Registered in Scotland, number SC065527

Heineken UK Limited

Directors' Report and Accounts

For the year ended 31 December 2014

Contents

Strategic Report

The directors present their strategic report together with the audited accounts for the year ended 31 December 2014.

Principal activities
Heineken UK Limited is the United Kingdom's leading Cider and Beer business. The company produces and sells an unrivalled portfolio of brands including Foster's, Heineken, Strongbow, Kronenbourg 1664, Desperados and Bulmers together with a full range of niche and speciality brands. The company also exports to Europe and North America.

Business review
One of our core principles is to make cider and beer that people love. We brought this principle to life during 2014 through our brands' performance, whilst still operating within an environment which continues to be challenging.

The profit and loss account for the year is set out on page 7 of the financial statements. The robust performance of our brands led to an increase in turnover of £13.3m to £1,224.1m (2013: £1,210.8m). Overall, operating profit for the year increased to £52m (2013: £10.6m). The increase was driven by lower operating costs, primarily a non-recurring provision release of £6.1m (2013: £11.9m release) with respect to a reorganisation of our supply chain and business support capabilities.

The financial position of the company is set out in the balance sheet on page 8 of the financial statements. The company has net current liabilities of £1,326.6m (2013: £1,490.0m). This is mainly due to amounts owed to fellow Group undertakings within the next 12 months of £5,121.0m (2013: £5,447.0m), the demand for repayment of which is entirely within the control of the Group.

The company's ultimate parent undertaking, Heineken N.V., has confirmed to the directors its intention to provide sufficient financial assistance to enable the company to continue operations and fulfil its financial obligations for the foreseeable future and at least for a period of 12 months from the date of approval of the financial statements of the company. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Future developments
The company expects to continue to produce, market and sell beer and cider in the United Kingdom. The domestic / export split of the business is not planned to change. It is anticipated that further brand development and product launches will take place.

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

Interest rate risk
The company benefits from the management of interest rate risk being undertaken at parent company level and therefore interest rate risk is viewed and managed at a Group level.

Strategic Report (continued)

Financial risk management policy (continued)

Price risk
There is no significant exposure to changes in the carrying value of financial liabilities and assets because all of these bear interest at floating rates.

Credit risk
The company maintains credit insurance to cover the credit risk associated with certain customers. In addition the company operates a robust credit management policy.

Liquidity risk
The company benefits from the management of liquidity risk being undertaken at parent company level and therefore primarily obtaining funding intra group. Its bank accounts form part of the Group offset arrangements.

Foreign currency risk
The company benefits from the management of foreign currency risk being undertaken at parent company level. The company hedges its overseas investments by way of currency denominated liabilities.

By order of the Board

J P A van der Burg
Director
28 September 2015

3-4 Broadway Park
South Gyle
Edinburgh
EH12 9JZ

Directors' Report

Directors

The directors who held office during the year and up to the date of approval of the accounts were as follows:

J P A van der Burg
L J W Mountstevens
M D Porter
J C van der Linden
D M Forde
J H Beadles
A Elberg (appointed 11 November 2014)
G A Colquhoun (appointed 6 January 2014; resigned 8 April 2014; reappointed 15 August 2014)
J S Brydon (appointed 8 April 2014)
J H A van Esch (appointed 25 February 2014)
P N Hoffman (resigned 15 August 2014)

Dividends

Preference dividends of £9.3m (2013: £9.3m) were accrued during the year. The directors do not recommend the payment of an ordinary dividend.

Going concern

The company's ultimate parent undertaking, Heineken N.V., has confirmed to the directors its intention to provide sufficient financial assistance to enable the company to continue operations and fulfil its financial obligations for the foreseeable future and at least for a period of 12 months from the date of approval of the financial statements of the company. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Employee relations and involvement

The company is firmly committed to the principles of employee involvement. A full range of briefing, consultation and negotiation arrangements have been developed in all parts of the company and these are subject to continuous review and improvement.

The company encourages the involvement of its employees in the performance of the company through bonus incentive schemes. Employees are kept informed of financial and economic factors affecting the company through a strong internal communications programme, which includes face to face briefings, intranet, email and video communications.

Disabled persons

Full and fair consideration has been given to applications for employment made by disabled persons and appropriate training, career development and promotion have been provided in all cases. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

Political contributions and charitable donations

The company made no political contributions and made charitable donations during the year amounting to £1,371,000 (2013: £689,000).

Statement of disclosure of information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will not be deemed to be reappointed and KPMG LLP will not therefore continue in office. From 1st January 2015 Deloitte LLP will be the auditor of the company.

By order of the Board

J P A van der Burg
Director
28 September 2015

3-4 Broadway Park
South Gyle
Edinburgh
EH12 9JZ

Statement of Directors' responsibilities in respect of the Strategic Report and Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's report to the members of Heineken UK Limited

We have audited the financial statements of Heineken UK Limited for the year ended 31 December 2014 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alex Sanderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Street
Edinburgh
EH1 2EG
29 September 2015

Profit and Loss Account
For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 (restated note 1) £m
Turnover	*2*	1,224.1	1,210.8
Net operating costs	*3*	(1,172.1)	(1,200.2)
Operating profit		52.0	10.6
Income from fixed asset investments - group		295.9	0.1
Interest receivable and similar income	*7*	79.5	94.0
Amounts written off investments	*12*	(65.4)	-
Amounts written off amounts owed by subsidiary undertakings		(96.5)	-
Interest payable and similar charges	*8*	(143.9)	(150.5)
Profit / (loss) on ordinary activities before taxation		121.6	(45.8)
Taxation on profit / (loss) on ordinary activities	*9*	4.2	(20.8)
Profit / (loss) on ordinary activities after taxation	*21*	125.8	(66.6)

All amounts relate to continuing activities.

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2014

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit / (loss) on ordinary activities after taxation	125.8	(66.6)
Exchange adjustments	(60.0)	25.1
Total recognised gains and losses in the year	65.8	(41.5)

Included in exchange adjustments above is an £11.6m credit (2013: £0.1m debit) on foreign currency borrowings taken to reserves because these borrowings have been used to finance or provide a hedge against foreign equity investments.

Balance Sheet
At 31 December 2014

	Note	31 December 2014 £m	31 December 2014 £m	31 December 2013 £m	31 December 2013 £m
Fixed assets					
Tangible assets	*10*		350.5		301.7
Intangible assets	*11*		68.1		73.2
Investments	*12*		2,140.9		2,261.0
			2,559.5		2,635.9
Current assets					
Stocks	*14*	80.5		78.5	
Debtors	*15*	4,291.3		4,059.5	
Cash		96.1		226.9	
		4,467.9		4,364.9	
Creditors: amounts falling due within one year	*17*	(5,794.5)		(5,854.9)	
Net current liabilities			(1,326.6)		(1,490.0)
Total assets less current liabilities			1,232.9		1,145.9
Creditors: amounts falling due after more than one year	*18*		(120.6)		(120.7)
Provisions for liabilities and charges	*19*		(68.7)		(47.4)
Net assets			**1,043.6**		**977.8**
Capital and reserves					
Called up share capital	*20*		1,045.9		1,045.9
Profit and loss account	*21*		101.4		26.3
Other reserves	*21*		(103.7)		(94.4)
Equity shareholder's funds			**1,043.6**		**977.8**

These accounts were approved by the Board of Directors on 28 September 2015 and were signed on its behalf by:

J P A van der Burg
Director

The notes on pages 9 to 22 form part of these financial statements.

Notes to the accounts

1. **Accounting policies**

Basis of preparation
The financial statements have been prepared on the historic cost basis, and in accordance with UK Generally Accepted Accounting Practice.

The financial position of the company is set out in the balance sheet on page 8 of the financial statements. The company has net current liabilities of £1,326.6m (2013: £1,490.0m). This is mainly due to amounts owed to fellow Group undertakings within the next 12 months of £5,121.0m (2013: £5,447.0m), the demand for repayment of which is entirely within the control of the Group.

Going concern
The company's ultimate parent undertaking, Heineken N.V., has confirmed to the directors its intention to provide sufficient financial assistance to enable the company to continue operations and fulfil its financial obligations for the foreseeable future and at least for a period of 12 months from the date of approval of the financial statements of the company. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The company has taken advantage of exemptions under FRS1 and has not prepared a cash flow statement.

The company has taken advantage of exemptions under FRS8 and has not disclosed certain related party transactions.

The company is exempt from the requirement to prepare consolidated accounts under section 400 of the Companies Act 2006. The financial statements presented are therefore for the company only.

Depreciation
With the exception of freehold land (which is not depreciated), depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets in equal annual instalments over the expected useful lives of the assets. It is calculated using the following expected useful lives:

Breweries, maltings and other properties	
- Freehold buildings	- 50 years
- Leasehold buildings	- the shorter of 50 years or the unexpired term of the lease
Plant, vehicles and equipment	
- Brewing plant	- 15 to 30 years
- Kegging, bottling and canning plant	- 5 to 20 years
- Commercial vehicles and private cars	- 3 to 8 years
- Containers and other equipment	- 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments
Investments held as fixed assets are stated at cost less any provision for impairment.

Stock valuation
Stocks are stated at the lower of cost or net realisable value. The cost of raw materials and consumables is the purchase invoice cost. The cost of finished goods and work in progress comprises materials, excise duty where appropriate, labour and attributable production overheads.

Pension and other post-retirement benefits
Certain employees of Heineken UK Limited are members of the Scottish & Newcastle Limited group pension schemes, which cover several companies in the group. It is not possible to identify the share of assets and liabilities relating to individual companies on a consistent and reasonable basis. Consequently in Heineken UK Limited the company has applied the multi-employer exemption and the pensions scheme is accounted for as defined contribution scheme. Amounts charged to the Profit and Loss Account represent the contribution payable to the scheme in the period.

Notes to the accounts (continued)

1. Accounting policies (continued)

Share based payment plan (long-term incentive plan)
The ultimate parent undertaking, Heineken N.V. operates an equity settled share based payment scheme in respect of certain employees of Heineken UK Limited, the criteria of which are set out in note 6 to the accounts. The cost of the scheme is measured by reference to the fair value at the date at which the shares are granted and is recognised as an expense over the vesting period, which ends on the date the employees become fully entitled to the award. Fair value is determined using the Monte Carlo pricing model, taking into account the terms and conditions of the plan.

Brand licences
Acquired licences, which are separately identifiable, are recorded at fair value on acquisition where this can be measured reliably. Brand licences are amortised over their expected useful life of 25 years.

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

Goodwill
Goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is amortised over its useful life of 20 years.

Foreign currencies
Exchange differences on the retranslation of investments in foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings and savings. Other gains and losses arising from foreign currency transactions are included in the Profit and Loss Account.

Leases
Operating lease payments and receipts are taken to the Profit and Loss Account on a straight line basis over the life of the lease. Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are included in the Balance Sheet as fixed assets at cost less depreciation. The capital element of future rentals is treated as a liability. The interest element is charged to the Profit and Loss Account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Turnover
Turnover comprises sales, including recovery of duty where appropriate, net of Value Added Tax. Certain distribution contracts oblige the company to purchase goods from third parties and sell them on to customers at cost. As the company is rewarded separately for the distribution service provided, and the sale and purchase of the goods has no impact on operating profit, the amounts invoiced on to customers and charged by suppliers for the sale and purchase of these goods are excluded from turnover and cost of sales.

Deferred taxation
Deferred taxation is provided, without discounting, on all timing differences which have originated but not reversed at the balance sheet date except for those which should not be recognised under FRS19, calculated at the enacted rates at which it is estimated that tax will be payable. Deferred taxation assets are only recognised to the extent that it is more likely than not that they will be recovered.

Preference share capital
In accordance with FRS25 the component of share capital relating to the cumulative fixed rate dividend is treated as a financial instrument and is included in creditors. The balance is included in called up share capital. In the Profit and Loss Account the cumulative fixed rate preference dividends are included in interest payable and similar charges.

Provisions for liabilities and charges
A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are held at net present value and are discounted using the risk free yield curve.

Notes to the accounts (continued)

1. Accounting policies (continued)

Restated comparative information

In 2014, the directors have changed the presentation of excise duty to be consistent with the parent company accounting treatment and presentation and which they believe to be a more appropriate presentation. The excise duty is now netted against turnover. The effect of this change in presentation in the 2013 accounts is to reduce turnover by £870.7m and reduce cost of sales by a corresponding amount. These amounts have been restated in the 2013 comparatives. The effect on operating profit is £nil in 2013 and there is no effect on profit before tax or net assets.

2. Turnover

The turnover of the company is attributable to the sale of cider and beer within the United Kingdom and various export markets.

3. Net operating costs

	Year ended 31 December 2014 £m	Year ended 31 December 2013 (restated) £m
Cost of sales	436.8	441.7
Staff costs (see note 5)	144.6	134.4
Exceptional staff costs	5.6	6.0
Depreciation	28.8	26.5
Other operating costs	538.0	571.5
Operating lease rentals – land and buildings	7.7	7.0
Operating lease rentals – plant and machinery	5.5	4.0
Income from investments - trade loans	-	(1.0)
Amortisation of goodwill	0.3	0.3
Amortisation of customer lists	0.1	5.1
Amortisation of brand licences	4.7	4.7
	1,172.1	1,200.2

The exceptional items relate to a series of restructuring and rationalisation initiatives.

Audit fees for the year were £0.3m (2013: £0.3m). Fees in respect of services provided by the auditors for non-audit services were £0.3m (2013: £0.2m).

4. Remuneration of Directors

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Salaries and other benefits	3.3	3.0
Employer pension contributions	0.1	0.1
Total remuneration	3.4	3.1

Highest paid director:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Salary and other benefits	550	602
Employer pension contributions	-	-

Retirement benefits are accruing to 6 (2013: 5) directors under a defined benefit scheme.

Notes to the accounts (continued)

5. **Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year was 1,857 (2013: 1,858). From October 2014 the company has taken over employees of its subisidiary UBL Ltd, with an annualised average number of employees of 40.

The aggregate payroll cost of these persons was £144.6m excluding redundancy costs (2013: £134.4m) which can be analysed as follows:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Wages and salaries	87.4	78.6
Social security	9.7	9.4
Pension costs	47.5	46.4
	144.6	134.4
Exceptional - redundancy and related costs	5.6	6.0
	150.2	140.4

Scottish & Newcastle Ltd group pension schemes

The Scottish & Newcastle Limited group funds a number of pension schemes which are administered through independent trusts. The main group schemes are defined benefit schemes and a full actuarial valuation of the main schemes was carried out at 31 October 2012. The actuarial valuation has been updated to 31 December 2013 and 31 December 2014 by qualified independent actuaries.

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

	31 December 2014	31 December 2013
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions (LPI max 5%)	2.90%	3.20%
Rate of increase in pensions (LPI max 3%)	1.90%	2.15%
Discount rate	3.60%	4.60%
Inflation rate - RPI	2.95%	3.30%
Inflation rate - CPI	2.00%	2.30%

The weighted average asset allocation was as follows:

	31 December 2014 %	31 December 2014 £m	31 December 2013 %	31 December 2013 £m
Equities	49	1,366.6	49	1,249.7
Bonds	46	1,282.9	46	1,173.2
Real estate	5	139.5	5	127.5
Total market value of assets		2,789.0		2,550.4
Present value of scheme liabilities		(3,189.9)		(2,847.6)
Deficit in the scheme		(400.9)		(297.2)

Notes to the accounts (continued)

5. **Staff numbers and costs (continued)**

To develop the expected long term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

6. **Share-based payments – Long-Term Variable Award**

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

The performance conditions for LTV 2012 – 2014, LTV 2013-2015 and LTV 2014 – 2016, comprise solely of internal financial measures, being for LTV 2012 – 2014 and LTV 2013-2015 Organic Gross Profit before exceptional items and amortisation (beia) growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow and for LTV 2014 – 2016 Organic Revenue Growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100 per cent of the shares will vest. At threshold performance, 50 per cent of the awarded shares vest. At maximum performance, 175 per cent of the awarded shares will vest.

The performance period for share rights granted in 2012 is from 1 January 2012 to 31 December 2014. The performance period for share rights granted in 2013 is from 1 January 2013 to 31 December 2015. The performance period for share rights granted in 2014 is from 1 January 2014 to 31 December 2016. The vesting date for senior management is the latest of 1 April and 20 business days after the publication of the annual results of 2014, 2015 and 2016 respectively.

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

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

In EUR (€)

Grant date/employees entitled	Number*	Based on share price	Vesting conditions	Contractual life of rights
Share rights granted to senior management in 2012	29,438	35.77	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2013	24,372	50.47	Continued service, 100% internal financial measures	3 years
Share rights granted to senior management in 2014	16,317	49.08	Continued service, 100% internal financial measures	3 years

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

Notes to the accounts (continued)

6. Share-based payments – Long-Term Variable Award (continued)

Based on forecast performance, it is expected that approximately 19,942 shares will vest in 2015 (2014: 11,888) for senior management of Heineken UK Limited. The effect of future expected grants is recognised in the profit or loss during the performance period and amounts to a charge of £1,686,218 in 2014 (2013: credit of £94,142).

The number and weighted average share price per share is as follows:

In EUR (€)	Weighted average share price 2014	Number of share rights 2014	Weighted average share price 2013	Number of share rights 2013
Outstanding as at 1 January	40.45	82,140	35.40	79,937
Granted during the year	49.08	16,317	50.47	24,372
Forfeited during the year	50.52	(16,442)	58.80	(15,246)
Vested during the year	50.52	(11,888)	58.80	(6,923)
Outstanding as at 31 December	43.98	70,127	40.45	82,140

7. Interest receivable and similar income

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest receivable from group undertakings	78.4	93.7
Bank interest receivable	0.2	0.3
Other interest receivable	0.9	-
	79.5	94.0

8. Interest payable and similar charges

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest payable to group undertakings	132.7	139.1
Interest payable on bank overdrafts	0.6	1.0
Preference dividends	9.3	9.3
Other interest payable	1.3	1.1
	143.9	150.5

In accordance with FRS 25 the cumulative fixed dividend element of the preference share dividends is shown as a component of interest payable.

Notes to the accounts (continued)

9. Taxation on profit / (loss) on ordinary activities

(i) Tax (credit) / charge		Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Group relief	- current year	(6.6)	(3.6)
Group relief	- prior year	(1.5)	-
		(8.1)	(3.6)
Deferred tax	- origination and reversal of timing differences in the current year	2.7	24.3
	- origination and reversal of timing differences in prior years	1.2	0.1
		3.9	24.4
Tax (credit) / charge		(4.2)	20.8

(ii) Tax reconciliation	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit / (loss) on ordinary activities before taxation	121.6	(45.8)
Notional tax (credit) / charge at UK corporation tax rate of 21.5% (2013 – 23.25%)	26.1	(10.6)
Non-taxable income items	(63.6)	(1.1)
Disallowable expenses	41.4	7.8
Fixed assets and other timing differences	(10.5)	0.3
Adjustments to tax charge in respect of previous periods	(1.5)	-
Current tax credit	(8.1)	(3.6)

Reductions in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) and to 21% (effective from 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% (effective from 1 April 2015) was also substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

It was announced in the Summer Budget in July 2015 that the UK corporation tax rate will further reduce to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020), however these reductions have not yet been substantively enacted.

Notes to the accounts (continued)

10. Tangible fixed assets

	Breweries, malting and other properties £m	Other tangible assets £m	Total £m
Cost or valuation			
At 1 January 2014	212.4	814.5	1,026.9
Additions	11.3	39.2	50.5
Transfer from subsidiary	24.7	7.2	31.9
Disposals	-	(6.4)	(6.4)
At 31 December 2014	**248.4**	**854.5**	**1,102.9**
Depreciation			
At 1 January 2014	131.7	593.5	725.2
Charge for year	5.2	23.6	28.8
Disposals	-	(1.7)	(1.7)
At 31 December 2014	**136.9**	**615.4**	**752.3**
Net book value			
At 31 December 2013	80.7	221.0	301.7
At 31 December 2014	**111.5**	**239.0**	**350.5**

The net book value of properties comprises:

	31 December 2014 £m	31 December 2013 £m
Freehold	111.3	79.5
Long leasehold	-	0.2
Short leasehold	0.2	1.0
	111.5	80.7

11. Intangible fixed assets

	Brand licences £m	Customer lists £m	Goodwill £m	Total £m
Cost or fair value				
At 1 January 2014 and 31 December 2014	**115.6**	**24.5**	**6.1**	**146.2**
Amortisation				
At 1 January 2014	45.8	24.4	2.8	73.0
Charged in year	4.7	0.1	0.3	5.1
At 31 December 2014	**50.5**	**24.5**	**3.1**	**78.1**
Net book value				
At 31 December 2013	**69.8**	**0.1**	**3.3**	**73.2**
At 31 December 2014	**65.1**	**-**	**3.0**	**68.1**

The company has been granted licences by other group undertakings in respect of several cider brands.

Notes to the accounts (continued)

12. Investments

	Investments in subsidiaries £m	Trade loans £m	Trade investments £m	Investments in joint ventures and associates £m	Total £m
Cost					
At 1 January 2014	2,652.9	37.5	4.6	10.2	2,705.2
Exchange adjustment	(59.8)	-	-	-	(59.8)
Advances	-	2.4	-	-	2.4
Disposals / repayments		(7.5)	-	-	(7.5)
Impairment write downs on investments	(65.4)	-	-	-	(65.4)
Amounts written off trade loans	-	(1.0)	-	-	(1.0)
At 31 December 2014	**2,527.7**	**31.4**	**4.6**	**10.2**	**2,573.9**
Impairment					
At 1 January 2014	**420.0**	**24.2**	-	-	**444.2**
Reversal of impairment	-	(11.2)	-	-	(11.2)
At 31 December 2014	**420.0**	**13.0**	-	-	**433.0**
Net book value					
At 31 December 2013	2,232.9	13.3	4.6	10.2	2,261.0
At 31 December 2014	**2,107.7**	**18.4**	**4.6**	**10.2**	**2,140.9**

An element of the trade loans are subject to non-recourse finance (see note 13).

The company's subsidiaries are:

	Country of incorporation	Country of operation	% of equity holding
S&N Angel Investments Limited	England	England	100.00
S&N Portugal Limited	Scotland	Scotland	100.00
S&N F Limited	Scotland	Scotland	100.00
S&N Finland Limited	England	Finland	100.00
Newcastle Federation Breweries Limited	England	Finland	100.00
Star Pubs & Bars Limited	Scotland	Scotland	100.00
Heineken UK (Canada) Inc	Canada	Canada	100.00
Caledonian Brewing Company Limited	Scotland	Scotland	100.00
Caledonian Brewery Limited	Scotland	Scotland	100.00
Universal Beverages (Holdings) Limited	England	England	100.00
Universal Beverages Limited	England	England	100.00

During the financial year the following subsidiaries were struck off: Jygsaw Limited, Heritage Drinks Limited and the Newcastle Breweries Limited. Investments in Universal Beverages Limited and the Caledonian Brewing Company Limited were written off due to impairment. The total impairment amounts written off amounted to £65.4m.

The company's principal investments in joint ventures and associates are:

- a 67.4% holding (but which gives 50.0% control) in the share capital of Serviced Dispense Equipment (Holdings) Limited, a company that is registered in England and operates in the UK.
- a 50.0% holding in the share capital of Kuehne + Nagel Drinkflow Logistics Limited, a company that is registered in and operates in Scotland to undertake drinks distribution in the UK.

Notes to the accounts (continued)

12. Investments (continued)

The company's principal investments in joint ventures and associates are:

- a 50.0% holding in the share capital of UseYourLocal Limited, a company that is registered in and operates in Scotland;
- A 28.3% holding in the share capital of T & R Theakston Limited, a company that is registered in and operates in England as a brewing company.
- A 3.2% holding in the share capital of United Breweries Limited, a company that is registered in and operates in India.

At 31 December 2014 investments were indirectly held in the following company:

Name of the company	Country of incorporation	% of equity holding	Directly held by
Star Pubs & Bars (Property) Ltd	England	100	Star Pubs & Bars Limited
Fountain Pub Company Ltd	England	100	Star Pubs & Bars Limited
Red Star Pub Company (WR) Ltd	Scotland	100	Star Pubs & Bars Limited
Refresh Pub Company (Holdings) Ltd	Jersey	100	Star Pubs & Bars Limited
Scottish & Newcastle Property 3 Ltd	England	100	Star Pubs & Bars Limited
Blue Star Pub Company Holdings (No. 2) Ltd	Jersey	95	Refresh Pub Company (Holdings) Limited
		5	Star Pubs & Bars Limited
Blue Star Pub Company Ltd	Scotland	100	Blue Star Pub Company Holdings (No. 2) Limited
Broadway Inns Limited	England	100	The Globe Pub Company Limited
Red Star Pub Company (WRH) Ltd	Scotland	100	Star Pubs & Bars Limited
Red Star Pub Company (WR II) Ltd	Scotland	100	Red Star Pub Company (WRH) Limited
Red Star Pub Company (WR III) Ltd	England	95	Red Star Pub Company (WRH) Limited
		5	Star Pubs & Bars Limited

13. Trade loans subject to non-recourse financing agreements

£6.1m (2013: £7.7m) of trade loans are subject to non-recourse finance of £5.9m (2013: £7.2.m). Under the terms of the finance agreements the lenders have agreed in writing that they will seek repayment of both principal and interest only to the extent that sufficient funds are generated by the specific items financed and that it will not seek recourse in any other form. The company is not obliged, nor does it intend to, support any losses. Interest charged on the debt is linked to the income generated from the trade loans.

The trade loans do not meet the criteria for linked presentation in accordance with FRS 5 "Reporting the substance of transactions". Accordingly the trade loans are included within Investments (note 12) and the non-recourse finance within Creditors: amounts falling due within one year (note 17) and Creditors: amounts falling due after more than one year (note 18) as bank loans.

14. Stocks

	31 December 2014 £m	31 December 2013 £m
Raw materials and consumables	14.6	14.5
Work in progress	29.8	28.0
Finished goods and goods for resale	36.1	36.0
	80.5	78.5

Notes to the accounts (continued)

15. Debtors

	31 December 2014 £m	31 December 2013 £m
Trade debtors	264.7	165.0
Prepayments and accrued income	11.2	19.4
Amounts owed by group undertakings	3,780.3	3,675.4
Amounts owed by joint ventures	14.0	16.0
Group relief	22.4	3.6
Deferred tax asset (note 16)	155.9	159.8
Other debtors	42.8	20.3
	4,291.3	4,059.5

Other debtors include £21.4m (2013: £39.9m) due after more than one year. Amounts owed by joint ventures of £14.0m (2013: £16m) is due after more than one year. All other amounts except deferred tax asset fall due within one year.

16. Deferred tax asset

	£m
At 1 January 2014	159.8
Deferred tax charge in profit and loss account (see note 9)	(3.9)
At 31 December 2014	155.9

The deferred tax asset is comprised of:

	31 December 2014 £m	31 December 2013 £m
Accelerated capital allowances	47.6	46.8
Other timing differences	23.4	28.2
Losses	84.9	84.8
	155.9	159.8
Unprovided deferred tax		
Rolled over gains	14.4	30.5

No provision has been made for deferred tax on gains on the sale of assets where potentially taxable gains have been rolled over into replacement assets. Such tax would only be payable if the assets were sold without it being possible to claim rollover relief.

17. Creditors: amounts falling due within one year

	31 December 2014 £m	31 December 2013 £m
Trade creditors	167.0	145.0
Amounts due to group undertakings	5,121.0	5,447.0
Amounts due to joint ventures	17.6	10.3
Bank overdrafts	267.1	42.0
Bank loans (see note 13)	1.4	2.6
Other taxes and social security costs	95.8	95.4
Accruals and deferred income	117.5	105.6
Other creditors	7.1	7.0
	5,794.5	5,854.9

The bank overdrafts are unsecured. The company is a participant in group cash pooling arrangements. Bank overdrafts have been netted against surplus cash balances as allowed under the pooling agreements.

Notes to the accounts (continued)

18. **Creditors: amounts falling due after more than one year**

	31 December 2014 £m	31 December 2013 £m
Bank loans (see note 13)	4.5	4.6
Preference shares (see note 20)	116.1	116.1
	120.6	120.7

Bank loans represent an amount linked to trade loans which do not qualify for linked presentation in accordance with FRS 5 (see note 13). Repayment of this facility may be accelerated if the related investment receipt is accelerated.

All repayments in relation to the bank loan fall due within 5 years. The bank loan incurs interest at 1 month LIBOR + 1.3% and is repayable in instalments.

In accordance with FRS 25 the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% are shown under creditors with the balance shown under shareholders' funds.

19. **Provisions for liabilities and charges**

	Guarantees £m	Onerous leases £m	Restructuring £m	Total £m
At 1 January 2014	7.7	15.8	23.9	47.4
Profit and loss account	-	14.9	30.6	45.5
Utilised during the year	-	(5.8)	(12.3)	(18.1)
Released during the year	(3.6)	(0.8)	(1.7)	(6.1)
At 31 December 2014	4.1	24.1	40.5	68.7

Guarantees
The provision for guarantees is in respect of exposure to customer loans provided by external finance providers and guaranteed by the company. It is expected that this provision will be utilised within the next five years.

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

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

Notes to the accounts (continued)

20. Called up share capital

Allotted, called up & fully paid	Number of shares 31 December 2014 m	Number of shares 31 December 2013 m	Amount 31 December 2014 £m	Amount 31 December 2013 £m
Ordinary shares of £1 each	1,019.1	1,019.1	1,019.1	1,019.1
6.5% cumulative preference shares of £2 each	71.4	71.4	142.9	142.9
	1,090.5	1,090.5	1,162.0	1,162.0

	31 December 2014 £m	31 December 2013 £m
Shares classified as liabilities (see note 18)	116.1	116.1
Shares classified as shareholders' funds	1,045.9	1,045.9
	1,162.0	1,162.0

6.5% Cumulative Preference Shares

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

In accordance with FRS 25 the book value of the preference shares that relates to the cumulative fixed rate dividend of 6.5% are shown under creditors with the balance shown under shareholders' funds.

21. Reconciliation of movements in shareholders' funds

	Share capital £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 January 2014	1,045.9	(94.4)	26.3	977.8
Profit attributable to ordinary shareholders	-	-	125.8	125.8
Transfer of preference share dividend	-	(9.3)	9.3	-
Exchange adjustments	-	-	(60.0)	(60.0)
At 31 December 2014	1,045.9	(103.7)	101.4	1,043.6

Other reserves represent the cumulative amount of preference share dividends.

Notes to the accounts (continued)

22. **Commitments**

(i) Capital commitments at the end of the financial year for which no provision has been made:

	31 December 2014 £m	31 December 2013 £m
Expenditure authorised and committed	12.9	22.5

(ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	31 December 2014 £m	31 December 2013 £m	31 December 2014 £m	31 December 2013 £m
Operating leases which expire:				
Within one year	1.6	-	0.7	0.1
In two to five years	1.6	2.2	1.3	2.6
After five years	4.5	3.5	-	-
	7.7	5.7	2.0	2.7

23. **Transactions with joint ventures**

	Year ended 31 December 2014	Year ended 31 December 2013
Sales	0.9	8.5
Purchases	219.6	222.4

There were no transactions with associates in the year.

24. **Ultimate parent company**

The ultimate parent undertaking at the balance sheet date, which was also the parent for the largest and smallest group of undertakings for which group accounts were drawn up and of which the company was a member, was Heineken N.V, a company registered in The Netherlands. Group accounts for this company may be obtained from the Company Secretary, Heineken N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands.