

**Registered number: SC194006**

**RED STAR PUB COMPANY (WR) LIMITED**

**UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**RED STAR PUB COMPANY (WR) LIMITED**

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**RED STAR PUB COMPANY (WR) LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	C J Moore L J W Mountstevens S M Paterson
<b>Registered number</b>	SC194006
<b>Registered office</b>	3-4 Broadway Park South Gyle Broadway Edinburgh EH12 9JZ United Kingdom

## **RED STAR PUB COMPANY (WR) LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their annual report and the financial statements of Red Star Pub Company (WR) Limited (the "company") for the year ended 31 December 2019. The company is a wholly owned subsidiary of Star Pubs & Bars Limited. The ultimate parent company at the year end is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L de Carvalho-Heineken. Heineken N.V and subsidiary undertakings form 'the group', with Heineken N.V. heading up the largest company into which the results of the company are consolidated.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is the rental and management of public houses which are utilised in the supply of goods by fellow group undertakings.

### **DIRECTORS**

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

D M Forde (resigned on 31 July 2020)

C J Moore

L J W Mountstevens

S M Paterson (appointed on 24 April 2019)

D J Tannahill (resigned on 24 April 2019)

### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £1,827k (2018: £1,503k). The increase in profit is attributable to the fall in administrative expenses and interest payable on intercompany loans, driven by a lower bad debt provision during the year and the reduction of interest rate charged on intercompany loans.

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

### **FINANCIAL RISK MANAGEMENT POLICY**

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

#### **Credit risk**

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides goods and services on deferred credit terms.

Company policies are aimed at minimising such losses and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure the company's exposure to bad debts is not significant.

The company is exposed to credit risk in respect of trade debtors, however given the spread of the company's customers, credit risk is believed to be limited. Where practical, security is taken on property owned by trade loan counterparties.

#### **Liquidity risk**

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

### **FUTURE DEVELOPMENTS**

The company expects to continue its principal activity of the rental and management of public houses which are utilised in the supply of goods by fellow group undertakings for the foreseeable future.

## **RED STAR PUB COMPANY (WR) LIMITED**

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

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these remain in force at the date of this report.

#### **UK WITHDRAWAL FROM THE EU**

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

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

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

All of our pubs are UK based. We are less reliant on imports and our direct (or indirect) parent entity has robust UK production capabilities. We have taken steps to map our supply chain and are working with our suppliers to ensure adequate stocks are available in advance of Brexit.

While being carefully monitored, the risk of Brexit is therefore considered limited.

#### **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 company to demonstrate resilience and adaptability in the face of considerable challenge and uncertainty. The closure of pubs, restaurants and bars on 23 March has significantly impacted the operating performance of the UK Group and company in 2020.

The UK Group and company has focused its response in three areas – the health, safety and wellbeing of stakeholders; the continuity of business operations; and finally, the mitigation of financial impact. All considerations have been addressed in the consolidated financial statements of Heineken UK Limited. The Heineken UK Group management team convened on a bi-weekly basis to manage business operations and interests guided by these principles and regularly communicated its decisions and actions to employees.

Along with our other pub businesses within the UK Group the company worked with its pub 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 cashflow relief through rent concessions and suspensions and practical advice through its bespoke website – the Pub Collective. Rent concessions of £437k were granted by the company, with £21,000k granted in total by the wider Heineken UK Group. As restrictions eased, the Group have 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. 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.

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.

## **RED STAR PUB COMPANY (WR) LIMITED**

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

#### **GOING CONCERN**

The financial position of the company is set out in the Statement of Financial Position on page 7 of the financial statements. The company has net current liabilities of £23,858k at 31 December 2019 (2018: £25,777k). The net current liability position is due to amounts owed to fellow group undertakings within the next 12 months of £83,605k (2018: £57,091k), the demand for repayment of which is entirely within the control of the group.

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

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

As disclosed in the consolidated financial statements of Heineken UK Limited, the outstanding liabilities at 31 December 2019 of the company has been guaranteed by Heineken UK Limited.

Additionally, Heineken International B.V., an intermediary parent company, has confirmed that they do not intend to request a repayment of borrowings granted to fellow UK group companies under existing agreements for at least 12 months from the date of this report.

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

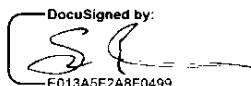
#### **SMALL COMPANIES EXEMPTION**

The directors have taken advantage of the small companies exemption provided by section 414B of the Companies Act 2006 and not provided a Strategic Report.

#### **EXEMPTION FROM AUDIT**

For the year ended 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

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

DocuSigned by:  
  
E013A5F2A8F0499

**S M Paterson**  
Director

## **RED STAR PUB COMPANY (WR) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**RED STAR PUB COMPANY (WR) LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 £000</b>	<b>2018 £000</b>
Turnover	4	<b>7,625</b>	7,386
Cost of sales		<b>(2,865)</b>	(2,624)
<b>Gross profit</b>		<b>4,760</b>	4,762
Administrative expenses		<b>(1,720)</b>	(1,892)
<b>Operating profit</b>	5	<b>3,040</b>	2,870
Interest payable and similar expenses	8	<b>(795)</b>	(900)
<b>Profit before tax</b>		<b>2,245</b>	1,970
Tax on profit	9	<b>(418)</b>	(467)
<b>Profit for the financial year</b>		<b>1,827</b>	1,503

Profits are derived from continuing operations.

The notes on pages 9 to 24 form part of these financial statements.



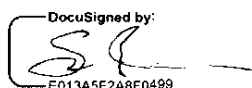
**RED STAR PUB COMPANY (WR) LIMITED**  
**REGISTERED NUMBER: SC194006**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	10	29,936	30,082
<b>Current assets</b>			
Assets held for sale	11	-	233
Debtors: amounts falling due after more than one year	12	113	113
Debtors: amounts falling due within one year	12	64,676	35,592
Cash and bank		13	13
		<u>64,802</u>	<u>35,951</u>
Creditors: amounts falling due within one year	13	<u>(88,660)</u>	<u>(61,728)</u>
<b>Net current liabilities</b>		<b>(23,858)</b>	<b>(25,777)</b>
<b>Total assets less current liabilities</b>		<b>6,078</b>	<b>4,305</b>
Creditors: Amounts falling due after more than one year	13	(12)	-
Other provisions	15	<u>(4)</u>	<u>(70)</u>
<b>Net assets</b>		<b>6,062</b>	<b>4,235</b>
<b>Capital and reserves</b>			
Called-up share capital	16	-	-
Profit and loss account	17	<u>6,062</u>	<u>4,235</u>
<b>Total equity</b>		<b>6,062</b>	<b>4,235</b>

For the year ended 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

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

DocuSigned by:  
  
 E013A5F2A8F0499

**S M Paterson**  
 Director

The notes on pages 9 to 24 form part of these financial statements.

**RED STAR PUB COMPANY (WR) LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Called-up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2019	-	4,235	4,235
Profit for the financial year and total comprehensive income	-	1,827	1,827
<b>At 31 December 2019</b>	<b>-</b>	<b>6,062</b>	<b>6,062</b>

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

	<b>Called-up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2018	-	2,732	2,732
Profit for the financial year and total comprehensive income	-	1,503	1,503
<b>At 31 December 2018</b>	<b>-</b>	<b>4,235</b>	<b>4,235</b>

The notes on pages 9 to 24 form part of these financial statements.

## RED STAR PUB COMPANY (WR) LIMITED

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

#### 1. GENERAL INFORMATION

Red Star Pub Company (WR) Limited (the "company") is engaged in the rental and management of public houses which are utilised in the supply of goods by fellow group undertakings. The company is a private company limited by shares and is incorporated in the United Kingdom under Companies Act 2006 and 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, which is the company's functional and presentational currency.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Heineken UK Limited. The group financial statements of Heineken UK Limited are available to the public and can be obtained as set out in note 20.

#### **Adoption of new and revised standards**

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

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

#### **IFRS 16 Leases**

The company has implemented IFRS 16 'Leases' as at 1 January 2019, replacing existing guidance on leases (including IAS 17). The adoption of IFRS 16 has changed the accounting for leases as under the new standard all operating lease contracts are recognised on the company's Statement of Financial Position by recognising a right of use ("ROU") asset, a lease receivable and lease liability, except for short term and low value leases. Lease expenses previously recorded in the company's Statement of Comprehensive Income are replaced by depreciation and interest income and expenses for all lease contracts in scope of the standard. Refer to note 2.16 for the accounting policy on leases.

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

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

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

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

As a result of applying IFRS 16, the company recognised £12k of ROU assets and £12k of lease liabilities as at 1 January 2019 relating to headlease and subleased land and buildings. There is no material impact on retained earnings as at 1 January 2019 following the adoption of IFRS 16. The lease liabilities are included within creditors.

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 3.2%.

**RED STAR PUB COMPANY (WR) LIMITED**

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

**1. GENERAL INFORMATION (CONTINUED)**

**Adoption of new and revised standards (continued)**

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

**IFRS 16 Leases (continued)**

During 2019, the company reported no depreciation or impairment of ROU assets and no interest costs on lease liabilities. In 2018, operating lease expenses were reported under administrative expenses.

In the current year, the company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. 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 company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

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

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

**Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs**

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

**IAS 12 Income Taxes**

The amendments clarify that the company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the company originally 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.

**RED STAR PUB COMPANY (WR) LIMITED**

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

**1. GENERAL INFORMATION (CONTINUED)**

**Adoption of new and revised standards (continued)**

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

**IFRIC 23 Uncertainty over Income Tax Treatments**

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

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

**2. ACCOUNTING POLICIES**

**2.1. Basis of preparation of financial statements**

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

**RED STAR PUB COMPANY (WR) LIMITED**

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

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.1. Basis of preparation of financial statements (continued)**

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

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

The principal accounting policies adopted are set out below:

**2.2. Going concern**

The financial position of the company is set out in the Statement of Financial Position on page 7 of the financial statements. The company has net current liabilities of £23,858k at 31 December 2019 (2018: £25,777k). The net current liability position is due to amounts owed to fellow group undertakings within the next 12 months of £83,605k (2018: £57,091k), the demand for repayment of which is entirely within the control of the group.

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 4.

**2.3. Revenue**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised.

*Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on delivery of the goods.

*Rendering of services*

Revenue from the management of public houses is recognised following the performance of the service.

**2.4. Operating leases: Lessor (applicable for 2018)**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Rentals received under operating leases are credited to the Statement of Comprehensive Income on a straight line basis over the lease term.

**2.5. Operating leases: Lessee (applicable for 2018)**

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**RED STAR PUB COMPANY (WR) LIMITED**

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

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.6. Tangible fixed assets**

Tangible fixed assets are carried at cost, less accumulated depreciation and any provision for impairment.

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

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

- Freehold property is not depreciated
- Buildings are depreciated to their estimated residual values over 40 years\*
- Fixtures and fittings are depreciated to their estimated residual values over 5 years\*

\*Buildings and related assets held on lease are depreciated over the shorter of their useful economic life or the unexpired term of the lease.

The estimated useful lives, residual values and depreciation method 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 tangible fixed assets 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.

**2.7. Assets held for sale**

Tangible fixed assets 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.

**2.8. Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.9. Cash and bank**

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

**2.10. Financial instruments**

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

**Financial assets**

The company classifies all of its financial assets as loans and receivables.

**RED STAR PUB COMPANY (WR) LIMITED**

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

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.10. Financial instruments (continued)**

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**Other financial liabilities**

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

**Financial liabilities at amortised cost**

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

**2.11. Creditors**

Creditors represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.12. Finance costs**

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

**2.13. Interest income**

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



## **RED STAR PUB COMPANY (WR) LIMITED**

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

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

##### **2.14. Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

##### **2.15. Current and deferred taxation**

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

##### **2.16. Leases**

###### **Definition of a lease**

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

###### **The company as a lessee**

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

## **RED STAR PUB COMPANY (WR) LIMITED**

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

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

### **2.16. Leases (continued)**

#### **The company as a lessee (continued)**

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

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

#### **The company as a lessor**

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

### **2.17. Lease liabilities**

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

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

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

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

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

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

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

### **Sources of estimation uncertainty**

The preparation of the financial statements requires the company to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumption or conditions. The directors believe there are no key areas of estimation uncertainty in preparing these financial statements.

### **Critical accounting estimates and judgements**

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

**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY (CONTINUED)****Critical accounting estimates and judgements (continued)**

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

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

- **Property, Plant and Equipment**  
As part of a review of property, plant and equipment, the use of pub assets was considered and it was determined by the company that the property, plant and equipment did not meet the definition of an Investment Property and therefore are treated and discussed as property, plant and equipment in the Financial Statements. The principal reason for holding the property, plant and equipment is to generate Beer and Cider sales and not for long term investment gains.
- **Lease term and incremental borrowing rate**  
Significant judgement is required to determine the lease term and the incremental borrowing rate. The assessment of whether the company is reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

**4. ANALYSIS OF TURNOVER**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Sale of goods	<b>5,340</b>	5,311
Rendering of services	<b>2,284</b>	2,075
	<b><u>7,624</u></b>	<u>7,386</u>

All revenue arose within the United Kingdom.

**5. OPERATING PROFIT**

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets (note 10)	<b>774</b>	736
(Gain)/loss on disposal of tangible fixed assets	<b><u>(10)</u></b>	<u>67</u>

**6. AUDITOR'S REMUNERATION**

The company was entitled to exemption from audit under section 479A of the Companies Act 2006 and therefore incurred no audit fees in 2019 (2018: £nil). No non-audit services were provided to the company in the current and previous year.

**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****7. EMPLOYEES**

The company has no employees (2018: none). Directors' remuneration is borne by other group companies in both the current and prior years as they are employed by other group companies.

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2019</b>	2018
	<b>£000</b>	£000
Interest payable to group companies	<b>782</b>	899
Other interest payable	<b>13</b>	1
	<b>795</b>	900

**9. TAX ON PROFIT**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Corporation tax</b>		
Current tax on profit for the year	<b>401</b>	395
Adjustments in respect of prior years	<b>17</b>	42
<b>Total current tax</b>	<b>418</b>	437
<b>Deferred tax</b>		
Current year	<b>24</b>	66
Adjustment in respect of previous periods	<b>(24)</b>	(29)
Effect of changes in tax rates	<b>-</b>	(7)
<b>Total deferred tax</b>	<b>-</b>	30
<b>Total tax charge for the year</b>	<b>418</b>	467

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

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

	<b>2019</b>	2018
	<b>£000</b>	£000
Profit before tax	<b>2,245</b>	1,970
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	<b>427</b>	374
<b>EFFECTS OF:</b>		
Fixed asset differences	<b>(3)</b>	87
Additional deduction for land	<b>(2)</b>	
Adjustments in respect of prior years	<b>(7)</b>	13
Expenses not deductible for tax purposes	<b>6</b>	-
Tax rate changes	<b>(3)</b>	(7)
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>418</b>	467

**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****9. TAX ON PROFIT (CONTINUED)****FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The Finance (No. 2) Act 2015 and The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the Statement of Financial Position date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax asset would have been £6k higher.

**10. TANGIBLE ASSETS**

Freehold property, buildings and fixtures and fittings are tangible assets that are owned by the company, while Right Of Use (ROU) assets are under a lease agreement. Owned and ROU assets are held for use in the company's operating activities.

	<b>2019</b>	2018
	<b>£000</b>	£000
Freehold property, buildings and fixtures and fittings	<b>29,924</b>	30,082
Right Of Use (ROU) assets	<b>12</b>	-
<b>Tangible assets</b>	<b><u>29,936</u></b>	<b><u>30,082</u></b>
		<b>Freehold property, buildings, fixtures and fittings</b>
		<b>£000</b>
<b>Cost or valuation</b>		
At 1 January 2019		<b>32,772</b>
Additions		<b>2,002</b>
Disposals		<b>(642)</b>
Transfer to assets held for sale (note 11)		<b><u>(1,458)</u></b>
<b>At 31 December 2019</b>		<b><u>32,674</u></b>
<b>Accumulated depreciation</b>		
At 1 January 2019		<b>2,690</b>
Charge for the year		<b>774</b>
Disposals		<b>(574)</b>
Transfer to assets held for sale (note 11)		<b><u>(140)</u></b>
<b>At 31 December 2019</b>		<b><u>2,750</u></b>
<b>Net book value</b>		
<b>At 31 December 2019</b>		<b><u>29,924</u></b>
<b>At 31 December 2018</b>		<b><u>30,082</u></b>

All assets are leased out, with the exception of a small number of properties currently vacant.

**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****10. TANGIBLE ASSETS (CONTINUED)****Right Of Use (ROU) assets**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Land and buildings	<u>12</u>	<u>-</u>
<b>Carrying amount ROU assets as at 31 December 2019</b>	<u><b>12</b></u>	<u><b>-</b></u>

Land and buildings	-	-
<b>Depreciation and impairments for ROU assets as at 31 December 2019</b>	<u><b>-</b></u>	<u><b>-</b></u>

**11. ASSETS HELD FOR SALE**

<b>Cost or valuation</b>	<b>£000</b>
At 1 January 2019	<b>257</b>
Disposals	<b>(1,715)</b>
Transfer from tangible assets (note 10)	<b>1,458</b>
<b>At 31 December 2019</b>	<u><b>-</b></u>

<b>Accumulated depreciation</b>	
At 1 January 2019	<b>24</b>
Disposals	<b>(164)</b>
Transfer from tangible assets (note 10)	<b>140</b>
<b>At 31 December 2019</b>	<u><b>-</b></u>

<b>Net book value</b>	
<b>At 31 December 2019</b>	<u><b>-</b></u>
At 31 December 2018	<u><b>233</b></u>

**12. DEBTORS**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year</b>		
Deferred tax asset (note 14)	<u><b>113</b></u>	<u><b>113</b></u>

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Trade debtors	<b>397</b>	<b>893</b>
Amounts owed by group undertakings	<b>64,268</b>	<b>34,507</b>
Other debtors	<b>6</b>	<b>184</b>
Prepayments and accrued income	<b>5</b>	<b>8</b>
	<u><b>64,676</b></u>	<u><b>35,592</b></u>

**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****12. DEBTORS (CONTINUED)**

Amounts owed by group undertakings are unsecured and repayable on demand. Balances considered to be of a funding nature accrue interest at 0.65% (2018: 0.75%) plus LIBOR per annum. Whereas no interest is charged on balances considered of a trading nature.

**13. CREDITORS**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Amounts falling due after more than one year</b>		
Lease liabilities	<u>12</u>	<u>-</u>
	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Amounts falling due within one year</b>		
Trade creditors	31	-
Amounts owed to group undertakings	83,605	57,091
Other creditors	980	1,008
Accruals and deferred income	149	152
Group relief payable	<u>3,895</u>	<u>3,477</u>
	<u><b>88,660</b></u>	<u><b>61,728</b></u>

Amounts owed to group undertakings are unsecured and repayable on demand. Balances considered to be of a funding nature accrue interest at 0.65% (2018: 0.75%) plus LIBOR per annum. Whereas no interest is charged on balances considered of a trading nature.

Analysis of maturity of lease liabilities:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Lease liabilities	12	339	-	-	12
<b>Total 2019</b>	<u><b>12</b></u>	<u><b>339</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>12</b></u>

**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****14. DEFERRED TAXATION**

	<b>Deferred tax £000</b>
At 1 January 2019	113
Credited to the Statement of Comprehensive Income	24
Adjustment in respect of prior years	(24)
<b>At 31 December 2019</b>	<b>113</b>

In respect of prior year:

	<b>Deferred tax £000</b>
At 1 January 2018	143
Charged to the Statement of Comprehensive Income	(59)
Adjustment in respect of prior years	29
<b>At 31 December 2018</b>	<b>113</b>

The deferred tax asset is made up as follows:

	<b>2019 £000</b>	<b>2018 £000</b>
Fixed assets	89	76
Temporary differences trading	24	37
	<b>113</b>	<b>113</b>

Deferred tax assets of £5,873k (2018: £5,360k) have not been recognised in respect of capital losses carried forward as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

**15. PROVISIONS**

	<b>Insurance claims £000</b>
At 1 January 2019	70
Provision created	62
Provision released	(59)
Provision utilised	(69)
<b>At 31 December 2019</b>	<b>4</b>

A provision was required in the prior year to cover the future predicted losses on a leasehold property. This provision was released in the current year.



**RED STAR PUB COMPANY (WR) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****16. CALLED-UP SHARE CAPITAL**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Authorised, allotted, called-up and fully paid</b>		
2 (2018: 2) Ordinary shares of £1 (2018: £1) each	-	-

**17. RESERVES****Profit and loss account**

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

**18. 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 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 Company had future minimum lease income under non-cancellable operating leases as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Not later than 1 year*	<b>1,472</b>	1,692
Later than 1 year and not later than 5 years*	<b>2,747</b>	3,614
Later than 5 years*	<b>1,655</b>	1,600
<b>TOTAL</b>	<b>5,874</b>	6,906

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

**19. POST BALANCE SHEET EVENTS**

As noted in the Directors' Report on page 3, the circumstances resulting from COVID-19 created an unprecedented level of uncertainty. Our Directors' 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.

**RED STAR PUB COMPANY (WR) LIMITED**

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

**20. ULTIMATE PARENT COMPANY**

The immediate parent company as at the Statement of Financial Position date is Star Pubs & Bars Limited, a company registered in Scotland. Copies of its financial statements can be obtained from the Company Secretary, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, which is also its registered office.

The ultimate parent undertaking at the Statement of Financial Position date is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L de Carvalho-Heineken. Heineken N.V., a company registered in The Netherlands is the parent for the largest 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.

The parent undertaking at the Statement of Financial Position date, which was 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. Group financial statements for this company may be obtained from the Company Secretary, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, which is also its registered office.