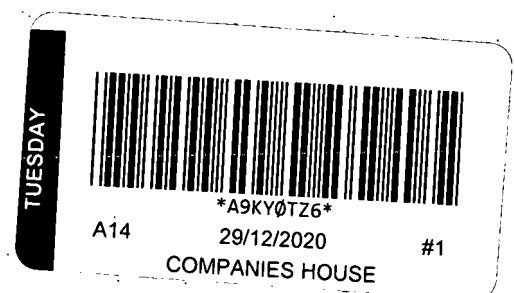


Registration number: 00026018

MOLSON COORS BREWING COMPANY (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019



MOLSON COORS BREWING COMPANY (UK) LIMITED

CONTENTS

| | |
|---|---------|
| Company Information | 1 |
| Strategic Report | 2 - 8 |
| Report of the Directors | 9 - 10 |
| Independent Auditors' Report | 11 - 14 |
| Income Statement | 15 |
| Statement of Comprehensive Income | 16 |
| Statement of Changes in Equity | 17 - 18 |
| Statement of Financial Position | 19 |
| Notes to the Financial Statements | 20 - 46 |

MOLSON COORS BREWING COMPANY (UK) LIMITED

COMPANY INFORMATION

Company number 00026018

Registered office 137 High Street
Burton upon Trent
Staffordshire
DE14 1JZ

Directors R Eveson
P Whitehead
A Pickering

Company secretary A Procter

Independent auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Herald Way
East Midlands
DE74 2UZ

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for the financial year ended 31 December 2019.

Principal activities

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

Sales are primarily in England and Wales led by the Carling brand (a mainstream lager). Other brands distributed include Coors Light, Doom Bar, Cobra, Worthington's and Rekorderlig Cider.

The Company has a joint arrangement for the production and distribution of Cobra brands in the UK and Republic of Ireland, distribution rights for the Bavaria & Rekorderlig brands in the UK, factored brand sales (beverage brands owned by other companies, but sold and delivered to retailers by the Company), a 100% investment in Sharps Brewery Limited which owns the Doom Bar brand, and 100% investment in Aspoll Holdings Limited which owns the Aspoll Cyder brand.

On 17th September 2019, Asahi issued Molson Coors Brewing Company (UK) Limited with a Notice of Termination in relation to the Grolsch distribution and joint venture agreement. As a result, Molson Coors Brewing Company (UK) Limited terminated the brewing and distribution of the Grolsch brand. A special resolution to wind up the joint venture arrangement was passed on 12th May 2020 and a voluntary liquidator was appointed.

Review of the business

In 2019, the UK beer market was up 1.1% in total volume compared to the previous year, with the on premise down 0.8% and the off premise up 2.7%. There was a continued high level of competitive activity in the off premise in particular and as a result the Company delivered slightly decreased sales of £1,446,831,000 (2018: £1,449,268,000), a fall of 0.2% (2018: rise of 1.8%).

The Company remains focused on its core strategy of building strong brands for the long-term and focussing on the strategy of being first choice for customers and consumers.

Operating profit for the year was £36,763,000 (2018: £16,274,000).

The Company incurred exceptional costs of £2,444,000 (2018: £4,153,000) during the year relating to restructuring of our operations. This was principally restructuring costs incurred for Burton South brewery following the decision to close the facility in November 2015.

Profit before taxation saw a period on period rise to £42,095,000 (2018: £21,567,000). This increase was mainly a result of a combination of strong performance in pension scheme assets and continuing focus on cost management.

The Company is performing ongoing evaluations of the impact of Brexit on the business. Majority of the Company's products are produced and packaged in the UK, hence there is no significant risks. For primary imported brands and raw materials, the Company has increased the stock holdings to ensure we are able to continue to sell to and service our customers.

Covid 19

The Directors have considered the impact of the Covid crisis to the business. In early 2020 the Covid-19 outbreak spread to the UK which resulted in a downturn in the on trade business. On 23rd March 2020 the UK Government declared a lockdown as part of the measures to slow the spread of Covid-19. This lockdown required all hospitality venues to close until 4th July 2020. The business reacted to this by closing non-essential breweries, furloughing impacted staff and restricting production to prioritise key off trade product lines. On 4th July the government allowed on trade outlets to reopen with strict social distancing measures. As a result, all breweries were reopened and the majority of staff returned to work. On 5th November 2020 the Government announced a second lockdown again closing all hospitality venues. Whilst some hospitality venues have been allowed to reopen on 2nd December the ongoing restrictions and market are still extremely challenging.

The Directors have considered whether the decline in trade has resulted in an impairment to the business. The Directors have determined that the impact is short term and that the market will recover once the current crisis is over. As this is not a permanent diminution in value, they have determined that there is no impairment of any long lived assets and that this is a non adjusting post balance sheet event.

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Going concern

The Directors have performed an assessment of the UK businesses' ability to continue as going concern for a period of at least 12 months from the date of approval of these accounts with a focus on adequate cash reserves to fund operations. In order to make this assessment a forecast for the UK group up to the period ending 31 December 2021 has been prepared. This forecast has considered the impact of the ongoing partial closure of the UK hospitality sector and the resulting cash requirements. A reasonable severe but plausible scenario has been modelled to determine whether the business has sufficient cash to continue operating until the end of 2021. This model demonstrates that in a reasonable severe but plausible scenario the business is likely to require short term material additional cash funding during early 2021. The directors have obtained access to various funding options if required, which includes extension of the existing bank overdraft arrangements, access to the Covid Corporate Financing Facility, access to a BMG cash pooling facility and funding from group.

In addition, the directors have received confirmation from the Company's ultimate parent undertaking that the Company will receive the required support in order to meet its liabilities as they fall due for a period of not less than 12 months from the approval date of these financial statements. As a result, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Summary of key performance indicators

The Company's key performance indicators are turnover and profit before taxation. The financial performance is summarised as follows:

| | Year ended 31 December | | | |
|------------------------|------------------------|---------------|-----------------|-------|
| | 2019 £'000 | 2018 £'000 | Change £'000 | % |
| Turnover | 1,446,831 | 1,449,268 | (2,437) | (0.2) |
| Gross profit | 231,462 | 224,666 | 6,796 | 3.0 |
| Profit before taxation | 42,095 | 21,567 | 20,528 | 95.2 |
| Net assets | 352,795 | 313,805 | 38,990 | 12.4 |

The Company saw an increase in sales volumes during the year however continuing challenges in pricing in the off-trade market has resulted in a slight decrease in turnover.

Despite the challenging trading condition, the Company maintained a strong profit before taxation and a slight increase in net assets.

Future developments

The Company focus in 2021 will be to manage the business through recovery post the Covid crisis and continuing to focus on delivering our ambition to be first choice for consumers and customers and is making good progress in building a growing portfolio. During this period it has increased its focus on energising core brands whilst growing the portfolio.

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

Principal risks and uncertainties

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

Impact of Covid-19 on the beer market

The Covid-19 pandemic and closure of the on trade has resulted in a significant reduction in profitability to the business. Management are performing detailed forecasting to determine the cash need of the business and ensure there is appropriate cash arrangement in place to support any short term cash shortfalls.

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Impact of Brexit on the business

The Company is performing ongoing evaluations of the impact of Brexit on the business. Majority of the Company's products are produced and packaged in the UK, hence there is no significant risks. For primary imported brands and raw materials, the Company has increased the stock holdings to ensure we are able to continue to sell to and service our customers.

We depend exclusively on one logistics provider for distribution of our products in the United Kingdom

Tradeteam handles all of the physical distribution for the Company in the UK, except where a different distribution system is requested by a customer. If Tradeteam were unable to continue distribution of our product and we were unable to find a suitable replacement in a timely manner, we could experience significant disruptions in our business that could have an adverse financial impact.

Sales volume trends in the UK brewing industry reflect movement from on premise locations to off premise locations, a trend which adversely impacts our profitability

In recent years, beer volume sales in the UK have been shifting from pubs and restaurants (on premise) to retail stores (off premise), for the industry in general. Margins on sales to off premise customers tend to be lower than margins on sales to on premise customers. As a result, continuation or acceleration of this trend could adversely impact our profitability.

Our success as a business depends largely on the success of one primary product in a mature market; failure or weakening could materially adversely affect our financial results

Although we currently have a variety of different products in our portfolio, Carling lager is the best-selling lager brand in the United Kingdom. Any material shift in consumer preferences away from this brand, or from the categories in which it competes, would have a disproportionately large adverse impact on our business.

Changes in tax, environmental or other regulations or failure to comply with existing licensing, trade and other regulations could have a material adverse effect on our financial condition

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

Our operations face significant commodity price change exposure which could materially and adversely affect our operating results

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

Poor investment performance of pension plan holdings and other factors impacting pension plan costs could adversely impact liquidity and results of operations

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

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Financial risk management

The Company's operations expose it to a variety of financial risks that include currency risk, credit risk, commodity risk, liquidity risk and interest rate cash flow risk. The Company has in place financial risk management control processes that seek to limit the adverse effects of financial performance of the Company by monitoring levels of trade debtors and creditors. Overseas suppliers and customers are monitored, though dealings with overseas suppliers and customers are limited, hence minimising the Company's exposure to currency risk. The Company uses derivative financial instruments to manage currency risk and commodity risk exposure in the form of forward purchase contracts. The Company is funded through various intra-group loans, details of which are provided in the notes to the financial statements.

Currency risk

The Company undertakes few transactions in foreign currency and its exposure to currency risk is considered to be minimal. From time to time, the Company minimises exposure to currency risk by entering into forward contracts to purchase foreign currency at fixed exchange rates.

Commodity risk

The Company purchases a variety of commodities for use in the production process. In the current period, forward contracts for the purchase of diesel and natural gas have been used to minimise the risk caused by price fluctuations in the markets for those commodities.

Credit risk

Policies are in place that require appropriate credit checks to be completed in respect of potential customers before sales are made. The Company's policies also require continued contact with customers after sales have been made. The amount of exposure to any individual counter party is subject to a limit, and the limit is reassessed by senior management on a regular basis.

Liquidity risk

Management actively monitor working capital and ensure that the Company has sufficient available funds for operations and meeting its debts as they fall due.

Interest rate cash flow risk

The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include trade loans and cash balances. Interest bearing liabilities include bank overdrafts and intercompany debt. The Company has a policy of maintaining debt at a fixed rate to ensure certainty of future cash flows. This is in line with group policy.

Corporate Governance Code

The Molson Coors Corporate Governance Code is applied across the entire enterprise, and is available at <https://www.molsoncoors.com/about/governance-and-ethics>. Molson Coors Brewing Company (UK) Limited – recently re-branded as Molson Coors Beverage Company – is no exception to this, and has not departed from this code over the course of 2019. Readers will note that a wide variety of issues are covered on a global basis, but certain UK-specific items apply also, which are again available at the above URL.

Promoting the Success of the Business

The directors, and leadership generally, of the Molson Coors UK group of companies (of which Molson Coors Brewing Company (UK) Limited ("MCBCUK") is the main trading company) are aware of their responsibilities as prescribed by the Companies Act 2006. These duties, alongside Molson Coors' corporate governance code and employee values are the guiding principles in how the business is managed.

As at writing, the UK business forms part of a wider 'Western Europe' business unit, currently encompassing activities in the UK, Republic of Ireland, Italy and Spain, and is led by a Regional Leadership team accountable for the success of each of these businesses. For a large part of 2019, the UK and Republic of Ireland businesses were managed by a Country Leadership Team. In both cases, this team is composed of a mix of statutory

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

directors, but also non-statutory business function directors. In all cases, the personnel who fulfilled these positions were and are aware of their duties pursuant to the Companies Act 2006.

This section in particular addresses the material actions and decisions which the leadership took in discharging their duties pursuant to section 172 of the Companies Act 2006; namely, the duty to consider the interests of various stakeholders in the success of the business.

Product Categories

MCBCUK has historically performed, and continues to perform, strongly in the standard and standard-premium beer category with brands such as Carling and Coors Light. These brands continue to perform but given the growing consumer trend towards premium and above-premium products and occasions, the business has been carefully expanding its portfolio to grow share in those categories also. The acquisition of Aspull Cider, buyback of the UK distribution rights to Staropramen and acquisition of the distribution rights to Rekorderlig ciders were key strategic plays and those brands continued to receive focus as key components of the strategy not only to premium product categories, but also in diversifying Molson Coors' portfolio. The Molson Coors enterprise leadership in the US has stated publicly in changing the group's name to 'Molson Coors Beverage Company' that there is an intent to grow beyond beer, and this is again reflected in the considerations which the UK leadership have taken into account in managing the business.

People

MCBCUK is committed to ensuring that its pension company is properly funded and 2019 presented no risks to the pension contributions. Additionally, in 2019, MCBCUK was awarded Silver from mental health charity, MIND, in its annual Workplace Wellbeing Index, and earlier this year, secured a Gold accreditation, achieving excellence in successfully embedding mental health policies and practices and demonstrating a long-term, in-depth commitment to staff mental health and achieving change within our workplace. In 2019 the business implemented its "Moments that Matter" programme, including its innovative Life Leave policy, offering staff up to two weeks extra paid leave for the significant moments in life, whether moving house, studying for exams or the days leading up to a wedding. The principle of this is that things come up in everyday life, good, bad or otherwise where staff might need to take annual leave to cover time they would need away from work. This initiative changed that principle, offering up to two weeks of leave for those life events on the basis that employees' annual leave should be for proper rest and relaxation.

Alongside very positive relationships with its unions, MCBCUK also operates an employee forum, which includes a number of employee-elected representatives and the senior leadership, which is designed to provide not only a direct 'temperature check' of what these representatives are observing in the business, but also a vector by which staff can make thoughts or concerns known, on an anonymous basis if desired, about decisions the company has made. The leadership considers this a vital forum, knowing well that it is possible to become disconnected from the true views of the workforce if there is not an opportunity to enter into a dialogue. The opportunity to hear these views, and either clarify, course-correct or explain decisions made is vital to workforce engagement, and the leadership is strongly of the view that this is a key factor in the success of any business.

The company also continues to offer a competitive set of benefits such as private healthcare and product allowance.

Key Customers, Suppliers and Partnerships

2019 saw several new and renewed contracts. Highlights included:

- Deepening relationships with a number of key suppliers, which resulted in mutually beneficial extensions and, in some cases, price reductions.
- A number of agreements with key customers in both the on and off trade, where MCBCUK invested sums in return for product stocking and/or volume commitments on key brands (particularly the mainstream brands and key growth brands as referenced above).
- A new and simplified offer to the trade in conjunction with Sky, which is built off a well established and mutually beneficial partnership going back a number of years.
- Entering into strategic sale and leaseback arrangements to deliver immediate cash into the business.

Each of these provides mutual benefit in the short, medium and long term.

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Community and the Environment

Dovetailing with the employee 'Wellbeing' agenda is a focus on mental health in the wider community. Work began in 2019 with C.A.L.M (the Campaign Against Living Miserably), a charity focussed on suicide prevention, with a particular acknowledgment that suicide is the biggest killer of males under 45 in the UK. It was a natural connection, given MCBCEUK's reach with this category of people, who represent a large subsection of Molson Coors' consumers. The corporate charity partnership was launched in 2019, and early in 2020 during lockdown, Carling launched a social media campaign in partnership with CALM to help spread awareness of the support CALM offers and help to breakdown the barriers that exist for some men when talking about mental health.

The CALM partnership forms part of the Collectively Crafted pillar of Our Beer Print 2025 goals, this year renamed as Our Imprint reflecting our journey as a business beyond beer. Our Imprint embodies our commitment to leave a positive imprint on the communities and environments where we live, work, make and sell our products. Three pillars reflect this commitment to sustainability, responsibility and community initiatives - Sustainably Brewing, Responsibly Refreshing and Collectively Crafted.

This is our third year reporting our progress toward achieving Our Imprint 2025 goals and we are proud to share our progress-to-date and key highlights across our three focus areas:

- **Responsibly Refreshing:** Together with other alcohol producers, we've increased our focus on reducing global underage drinking and accelerating work in the digital space to restrict access to underage audiences. We're also growing our portfolio of low and no-alcohol choices as we continue to expand beyond the beer aisle, offering our consumers more moderate options.
- **Sustainably Brewing:** We take a comprehensive approach to tackling climate change and producing and selling our products sustainably. Our sustainability goals include science-based emission reduction targets, which align with the Paris Climate Agreement and have been verified by the Science Based Targets initiative.
- **Science-based targets** offer a roadmap for companies to reduce their greenhouse gas (GHG) emissions to a level of decarbonization required to limit global temperature increase to well-below 2 degrees Celsius compared to pre-industrial temperatures. Molson Coors' 2025 goal to lower absolute emissions by 50% within its direct operations was determined as ambitious enough to meet the requirements of the 1.5°C pathway – the latest and most aggressive recommendations set forth by the recent report by the Intergovernmental Panel on Climate Change (IPCC).

In our latest Our Imprint 2019 report, we have made the following progress globally:

- **Water:** Reduced water use in our direct operations by 4.75%, achieving a water-to-beer ratio of 3.41 hl/hl.
- **Carbon Emissions:** 21% reduction in absolute carbon emissions from direct operations, and 18% reduction in our value chain.
- **Packaging:** Over 99% of our packaging is reusable, recyclable or compostable. We are making strong progress against our packaging goals in the UK & Ireland, which were launched last year. Our new packaging targets include a commitment to make 100% of our packaging reusable, recyclable or compostable, to incorporate at least 30% recycled content in our plastics packaging by 2025, and to improve recycling infrastructure and support a better recycling system by partnering with communities, government, and other industries where we operate. In the UK & Ireland we're well on our way on that journey – committing to remove single-use plastic from our Carling and Coors Light brands, which we're doing in two phases. In April 2020 we moved our large multipacks from single-use plastic film wrap into recyclable cardboard, and then in April 2021 we'll come out of single-use plastic rings into fully enclosed recyclable cartonboard. Molson Coors has also signed on to the New Plastics Economy Global Commitment, which is a worldwide initiative led by the Ellen MacArthur Foundation in collaboration with UN Environment that addresses plastic pollution and waste at its source by applying circular economy principles. In addition, our Sharp's Brewery in Rock, Cornwall, has a longstanding partnership supporting Surfers Against Sewage.
- **Zero Waste to Landfill:** Achieved zero waste to landfill at 18 of our 29 major brewing and manufacturing facilities. This includes our largest manufacturing sites in the UK, Burton and Tadcaster, and our Franciscan Well Brewery in Ireland.
- **Sustainable Agriculture:** Achieved 10% reduction in water use (m3) per metric ton of barley produced; 99% of barley farmers grow, produce and deliver in a manner that recognizes and embraces our sustainability standards. In the UK we have our Molson Coors Growers Group, which includes more than 140 Red Tractor approved farmers across the UK committed to water stewardship and soil health.

MOLSON COORS BREWING COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

- **Collectively Crafted:** Our commitment to people starts with our employees, who are the heart and soul of our company. As we work to strengthen our culture and live up to our values, we remain deeply committed to diversity and inclusion within our company and in our communities.

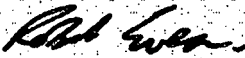
Ethics, Compliance and Business Conduct

In addition to its enterprise-wide Corporate Governance principles at <https://www.molsoncoors.com/about/governance-and-ethics>, MCBCUK is committed to compliance with applicable laws, with in house Corporate Affairs and Legal functions to assist in the management of these matters.

Shareholders

MCBCUK and the other members of the UK subsection of the enterprise are ultimately wholly owned by Molson Coors Brewing Company in the United States. As a result, the purpose and direction of the business, as well as any dialogue with both the Molson and Coors families but also external investors, are held at the global enterprise level. The key deliverables of the various business units are cascaded and agreed down to the divisional, and ultimately, business unit level. In 2019, MCBCUK formed a part of the European business unit and as a result took its direction in this manner from a European leadership team.

On behalf of the Board



.....
R Eveson
Director

22 December 2020

MOLSON COORS BREWING COMPANY (UK) LIMITED

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their report, together with the audited financial statements and the independent auditors' report for the financial year ended 31 December 2019.

Directors

The directors who served the Company during the financial year and up to the date of signing these financial statements unless otherwise stated were:

S Albion (resigned 28 January 2019)
R Eveson (appointed 1 April 2019)
S Kerry (resigned 1 April 2019)
P Whitehead
J Shearer (resigned 2 July 2020)
A Pickering (appointed 2 July 2020)

Results and dividends

The trading results for the financial year and the Company's financial position at the end of the financial year are shown in the attached financial statements and are discussed further in the Strategic Review. There were no dividends declared and paid during the financial year ended 31 December 2019 (2018: £77,180,000). The directors do not recommend the payment of a final dividend.

Research and development

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

Events since the balance sheet date and future developments

Details of the likely future developments of the business of the Company, and details of events which have occurred since the end of the financial year are provided in the Strategic Report.

Financial instruments

Details of financial instruments are provided in the Accounting Policies on page 22.

Going concern

The directors have documented their going concern assessment in the Strategic Report on page 2 & 3. The Directors have received confirmation from the Company's ultimate parent undertaking that the Company will receive the required support in order to meet its liabilities as they fall due for a period of not less than 12 months from the approval date of these financial statements. As a result, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Political donations

No political donations were made during the year (2018 - £nil).

Disabled employees

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

Employee consultation

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

MOLSON COORS BREWING COMPANY (UK) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Employee share scheme

During the financial year, some of the Company's employees have continued to be encouraged, by the Company's parent undertaking, Molson Coors Brewing Company, to be involved in the Company's performance under the Molson Coors Brewing Company Incentive Compensation Plan.

Directors' indemnities

The directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Directors' confirmations

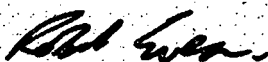
In the case of each director in office at the date the Directors' Report is approved:

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

Reappointment of auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board



.....
R Eveson
Director
22 December 2020

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

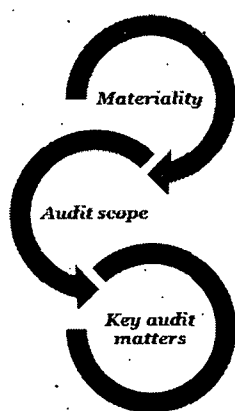
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall materiality: £14,459,000 (2018: £14,493,000), based on 1% of revenue.
- A full scope audit was conducted on the Financial Statements.
- Valuation and completeness of customer liability
- Going concern consideration of COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the

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

engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Valuation and completeness of customer discount liability</i></p> <p>The company has agreements with customers whereby volume-related allowances, promotional and marketing allowances and various other rebates and discounts are given in connection with the sale of goods. As such, the Company recognises a reduction in revenue as a result of amounts payable to customers.</p> <p>The Company assesses customer performance against specific criteria relevant to the incentive schemes and accrue based on expected pay-out levels. Where the scheme is not aligned with the financial year, retrospective rebate and discount arrangements are accrued for on a pro-rata basis.</p> <p>Given the nature of certain arrangements in place and the need to assess at the period end the level of likely retrospective pay-out, the accounting for these arrangements involves a degree of estimation uncertainty which could result in over or under accrual at the year end.</p> | <p>We obtained a detailed understanding and evaluated the design and operational effectiveness of controls that the Company has established in relation to customer discounts, promotional spend and rebate arrangements.</p> <p>In addition, our substantive audit procedures included a combination of the following:</p> <ul style="list-style-type: none"> Recalculation of customer discount accruals using sales data and contractual discount rates or other associated contractual metrics on a sample basis, including assessment of customer performance against contractual criteria; Enquiry of Key Account Managers and Senior Commercial Finance Managers with respect to the completeness of the period end liability. Testing settlement of balances accrued for at the prior year end to assess historical accuracy of accruals; Review of accounts receivable aging for evidence of unclaimed balances; Reviewed post year end credit notes issued to identify amounts not accrued at year end. <p>We found the valuation and completeness of accruals in relation to customer discounts, promotion spend and rebate arrangements at the year end to be appropriate.</p> |
| <p><i>Going concern consideration for COVID-19</i></p> <p>Subsequent to the financial year, the COVID-19 pandemic has had a significant impact on the trading performance of the Company. Lockdown measures in the UK resulted in the hospitality sector closing between March and July 2020 and further negatively impacted by subsequent lockdown periods in the latter part of the year. These have resulted in a significant decline in sales to the on trade sector which has adversely impacted the profitability and cash generation of the business in 2020.</p> <p>As at the date of approval of the financial statements, there continues to be significant uncertainty over the impact COVID-19 will have on the trading and cash performance of the business in 2021 and beyond and the directors' forecasts indicate that significant additional funding will be required during the going concern period in a severe but plausible downside scenario. In response the directors have put in place additional financing arrangements including a Letter of Support from the ultimate parent company. As a result, we have determined that management's consideration of the potential impact of COVID-19 on going concern to be a key audit matter.</p> | <p>In assessing management's consideration of the potential impact of COVID-19 on the going concern assessment, we have undertaken the following procedures:</p> <ul style="list-style-type: none"> - We evaluated management's base case and severe but plausible forecast scenarios, challenging key assumptions including the forecast cash flows. - We have checked the integrity of management's model, as well as agreeing underlying data to source documents. - We have assessed whether management's mitigating actions are reasonably achievable based on our understanding of the business, including the nature of its cost base. - We have verified the level of support available to the Company from its ultimate parent company, and the ability of the parent company to be able to offer this support, including assessing whether the committed liquidity is sufficient to meet the funding requirements of the company. <p>Based on the information available at the time of the directors' approval of the financial statements, we consider the scenarios to be reasonable and that preparation of the financial statements on a going concern basis remains appropriate.</p> |

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The Company comprises of one reporting unit which has been subject to a full scope audit for the purposes of the audit of the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Overall materiality | £14,459,000 (2018: £14,493,000). |
| How we determined it | 1% of revenue. |
| Rationale for benchmark applied | We believe that revenue is an appropriate benchmark as management make decisions and monitor performance based on market share with focus on brand growth and retention. |

We agreed with the directors that we would report to them misstatements identified during our audit above £1,455,900 (2018: £725,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' 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 auditors' 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 auditors' report.

Use of this report

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

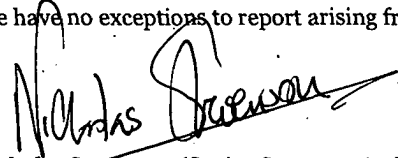
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.


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

23 December 2020

MOLSON COORS BREWING COMPANY (UK) LIMITED

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|----------------|----------------|
| Turnover | 2 | 1,446,831 | 1,449,268 |
| Cost of sales | | (1,215,369) | (1,224,602) |
| Gross profit | | 231,462 | 224,666 |
| Administrative expenses: | | | |
| Before exceptional items | | (130,481) | (161,647) |
| Exceptional restructuring costs | 3 | (2,444) | (4,153) |
| | | (132,925) | (165,800) |
| Other operating expenses | | (61,774) | (42,592) |
| Operating profit | 4 | 36,763 | 16,274 |
| Income from investments | 8 | 4,255 | 5,522 |
| Interest receivable and similar income | 9 | 385 | 434 |
| Interest payable and similar expenses | 10 | (7,108) | (6,463) |
| Other finance income | 11 | 7,800 | 5,800 |
| Profit before tax | | 42,095 | 21,567 |
| Tax on profit | 12 | 2,290 | 2,776 |
| Profit for the financial year | | 44,385 | 24,343 |

The above results were derived from continuing operations.

The notes on pages 20 to 46 form part of these financial statements.

MOLSON COORS BREWING COMPANY (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------------|-----------------------------|
| Profit for the financial year | 44,385 | 24,343 |
| Remeasurement (loss)/gain recognised on defined benefit pension scheme | (6,500) | 4,100 |
| Movement on deferred tax relating to pension asset | 1,105 | (7,072) |
| Total other comprehensive (expense) | (5,395) | (2,972) |
| Total comprehensive income/(expense) for the financial year | 38,990 | 21,371 |

The notes on pages 20 to 46 form part of these financial statements.

MOLSON COORS BREWING COMPANY (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Called up share capital £'000 | Share premium account £'000 | Capital contribution reserve £'000 | Revaluation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|-------------------------------------|--------------------------------------|---|---------------------------------|-------------------------------|--------------------------|
| At 1 January 2019 | 1,722 | 8,278 | 37,180 | 795 | 265,830 | 313,805 |
| Profit for the financial year | - | - | - | - | 44,385 | 44,385 |
| Other comprehensive expense | - | - | - | - | (5,395) | (5,395) |
| Total comprehensive income for the year | - | - | - | - | 38,990 | 38,990 |
| Share Premium Reduction | - | - | - | - | - | - |
| Equity Dividends Paid | - | - | - | - | - | - |
| Capital contribution | - | - | - | - | - | - |
| At 31 December 2019 | 1,722 | 8,278 | 37,180 | 795 | 304,820 | 352,795 |

During the year, the company received capital contribution of £nil (2018: £37,180,000) from its immediate parent company Molson Coors Holdings Limited.

The notes on pages 20 to 46 form part of these financial statements.

MOLSON COORS BREWING COMPANY (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Called up share capital £'000 | Share premium account £'000 | Capital contribution reserve £'000 | Revaluation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|--|-------------------------------------|--------------------------------------|---|---------------------------------|-------------------------------|--------------------------|
| At 1 January 2018 | 1,722 | 8,278 | - | 795 | 321,639 | 332,434 |
| Profit for the financial year | - | - | - | - | 24,343 | 24,343 |
| Other comprehensive expense | - | - | - | - | (2,972) | (2,972) |
| Total comprehensive income for the year | - | - | - | - | 21,371 | 21,371 |
| Share Premium Reduction | - | - | - | - | (77,180) | (77,180) |
| Equity Dividends Paid | - | - | - | - | - | - |
| Capital contributions | - | - | 37,180 | - | - | 37,180 |
| | - | - | 37,180 | - | (77,180) | (40,000) |
| At 31 December 2018 | 1,722 | 8,278 | 37,180 | 795 | 265,830 | 313,805 |

The notes on pages 20 to 46 form part of these financial statement.

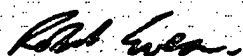
MOLSON COORS BREWING COMPANY (UK) LIMITED
(Registration number: 00026018)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 98,606 | 106,072 |
| Tangible assets | 14 | 251,319 | 258,202 |
| Investments | 15 | 120,655 | 119,791 |
| | | 470,580 | 484,065 |
| Current assets | | | |
| Stocks | 16 | 56,398 | 54,778 |
| Debtors | 17 | 334,552 | 306,855 |
| Cash at bank and in hand | 18 | 117,945 | 99,511 |
| | | 508,895 | 461,144 |
| Creditors: Amounts falling due within one year | 19 | (472,700) | (472,278) |
| Net current assets/(liabilities) | | 36,195 | (11,134) |
| Total assets less current liabilities | | 506,775 | 472,931 |
| Creditors: amounts falling due after more than one year | 20 | (152,897) | (158,299) |
| Provisions for liabilities | 23 | (1,083) | (827) |
| Net assets excluding pension asset | | 352,795 | 313,805 |
| Net pension asset | 24 | - | - |
| Net assets | | 352,795 | 313,805 |
| Capital and reserves | | | |
| Called up share capital | 25 | 1,722 | 1,722 |
| Share premium account | | 8,278 | 8,278 |
| Capital contribution reserve | | 37,180 | 37,180 |
| Revaluation reserve | | 795 | 795 |
| Retained earnings | | 304,820 | 265,830 |
| Total equity | | 352,795 | 313,805 |

The financial statements on pages 15 to 46 were approved by the Board of Directors on 21 December 2020 and signed on its behalf by



.....
R Eveson
Director

The notes on pages 20 to 46 form part of these financial statements.

MOLSON COORS BREWING COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

Statement of compliance

Molson Coors Brewing Company (UK) Limited is a company limited by shares, incorporated and domiciled in England & Wales with registration number 00026018. The address of its registered office is:

137 High Street
Burton upon Trent
Staffordshire
DE14 1JZ.

The financial statements of Molson Coors Brewing Company (UK) Limited have been prepared in accordance with the requirements of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102") and the Companies Act 2006.

The financial statements of Molson Coors Brewing Company (UK) Limited were approved for issue by the board of directors on 21 December 2020.

Basis of preparation

The financial statements have been prepared on the going concern basis and under the historical cost convention except that, as disclosed below, certain items are shown at fair value.

The financial statements are prepared in Pounds Sterling, which is the functional currency of the Company, and are rounded to the nearest £'000.

The principal accounting policies of the Company, which are set out below, have been consistently applied to all the financial years presented, unless otherwise stated.

Basis of consolidation

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group financial statements as it is exempt from the requirement to do so by Section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Molson Coors Brewing Company, a company registered in the USA, and is included in the consolidated financial statements of that company.

Going concern

The nature of the Company's activities and a review of principal risks and uncertainties facing the business are set out in the Strategic Report on pages 2 and 3. The Directors have received confirmation from the Company's ultimate parent undertaking that the Company will receive the required support in order to meet its liabilities as they fall due for a period of not less than 12 months from the approval date of these financial statements. As a result, the directors consider it appropriate to prepare the financial statements on a going concern basis.

At the balance sheet date, the Company had net current assets of £36,195,000 (2018: net current liabilities £11,134,000). Subsequent to the reporting date, the Company has continued to trade within its available facilities. The directors have received confirmation from the Company's ultimate parent undertaking that the Company will receive the required support in order to meet its liabilities as they fall due for a period of not less than 12 months from the approval date of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Summary of disclosure exemptions

The Company is a wholly owned subsidiary of Molson Coors Holdings Limited and is included in the consolidated financial statements of the ultimate parent company, Molson Coors Beverage Company (a company incorporated in the USA), which are publicly available.

The Company has taken advantage of the exemptions available within FRS102 paragraph 1.12 from the requirement to prepare a Statement of Cash Flows and the requirement to disclose details of transactions with wholly owned group companies as the requirements of FRS102 paragraph 1.11 have been satisfied.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities as at the reporting date and the amounts reported as revenues and expenses during the financial year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Lease classification

The Company has entered into lease agreements in respect of the use of property and plant and equipment. The classification of such leases as operating or finance leases requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of those assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position. Details of finance lease liabilities at 31 December 2019 are provided in note 21 to these financial statements. Details of commitments under operating leases are provided in note 27.

Pensions and other post-employment benefits

During 2018, the plan became broadly fully funded on a technical provision basis resulting in a significant reduction in the directors' expectations regarding the future funding requirement for the company to pay contributions into the scheme. As a result, the directors have reconsidered the basis upon which the net defined benefit asset is recognised in the financial statements and have determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) for the plan, the present value of expected refunds from or reductions in future contributions to the scheme no longer supports the net defined benefit asset. As such the net defined benefit asset was derecognised at 31 December 2018 and continues to be derecognised at 31 December 2019.

The following are the Company's key sources of estimation uncertainty:

Intangible assets

The Company establishes a reliable estimate of the useful life of intangible assets on acquisition based on a variety of factors such as the expected use of assets acquired, brand life cycle, and any legal, regulatory or contractual provisions that can limit useful life. At 31 December 2019, the Company's Statement of Financial Position included intangible assets with a net book value of £98,606,000 (2018: £106,072,000).

Pensions and other post-employment benefits

The Company has an obligation to pay pension benefits and other post-employment benefits to certain employees. The cost of the benefits and the present value of the obligation is determined on an actuarial basis using the projected unit method and involves the estimation of a number of parameters including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The parameters are estimated based on historical experience and current trends. The assumptions are discussed in more detail in note 24.

At 31 December 2019, the Company's Statement of Financial Position included a net asset of £nil (2018: £nil) relating to the defined benefit pension scheme and other post-employment benefits.

Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Significant changes to the assumptions over the next financial year could result in significant changes to the carrying value of the pension scheme asset.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The value in use calculation is based on the present value of estimated future cash flows.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Deferred tax asset

In determining the amount of deferred tax assets that can be recognised, estimation of the likely timing and level of future taxable profits is required together with an assessment of the effect of future tax planning strategies. Further details are contained in note 12.

Bad debt provision

The Company has recognised provisions for bad debts relating to trade debtors and trade loans. This is based on an assessment of ageing of receivables and other risk indicators. The judgement of management is then applied to provide for debts which are no longer considered to be recoverable.

Dilapidations provision

Provisions are made for dilapidations based on management's best estimate of the present value of the likely cash outflow. Provisions are reassessed on a quarterly basis.

Customer Rebates

Provisions are made for rebates due to customers based upon management's best estimate of the future value of rebates based upon volume during the year. These provisions are reviewed on a monthly basis.

Intangible assets

Intangible assets are capitalised and amortised on a straight line basis over the useful life of the asset, which is between 3 and 25 years.

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Income Statement. Where a property is carried at deemed cost less accumulated depreciation and impairment losses, any reduction in the carrying amount to its recoverable amount is eliminated against any revaluation reserve in respect of that property, with any excess being charged to the Income Statement.

An impairment loss for all assets, including intangible assets, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

In accordance with the transition provisions available in FRS102, the Company has chosen to use previous GAAP revaluations for certain land and buildings prior to the date of transition to FRS102 as the deemed cost of those assets at the revaluation date.

Land and Construction in Progress is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

The expected useful lives of assets are as follows:

Land and buildings:

| | |
|---|--------------|
| Breweries and maltings freehold buildings | 25 years |
| Freehold buildings | 40 years |
| Plant and machinery | 5 – 20 years |

Fixtures and fittings:

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

Construction in progress is not depreciated.

In the case of land and buildings valued at deemed cost, previous valuation surpluses realised on sale are transferred from the revaluation reserve to retained earnings.

Equity investments

The Company's equity investments are not publicly traded and the fair value of those investments cannot be reliably measured. Equity investments are therefore held at cost less provision for impairment, with cost including transaction costs.

In the event of a reliable measure of fair value becoming available, equity investments are re-measured at fair value with the movement in the carrying value being recognised in the Income Statement. Where an equity investment has been measured at fair value but a reliable measure of fair value is no longer available, the fair value on the last date on which a reliable measure of fair value was available is treated as the cost of the investment.

Trade loans

Trade loans are held at cost less provision for impairment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in respect of the sale of goods and services in the ordinary course of the Company's activities. It is stated net of trade discounts, rebates and Value Added Tax.

Subject to the conditions below, revenue is recognised at the point at which the significant risks and rewards of ownership of goods have transferred to the customer. In the case of beer sales, this is the point of delivery. In the case of contract brewing services, it is the point of collection.

Revenue is only recognised when it is probable that economic benefits will flow to the Company, when the amount of revenue can be measured reliably, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover includes interest received or receivable from customers in respect of trade loans, as the commercial substance of those transactions is that they are part of the normal terms of trade. Interest income is credited to the Income Statement in the period to which it relates.

Revenue relating to dividends from investments are recognised when the Company's right to receive payment is established.

Exceptional restructuring costs

The Company classifies certain one off charges or credits relating to restructuring activities as exceptional restructuring costs. These are separately disclosed to provide further understanding of the Company's financial performance.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost includes all costs incurred in bringing stocks to their present location and condition, including materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Materials are measured on a first-in first-out basis.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

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

Research expenditure

Research expenditure is written off as incurred.

Provisions for liabilities

Provisions are recognised where the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

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

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge or credit attributable to an item of income or expense recognised in other comprehensive income is also recognised directly in other comprehensive income.

The current 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 taxable income.

Deferred tax is accounted for to recognise the impact of timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. A deferred tax liability is recognised where a transaction or event that occurred prior to the reporting date results in the Company having an obligation to pay tax in future periods in excess of the amount which would be payable if the transaction or event had not occurred. A deferred tax asset is recognised where a transaction or event that occurred prior to the reporting date gives the Company the right to pay less tax in the future than would have been payable if the transaction or event had not occurred.

Deferred tax assets are only recognised if it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the period end.

Foreign currency translation

Transactions in foreign currencies are initially recorded in Pounds Sterling by applying the spot exchange rate ruling at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date or, if appropriate, at the forward contract rate. All differences are taken to the Income Statement.

Non-monetary items measured at historical cost are translated into Pounds Sterling using the exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated into Pounds Sterling using the exchange rate at the date on which fair value was determined.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Financial instruments

The Company has chosen to adopt Section 11 and Section 12 of FRS102 in respect of financial instruments.

Basic financial assets, including trade and other receivables and cash and bank balances are initially measured at cost and are subsequently measured at amortised cost using the effective interest rate method. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, an impairment loss, being the difference between the carrying amount of the asset and the present value of the estimated cash flows discounted at the asset's original effective interest rate, is recognised in the Income Statement.

Other financial assets including investments in equity instruments which are not subsidiaries, associates or joint ventures, are measured, initially and subsequently, at fair value. Changes in fair value are recognised in the Income Statement.

Basic financial liabilities, including trade and other payables, bank loans and loans from group undertakings are initially measured at cost. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Derivatives, including forward purchase contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the Company is bound by the terms of the relevant contract and are subsequently measured at fair value. Changes in fair value are recognised in the Income Statement as cost of sales.

Cash and cash equivalents

Cash comprises cash in hand and deposits at banks which are repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments with an original maturity date of no more than three months that are readily convertible to known amounts of cash with insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers in respect of goods sold and services provided in the ordinary course of business.

Trade debtors are recognised at the transaction price less provision for impairment. A provision for impairment of trade debtors is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and are subsequently measured at amortised cost using the effective interest method.

Share based payment

The Company's employees have been granted share options by the ultimate parent company, Molson Coors Brewing Company and Molson Coors Brewing Company (UK) Limited has no obligation to settle the awards. The Company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the ultimate parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the number of participating employees in the company compared to the number of participating employees in the group. The company also considered an allocation based on the relative remuneration cost of the relevant employees and considered that this gave rise to no significant differences in the allocated costs.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Leasing and hire purchase

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have been transferred to the Company are capitalised in the Statement of Financial Position and depreciated over the shorter of the lease term and the useful life of the asset. A corresponding liability is recognised for the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Income Statement so as to achieve a constant rate of interest on the balance of the liability.

Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Lease incentives are recognised on a straight line basis over the term of the lease.

Sale and leaseback

Under a sale and leaseback arrangement, MCBC UK are required to defer the profit on sale and amortise the profit over the shorter of the term of the lease or the UEL of the property. Upon the recognition of the transaction as a sale-leaseback, the current holding value of the property associated with the transaction will be derecognized at its net book value and a new leased asset and a matching capital lease liability recorded at an assessed fair value.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the consideration received or receivable, net of the direct costs incurred in issuing the equity instruments. If consideration is deferred and the time value of money is material, initial recognition is at the present value of consideration receivable.

Capital contribution

Capital contribution received from equity investors is recorded as an increase in equity. Capital contribution made by the Company is recorded as an increase in its investment.

Pensions and other post-retirement benefits

The Company operates a funded defined benefit pension scheme for employees who joined the Company prior to April 2006. Assets of the scheme are held separately from those of the Company in trustee administered funds. On 4 April 2009, the fund was closed to future accruals of retirement benefits.

The difference between the fair value of assets held in the pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Statement of Financial Position as a pension asset or liability as appropriate. Any resulting pension scheme asset is recognised to the extent that the balance is considered to be recoverable through reduced contributions in the future or through refunds from the scheme. Any resulting liability is recognised in full.

Current and past service costs are recognised in the Income Statement in administrative expenses. Net interest is recognised in the Income Statement as other finance costs. Actuarial gains and losses are recognised in Other Comprehensive Income.

The Company also operates a defined contribution pension scheme. Contributions are recognised in the Income Statement in the period to which they relate. Contributions outstanding at the reporting date are included in creditors.

Name of parent of group

These financial statements are consolidated in the financial statements of Molson Coors Beverage Company.

The financial statements of Molson Coors Beverage Company may be obtained from the Company Secretary at P.O. Box 4030, NH353, Golden, Colorado, USA.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of trade discounts and Value Added Tax.

Turnover relates mainly to the sale of beer but also includes interest receivable from customers in respect of trade loans.

All of the Company's turnover in the financial year and the preceding financial year related to continuing operations.

Turnover is analysed as follows:

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|------------------|------------------|
| Sale of goods | 1,446,538 | 1,448,915 |
| Interest receivable on trade loans | 293 | 353 |
| | <u>1,446,831</u> | <u>1,449,268</u> |

Analysis of the Company's turnover by market is as follows:

| | 2019 £'000 | 2018 £'000 |
|-------------------|------------------|------------------|
| United Kingdom | 1,432,729 | 1,428,074 |
| Rest of the World | 14,102 | 21,194 |
| | <u>1,446,831</u> | <u>1,449,268</u> |

3. Exceptional restructuring costs

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| <i>Recognised in arriving at operating profit:</i> | | |
| Charge relating to termination payments on restructuring | 1,545 | 1,061 |
| Other restructuring costs | 899 | 3,092 |
| | <u>2,444</u> | <u>4,153</u> |

The charge relating to termination payments on restructuring comprises movements in the provision for redundancy payments to employees who are to be made redundant as a result of restructuring activities, and redundancy payments to employees who have been made redundant as a result of restructuring activities where no previous provision for that payment has been recognised. The cost of redundancy payments is recognised when the Company has either a legal or constructive obligation to make those payments.

Other restructuring costs relate to costs associated with the Company's Alton Brewery, which closed in April 2015, and part of the Company's Burton South brewery which, following an announcement in November 2015, closed in March 2019.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Operating profit

Operating profit is stated after charging/(crediting):

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------------|-----------------------------|
| Excise duty on own products | 623,081 | 630,186 |
| Research expenditure | 482 | 142 |
| Amortisation of goodwill and other intangibles | 8,518 | 8,168 |
| Impairment of trade debtors | (259) | (438) |
| Inventory recognised as an expense | 567,020 | 497,839 |
| (Reversal of impairment)/Impairment of inventory | (211) | 390 |
| Foreign exchange losses | 345 | 854 |
| Loss on disposal of tangible fixed assets | (1,294) | (91) |
| <i>Depreciation:</i> | | |
| Charge relating to owned assets | 42,854 | 48,237 |
| Charge relating to assets held under hire purchase agreements and finance leases | 4,789 | 4,953 |
| | 47,643 | 53,190 |
| <i>Operating lease rentals:</i> | | |
| Charge relating to land and buildings | 409 | 204 |
| Charge relating to plant and machinery | 4,688 | 4,085 |
| | 5,097 | 4,289 |

5. Auditors' remuneration

In 2019, auditors' remuneration relating to audit fees amounted to £150,380 (2018: £150,380). Auditors remuneration in relation to fees for non-audit services provided during the year amounted to £nil (2018: £nil).

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2019 | 2018 |
|-----------------------|----------------|----------------|
| | £'000 | £'000 |
| Wages and salaries | 90,179 | 89,825 |
| Social security costs | 9,444 | 9,086 |
| Pension costs | 5,652 | 12,699 |
| | <u>105,275</u> | <u>111,610</u> |

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

| | 2019 | 2018 |
|----------------|--------------|--------------|
| | No. | No. |
| Production | 789 | 780 |
| Sales | 1,071 | 1,062 |
| Administration | 205 | 193 |
| | <u>2,065</u> | <u>2,035</u> |

Included in the total number of employees of the Company are 31 (2018: 29) sales staff who work full time for a fellow group company. The total aggregate payroll costs recharged to the fellow group company are as follows:

| | 2019 | 2018 |
|-----------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 1,549 | 1,414 |
| Social security costs | 179 | 174 |
| Pension costs | 45 | 33 |
| | <u>1,773</u> | <u>1,621</u> |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Directors' remuneration

Directors Remuneration borne by the Company is as follows:

| | 2019 £'000 | 2018 £'000 |
|---------------------------------|---------------|---------------|
| Aggregate directors' emoluments | 822 | 862 |
| Pensions costs | 27 | 8 |
| Cost of employee share schemes | 115 | 96 |
| | <u>964</u> | <u>966</u> |

During the year, 3 of the directors accrued benefits under the defined contribution pension scheme (2018 – 2).
The number of directors who exercised share options during the year was 2 (2018 – 3).

Remuneration of the highest paid director:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Aggregate emoluments | 433 | 433 |
| Contributions to defined contribution pension scheme | 2 | 2 |
| | <u>435</u> | <u>435</u> |

8. Income from investments

| | 2019 £'000 | 2018 £'000 |
|------------------------------|---------------|---------------|
| Dividends received (note 29) | 4,255 | 5,522 |
| | <u>4,255</u> | <u>5,522</u> |

9. Interest receivable and similar income

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Bank interest receivable | 302 | 275 |
| Interest receivable from group undertakings | 83 | 71 |
| Other interest receivable | - | 88 |
| | <u>385</u> | <u>434</u> |
| Total interest income relating to financial assets not measured at fair value through profit or loss | | |

10. Interest payable and similar expenses

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Interest payable to group undertakings | 2,313 | 2,307 |
| Other interest payable | 4,795 | 4,156 |
| | <u>7,108</u> | <u>6,463</u> |
| Total interest expense relating to financial liabilities not measured at fair value through profit or loss | | |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Other finance income

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Interest income on net defined benefit pension asset | 7,800 | 5,800 |

12. Tax on profit

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Current tax: | | |
| - UK Corporation tax on profits for the financial year | 4,075 | 3,180 |
| - UK Corporation tax adjustments to prior periods | (7,638) | (3,985) |
| Total current tax | (3,563) | (805) |
| Deferred tax: | | |
| - Origination and reversal of timing differences | 4,386 | (5,956) |
| - Deferred tax prior period adjustments | (3,113) | 3,985 |
| Total deferred tax | 1,273 | (1,971) |
| Tax on profit | (2,290) | (2,776) |

Tax on profit for the year is lower than (2018 – lower than) the standard rate of Corporation tax in the UK of 19% (2018 – 19%).

The differences are reconciled below:

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Profit before taxation | 42,095 | 21,567 |
| Corporation tax at standard rate | 7,998 | 4,098 |
| Net impact of (income added back)/expenses not deductible for tax purposes | 986 | (460) |
| Recognition of movement in land and buildings | 6 | 9 |
| Group relief (surrendered/(received) for nil payment) | (14) | - |
| Changes in pensions and post retirement benefits | - | (6,375) |
| Effect of difference between current tax rate and deferred tax rate | (516) | (49) |
| Adjustments in respect of prior periods | (10,750) | 1 |
| Tax on profit | (2,290) | (2,776) |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Tax on profit (continued)

Tax relating to items recognised as Other Comprehensive Income:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|----------------|
| Deferred tax: | | |
| Actuarial (gain)/loss on pension scheme | 1,105 | (7,072) |
| | <u>1,105</u> | <u>(7,072)</u> |

Deferred tax

The Company's deferred tax balances comprise the following:

Deferred tax asset:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Decelerated capital allowances | 11,058 | 14,293 |
| Land and buildings | 8,589 | 5,335 |
| Other timing differences | 3,011 | 3,200 |
| | <u>22,658</u> | <u>22,828</u> |
| Deferred tax asset excluding pension related balances | 22,658 | 22,828 |
| Pension related deferred tax (liability)/asset | - | (2) |
| | <u>22,658</u> | <u>22,826</u> |

Total deferred tax asset

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at the 31 December 2019 has been calculated based on this rate.

On the 11 March 2020, the UK Government announced that the UK tax rate would remain at 19% and not reduce to 17% from 1 April 2020. This change was substantively enacted on 17 March 2020 and will have a consequential effect on the company's future tax charge. If this rate change had been substantially enacted at the current balance sheet date then the net deferred tax asset would have increased by £2.7m

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Intangible assets

| | Goodwill £'000 | Trademarks, trade names, brand names, and distribution rights £'000 | Total £'000 |
|---------------------------------|-------------------|--|----------------|
| Cost or valuation | | | |
| At 1 January 2019 | 41,168 | 103,199 | 144,367 |
| Additions | - | 1,052 | 1,052 |
| At 31 December 2019 | 41,168 | 104,251 | 145,419 |
| Accumulated amortisation | | | |
| At 1 January 2019 | 24,361 | 13,934 | 38,295 |
| Charge for the financial year | 2,813 | 5,705 | 8,518 |
| At 31 December 2019 | 27,174 | 19,639 | 46,813 |
| Carrying amount | | | |
| At 31 December 2019 | 13,994 | 84,612 | 98,606 |
| At 31 December 2018 | 16,807 | 89,265 | 106,072 |

The amortisation charge for the financial year is included in the Income Statement under the heading of administrative expenses.

Included in the carrying amount of intangible assets of £98,606,000 at 31 December 2019 is £64,432,000 (2018: £68,279,000) relating to the perpetual royalty free licence for Miller branded products in Europe acquired in 2016. That asset is being amortised on a straight line basis over 20 years, being the directors' estimate of the useful economic life of the asset. The remaining amortisation period at 31 December 2019 is 16.75 years.

Also included in the carrying amount of intangible assets of £98,606,000 at 31 December 2019 is £19,479,000 (2018: £20,987,000) relating to the brand rights from Rekorderlig (UK) Limited in 2015. The asset is being amortised on a straight line basis over 17 years, being the period over which the Company has the right to distribute the associated product. The remaining amortisation period at 31 December 2019 is 12.9 years.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Tangible assets

| | Land and buildings £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Construction in Progress £'000 | Total £'000 |
|-------------------------------------|--------------------------------|---------------------------------|-----------------------------------|--------------------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 January 2019 | 105,466 | 425,582 | 213,541 | 10,948 | 755,537 |
| Additions | 175 | 12,171 | 25,323 | 4,729 | 42,398 |
| Disposals | - | (11,357) | (93,283) | - | (104,640) |
| Transfers | 509 | 3,569 | 2,209 | (6,287) | - |
| At 31 December 2019 | 106,150 | 429,965 | 147,790 | 9,390 | 693,295 |
| Accumulated depreciation | | | | | |
| At 1 January 2019 | 44,947 | 272,602 | 179,786 | - | 497,335 |
| Charge during the financial year | 2,929 | 17,785 | 26,929 | - | 47,643 |
| Disposals | - | (10,106) | (92,896) | - | (103,002) |
| At 31 December 2019 | 47,876 | 280,281 | 113,819 | - | 441,976 |
| Carrying amount | | | | | |
| At 31 December 2019 | 58,274 | 149,684 | 33,971 | 9,390 | 251,319 |
| At 31 December 2018 | 60,519 | 152,980 | 33,755 | 10,948 | 258,202 |

Included in the amounts for fixtures and fittings above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

| | Fixtures and fittings £'000 |
|--|-----------------------------------|
| Cost or valuation | |
| At 1 January 2019 and 31 December 2019 | 2,297 |
| Accumulated depreciation | |
| At 1 January 2019 | 817 |
| Provided during the financial year | 189 |
| At 31 December 2019 | 1,006 |
| Carrying amount | |
| At 31 December 2019 | 1,291 |
| At 31 December 2018 | 1,480 |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Tangible assets (continued)

Included in the amounts for plant and machinery above are the following amounts relating to kegs under sales and lease back agreements which were entered into on 1 March 2018:

| | Plant and machinery £'000 |
|---|--|
| Cost or valuation | |
| At 1 January 2019 | 47,097 |
| Keg losses | (1,832) |
| At 31 December 2019 | 45,265 |
| Accumulated depreciation | |
| At 1 January 2019 | 28,908 |
| Provided between 1 January 2019 to 31 December 2019 | 2,467 |
| Keg losses | (1,267) |
| At 31 December 2019 | 30,108 |
| Carrying amount | |
| At 31 December 2019 | 15,157 |
| At 31 December 2018 | 18,189 |

All land and buildings are freehold.

Included in the cost or valuation of land and buildings of £106,150,000 (2018: £105,466,000) is £17,319,000 (2018: £17,319,000) relating to assets held at valuation. The Company has applied the transition provisions of FRS 102 and has used the most recent valuation of those assets as the deemed cost at the date of transition.

On 12 January 2017, Molson Coors Brewing company (UK) Limited entered into a Sale and Purchase agreement ("SPA") with Weis Group ("Weis") for the sale of the UK National Distribution Centre's ("NDC") Land and Building for £33.4m, with completion of the sale and sale proceeds funds received on that date. The property is being leased back to Molson Coors Brewing Company (UK) Limited (MCBC UK) from Weis for a period of 20 years.

Upon the evaluation of Sale and Leaseback Criteria, MCBC UK is considered to be undertaking a capital lease arrangement. As a result MCBC UK are required to defer the profit on sale of the NDC of £23.9m and amortise this profit over the shorter of the term of the lease, or the UEL of the property – in this case the lease term of 20 years. Upon the recognition of the transaction as a sale-leaseback, the current holding value of the property associated with the transaction, £9m, was derecognised at its net book value. A new leased asset and matching capital lease liability was recorded at an assessed value of £25.1m. The leased asset has been depreciated over a 20 year term at £1.3m per annum.

On 1 March 2018, the Company entered into an arrangement with Close Brewery Rentals Limited where kegs owned by the company were sold to Close Brewery for £22.0m. There is no profit or loss arising from this transaction. These kegs were placed into an 8 year lease agreement, with kegs and casks previously being rented also being transferred and the existing rental agreements terminated. At the end of the 8 year lease term there is a repurchase obligation for the kegs that remain. The previously owned kegs are recorded as a finance lease and are retained within fixed assets on the balance sheet.

The historical cost of land and buildings at 31 December 2019 is £106,150,000 (2018 - £105,466,000). The revaluation reserve relating to assets held at deemed cost at 31 December 2019 was £795,000 (2018 £795,000). None of the Company's plant and machinery or fixtures and fittings are held at valuation.

During the financial year, no interest was capitalised (2018 - £nil). The total cost or valuation of tangible fixed assets of £693,295,000 at 31 December 2019 (2018-£755,537,000) included £5,632,000 (2018 - £5,632,000) of capitalised interest. The interest rate used to capitalise is 2.2% (2018 – 2.2%).

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. Investments

| | Shares in subsidiary undertakings £'000 | Shares in associated undertakings £'000 | Trade and other loans £'000 | Total £'000 |
|--------------------------------------|--|--|-----------------------------------|----------------|
| Cost | | | | |
| At 1 January 2019 | 101,496 | 495 | 20,445 | 122,436 |
| Additions/advances | - | - | 2,808 | 2,808 |
| Disposals/repayments | - | - | (1,974) | (1,974) |
| Amounts written off | - | - | (17) | (17) |
| At 31 December 2019 | 101,496 | 495 | 21,262 | 123,253 |
| Provision for impairment | | | | |
| At 1 January 2019 | 1,274 | - | 1,371 | 2,645 |
| Impairment during the financial year | - | - | (47) | (47) |
| At 31 December 2019 | 1,274 | - | 1,324 | 2,598 |
| Carrying amount | | | | |
| At 31 December 2019 | 100,222 | 495 | 19,938 | 120,655 |
| At 31 December 2018 | 100,222 | 495 | 19,074 | 119,791 |

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

| Undertaking | Country of Incorporation | Holding | Proportion of voting rights and shares | | Nature of business |
|--|-----------------------------|--------------|---|-------|------------------------------|
| | | | 2019 | 2018 | |
| Molson Coors Brewing Company (Ireland) Designated Activity Company | Republic of Ireland | Ordinary | 100% | 100% | Beer production and sales |
| Sharp's Brewery Limited | England and Wales | Ordinary | 100% | 100% | Beer production and sales |
| Molson Coors Brewing Company (UK) Pensions Limited | England and Wales | Ordinary | 100% | 100% | Pension fund trustee |
| Molson Coors Brewing Company (UK) Healthcare Limited | England and Wales | Ordinary | 100% | 100% | Healthcare trustee |
| Aspall Holdings Limited | England and Wales | Ordinary | 100% | 0% | Holding company |
| Aspall Cyder Limited | England and Wales | Ordinary | 100% | 0% | Beer production and sales |
| Coors On-Line Limited | England and Wales | Ordinary | 73% | 73% | Non trading |
| Cobra Beer Partnership Limited | England and Wales | Ordinary 'B' | 50.1% | 50.1% | Beer sales |
| Grolsch (UK) Limited | England and Wales | Ordinary | 49% | 49% | Beer sales |
| Caffrey's Canada Inc | Canada | Ordinary | 100% | 100% | Dormant |
| Carling Brewers Export Limited | Scotland | Ordinary | 100% | 100% | Dormant |
| Charrington and Company Limited | England and Wales | Ordinary | 100% | 100% | Dormant |
| Coors Brewers Limited | England and Wales | Ordinary | 100% | 100% | Dormant |
| Molson Coors Beer Naturally Limited | England and Wales | Ordinary | 100% | 100% | Dormant |
| Molson Coors Brewing Company (UK) Russia Limited | England and Wales | Ordinary | 100% | 100% | Dormant |
| Molson Coors Worthington Limited | England and Wales | Ordinary | 100% | 100% | Dormant |
| William Stones Limited | England and Wales | Ordinary | 100% | 100% | Dormant |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. Investments (continued)

All of the Company's investments are directly held.

The address of the registered office of Sharp's Brewery Limited is:

Pityme Industrial Estate
 Rock
 Wadebridge
 Cornwall
 PL27 6NU

The address of the registered office of Molson Coors Brewing Company (Ireland) Designated Activity Company is:

Block J1 Unit C
 Maynooth Business Campus
 Maynooth
 Co Kildare
 Ireland

The address of the registered office of Caffrey's Canada Inc is:

1555 Notre-Dame Street East
 Montreal QC
 H2L 2R5
 Canada

The address of the registered office of Carling Brewers Export Limited is:

C/O Colin Brass
 Wright Johnston and Mackenzie LLP
 302 St Vincent Street
 Glasgow
 G2 5RZ

The address of all other companies in which the Company holds 20% or more of the nominal value of any class of share capital is:

137 High Street
 Burton upon Trent
 Staffordshire
 DE14 1JZ

16. Stocks

| | 2019 | 2018 |
|-------------------|---------------|---------------|
| | £'000 | £'000 |
| Raw materials | 2,855 | 1,867 |
| Work in progress | 3,031 | 2,441 |
| Finished goods | 44,304 | 44,407 |
| Consumable stores | 6,208 | 6,063 |
| | 56,398 | 54,778 |

There are no (2018: none) material differences between the carrying values of stocks and their replacement costs.

The cost of stock recognised as an expense in the year amounted to £567,020,000 (2018: £497,839,000).

During the year, the Company incurred an (impairment loss reversal)/impairment of loss in stock of (£211,000) (2018: £390,000).

Movements in the impairment provision are reported as cost of sales in the Income Statement.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Debtors

| | 2019 | 2018 |
|---|----------------|----------------|
| | £'000 | £'000 |
| <i>Amounts falling due within one year:</i> | | |
| Trade debtors | 130,864 | 130,293 |
| Amounts owed by group undertakings | 156,941 | 127,881 |
| Other debtors | 8,459 | 9,500 |
| Deferred tax asset | 22,658 | 22,826 |
| Prepayments and accrued income | 15,630 | 16,355 |
| | 334,552 | 306,855 |

Included within this balance is a loan of £2,750,000 to Aspoll Cyder Limited which interest incurs at 3% and is repayable on demand. All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provision for impairment of £901,000 (2018: £1,160,000).

18. Cash at bank and in hand

| | 2019 | 2018 |
|--------------------------|----------------|---------------|
| | £'000 | £'000 |
| Cash at bank and in hand | 117,945 | 99,511 |

19. Creditors: Amounts falling due within one year

| | 2019 | 2018 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Trade creditors | 181,461 | 195,500 |
| Amounts owed to group undertakings | 122,056 | 97,925 |
| Other taxation and social security | 94,647 | 96,429 |
| Obligations under finance leases and hire purchase contracts | 2,715 | 2,640 |
| Other creditors | 2,124 | 1,503 |
| Accruals and deferred income | 69,697 | 78,281 |
| | 472,700 | 472,278 |

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

20. Creditors: Amounts falling due after more than one year

| | 2019 | 2018 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 77,101 | 77,101 |
| Obligations under finance leases and hire purchase contracts | 50,536 | 53,608 |
| Accruals and deferred income | 25,260 | 27,590 |
| | 152,897 | 158,299 |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. Creditors: Amounts falling due after more than one year (continued)

Amounts owed to group undertakings as at 31 December 2018 relate to loan notes issued on 3 October 2016 to the Company's intermediate holding company, Molson Coors Cayman 2 Company, a company registered in the Cayman Islands. On 29 December 2016, the loan notes were listed on the Cayman Islands Stock Exchange.

The loan notes, which have a maturity date of 3 October 2026, are unsecured and bear interest at a fixed rate of 3% per annum.

On 2 October 2019, Molson Coors Cayman 2 Company transferred the loan notes to Molson Coors (Barbados) SRL, a fellow subsidiary within the Group. The loan notes continued to be listed on the Cayman Islands Stock Exchange.

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

21. Obligations under finance leases and hire purchase contracts

The Company uses finance leases and hire purchase contracts to acquire plant and machinery. Future minimum lease payments due under finance leases and hire purchase contracts are as follows:

| | 2019 £'000 | 2018 £'000 |
|--------------------------|-----------------------------|-----------------------------|
| <i>Amounts payable:</i> | | |
| Within one year | 2,715 | 2,640 |
| Within two to five years | 50,536 | 53,608 |
| | <hr/> | <hr/> |
| | 53,251 | 56,248 |
| | <hr/> | <hr/> |

The average interest rate relates to the finance leases and hire purchase contracts is 8.59% (2018: 8.15%).

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. Financial instruments

Categorisation of financial instruments

| | 2019 | 2018 |
|---|----------------|----------------|
| | £'000 | £'000 |
| <i>Financial assets</i> | | |
| Financial assets measured at fair value through profit or loss | 555 | 2,014 |
| Financial assets that are debt instruments measured at amortised cost | 433,547 | 384,245 |
| | 434,102 | 386,259 |
| <i>Financial liabilities</i> | | |
| Financial liabilities measured at fair value through profit or loss | 4,248 | 2,316 |
| Financial liabilities measured at amortised cost | 530,265 | 531,832 |
| | 534,513 | 534,148 |

Financial assets and liabilities measured at fair value through profit or loss

The Company uses future contracts for the purchase of natural gas, diesel and aluminium. The fair value of those contracts is calculated by the institutions with which the Company has contracted.

Items of income, expense, gains or losses

| | Income | Expense |
|---|----------------|----------------|
| | £'000 | £'000 |
| 2019 | | |
| Financial assets measured at fair value through profit or loss | (1,459) | - |
| Financial liabilities measured at fair value through profit or loss | - | 1,932 |
| Financial assets measured at amortised cost | 677 | (306) |
| Financial liabilities measured at amortised cost | - | 7,108 |
| | (782) | 8,734 |
| | Income | Expense |
| | £'000 | £'000 |
| 2018 | | |
| Financial assets measured at fair value through profit or loss | (3,008) | - |
| Financial liabilities measured at fair value through profit or loss | - | 2,282 |
| Financial assets measured at amortised cost | 787 | (161) |
| Financial liabilities measured at amortised cost | - | 6,463 |
| | (2,221) | 8,584 |

A net impairment gain of £47,000 (2018: £277,000) was recognised in respect of trade loans during the financial year. A net impairment loss reversal of £259,000 (2018: £438,000) was recognised in respect of trade debtors during the financial year.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. Provisions for liabilities

| | Restructuring provision £'000 | Onerous lease provision £'000 | Total £'000 |
|-------------------------------------|--|--|------------------------|
| At 1 January 2019 | 388 | 439 | 827 |
| Additions during the financial year | 1,587 | - | 1,587 |
| Amounts charged against provision | (1,159) | (57) | (1,216) |
| Unused amounts released | (115) | - | (115) |
| At 31 December 2019 | 701 | 382 | 1,083 |

Restructuring provision

Provision relates to redundancy payments to employees who are to be made redundant as a result of restructuring activities.

Onerous lease provision

Provision has been made for the cost of fulfilling contractual obligations in relation to various onerous lease agreements. It is anticipated that this provision will not be fully utilised until 2046.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Pensions and other post-retirement benefits

The Company operates the Molson Coors Brewers Pension Plan in the United Kingdom; a contributory, self-administered, defined benefit pension plan. Assets of the pension plan are held separately from those of the Company in trustee administered funds. Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method, where applicable, and as agreed with the trustees of the scheme. Total contributions made by the Company to the scheme in the financial year ended 31 December 2019 amounted to £nil (2018: £nil).

On 1 April 2008, a salary sacrifice programme was implemented. This means that, for all accounting purposes, most of the contributions to the plan are from the employer (as it will make contributions on behalf of most members).

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

An actuarial assessment of the Molson Coors Brewers Pension Plan was carried out based on full data, using the projected unit method, as at 30 June 2016. This was updated to 31 December 2016 in order to assess the liabilities of the scheme at that date. Scheme assets are stated at their fair values at the balance sheet date.

The full valuation of the scheme as at 30 June 2019 and the assessment of liabilities as at 31 December 2019 were both carried out by Mercer, an independent and professionally qualified actuary.

The assets and liabilities of the scheme at 31 December are:

| | 2019 | 2018 |
|-------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| <i>Scheme assets at fair value:</i> | | |
| Equities | 71,383 | 195,891 |
| Fixed interest bonds | 352,453 | 530,376 |
| Index-linked bonds | 996,386 | 812,612 |
| Property | 66,921 | 115,546 |
| Cash | 14,918 | 1,894 |
| Buy In | 484,639 | 234,881 |
| | <hr/> | <hr/> |
| Fair value of scheme assets | 1,986,700 | 1,891,200 |
| Present value of scheme liabilities | (1,753,500) | (1,624,300) |
| | <hr/> | <hr/> |
| Net Pension Asset | 233,200 | 266,900 |
| | <hr/> | <hr/> |

The pension plan has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

During 2017, the plan became broadly fully funded on a technical provision basis resulting in a significant reduction in the directors' expectations regarding the future funding requirement for the company to pay contributions into the scheme. As a result, the directors have reconsidered the basis upon which the net defined benefit asset is recognised in the financial statements and have determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) for the plan, the present value of expected refunds from or reductions in future contributions to the scheme no longer supports the net defined benefit asset. As such the net defined benefit was derecognised at 31 December 2017.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Pensions and other post-retirement benefits (continued)

The amounts recognised in the Income Statement and Other Comprehensive Income for the financial year are analysed as follows:

| | 2019 £'000 | 2018 £'000 |
|---|-----------------------|-----------------------|
| <i>Recognised in the Income Statement:</i> | | |
| Past service cost | (1,600) | 7,400 |
| Actual expenses paid | 2,900 | 2,500 |
| Recognised in arriving at operating profit | 1,300 | 9,900 |
| Net interest on net defined benefit (asset)/liability | (7,800) | (5,800) |
| Total recognised in Income Statement | (6,500) | 4,100 |
| <i>Taken to Other Comprehensive Income:</i> | | |
| Actual return on scheme assets | 199,200 | (58,500) |
| Less amount included in net interest on net defined benefit liability | (53,400) | (50,700) |
| Other actuarial gains and losses | 145,800 | (109,200) |
| Derecognition of net defined benefit asset | (186,000) | 150,600 |
| | 33,700 | (37,300) |
| Remeasurement (loss)/gain recognised in other comprehensive income | (6,500) | 4,100 |

Pensions

| | 2019 %/Years | 2018 %/Years |
|---|-------------------------|-------------------------|
| <i>Main assumptions:</i> | | |
| RPI inflation/deferred revaluation | 2.90 | 3.15 |
| Rate of increase of pensions in payment | | |
| - Pre 2006 pension | 2.80 | 3.00 |
| - Post 2006 pension | 2.25 | 2.35 |
| Discount rate | 2.05 | 2.90 |
| Inflation assumption | 2.90 | 3.15 |
| Post retirement mortality | | |
| - Male retiring today (member age 65) | 21.70 | 21.00 |
| - Retiring in 25 years (member age 40) | 23.90 | 23.10 |
| - Female retiring today (member age 65) | 23.70 | 23.10 |
| - Female retiring in 25 years (member age 40) | 25.90 | 25.40 |

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the reporting date, with "future" being that relating to an employee retiring in 2041.

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Pensions and other post-retirement benefits (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

| | 2019 £'000 | 2018 £'000 |
|--|------------------|------------------|
| At 1 January | 1,624,300 | 1,797,398 |
| Interest paid | 45,600 | 44,902 |
| Benefits paid | (100,800) | (74,800) |
| Remeasurement on change in assumptions | 186,000 | (150,600) |
| Past service cost | (1,600) | 7,400 |
| As at 31 December | 1,753,500 | 1,624,300 |

Changes in the fair value of plan assets are analysed as follows:

| | 2019 £'000 | 2018 £'000 |
|--|------------------|------------------|
| At 1 January | 1,891,200 | 2,027,000 |
| Actual return on plan assets | 145,800 | (109,200) |
| Interest income | 53,400 | 50,700 |
| Employer contributions | - | - |
| Benefits paid | (100,800) | (74,800) |
| Administrative expenses returned/paid from plan assets | (2,900) | (2,500) |
| Insurance premiums for risk benefits | - | - |
| As at 31 December | 1,986,700 | 1,891,200 |

The company operates a defined contribution pension scheme. Cost recognised in the income statement during the year are as follows. An accrual is held for £446,824 (2018: £410,746) at the year end.

| | 2019 £'000 | 2018 £'000 |
|---------------|---------------|---------------|
| Pension costs | 5,653 | 5,299 |

25. Called up share capital

Allotted, called up and fully paid shares:

| | 2019 No. | 2019 £'000 | 2018 No. | 2018 £'000 |
|--|-------------|---------------|-------------|---------------|
| Deferred Ordinary shares of £1 each | 1,721,600 | 1,722 | 1,721,600 | 1,722 |
| \$US Ordinary shares of \$US 0.01 each | 200 | - | 200 | - |

Each share entitles the holder to one vote.

Each share has the right to participate in a distribution of capital on a winding up or as authorised by an extraordinary resolution. Shares are not redeemable unless sanctioned by a special resolution.

During the year the company paid a dividend of £nil (2018: £77,180,000) representing £nil per share (2018: £44.83 per share).

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. Capital commitments

At 31 December, the Company had capital commitments as follows:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Contracted for as at the year end but not provided for in the financial statements | 1,357 | 1,589 |

27. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Not later than one year | 3,093 | 3,749 |
| Later than one year and not later than 5 years | 5,341 | 3,924 |
| Later than five years | 3,105 | 2,595 |
| | 11,539 | 10,268 |

28. Related party transactions

The Company has taken advantage of the exemption within FRS102 Paragraph 33.1A and has not disclosed transactions with members of the group headed by Molson Coors Brewing Company where any subsidiary which is party to the transaction is wholly owned by such a member.

During the financial year ended 31 December 2019, the Company traded with other related parties as follows:

| | Coors On-line Limited £'000 | Grolsch (UK) Limited £'000 | Cobra Beer Partnership Limited £'000 |
|--|-----------------------------------|----------------------------------|---|
| Turnover | - | - | 37,759 |
| Purchases | - | 907 | 53,405 |
| Other administrative expenses | - | - | 3,674 |
| Marketing and management fee income | - | - | 1,781 |
| Interest receivable | 86 | - | - |
| Balance due to related party at 31 December 2019 | 359 | - | 6,653 |
| Balance due from related party at 31 December 2019 | 2,249 | - | - |

During the financial year ended 31 December 2018, the Company traded with other related parties as follows:

| | Coors On-line Limited £'000 | Grolsch (UK) Limited £'000 | Cobra Beer Partnership Limited £'000 |
|--|-----------------------------------|----------------------------------|---|
| Turnover | - | - | 38,408 |
| Purchases | - | 1,371 | 54,628 |
| Other administrative expenses | - | - | 3,239 |
| Marketing and management fee income | - | - | 1,094 |
| Interest receivable | 80 | - | - |
| Balance due to related party at 31 December 2018 | 323 | - | 9,584 |
| Balance due from related party at 31 December 2018 | 2,163 | 1,805 | - |

MOLSON COORS BREWING COMPANY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. Related party transactions (continued)

Coors On-line Limited is a company which is 73% owned within the group.
 Grolsch (UK) Limited is a company which is 49% owned within the group.
 Cobra Beer Partnership Limited is a company which is 50.1% owned within the group.

29. Post balance sheet events

Since the balance sheet date, the business has been severely impacted but the Covid-19 crisis. Although the business has been forecasting and scenario planning there is still uncertainty and the impact on the 2020 results and carrying values are yet to be fully determined. The Directors' response to the crisis is detailed in the Strategic Report on pages 2 and 3.

On 25 November 2020 the business announced that due changes in capacity across the operations network over the past couple of years, the current and future shape of the portfolio and market forces, the Burtonwood and Hop Stuff breweries are to close in 2021.

These post balance sheet events are non-adjusting.

30. Dividends received

Dividends received from the company's investments are as follows:

| | 2019 £'000 | 2018 £'000 |
|---------------------------------|---------------|---------------|
| Grolsch (UK) Ltd | - | 657 |
| Cobra Beer Partnership Limited | 4,255 | 4,865 |
| | <hr/> | <hr/> |
| Total dividends received | 4,255 | 5,522 |
| | <hr/> | <hr/> |

31. Parent and ultimate parent undertaking

The Company's immediate parent company, by virtue of its 100% shareholding in the Company, is Molson Coors Holdings Limited, a company incorporated in England & Wales.

The ultimate parent company is Molson Coors Beverage Company, a company incorporated in the State of Delaware, USA.

The parent of the largest group and the smallest group in which these financial statements are consolidated is Molson Coors Beverage Company. The address of Molson Coors Beverage Company is:

P.O. Box 4030
 NH353
 Golden
 Colorado
 USA

The most senior parent entity producing publicly available financial statements is Molson Coors Brewing Company. These financial statements are available from the Company Secretary at the above address.

The ultimate controlling party is Molson Coors Beverage Company.