latest forecasts of net profit (beia). At each balance sheet date, the Heineken Group uses its latest forecasts to calculate the expected realisation on the performance targets per plan. The number of shares are adjusted to the new target realisation and the Heineken Group increases/decreases the total plan cost. The cumulative effect is recorded in the profit or loss, with a corresponding adjustment to equity. Expenses related to employees that voluntarily leave the Heineken Group are reversed as they will not receive any shares from the LTIP. The expense calculation includes the estimated future forfeiture. The Heineken Group uses historical information to estimate this forfeiture rate.

Provisions for liabilities**General**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Onerous contracts

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

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

Restructuring

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

Current Income Tax

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

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

HEINEKEN UK LIMITED

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

3. ACCOUNTING POLICIES (CONTINUED)

Deferred Tax

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical accounting judgements in applying the Group's accounting policies

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period.

Critical judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The directors believe the following to be the key areas of judgement:

- **Impairment of goodwill, other intangibles and property, plant and equipment**
At each reporting date, the Group reviews the carrying amounts of its intangible and tangible fixed assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)****Critical accounting judgements in applying the Group's accounting policies (continued)**

- Impairment of goodwill, other intangibles and property, plant and equipment (continued)**

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.
- Onerous lease provision**

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.
- Restructuring provision**

Provisions are recognised in respect of restructuring measures, provided that work has begun on the implementation of a detailed, formal plan or such a plan has already been communicated. The provisions for obligations arising from our sales activities cover expected burdens in the form of subsequent reductions in already generated revenues, and risks arising from pending transactions. Provisions for payroll obligations essentially cover expenditures likely to be incurred by the Group for variable, performance-related remuneration components. Provisions for obligations in the production and engineering sphere relate primarily to provisions for warranties.
- Lease term and incremental borrowing rate**

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

The Group's current tax provision of £40m relates to the Group's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with HMRC. In determining the current and deferred income tax position, judgement is required. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

5. ANALYSIS OF REVENUE

	2019	2018
	£M	£M
Sales of cider and beer	2,233	2,213
Proceeds from services from vending equipment, machine income and other services provided to third party	29	28
Rental income	84	88
	2,346	2,329

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****5. ANALYSIS OF REVENUE (CONTINUED)**

Analysis of revenue by country of destination:

	2019	2018
	£M	£M
United Kingdom	2,313	2,292
Rest of the world	33	37
	2,346	2,329

6. RESTRUCTURING COSTS

Restructuring costs primarily relate to several reorganisation projects across business support functions. Provisions for restructuring costs were created during the year to provide for the expected redundancies.

The restructuring costs charged to profit or loss consist of the following:

	2019	2018
	£M	£M
Redundancy costs	1	6
	1	6

7. OPERATING PROFIT

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

	2019	2018
	£M	£M
Depreciation of property, plant and equipment (note 13)	70	54
Loss on disposal of property, plant and equipment	12	10
Impairment of goodwill (note 14)	-	3
Amortisation of intangible fixed assets (note 14)	13	12
Foreign exchange differences	(4)	(2)
Staff costs (note 8)	193	184
Staff restructure charges (note 6)	1	6
Other expenses	7	18
Inventory expensed through profit and loss	488	496
	780	781

Audit fees for the Group in the year were £0.3m (2018: £0.3m). The audit fee does not include any fees for the subsidiaries of the Group as they are unaudited. There were non-audit services totalling £6,000 (2018: £31,000) provided to the Group. This work consisted of the review and confirmation of license volume information (2018: the review and confirmation of license volume information as well as joint venture stock count activity).

As a result of the implementation of IFRS 16, other expenses include expenses for short-term leases of £0.2m and low value leases of £3m, and £4m of variable lease expenses compared to £18m reported in 2018 for operating lease expenses. Variable lease expenses include amounts relating to service charges and license fees.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****8. EMPLOYEES**

	2019	2018
	£M	£M
Wages and salaries	121	116
Social security costs	15	14
Other pension costs	57	54
Restructuring costs	1	6
	194	190

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

	2019	2018
	No.	No.
Supply chain	1,146	1,117
Finance	138	86
Commerce	910	892
Information technology	105	96
Human resource	61	29
General management	62	64
	2,422	2,284

9. DIRECTORS' REMUNERATION

The amount of remuneration received by the Directors in respect of their qualifying services to the Group is disclosed in the Related Party disclosures (note 31).

10. FINANCE INCOME

	2019	2018
	£M	£M
Interest receivable from group companies	102	48
Other interest receivable	1	1
	103	49

11. FINANCE COSTS

	2019	2018
	£M	£M
Interest payable to group undertakings	80	86
Interest expense on lease liabilities	3	-
Other	3	2
	86	88

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****12. INCOME TAX**

	2019	2018
	£M	£M
Current tax		
Current tax on profits for the year	14	1
Adjustments in respect of prior years	1	(1)
Total current tax	15	-
Deferred tax		
Current year	23	24
Adjustments in respect of previous periods	5	2
Effect of changes in tax rates	(3)	(3)
Total deferred tax	25	23
Tax per Consolidated Statement of Comprehensive Income	40	23

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£M	£M
Profit for the period – continuing operations	172	99
Tax on profit at standard rate of corporation tax in the UK of 19% (2018: 19%)	33	19
Effects of:		
Adjustments in respect of prior years	6	2
Expenses not deductible	5	7
Tax rate changes	(3)	(3)
PPE tax basis on consolidation	(2)	(2)
Transfer pricing adjustments	1	-
Group relief (claimed) for no payment	(1)	-
Other movements	1	-
Income tax expense reported in the Consolidated Statement of Comprehensive Income	40	23

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance (No. 2) Act 2015 and Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax rate to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the Statement of Financial Position date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used the deferred tax asset would have been £10m higher.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****13. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are fixed assets that are owned by Group, as well as right of use (ROU) assets under a lease agreement. Refer to the table below for the split between owned assets and ROU assets as per Statement of Financial Position date:

	2019	2018
	£M	£M
Property, plant and equipment – owned assets	2,007	2,054
Right of use assets	84	-
	2,091	2,054

Owned assets	Land and buildings £M	Plant and equipment £M	Total £M
Cost			
At 1 January 2018	1,904	748	2,652
Additions	11	61	72
Transfers	7	(7)	-
Disposals	(76)	(166)	(242)
At 31 December 2018	1,846	636	2,482
Additions	54	55	109
Transfers from assets held for sale (note 21)	2	-	2
Transfers to assets held for sale (note 21)	(78)	(4)	(82)
Disposals	(20)	(47)	(67)
At 31 December 2019	1,804	640	2,444
Accumulated depreciation			
At 1 January 2018	110	456	566
Charge for the year	13	41	54
Disposals	(27)	(165)	(192)
At 31 December 2018	96	332	428
Charge for the year	14	44	58
Transfers to assets held for sale (note 21)	(2)	(1)	(3)
Disposals	(1)	(45)	(46)
At 31 December 2019	107	330	437
Net book value			
At 31 December 2019	1,698	309	2,007
At 31 December 2018	1,750	304	2,054

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The net book value of properties comprises:

	2019	2018
	£M	£M
Freehold	<u>1,698</u>	<u>1,750</u>

Land and buildings include the breweries and offices of the Group as well as pubs, bars and warehouses. Plant and equipment contain all assets needed in the Group's brewing, packaging and filling activities, commercial fixed assets and furniture, fixtures and fittings.

The right of use assets

The right-of-use assets additions as at 31 December 2019 is £101m (2018: £nil).

The Group leases pubs, offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. The Group has around 770 leases with a wide range of different terms and conditions. Some of the leases contain extension and termination options, which are included in the lease term if the Group is reasonably certain to exercise an extension option and reasonably certain not to exercise a termination option. The table below shows the carrying amount of right-of-use ("ROU") assets per asset class at 31 December 2019.

	2019	2018
	£M	£M
Land and buildings	77	-
Plant and equipment	<u>7</u>	<u>-</u>
Carrying amount ROU assets as at 31 December 2019	<u>84</u>	<u>-</u>

During 2019 £14m was added to the ROU assets as a result of entering into new leases which did not exist at the beginning of the year and the remeasurement of existing leases. The depreciation of ROU assets during the financial year were as follows:

	2019	2018
	£M	£M
Land and buildings	10	-
Plant and equipment	<u>2</u>	<u>-</u>
Depreciation and impairments for ROU assets	<u>12</u>	<u>-</u>

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****14. INTANGIBLE ASSETS**

	Brands and licences £M	Customer lists £M	Software £M	Goodwill £M	Other intangibles £M	Total £M
Cost						
At 1 January 2018	349	27	43	4	21	444
Additions	-	-	9	-	1	10
Disposals	-	(25)	(14)	-	-	(39)
Impairment	-	-	-	(3)	-	(3)
At 31 December 2018	349	2	38	1	22	412
Additions	-	-	18	-	-	18
Transfers to assets held for sale (note 21)	-	-	-	-	(1)	(1)
Disposals	-	-	(17)	-	(2)	(19)
Effects due to change in accounting policy IFRS 16	-	-	-	-	(1)	(1)
At 31 December 2019	349	2	39	1	18	409
Accumulated amortisation						
At 1 January 2018	90	26	37	-	-	153
Charge for the year	10	-	1	-	1	12
Disposals	-	(25)	(14)	-	-	(39)
At 31 December 2018	100	1	24	-	1	126
Charge for the year	10	-	2	-	1	13
Disposals	-	-	(18)	-	-	(18)
At 31 December 2019	110	1	8	-	2	121
Net book value						
At 31 December 2019	239	1	31	1	16	288
At 31 December 2018	249	1	14	1	21	286

The Group has been granted licences by other group undertakings in respect of several cider brands. Other intangibles relate to lease premiums paid upfront for head leases and will amortise in line with the useful life of the lease.

The main brands capitalised are the brands acquired in various acquisitions.

Cider and beer brands are amortised over 50 years and brand licences are amortised over 25 years.

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****14. INTANGIBLE ASSETS (CONTINUED)****Indefinite useful life**

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

	2019 £M	2018 £M
Goodwill	1	1
	<u>1</u>	<u>1</u>

15. INTERESTS IN JOINT VENTURES AND ASSOCIATES

The Group has interest in a number of joint ventures and associates. The total carrying amount of these joint ventures and associates was £102m as per 31 December 2019 (2018: £103m) and the total share of loss was £1m in 2019 (2018: £1m).

The investments in associates and joint ventures includes the interest of the Group in United Breweries Limited (UBL) in India. On 10 October 2018, officials from the Competition Commission of India visited UBL for an investigation in relation to allegations of price fixing. The related investigation report was communicated to UBL on 13 December 2019. Currently, UBL is in process of reviewing the investigation report and preparing its response. As the decision of the Competition Commission of India is pending, UBL deems it not practicable at this stage to estimate its potential financial effects, if any.

Summarised financial information for equity accounted joint ventures and associates:

	Joint ventures		Associates	
	2019 £M	2018 £M	2019 £M	2018 £M
Carrying amounts of interest	8	7	94	96
Share of:				
Loss from continuing operations	-	-	(1)	(1)

16. LOANS AND ADVANCES TO CUSTOMERS

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

	2019 £M	2018 £M
Loans to customers	5	9
Advances to customers	16	12
	<u>21</u>	<u>21</u>

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****17. DEFERRED TAXATION**

The deferred taxation balance is made up as follows:

	2019	2018
	£M	£M
Fixed assets	(22)	(5)
Temporary differences - trading	5	5
Temporary differences – non-trading	30	35
Tax losses	73	78
	86	113

	Accelerated tax depreciation £M	Provisions £M	Deferred interests deductions £M	Tax losses £M	Total £M
At 1 January 2018	10	6	41	79	136
(Charge) to profit and loss	(15)	(1)	(6)	(1)	(23)
At 1 January 2019	(5)	5	35	78	113
(Charge) / Credit to profit and loss	(17)	2	(5)	(5)	(25)
(Charge) to other comprehensive income	-	(2)	-	-	(2)
At 31 December 2019	(22)	5	30	73	86

The deferred tax asset has been recognised on the basis that it is anticipated that the various components of the asset will be capable of being utilised in future periods.

Deferred tax on capital losses of £49m (2018: £47m) have not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

18. OTHER NON-CURRENT ASSETS

	2019	2018
	£M	£M
Investments	3	3
Loans to joint ventures and associates	6	2
Finance lease receivables	17	-
	26	5

Investments

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****18. OTHER NON-CURRENT ASSETS (CONTINUED)****Finance Lease Receivables**

The Group entered into finance lease arrangements as a lessor of public houses. The average outstanding term of the finance lease receivables, including the short term portion of lease receivables, is 7 years (2018: nil). The Group is not exposed to foreign currency risk as a result of the lease arrangements as all leases are dominated in functional currency. Residual value risk on property under lease is not significant due to the existence of a secondary market on rental property.

The average effective interest rate contracted approximates 2.8%.

None of the finance lease receivable is past due at the reporting date. Taking into account the historical default experience and the future prospects of the pub industry in which the lessees operate, together with the value of collateral held over these finance lease receivables, the directors of the Group consider that no finance lease receivable is impaired.

Finance income on the present value of the lease receivable is included within 'other interest receivable' as disclosed in Note 10.

	2019	2018
	£M	£M
Amounts receivables under finance lease		
Less than 1 year	3	-
Between 1 and 5 years	11	-
Greater than 5 years	6	-
Undiscounted lease payments	20	-
Less unearned finance income	1	-
Present value of lease payments receivables	19	-

Undiscounted lease payments analysed as:

	2019	2018
	£M	£M
Recoverable after 12 months	17	-
Recoverable within 12 months	3	-

Present value of lease payments receivable analysed as

	2019	2018
	£M	£M
Recoverable after 12 months	17	-
Recoverable within 12 months	2	-

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****19. INVENTORIES**

	2019	2018
	£M	£M
Raw materials and consumables	8	7
Work in progress	45	44
Finished goods and goods for resale	50	46
	103	97

20. TRADE AND OTHER RECEIVABLES

	2019	2018
	£M	£M
Amounts falling due within one year		
Trade receivables (net of provisions)	217	194
Funding amounts owed by intermediate parent undertakings and their subsidiaries	7,743	7,930
Trade amounts owed by intermediate parent undertakings and their subsidiaries	3	2
Other receivables	4	5
Prepayments and accrued income	45	56
	8,012	8,187

The other receivables includes lease receivables for an amount of £2m (2018: £nil) due within one year (Note 18).

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

	2019				Past due
£M	Total	Not past due	0-30 days	31-120days	>120 days
Gross	7,978	7,939	20	5	14
Allowance	(11)	-	-	(1)	(10)
	7,967	7,939	20	4	4

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****20. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The Group's maximum exposure to credit risk is defined as the total amount of trade and other receivables (as above) and amounts owed by joint ventures and associates (refer to note 18) at the year-end.

Amounts due by group undertakings are repayable on demand. An annual interest rate of 0.65% (2018: 0.75%) plus LIBOR is charged on outstanding balances per annum. Amounts due by joint ventures bear interest of 4% (2018: 4%) plus LIBOR. All amounts reflect their fair values.

21. ASSETS CLASSIFIED AS HELD FOR SALE

	£M
Cost	
At 1 January 2018	8
Disposals	(6)
At 31 December 2018	2
Transfers from PPE (note 13)	82
Transfers to PPE (note 13)	(2)
Transfers from Intangible assets (note 14)	1
Disposals	(72)
At 31 December 2019	11
Accumulated depreciation	
At 1 January 2018	1
Disposals	(1)
At 31 December 2018	-
Transfers from PPE (note 13)	3
Disposals	(2)
At 31 December 2019	1
Net book value	
At 31 December 2019	10
At 31 December 2018	2

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****22. CASH AND BANK BALANCES**

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

	2019	2018
	£M	£M
Cash at bank	17	8
Bank overdrafts (note 23)	(3)	(7)
Cash and cash equivalents	<u>14</u>	<u>1</u>

23. TRADE AND OTHER PAYABLES**Amounts falling due within one year**

	2019	2018
	£M	£M
Trade payables	282	278
Funding amounts owed to direct and intermediate parent undertakings and their subsidiaries	4,700	4,701
Trade amounts owed to direct and intermediate parent undertakings and their subsidiaries	194	307
Amounts owed to joint ventures	-	7
Other taxation and social security	103	103
Tax payable	28	196
Other payables	22	30
Bank overdrafts (note 22)	3	7
Lease liabilities *	15	-
Accruals and deferred income	41	35
	<u>5,388</u>	<u>5,664</u>

Amounts falling due after more than one year

	2019	2018
	£M	£M
Preference shares	116	116
Lease liabilities *	93	-
Other creditors	3	-
	<u>212</u>	<u>116</u>

* The lines indicated are in respect of application of IFRS 16 in current year only - discussed in note 2 of the accompanying consolidated financial statements.

Amounts due to group undertakings are repayable on demand. An annual interest rate of 0.65% (2018: 0.75%) plus LIBOR is charged on outstanding balances with other UK group undertakings per annum. Various rates are charged on outstanding balances with other group undertakings outside the UK per annum, these rates are: fixed 2.57% (2018: 2.57%) and variable rates of between LIBOR + 0.65 % (2018: 0.65%) and LIBOR + 1.50% (from 3 October 2019, previously LIBOR + 0.75%).

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****23. TRADE AND OTHER PAYABLES (CONTINUED)**

Disclosure of the terms and conditions attached to the non-equity shares is made in note 25.

In accordance with IFRS the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% are shown under creditors with the balance shown under shareholders' funds.

Trade and other payables includes lease liabilities of £15m and £93m due within one year and greater than one year respectively (2018: £nil). The maturity of the lease liabilities and the contractual cash flows are as follows:

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 5 years	More than 5 years
	£M	£M	£M	£M	£M
Lease liabilities	108	164	15	40	53
Total 2019	108	164	15	40	53

24. PROVISIONS

	Onerous contracts	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2019	22	17	2	41
Created during the year	3	-	4	7
Released during the year	(7)	-	(3)	(10)
Utilised during the year	-	(2)	(1)	(3)
Effects due to change in accounting policy IFRS 16	(9)	-	-	(9)
At 31 December 2019	9	15	2	26

A provision is a liability of uncertain timing or amount. A provision is recognised when the Group has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable (> 50%) that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of net finance expenses.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be received by the Group are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract, and the expected net cost of continuing with the contract. The latter takes into consideration any reasonably obtainable sub-leases for onerous lease contracts. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

Other

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

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****25. CALLED-UP SHARE CAPITAL**

	2019	2018
	£M	£M
Shares classified as equity		
Allotted, called up and fully paid		
1,019,070,089 (2018: 1,019,070,089) Ordinary shares of £1 (2018: £1) each (1,107,147,650 authorised shares)	1,019	1,019
13,376,175 (2018: 13,376,175) 6.5% Preference shares of £2 (2018: £2) each	27	27
	1,046	1,046
	2019	2018
	£M	£M
Shares classified as debt		
Allotted, called up and fully paid		
58,050,000 (2018: 58,050,000) 6.5% Preference shares of £2 (2018: £2) each	116	116

6.5% Cumulative Preference Shares

These shares confer on the holders' priority in the payment of dividends and repayment of capital. The dividends were at the fixed rate of 6.5% per annum until cap reached. Holders of these shares may also be entitled to a further dividend of 0.75% per annum. On a return of capital on winding up or (other than on purchase of shares) otherwise, the holders of the preference shares are entitled in priority to the holders of any other class of shares to the repayment of the amount paid up on their shares. The holders of preference shares are not normally entitled to attend or vote at general meetings of the Company unless the preference dividends are in arrears or if a resolution is to be proposed which affects the rights of the preference shares. In accordance with IFRS the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% are shown under creditors with the balance shown under shareholders' funds.

26. RESERVES**Other reserves**

Other reserves represents cumulative dividends on preference shares treated as debt.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Group. All other components of equity are as stated in the consolidated Statement of Changes in Equity.

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities of foreign operations of the Group (excluding amounts attributable to non-controlling interests).

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****27. SHARE BASED PAYMENTS**

As from 1 January 2006, a performance-based share plan (Long-term Variable Award, LTV) was established for the senior management of the Company. Under this LTV share rights are awarded to incumbents on an annual basis. The scheme is operated by Heineken N.V. The vesting of the share rights is subject to the performance of Heineken N.V. on specific performance conditions and continued service over a three-year period.

The performance conditions for LTV 2016–2018, LTV 2017–2019, LTV 2018-2020 and LTV 2019 - 2021, comprise solely of internal financial measures, being for LTV 2016 – 2021 Organic Net Revenue growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100 per cent of the shares will vest. At threshold performance, 50 per cent of the awarded shares vest. At maximum performance, 200 per cent of the awarded shares will vest.

The performance period for share rights granted in 2016 is from 1 January 2016 to 31 December 2018. The performance period for share rights granted in 2017 is from 1 January 2017 to 31 December 2019. The performance period for share rights granted in 2018 is from 1 January 2018 to 31 December 2020. The performance period for share rights granted in 2019 is from 1 January 2019 to 31 December 2021.

The vesting date for senior management is the latest of 1 April and 20 business days after the publication of the annual results of 2019, 2020 and 2021 respectively.

As Heineken N.V. will withhold the tax related to vesting on behalf of the individual employees of the Company, the number of Heineken N.V. shares to be received by senior management will be a net number.

The effect of future expected grants is recognised in the profit or loss during the performance period and amounts to a charge of £840,316 in 2019 (2018: £1,681,481).

	Number 2019	Number 2018
Outstanding at the beginning of the year	59,127	59,014
Granted during the year	16,217	21,638
Forfeited during the year	(11,282)	(10,243)
Vested during the year	(11,390)	(11,282)
Outstanding at the end of the year	52,672	59,127
Share price as at 31 December in EUR (€)	94.92	77.20

The terms and conditions of the share rights granted are as follows:

In EUR (€)				
Grant date/employees entitled	Number *	Based on share price	Vesting conditions	Contractual life of right
Share rights granted to senior management in 2016	22,672	78.77	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2017	14,817	71.26	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2018	21,638	86.93	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2019	16,217	77.20	Continued service, 100% internal financial measures	3 years

*The number of shares is estimated based on target performance.

Amounts presented in EUR as this is the currency Heineken N.V. shares are denominated.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****28. OPERATING LEASE RECEIVABLES**

As per introduction of IFRS 16 finance lease receivables are reported under other non-current assets (note 18) and other receivables (note 20).

Operating lease arrangements in which the Group is the lessor, relates to property owned and leased by the Group and income is received through the statement of comprehensive income. Operating lease terms range from lease terms of 1 month to 15 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At 31 December 2019 the Group had future minimum lease income under non-cancellable operating leases as follows:

	2019	2018
	£M	£M
Not later than 1 year*	72	76
Later than 1 year and not later than 5 years*	197	215
Later than 5 years*	450	707
TOTAL	719	998

* The comparative information has not been restated as a result of initial application of IFRS 16 as discussed in note 2.

29. OFF- BALANCE SHEET COMMITMENTS

	2019	Less than 1 year	1-5 years	More than 5 years	2018
	£M	£M	£M	£M	£M
Operating lease commitments	-	-	-	-	170
Property, plant and equipment ordered	8	8	-	-	9
Raw materials purchase contracts	3	3	-	-	16
Marketing and merchandising commitments	29	26	3	-	19
Other off-balance sheet obligations	899	146	338	415	882
Off-balance sheet commitments	939	183	341	415	1,096

As per the introduction of IFRS 16, operating lease commitments are capitalised on Statement of Financial Position as per 1 January 2019. The discounted future lease commitments are reported under Other Payables. The contractual maturities for the capitalised leases are included in the table of note 23.

Before 1 January 2019 operating lease commitments were not recognised in the Group's Statement of Financial Position. Payments made under operating leases were charged to Statement of Comprehensive Income on a straight line basis over the term of the lease. The lease commitments contain lease payments for the non-cancellable period of the lease and the period of extension options that are reasonable certain to be exercised.

Other commitments include amounts due under technical service arrangements for maintenance and installation works, primary and secondary logistics contracts, warehousing, supply contracts and other procurement related committed spend.

During the year ended 31 December 2019 £7m (2018: £18m) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases and rent.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****29. OFF- BALANCE SHEET COMMITMENTS (CONTINUED)**

	2018	Less than 1 year	1-5 years	More than 5 years
	£M	£M	£M	£M
Operating lease commitments	170	17	52	101
Property, plant and equipment ordered	9	9	-	-
Raw materials purchase contracts	16	16	-	-
Marketing and merchandising commitments	19	19	-	-
Other off-balance sheet obligations	882	150	331	391
Off-balance sheet obligations	1,096	221	383	492

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

30. PENSION COMMITMENTS**Defined contribution schemes**

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to Statement of Comprehensive Income of £12m (2018: £10m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2019, contributions of £nil (2018: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

Defined benefit schemes

Certain current and past employees of the Company are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the Group. It has previously been determined that Scottish & Newcastle Limited is the principal employer of the scheme and therefore the defined benefit pension liability has been reflected on its Statement of Financial Position. However, the Company has been determined to have a constructive obligation to make the payments to the trustees of the scheme, and has historically made these payments, on behalf of Scottish & Newcastle Limited. The latest schedule of contributions was agreed by the Trustees and Scottish & Newcastle Limited in April 2019. The schedule of contributions will be reviewed and jointly agreed by the Trustees and Scottish and Newcastle Limited no later than 15 months after the effective date of each actuarial valuation due every three years. The associated cost of £43m (2018: £42m) has been charged to the Company. The net pension scheme liability, to which the Company has an obligation to make payments, is £354m at 31 December 2019 (2018: £300m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

HEINEKEN UK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****31. TRANSACTIONS WITH RELATED PARTIES**

	2019	2018
	£M	£M
Joint ventures:		
Purchases	<u>(77)</u>	<u>(73)</u>
Associates:		
Sales	2	-
Purchases	<u>(9)</u>	<u>(4)</u>
Group companies – trading activities:		
Sales	28	31
Purchases	(221)	(222)
Other transactions	<u>(1)</u>	<u>(58)</u>
Amounts owed by joint ventures (within receivables)	-	-
Amounts owed to joint ventures (within payables)	<u>-</u>	<u>7</u>

Remuneration of key management personnel

The remuneration of the directors of the parent company, who are the key management personnel of the Group, is set out below:

	2019	2018
	£M	£M
Total directors remuneration		
Short term employee benefits	5	5
Share based payments	1	-
Other long-term employee benefits	-	-
	<u>6</u>	<u>5</u>

	2019	2018
	£M	£M
Highest paid director		
Short term employee benefits	1	1
Share based payments	-	-
Other long-term employee benefits	-	-
	<u>1</u>	<u>1</u>

The Group operates a defined contribution pension scheme. In the year there were 9 directors to whom retirement benefits were accruing under this scheme (2018: 8 directors).

Directors may be eligible for share and share options of the ultimate parent company, Heineken N.V. During the year 11 directors received such awards in respect of qualifying services (2018: 8 directors), further details per note 27.

HEINEKEN UK LIMITED

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

32. EVENTS AFTER THE REPORTING DATE

As noted in the Director's Report on pages 12-13 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Director's Report details the additional work we have undertaken and factors considered as a result of COVID-19 and confirms our ability to continue on a going concern basis.

The ceasing of trade overnight of the "On-trade", as noted in the Director's Report directly affects two of the three primary commercial units, namely "On-trade" sales and revenue from our 'Star Pubs & Bars' business. While the full financial impact of COVID cannot be estimated, the Group are monitoring the recovery and supporting customers, consumers and tenants across the On-trade and SP&B in a return to operating under new government requirements, while taking mitigating actions to minimise the financial impact and prospects of the business.

33. ULTIMATE PARENT COMPANY

The immediate parent undertaking at the Statement of Financial Position date is Scottish & Newcastle Limited. Scottish & Newcastle Limited's registered office is also 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ. The ultimate parent undertaking at the Statement of Financial Position date was Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho – Heineken. Heineken N.V., a company registered and incorporated in the Netherlands is the parent for the largest and smallest group of undertakings for which group financial statements were drawn up and of which the company was a member. Group financial statements for this company may be obtained from the Company Secretary, Heineken N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands, which is also the registered office.

HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019	2018
		£M	£M
ASSETS			
Non-current assets			
Property, plant and equipment	8	397	328
Other intangible assets	9	73	62
Investment in subsidiaries	10	1,109	2,018
Interests in joint ventures and associates	11	103	103
Loans and advances to customers	12	21	21
Deferred tax asset	13	79	90
Other non-current assets	14	9	5
		<u>1,791</u>	<u>2,627</u>
Current assets			
Inventories	15	102	95
Trade receivables	16	193	171
Other receivables	16	7,593	3,339
Prepayments and accrued income	16	18	16
Current tax assets	16	63	67
Cash and bank balances		10	3
		<u>7,979</u>	<u>3,691</u>
Total assets		<u>9,770</u>	<u>6,318</u>
LIABILITIES			
Current liabilities			
Trade payables	17	(271)	(276)
Provisions	18	(11)	-
Other payables	17	(4,625)	(4,908)
Accruals and deferred income	17	(33)	(27)
Current tax liabilities	17	(83)	(84)
		<u>(5,023)</u>	<u>(5,295)</u>
Net current assets / (liabilities)		<u>2,956</u>	<u>(1,604)</u>
Non-current liabilities			
Provisions	18	(10)	(32)
Other non-current liabilities	17	(166)	(116)
		<u>(176)</u>	<u>(148)</u>
Total liabilities		<u>(5,199)</u>	<u>(5,443)</u>
Net assets		<u>4,571</u>	<u>875</u>

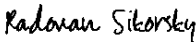
HEINEKEN UK LIMITED
REGISTERED NUMBER: SC065527

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019 £M	2018 £M
EQUITY			
Called-up share capital	19	1,046	1,046
Other reserves	20	(116)	(116)
Retained earnings	20	3,641	(55)
		<u>4,571</u>	<u>875</u>
Capital and reserves attributable to:			
Owners of Heineken UK Limited		4,571	875
Non-controlling interest		-	-
Total Equity		<u>4,571</u>	<u>875</u>

As permitted under section 408 of the Companies Act 2006, the Company elected not to present its own Statement of Comprehensive Income for the year. The Company reported a profit after tax of £3,697m and £1m other comprehensive expense for the year ended 31 December 2019 (2018: loss of £15m).

The financial statements on pages 62 to 84 were approved and authorised for issue by the board and were signed on its behalf on 24 September 2020 by:

DocuSigned by:

R Sikorski
 Director

The notes on pages 65 to 84 form part of these financial statements.

HEINEKEN UK LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called-up share capital	Other reserves	Profit and loss account	Total equity
	£M	£M	£M	£M
Balance at 1 January 2019	1,046	(116)	(55)	875
Comprehensive expense for the financial year	-	-	(1)	(1)
Profit for the financial year	-	-	3,697	3,697
Total comprehensive income for the financial year	-	-	3,696	3,696
Total transactions with owners	-	-	-	-
Balance at 31 December 2019	1,046	(116)	3,641	4,571

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

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

The notes on pages 65 to 84 form part of these financial statements.

HEINEKEN UK LIMITED

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

1. GENERAL INFORMATION

Heineken UK Limited (the "Company") is the United Kingdom's leading Cider and Beer business. The Company produces and sells an expansive portfolio of brands including Foster's, Heineken, Strongbow, Kronenbourg 1664, Desperados and Bulmer's together with a full range of niche and speciality brands. The Company also exports to Europe and North America.

The Company is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The address of its registered office is 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. BASIS OF PREPARATION

These financial statements contain information about the Company as an individual company and do not contain consolidated financial statements as the parent of the group, defined as Heineken UK Limited and subsidiary companies.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, comparative reconciliations for fixed assets, standards not yet effective, impairment of assets, leases, share based payments, and related party transactions.

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

New standards adopted during the year

IFRS 16 Leases

The Company has implemented IFRS 16 as at 1 January 2019, replacing existing guidance on leases (including IAS 17). The adoption of IFRS 16 has changed the accounting for leases as under the new standard all operating lease contracts are recognised on the Company's Statement of Financial Position by recognising a right of use ("ROU") asset, a lease receivable and a lease liability, except for short term and low value leases. Lease expenses previously recorded in the Company's Statement of Comprehensive Income are replaced by depreciation and interest income and expenses for all lease contracts in scope of the standard. Refer to note 3 of the consolidated financial statements for the accounting policy on leases.

The Company has implemented IFRS 16 as at 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers are not restated. The Company has operating leases mainly relating to offices, warehouses, cars and (forklift) trucks. The Company is operating as a lessee (referred to as head lease contracts).

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

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

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****2. BASIS OF PREPARATION (CONTINUED)****New standards adopted during the year (continued)****IFRS 16 Leases (continued)**

As a result of applying IFRS 16, the Company recognised £62m of ROU assets and £65m of lease liabilities as at 1 January 2019. The ROU assets are included under Property, plant and equipment. The lease liabilities are included under Other payables. There is no material impact on deferred taxes.

When measuring the lease liability, the Company discounted the lease payments using the incremental borrowing rate at 1 January 2019. The weighted average incremental borrowing rate applied is 2.9%.

During 2019, the Company reported £11m of depreciation of ROU assets and £2m of interest costs on lease liabilities.

As at 31 December 2018, the Company reported a total off-balance sheet commitment for leases of £96m. The difference between the opening balance sheet impact as at 1 January 2019 of £31m (lease liabilities) and the off-balance sheet commitments is primarily due to the impact of discounting of future lease payments. Refer to the table below for the reconciliation:

	£M
Operating lease commitments disclosed at 31 December 2018	96
Impact of discounting using the incremental borrowing rate as at 1 January 2019	(32)
Other reconciling items	1
Lease liability recognised as at 1 January 2019	65

New standards not yet adopted during the year

The new standards not yet adopted during the year were consistent with those disclosed by the Group, refer to note 2 of the consolidated financial statements for further detail.

3. ACCOUNTING POLICIES

The accounting policies of the Company are the same as those of the Group which are set out in note 3 to the consolidated financial statements. Investments in subsidiaries held by the Company are carried at historical cost less accumulated impairment per the below policy.

Going concern

The financial position of the Company is set out in the Statement of Financial Position on pages 62 to 63 of the financial statements. The Company has net current assets of £2,956m (2018: liabilities £1,604m). This is mainly due to net amounts owed by fellow group undertakings within the next 12 months of £7,593m (2018: amounts owed to fellow group undertakings £4,892m).

The directors continue to adopt the going concern basis in preparing the annual report and financial statements, as confirmed in the directors report on page 13.

As noted in the Director's Report on pages 12-13 the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Director's Report details the additional work we have undertaken and factors considered as a result of COVID-19 and confirms our ability to continue on a going concern basis.

HEINEKEN UK LIMITED

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

3. ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries

Investments held in fixed assets are measured at cost less accumulated impairment.

These investments are subject to impairment as follows:

At each Statement of Financial Position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Interests in joint ventures and associates

Associates are those entities in which Heineken has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures (JVs) are the arrangement in which the Company has joint control.

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

The Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the Statement of Comprehensive Income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements in applying the Company's accounting policies

The judgements in applying accounting policies of the Company are the same as those of the Group which are set out in note 4 to the consolidated financial statements.

Key sources of estimation uncertainty

The directors believe there are no key sources of estimation uncertainty in preparing these financial statements.

5. PROFIT OR LOSS FOR THE YEAR

As permitted under section 408 of the Companies Act 2006, the Company elected not to present its own Statement of Comprehensive Income for the year. The Company reported a profit after tax of £3,697m and £1m other comprehensive expense for the year ended 31 December 2019 (2018: loss of £15m).

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****6. FINANCE COSTS**

	2019	2018
	£M	£M
Impairment of investment in subsidiary	908	-
Interest payable to group undertakings	78	84
Bank interest payable	2	2
Interest expense on lease liabilities	2	-
Other	1	-
	991	86

7. EMPLOYEES

	2019	2018
	£M	£M
Wages and salaries	106	104
Social security costs	13	12
Other pension costs	55	53
Restructuring costs	1	6
	175	175

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

	2019	2018
	No.	No.
Supply chain	1,146	1,117
Finance	138	86
Commerce	645	650
Information technology	105	96
Human resource	61	29
General management	62	64
	2,157	2,042

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are fixed assets that are owned by Group, as well as right of use (ROU) assets under a lease agreement. Refer to the table below for the split between owned assets and ROU assets as per Statement of Financial Position date:

	2019	2018
	£M	£M
Property, plant and equipment – owned assets	338	328
Right of use assets	59	-
	397	328

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Owned assets	Land and buildings £M	Plant and equipment £M	Total £M
Cost			
At 1 January 2019	181	510	691
Additions	12	33	45
Transfer to Intangible Assets	-	-	-
Disposals	(2)	(38)	(40)
At 31 December 2019	191	505	696
Accumulated depreciation			
At 1 January 2019	61	302	363
Charge for the year	6	27	33
Transfer to Intangible Assets	-	-	-
Disposals	(1)	(37)	(38)
At 31 December 2019	66	292	358
Net book value			
At 31 December 2019	125	213	338
At 31 December 2018	120	208	328

The net book value of properties comprises:

	2019 £M	2018 £M
Freehold	125	120

Land and buildings include the breweries and offices of the Company as well as bars and warehouses. Plant and equipment contains all assets needed in the Company's brewing, packaging and filling activities, commercial fixed assets and furniture, fixtures and fittings.

The right of use assets

The right-of-use assets additions as at 31 December 2019 is £73m (2018: £nil).

The Company leases offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. The table below shows the carrying amount of right-of-use ("ROU") assets per asset class at 31 December 2019:

	2019 £M	2018 £M
Land and buildings	52	-
Plant and equipment	7	-
Carrying amount ROU assets as at 31 December 2019	59	-

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

During 2019 £11m was added to the ROU assets as a result of entering into new leases which did not exist at the beginning of the year and the remeasurement of existing leases. The depreciation and impairments of ROU assets during the financial year were as follows:

	2019	2018
	£M	£M
Land and buildings	9	-
Plant and equipment	2	-
Depreciation and impairments for ROU assets	11	-

9. INTANGIBLE ASSETS

	Brand licences £M	Customer lists £M	Software £M	Total £M
Cost				
At 1 January 2019	115	2	39	156
Additions	-	-	18	18
Disposals	-	-	(18)	(18)
At 31 December 2019	115	2	39	156
Accumulated amortisation				
At 1 January 2019	69	1	24	94
Charge for the year	4	1	2	7
Disposals	-	-	(18)	(18)
At 31 December 2019	73	2	8	83
Net book value				
At 31 December 2019	42	0	31	73
At 31 December 2018	46	1	15	62

The Company has been granted licences by other group undertakings in respect of several cider brands. Brand licences are amortised over 25 years.

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates or higher discount rates respectively) did not result in a materially different outcome of the impairment test.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****10. INVESTMENTS IN SUBSIDIARIES**

	Investments in subsidiary companies £M
Cost	
At 1 January 2019	2,440
Additions	-
Disposals/repayments	(909)
At 31 December 2019	1,531
Impairment	
At 1 January 2019	422
Reversal of Impairment	-
At 31 December 2019	422
Net book value	
At 31 December 2019	1,109
At 31 December 2018	2,018

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

Details of all subsidiary undertakings (including indirect subsidiaries) of the Company at 31 December 2019 are provided in the appendix to the financial statements (see pages 79 to 84).

11. INTERESTS IN JOINT VENTURES AND ASSOCIATES

The Company has interest in a number of joint ventures and associates. The total carrying amount of these joint ventures and associates was £103m as per 31 December 2019 (2018: £103m).

The investments in associates and joint ventures includes the interest of the Group in United Breweries Limited (UBL) in India. Refer to note 15 of the consolidated financial statements for further detail.

Summarised financial information for joint ventures and associates:

	Joint Ventures £M	Associates £M
Cost		
At 1 January and 31 December 2019	7	96
Impairment		
At 1 January and 31 December 2019	-	-
Net book value		
At 31 December 2019	7	96
At 31 December 2018	7	96

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****12. LOANS AND ADVANCES TO CUSTOMERS**

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

	2019	2018
	£M	£M
Loans to customers	5	9
Advances to customers	16	12
	21	21

13. DEFERRED TAXATION

The deferred taxation balance is made up as follows:

	2019	2018
	£M	£M
Accelerated capital allowances	8	16
Other timing differences	3	3
Tax losses	68	71
	79	90

	Accelerated tax depreciation £M	Tax losses £M	Tax losses £M	Total £M
At 1 January 2018	27	71	4	102
(Charge) to profit and loss	(11)	-	(1)	(12)
At 1 January 2019	16	71	3	90
(Charge) / Credit to profit and loss	(8)	(3)	1	(10)
(Charge) to other comprehensive income	-	-	(1)	(1)
At 31 December 2019	8	68	3	79

The deferred tax asset has been recognised on the basis that it is anticipated that the various components of the asset will be capable of being utilised in future periods.

Deferred tax on capital losses of £12m (2018: £12m) have not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****14. OTHER NON-CURRENT ASSETS**

	2019	2018
	£M	£M
Investments	3	3
Loans to joint ventures and associates	6	2
	9	5

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

15. INVENTORY

	2019	2018
	£M	£M
Raw materials and consumables	8	7
Work in progress	45	44
Finished goods and goods for resale	49	44
	102	95

16. RECEIVABLES

	2019	2018
	£M	£M
Amounts falling due within one year		
Trade receivables	193	171
Funding amounts owed by direct and intermediate parent undertakings and their subsidiaries	6,076	1,773
Trade amounts owed by direct and intermediate parent undertakings and their subsidiaries	1	2
Funding amounts owed by direct and indirect subsidiary undertakings	1,403	1,484
Trade amounts owed by direct and indirect subsidiary undertakings	113	79
Other receivables	-	1
Prepayments and accrued income	18	16
Group relief	63	67
	7,867	3,593

Amounts due by group undertakings are repayable on demand. An annual interest rate of 0.65% (2018: 0.75%) plus LIBOR is charged on outstanding balances per annum. Amounts due by joint ventures bear interest of 4% (2018: 4%) plus LIBOR.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****17. PAYABLES****Amounts falling due after more than one year**

	2019	2018
	£M	£M
Preference shares	116	116
Lease liabilities	50	-
	166	116

Disclosure of the terms and conditions attached to the non-equity shares is made in note 19. In accordance with FRS 101 the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% (2018: 6.5%) are shown under creditors with the balance shown under shareholders' funds.

	2019	2018
	£M	£M
Amounts falling due within one year		
Bank overdrafts	3	7
Trade payables	271	269
Funding amounts owed to direct and intermediate parent undertakings	4,033	3,911
Trade amounts owed to direct and intermediate parent undertakings	194	307
Funding amounts owed to direct and indirect subsidiary undertakings	195	551
Trade amounts owed to direct and indirect subsidiary undertakings	184	123
Amounts owed to joint ventures	-	7
Other taxation and social security	83	84
Other payables	5	9
Accruals and deferred income	33	27
Lease liabilities	11	-
	5,012	5,295

The bank overdrafts are unsecured. The Company is a participant in group cash pooling arrangements.

Amounts due to group undertakings are repayable on demand. An annual interest rate of 0.65% (2018: 0.75%) plus LIBOR is charged on outstanding balances with other UK group undertakings per annum. Various rates are charged on outstanding balances with other group undertakings outside the UK per annum, these rates are: fixed 2.57% (2018: 2.57%) and variable rates of between LIBOR + 0.65 % (2018: 0.65%) and LIBOR + 1.50% (from 3 October 2019, previously LIBOR + 0.75%).

Trade and other payables includes lease liabilities of £15m and £93m due within one year and greater than one year respectively (2018: £nil). The maturity of the lease liabilities and the contractual cash flows are as follows:

	Carrying amount	Contractual cash flows	Less than 1 year	1 – 5 years	More than 5 years
	£M	£M	£M	£M	£M
Lease liabilities	61	92	11	26	24
Total 2019	61	92	11	26	24

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****18. PROVISIONS**

	Onerous leases	Restructuring	Other	Total
	£M	£M	£M	£M
At 1 January 2019	14	18	-	32
Created during the year	-	-	1	1
Released during the year	(7)	-	-	(7)
Utilised during the year	-	(2)	-	(2)
Effects due to change in accounting policy IFRS 16	(3)	-	-	(3)
At 31 December 2019	4	16	1	21

Onerous leases

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

Restructuring

The restructuring provision relates to a significant reorganisation to business support capabilities within the UK. It is expected that this provision will be utilised within the next five years.

Other

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

19. CALLED-UP SHARE CAPITAL

	2019 £M	2018 £M
Shares classified as equity		
Allotted, called-up and fully paid		
1,019,070,089 (2018: 1,019,070,089) Ordinary shares of £1 (2018: £1) each (1,107,147,650 authorised shares)	1,019	1,019
13,376,175 (2018: 13,376,175) 6.5% Preference shares of £2 (2018: £2) each	27	27
	1,046	1,046
Shares classified as debt		
Allotted, called-up and fully paid		
58,050,000 (2018: 58,050,000) 6.5% Preference shares of £2 (2018: £2) each	116	116

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****19. CALLED-UP SHARE CAPITAL (CONTINUED)****6.5% Cumulative Preference Shares**

These shares confer on the holders' priority in the payment of dividends and repayment of capital. The dividends were at the fixed rate of 6.5% per annum until cap reached. Holders of these shares may also be entitled to a further dividend of 0.75% per annum. On a return of capital on winding up or (other than on purchase of shares) otherwise, the holders of the preference shares are entitled in priority to the holders of any other class of shares to the repayment of the amount paid up on their shares. The holders of preference shares are not normally entitled to attend or vote at general meetings of the Company unless the preference dividends are in arrears or if a resolution is to be proposed which affects the rights of the preference shares.

In accordance with FRS 101 the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% are shown under creditors with the balance shown under shareholders' funds.

20. RESERVES**Other reserves**

Other reserves represents cumulative dividends on preference shares treated as debt.

Profit and loss account

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

21. OPERATING LEASE RECEIVABLES

As per introduction of IFRS 16 the company held no finance lessor agreements as at 31 December 2019.

Operating lease arrangements in which the company is the lessor relates to property owned and leased by the company. Income is received through the Statement of Comprehensive Income.

At 31 December 2019 the company had future minimum lease income under non-cancellable operating leases as follows:

	2019 £M	2018 £M
Not later than 1 year*	-	-
Later than 1 year and not later than 5 years*	1	1
Later than 5 years*	1	1
TOTAL	2	2

*The comparative information has not been restated as a result of the initial application of IFRS 16 as discussed in note 2

22. OFF-BALANCE SHEET COMMITMENTS

	2019 £M	Less than 1 year £M	1-5 years £M	More than 5 years £M	2018 £M
Operating lease commitments	-	-	-	-	96
Property, plant and equipment ordered	8	8	-	-	9
Raw materials purchase contracts	3	3	-	-	16
Marketing and merchandising commitments	29	26	3	-	19
Other off-balance sheet obligations	899	146	338	415	882
Off-balance sheet commitments	939	183	341	415	1,022

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****22. OFF-BALANCE SHEET COMMITMENTS (CONTINUED)**

As per the introduction of IFRS 16, operating lease commitments are capitalised on Statement of Financial Position as per 1 January 2019. The discounted future lease commitments are reported under Payables. The contractual maturities for the capitalised leases are included in the table of note 16.

Before 1 January 2019 operating lease commitments were not recognised in the Company's Statement of Financial Position. Payments made under operating leases were charged to Statement of Comprehensive Income on a straight line basis over the term of the lease. The lease commitments contain lease payments for the non-cancellable period of the lease and the period of extension options that are reasonable certain to be exercised.

Other commitments include amounts due under technical service arrangements for maintenance and installation works, primary and secondary logistics contracts, warehousing, supply contracts and other procurement related committed spend.

	2018 £M	Less than 1 year £M	1-5 years £M	More than 5 years £M
Operating lease commitments	96	10	32	54
Property, plant and equipment ordered	9	9	-	-
Raw materials purchase contracts	16	16	-	-
Marketing and merchandising commitments	19	19	-	-
Other off-balance sheet obligations	882	160	331	391
Off-balance sheet commitments	1,022	214	363	445

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

23. PENSION COMMITMENTS**Defined contribution schemes**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to Statement of Comprehensive Income of £10m (2018: £10m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2019, contributions of £nil (2018: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

Defined benefit schemes

Certain employees of the Company are members of the Scottish & Newcastle Limited group pension scheme, which cover several employers in the group. As part of the transition to FRS 101, it has been determined that Scottish & Newcastle Limited is the principal employer of the scheme and therefore the defined benefit pension liability has been reflected on its Statement of Financial Position. However, the Company has been determined to have a constructive obligation to make the payments to the trustees of the scheme, and has historically made these payments, on behalf of Scottish & Newcastle Limited. The latest schedule of contributions was agreed by the Trustees and Scottish & Newcastle Limited in April 2019. The schedule of contributions will be reviewed and jointly agreed by the Trustees and Scottish & Newcastle Limited no later than 15 months after the effective date of each actuarial valuation due every three years. The associated cost of £43m (2018: £42m) has been charged to the Statement of Comprehensive Income of the Company. The net pension scheme liability, to which the Company have an obligation to make payments, is £354m at 31 December 2019 (2018: £300m) as recognised in the Statement of Financial Position of Scottish & Newcastle Limited.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****24. TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES**

	2019	2018
	£M	£M
Joint ventures:		
Purchases	<u>(77)</u>	<u>(73)</u>
	2019	2018
	£M	£M
Associates:		
Sales	2	-
Purchases	<u>(9)</u>	<u>(4)</u>
	2019	2018
	£M	£M
Amounts owed by joint ventures (within receivables)	-	-
Amounts owed to joint ventures (within payables)	<u>-</u>	<u>7</u>

25. EVENTS AFTER THE REPORTING DATE

As noted in the Director's Report on pages 12-13 circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Director's Report details the additional work we have undertaken and factors considered as a result of COVID-19 and confirms our ability to continue on a going concern basis.

The ceasing of trade overnight of the "On-trade", directly affects the "On-trade" sales channel. While the full financial impact of COVID cannot be estimated, the Group are monitoring the recovery and supporting customers and consumers while taking mitigating actions to minimise the financial impact and prospects of the business.

26. ULTIMATE PARENT COMPANY

Refer to note 33 of the consolidated financial statements for information on the Company's immediate and ultimate parent undertaking.

The parent undertaking of the smallest group of undertakings for which group financial statements were drawn up and of which the Company was a member, was Heineken UK Limited., a company registered in Scotland. Copies of its financial statements may be obtained from the Company Secretary, Heineken UK Limited, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, which is also its registered office. Please refer to page 26 of the Group financial statements, detailing the guarantee provided by the Company for its subsidiaries in relation to the subsidiary audit exemption and the dormant subsidiary exemption from the preparation and filing of financial statements.

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****APPENDIX TO THE FINANCIAL STATEMENTS**

List of subsidiaries as at 31 December 2019:

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
Caledonian Brewery Limited ⁽²⁾	Scotland	Ordinary	100%
Heineken UK (Canada) Inc. ⁽⁵⁾	Canada	Ordinary	100%
Heineken UK Group Life Scheme Trust Company Limited ⁽²⁾	Scotland	Ordinary	100%
Newcastle Federation Breweries Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Chiltern) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Loanco (A) Limited ⁽¹⁾	England & Wales	Ordinary	100%
S&N Angel Investments Ltd. ⁽¹⁾	England & Wales	Ordinary	100%
S&NF Limited ⁽²⁾	Scotland	Ordinary	100%
Star Pubs & Bars Limited ⁽²⁾	Scotland	Ordinary	100%

INDIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
Blue Star Pub Company Holdings (No.2) Limited ⁽³⁾	Jersey	Ordinary	100%
Fountain Pub Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
Red Star Pub Company (WR III) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Red Star Pub Company (WR) Limited ⁽²⁾	Scotland	Ordinary	100%
Red Star Pub Company (WRH) Limited ⁽²⁾	Scotland	Ordinary	100%
Red Star Pub Company (WR II) Limited ⁽²⁾	Scotland	Ordinary	100%
Refresh Pub Company (Holdings) Limited ⁽³⁾	Jersey	Ordinary	100%
Blue Star Pub Company Limited ⁽²⁾	Scotland	Ordinary	100%
The Globe Pub Company Limited ⁽¹⁾	England & Wales	Ordinary	100%
Broadway Inns Limited ⁽¹⁾	England & Wales	Ordinary	100%
Scottish & Newcastle Property 3 Limited ⁽¹⁾	England & Wales	Ordinary	100%
Star Pubs & Bars (Property) Limited ⁽¹⁾	England & Wales	Ordinary	100%
ADR Financial Services (Birmingham) Limited ^{(1)*}	England & Wales	Ordinary	100%
ADR Financial Services (Finchley) Limited ^{(1)*}	England & Wales	Ordinary	100%
Agnew Stores (Holdings) Limited ⁽²⁾	Scotland	Ordinary	100%
Agnews Liquorworld Limited ^{(1)*}	England & Wales	Ordinary	100%
Alloa Brewery Company Ltd ⁽²⁾	Scotland	Ordinary	100%
Alloa Pubs & Restaurants Ltd ⁽²⁾	Scotland	Ordinary	100%
Andrew Dick & Sons, Limited ^{(2)*}	Scotland	Ordinary	100%
Ansells Ind Coope (South Wales) Ltd ^{(1)*}	England & Wales	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Country of incorporation	Class of shares	Holding
Ansells Leisure Limited ^{(1)*}	England & Wales	Ordinary	100%
Ansells Limited ^{(1)*}	England & Wales	Ordinary	100%
Ansells Properties Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Archibald Arrol & Sons Ltd ^{(2)*}	Scotland	Ordinary	100%
Ardeer Tavern (unlimited) ^{(2)*}	Scotland	Ordinary	100%
B.W.B. Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Bartlett & Hobbs Limited ^{(1)*}	England & Wales	Ordinary	100%
BK Investments Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Brierley Court Hop Farms Limited ^{(1)*}	England & Wales	Ordinary	100%
Bruce's Brewery (World's End) Limited ^{(1)*}	England & Wales	Ordinary	100%
Bunker Beverage Company Limited ^{(1)*}	England & Wales	Ordinary	100%
Cameron Park Limited ^{(2)*}	Scotland	Ordinary	100%
Caskies of Alloa Limited ^{(2)*}	Scotland	Ordinary	100%
Cavalier Restaurants Ltd ^{(1)*}	England & Wales	Ordinary	100%
Chas Rose & Co.Ltd ^{(1)*}	England & Wales	Ordinary	100%
Cougar Beer Company Limited ^{(2)*}	Scotland	Ordinary	100%
Dalgarno (Wine Cellars) Limited ^{(2)*}	Scotland	Ordinary	100%
Duke's of Argyle Street Limited ^{(2)*}	Scotland	Ordinary	100%
Duke's of Exchange Place Limited ^{(2)*}	Scotland	Ordinary	100%
Friary Meux Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Golisha Limited ^{(2)*}	Scotland	Ordinary	100%
Graham's Golden Lager Ltd ⁽²⁾	Scotland	Ordinary	100%
Guildford Holdings Ltd ^{(1)*}	England & Wales	Ordinary	100%
Halls Brewery Company Limited ^{(1)*}	England & Wales	Ordinary	100%
Hooden Horse Inns Ltd ^{(1)*}	England & Wales	Ordinary	100%
I.C.E.A. Ltd ^{(1)*}	England & Wales	Ordinary	100%
Ind Coope (E.M.) Ltd ^{(1)*}	England & Wales	Ordinary	100%
Ind Coope (London) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ind Coope (West Midlands) Ltd ^{(1)*}	England & Wales	Ordinary	100%
Ind Coope-Friary Meux Limited ^{(1)*}	England & Wales	Ordinary	100%
Inn Business (Marr) Ltd ^{(1)*}	England & Wales	Ordinary	100%
Inn Business (Sycamore) Ltd ^{(1)*}	England & Wales	Ordinary	100%
Inn Business Ltd ^{(1)*}	England & Wales	Ordinary	100%
Inn Business Property Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Ivell Inns Ltd ^{(1)*}	England & Wales	Ordinary	100%
J T & S (Allied) Ltd ^{(1)*}	England & Wales	Ordinary	100%
J. & M. Polson, Limited ^{(2)*}	Scotland	Ordinary	100%
L&P 34 Limited ^{(1)*}	England & Wales	Ordinary	100%
La Societe Brasserie Bleu Limited ^{(1)*}	England & Wales	Ordinary	100%
M Milne Limited ^{(2)*}	Scotland	Ordinary	100%
Marr Holdings Ltd ⁽¹⁾	England & Wales	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Country of incorporation	Class of shares	Holding
Marr Taverns Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Newmarsh Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch (JT) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Beer Brands Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Inns (UK) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Management Services Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch National Brands Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Partnerships (PTL) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Ash) Limited ^{(2)*}	Scotland	Ordinary	100%
Punch Taverns (BS) Company Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns (CMG) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns (DC) Holdings Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (FH) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Fradley) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (IB) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (JPC) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns (Jubilee) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (MH) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (OS) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns (PPCF) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (PR) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Red) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns (RH) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Vintage) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns (VPR) Ltd ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns (Willow) Limited ^{(1)*}	England & Wales	Ordinary	100%
Punch Taverns Finance plc ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Holdco (A) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Holdings Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Intermediate Holdco (A) Limited ⁽¹⁾	England & Wales	Ordinary	100%
Punch Taverns Properties Limited ⁽¹⁾	England & Wales	Ordinary	100%
Rogano Limited ^{(2)*}	Scotland	Ordinary	100%
Scorpio Inns Ltd ^{(1)*}	England & Wales	Ordinary	100%
Skol Lager Limited ^{(1)*}	England & Wales	Ordinary	100%
Strettons Brewery Company Limited ^{(1)*}	England & Wales	Ordinary	100%
Sycamore Taverns Ltd ^{(1)*}	England & Wales	Ordinary	100%
Tetley Limited ^{(1)*}	England & Wales	Ordinary	100%
Tetley Walker Limited ⁽¹⁾	England & Wales	Ordinary	100%
Tetley Walker Production Ltd ^{(1)*}	England & Wales	Ordinary	100%
The Aylesbury Brewery Company Ltd ^{(1)*}	England & Wales	Ordinary	100%
The Pitfield Brewery Company Ltd ^{(1)*}	England & Wales	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****INDIRECT SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Name	Country of incorporation	Class of shares	Holding
The Tetley Pub Company Limited ^{(1)*}	England & Wales	Ordinary	100%
The Wiltshire Brewery Investments Ltd ^{(1)*}	England & Wales	Ordinary	100%
The Wiltshire Brewery Property Company Ltd ^{(1)*}	England & Wales	Ordinary	100%
Thorne Brothers Ltd ^{(1)*}	England & Wales	Ordinary	100%
Tolchard & Son Limited ⁽¹⁾	England & Wales	Ordinary	100%
Tramhill Limited ^{(1)*}	England & Wales	Ordinary	100%
Trent Taverns Ltd ^{(1)*}	England & Wales	Ordinary	100%
United Breweries Ltd ^{(1)*}	England & Wales	Ordinary	100%
Verdon Developments Limited ^{(1)*}	England & Wales	Ordinary	100%
Victoria Wine (Concessions) Limited ^{(1)*}	England & Wales	Ordinary	100%
Walker Cain Ltd ⁽¹⁾	England & Wales	Ordinary	100%
White Rose Inns Limited ^{(1)*}	England & Wales	Ordinary	100%
William Jackson (Sunderland) Ltd ^{(1)*}	England & Wales	Ordinary	100%
Wine Market Limited (The) ^{(1)*}	England & Wales	Ordinary	100%

HEINEKEN UK LIMITED**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)****PARTICIPATING INTERESTS****JOINT VENTURES AND ASSOCIATES**

Name	Principal activity	Country of incorporation⁽¹⁷⁾	Class of shares	Holding	Year-end
Brixton Brewery Limited ⁽⁹⁾	Brewery	England & Wales	Ordinary	49%	30 Sep
Cameron's Brewery Limited ⁽⁴⁾	Brewery	England & Wales	Ordinary	24%	30 Apr
Coors On-Line Limited ⁽¹¹⁾	Financing	England & Wales	Ordinary	27%	31 Dec
Serviced Dispense Equipment (Holdings) Limited ⁽⁶⁾	Technical services	England & Wales	Ordinary	49.95%	29 Dec
TP & Munch Limited ⁽¹⁰⁾	Brewery	England & Wales	Ordinary	49%	31 Mar
T. & R. Theakston Limited ⁽⁷⁾	Brewery	England & Wales	Ordinary	28.3%	31 Dec
United Breweries Limited ⁽⁸⁾	Brewery	India	Ordinary	3.21%	31 Mar

HEINEKEN UK LIMITED

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

APPENDIX TO THE FINANCIAL STATEMENTS (CONTINUED)

Registered address of investments:

- (1) Registered address of Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE
- (2) Registered address of 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ
- (3) Registered address of Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG
- (4) Registered address of Main Gate House, Waldon Street, Hartlepool, Cleveland, TS24 7QS
- (5) Registered address of 33 Carlingview Drive, Etobicoke ON M9W 5E4, Canada
- (6) Registered address of Maltings Building, Leeds Road, Tadcaster, North Yorkshire, LS24 9HB
- (7) Registered address of The Brewery, Masham, Ripon, North Yorkshire, HG4 4YD
- (8) Registered address of UB Tower, Level 4, UB City, 24 Vittal Mallya Road, Bangalore (Karnataka), 560 001, India
- (9) Registered address of Unit 1&2, Dylan Road, London, SE24 0HL
- (10) Registered address of Unit 17 and 18, Lockwood Industrial Estate, Mill Mead Road, London, N17 9PQ
- (11) Registered address of 137 High Street, Burton On Trent, Staffordshire, DE14 1JZ

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

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

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

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

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

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