Lucozade Ribena Suntory Limited

Annual Report and Financial Statements

For the period from incorporation on 10 July 2013 to 31 December 2014

Registered number: 08603549

Lucozade Ribena Suntory Limited

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Lucozade Ribena Suntory Limited

Company Information

Board of Directors

Mr Stanislas De Gramont

Mr Peter Harding

Mr Toby McKeever

Mr Takayuki Sanno

Ms Makiko Ono

Mr Bertrand Delmas

Mr Kazuhiro Saito

Mr Jaime Mussons-Freixas

Mr Craig Shelden

Ms Mollie Stoker

Registered Number

08603549

Registered Office

2 Longwalk Road
Stockley Park
Uxbridge
UB11 1BA

Auditor

Deloitte LLP
Chartered accountants & Statutory Auditor
London

Bankers

HSBC
62-76 Park Street
London
SE1 9DZ

Bank of Tokyo-Mitsubishi UFJ Ltd
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9AN

Lucozade Ribena Suntory Limited

Strategic report

The directors, in preparing this strategic report, have complied with s114C of the Companies Act 2006.

Principal activities

The Company's principal activity is to produce, market and distribute various popular brands of non-alcoholic beverages.

The Company enjoyed its first full year of trading following on from the major acquisition of the Lucozade and Ribena brands it made in 2013.

Business review

The Company achieved a turnover of £489 million and a gross margin of 49%. The period has been transitional since the Company's incorporation and the Company has now successfully completed its business transformation programme, IT programme and other start-up activities. These costs are included in the operating results.

The Company continued in its efforts to build and focus on strengthening key customer and supplier relationships, operational efficiency at its manufacturing site in Coleford, brand positioning and new marketing activities including distribution and brand development.

These results and activities have been accomplished against tough economic circumstances with pressure applied by customers and suppliers alike.

Key trading figures

	Period Ended 31 December 2014 £M
Turnover	489.2
Gross profit	237.7
Gross profit margin	49%
Operating profit	26.5
Profit before tax	15.9

Outlook and future plans

The soft drink sector is likely to remain challenging with intense competition amongst the major retailers with visible shifts in market share experienced by the major food multiples. Household budgets are still under continued pressure, despite some signs of economic recovery. The directors believe the foundation of the Company built over the initial months of trading, coupled with significant planned investment and commitment to its brands, products, customer and supplier relationships, and its employees, will provide future growth.

Principal risk and uncertainties

The Company operates in an environment that is continuously changing and, as a result, the risks it faces will also change over time. The assessment of risks and the development of strategies for dealing with these risks are achieved on an ongoing basis through the way in which the Company is controlled and managed internally, with additional support from the wider Suntory Beverage & Food group.

Risk management processes are in place and being further optimised to ensure the early identification, evaluation and effective management of key risks facing the business at an operational level. The business operates a strong internal control environment which seeks to adequately mitigate these risks. Key risk management activities are regularly assessed to ensure continued best practice in all areas.

The principal corporate risk to the business is any downturn in consumer spending in the primary UK market. UK consumers have endured several years of average earnings growth falling below the rate of inflation and this might be expected to result in continued pressure on gross margin.

The directors have identified the following other risk factors that could have a significant impact on the Company's future earnings.

Strategic report (continued)

Competitive environment and customer risk: there is strong competition within all segments in which the Company operates. The Company believes in the strength of its brands and products, and the monitoring of key performance indicators at the customer level such as service levels and customer complaints is part of the risk management process associated with this specific risk. The Company invests in innovation and in new product development to ensure that consumer, customer and regulatory requirements are addressed.

Loss of key customer relationships: the Company benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, or significant worsening in commercial terms, could result in a material impact on the Company's results. The Company invests significant resources to maintain multi-level relationships with its key customers to drive value and minimise risk for both itself and its key customers.

Raw materials – price and supply: increase in the price of raw materials can adversely impact the core profitability of the Company's business and any related shortage in supply will impact the business's ability to maintain its service level to customers. The Company will aim to pass on increased costs to its customers as far as is reasonable in the circumstances whilst focusing on purchasing, process and cost improvements to manage and mitigate these risks. The Company has recruited a high level of expertise in its procurement team, enabling it to monitor raw material sources on a global basis, and to negotiate favourable purchasing contracts with key suppliers. The cultivation of strong relationships with major suppliers will be a key focus of the Company to ensure the continuity of supply at competitive prices.

Foreign exchange rate: the Company makes use of foreign exchange contracts to mitigate the risk of foreign exchange losses on financing and operational activities such as the purchase of raw materials.

Loss of major site: the Company operates one manufacturing site in the United Kingdom along with support from a range of contract manufacturers. The loss of the manufacturing site, for example, as a result of fire, would present significant operational difficulties. Our operations have business continuity plans in place to manage the impact of such an event and Company insurance programmes to mitigate the financial consequences.

Approved by the Board of Directors and signed on behalf of the Board.

Peter Harding

Peter Harding,
Director

9 April 2015

Directors' report

The directors present their report with the financial statements of Lucozade Ribena Suntory Limited (the Company) for the period from 10 July 2013 to 31 December 2014. The Company was incorporated on 10 July 2013 and commenced trading in January 2014 following its acquisition of the Lucozade and Ribena brands from Glaxo Group Limited.

Research and development

The Company undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the period on research and development amounted to £1,200,350.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis in preparing the financial statements for the period.

Further details regarding the adoption of the going concern basis can be found in the significant accounting policies in the notes to the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge these exposures. The market value of these instruments were immaterial as at the end of the period.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows, therefore the Company's exposure to interest rate risk is not considered significant.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance from its parent undertaking and external banks.

Directors' report (continued)

Dividends

No dividends were proposed during the period ended 31 December 2014. On 1 April 2015 the Board approved a dividend of £5,000,000.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and form part of this report by cross-reference. There have been no events after the balance sheet event other than a dividend declared which has been described above.

Directors

The directors, who served throughout the period and subsequently, except as noted, were as follows:

Mr Stanislas De Gramont (appointed 1/4/14)

Mr Peter Harding (appointed 23/1/14)

Mr Toby McKeever (appointed 24/6/14)

Mr Takayuki Sanno (appointed 24/6/14)

Ms Makiko Ono (appointed 15/10/13, resigned 1/1/14, re-appointed 19/3/15)

Mr Adrian Levy (appointed 10/7/13, resigned 15/10/13)

Mr David Pudge (appointed 10/7/13, resigned 15/10/13)

Mr Masatsugu Tokuda (appointed 23/1/14, resigned 1/2/15)

Directors appointed after the period end, were as follows:

Mr Bertrand Delmas (appointed 19/3/15)

Mr Kazuhiro Saito (appointed 19/3/15)

Mr Jaime Mussons-Freixas (appointed 19/3/15)

Mr Craig Shelden (appointed 19/3/15)

Ms Mollie Stoker (appointed 19/3/15)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities 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 internal communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Lucozade Ribena Suntory Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Deloitte LLP were appointed as auditor of the Company during the period.

A resolution to reappoint Deloitte LLP will be circulated to the members for approval.

Approved by the Board on 9 April 2015 and signed on its behalf by:

Peter Harding.

Mr Peter Harding
Director

2 Longwalk Road,
Stockley Park,
Uxbridge,
UB11 1BA

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Lucozade Ribena Suntory Limited

We have audited the financial statements of Lucozade Ribena Suntory Limited for the period ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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 auditor

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 period then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; 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 period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Lucozade Ribena Suntory Limited (continued)

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.

Kevin Thompson

Kevin Thompson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London,
United Kingdom

10 April 2015

Lucozade Ribena Suntory Limited
Profit and loss account
For the period ended 31 December 2014

	Note	Period from 10 July 2013 to 31 December 2014 £000
Turnover	4	489,207
Cost of sales		(251,475)
Gross profit		237,732
Distribution costs		(32,715)
Administrative expenses		(178,513)
Operating profit		26,504
Interest receivable and similar income	7	74
Interest payable and similar charges	8	(10,279)
Net foreign exchange loss		(365)
Profit on ordinary activities before tax		15,934
Tax on profit on ordinary activities	9	(7,789)
Profit on ordinary activities after tax	5	8,145

All the results shown in the Profit and loss account derive from continuing operations. The notes on pages 13 to 31 form part of these financial statements.

A statement of other comprehensive income has not been presented as there are no other items of other comprehensive income other than the profit on ordinary activities after tax for the period.

Lucozade Ribena Suntory Limited
Balance sheet
As at 31 December 2014

	Note	31 December 2014 £000
Fixed assets		
Intangible assets	10	1,139,383
Tangible fixed assets	11	166,887
		1,306,270
Current assets		
Stocks	13	26,416
Debtors	14	
- due within one year		121,533
- due after one year		456
Cash at bank and in hand		17,432
Total assets		1,472,107
Creditors: Amounts falling due within one year:		
Trade and other payables	15	98,047
Current tax liabilities	9	7,789
Borrowings	16	103,020
Total current liabilities		208,856
Net current liabilities		**(43,019)**
Total assets less current liabilities		**1,263,251**
Creditors: Amounts falling due after more than one year:		
Borrowings	16	500,000
Other liabilities	15	106
Net assets		**763,145**
Capital and reserves		
Called up share capital	18	755,000
Profit and loss account	19	8,145
Total shareholders' funds		**763,145**

The notes on pages 13 to 31 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2015. They were signed on its behalf by:

Peter Harding

Peter Harding
Director

Lucozade Ribena Suntory Limited
Statement of changes in equity
For the period ended 31 December 2014

Attributable to owners of the Company:

	Share Capital £000	Profit and loss account £000	Total £000
Balance at 10 July 2013	-	-	-
Profit for the period	-	8,145	8,145
Total comprehensive income for the period	**-**	**8,145**	**8,145**
Transactions with owners:			
Issue of share capital	755,000	-	755,000
Balance at 31 December 2014	**755,000**	**8,145**	**763,145**

The notes on pages 13 to 31 form part of these financial statements.

1. General information

Lucozade Ribena Suntory Limited (the Company) is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Suntory Beverage & Food Limited. The group accounts of Suntory Beverage & Food Limited are available to the public and can be obtained as set out in note 25.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the period ended 31 December 2014 the Company has elected to adopt FRS 101 as issued by the Financial reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The following disclosure exemptions have been adopted:

- Preparation of a cash flow statement;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned within the group;
- Disclosure of key management personnel compensation;
- Capital management disclosures; and
- Disclosures in respect of standards in issue not yet effective.

The following disclosure exemption has also been adopted as equivalent disclosures are provided in the Suntory Beverage & Food Limited.

- Reduced financial instruments disclosures relating to IFRS 7 as equivalent disclosures are provided by the parent entity.

Where relevant, equivalent disclosures have been given in the group accounts of Suntory Beverage & Food Limited. The group accounts of Suntory Beverage & Food Limited are available to the public and can be obtained as set out in note 25.

The financial statements have been prepared in accordance with the Companies Act 2006 and the principal accounting policies as summarised below. They have all been applied consistently through the period.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

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

2. Significant accounting policies (continued)

Basis of accounting (continued)

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

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

Business combinations

The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a business is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes contingent consideration arrangements where payment is probable. Acquisition costs are expensed as incurred.

The Company recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the Profit and loss account in the periods expected to be benefited.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 2 to 3.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the Company's parent Suntory Beverage & Food Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Suntory Food & Beverage Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position, its expected positive future cash flows and of the enquiries made of the directors of Suntory Beverage & Food Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Significant accounting policies (continued)

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Profit and loss account in the period in which they arise.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business. Revenue is shown net of discounts, VAT and other sales-related taxes, and represents amounts invoiced to third parties in relation to the Company's sole principal activity, namely the manufacture and distribution of beverage products. Revenue is recognised on delivery to the final customer when the risks and rewards relating to the manufacture and distribution of goods have been transferred to the customer. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

During 2014 under transitional arrangements with Glaxo Group Limited, the invoicing to third parties was done by Glaxo Group Limited who retained legal title to stock whilst the Company had beneficial ownership. All profits were remitted to the Company net of charges for services from Glaxo Group Limited.

Interest receivable and similar income and interest payable and similar charges

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognised in the Profit and loss account upon utilisation of the service or at the date of their origin.

Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the period in which they are incurred.

Operating profit

Operating profit is stated before finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current tax</u>

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

<u>Deferred tax</u>

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

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

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

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

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

<u>Current tax and deferred tax for the period</u>

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2. Significant accounting policies (continued)

Intangible assets acquired in a business combination

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. These are subject to testing for impairment as described below.

Goodwill and trademarks are considered to have indefinite useful lives.

Amortisation is recognised on customer relationships so as to write off the cost or valuation of assets less their residual values over their useful lives of 16 to 23 years, using the straight-line method.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the Profit and loss account when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant accounting policies (continued)

Tangible fixed assets

Freehold land held for use in the business is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Buildings, machinery and furniture and fixtures are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

Buildings, machinery and furniture and fixtures are subsequently measured at cost less accumulated depreciation and impairment losses.

Assets under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	30 – 40 years
Furniture and fixtures	5 – 10 years
Machinery	10 – 15 years
Software	3 – 10 years

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

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Profit and loss account.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

2. Significant accounting policies (continued)

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)

All financial assets except for those at FVTPL are subject to review for impairment at least each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the Profit and loss account are presented within Interest receivable and similar income and Interest payable and similar charges, except for impairment of trade receivables which is presented within administrative expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash at bank and on hand and most debtors fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in the Profit and loss account. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables, other liabilities and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in the Profit and loss account.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the Profit and loss account are included within Interest receivable and similar income and Interest payable and similar charges.

2. Significant accounting policies (continued)

Equity and reserves

Share capital represents the nominal value of shares that have been issued. All transactions with owners of the parent are recorded separately within equity.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation and amortisation

The Company exercises judgement to determine useful lives and residual values of buildings, machinery, furniture and fixtures, software and customer relationships. The assets are depreciated down to their residual values over their estimated useful lives.

Impairment of intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. The Company did not need to recognise any impairment losses on intangible assets in 2014.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes as a result of the acquisition in the period.

In estimating the fair value of an asset or a liability, the Company selects valuation techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Valuation processes and fair value changes are discussed among the finance team, who report to the Chief Financial Officer on a regular basis to explain the cause of fluctuations in the fair value of the assets and liabilities.

4. Turnover

The turnover and profit on ordinary activities before tax are attributable to the principal activity and continuing operations of the Company, which is the manufacture and distribution of soft drinks.

An analysis of the Company's turnover by geographical market is set out below:

	Period from 10 July 2013 to 31 December 2014 £000
Turnover:	
Great Britain and Ireland	422,847
Rest of world	66,360
	489,207

5. Profit for the period

Profit for the period has been arrived at after charging:

	Period from 10 July 2013 to 31 December 2014 £000
Staff costs (see note 6)	41,129
Research and development costs	1,200
Depreciation of tangible fixed assets (see note 11)	16,679
Amortisation of intangible assets included in other operating expenses (see note 10)	2,623
Operating lease expense (see note 20)	1,118
Fees payable to the Company's auditor for the audit of the annual accounts	205
Fees payable to the Company's auditor for audit related services	45

6. Staff costs

The average monthly number of employees (including executive directors) was:

	Period from 10 July 2013 to 31 December 2014
Production personnel	298
Administration and other personnel	375
	673

Their aggregate remuneration comprised:

	Period from 10 July 2013 to 31 December 2014 £000
Wages and salaries	34,458
Social security costs	3,780
Pension costs	2,891
	41,129

Directors' remuneration disclosures are included in note 23.

7. Interest receivable and similar income

	Period from 10 July 2013 to 31 December 2014 £000
Interest receivable:	
Bank interest	74
Total interest receivable	74

8. Interest payable and similar charges

	Period from 10 July 2013 to 31 December 2014 £000
Interest payable to group companies	10,157
Interest payable on other loans	122
Total interest payable	10,279

9. Taxation on ordinary activities

Deferred tax (note 17)	7,789

Corporation tax is calculated at 21.5% of the estimated taxable profit for the period. Deferred tax is calculated at 20% which is the rate that is expected to apply when the temporary differences reverse.

The charge for the period can be reconciled to the profit in the profit and loss account as follows:

	Period from 10 July 2013 to 31 December 2014 £000
Profit before tax on continuing operations	15,934
Tax at the UK corporation tax rate of 21.5%	3,425
Tax effect of expenses that are not deductible in determining taxable profit	4,945
Effect of items taxed at different rates	(581)
Tax expense for the period	7,789

10. Intangible assets

	Trademarks £000	Customer relationships £000	Goodwill £000	Total £000
Cost				
At 10 July 2013	-	-	-	-
Acquired during business combination	1,031,200	58,800	52,006	1,142,006
At 31 December 2014	1,031,200	58,800	52,006	1,142,006
Amortisation				
At 10 July 2013	-	-	-	-
Charge for the period	-	2,623	-	2,623
At 31 December 2014	-	2,623	-	2,623
Carrying amount				
At 31 December 2014	1,031,200	56,177	52,006	1,139,383
At 10 July 2013	-	-	-	-

Customer relationships consist of the following categories:

Great Britain, which has a fair value at the period end of £52,896,000 and a remaining useful economic life of 22 years. Ireland, which has a fair value at the period end of £3,281,000 and a remaining useful economic life of 15 years.

The acquisition is discussed in note 24. No impairment has been recognised in respect of Goodwill or other intangible assets during the period.

Trademarks are regarded as having indefinite useful economic lives and therefore have not been amortised. The trademarks are renewable indefinitely in all major markets where they are sold and it is the Company's policy to support them with the appropriate level of brand advertising. In addition, there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. Accordingly, the Directors believe that it is appropriate that the brands be treated as having indefinite lives for accounting purposes.

Goodwill is regarded as having an indefinite life and is not subject to amortisation but is subject to annual impairment assessment.

11. Tangible fixed assets

	Freehold buildings £000	Freehold land £000	Furniture & fixtures £000	Machinery £000	Software £000	Assets under construction £000	Total £000
Cost or valuation							
At 10 July 2013	-	-	-	-	-	-	-
Acquired during business combination	32,110	2,430	176	113,473	-	4,400	152,589
Additions	2,001	-	7,689	4,271	935	17,330	32,226
Disposals	-	-	-	(1,545)	-	-	(1,545)
At 31 December 2014	34,111	2,430	7,865	116,199	935	21,730	183,270
Accumulated depreciation and impairment							
At 10 July 2013	-	-	-	-	-	-	-
Charge for the period	1,338	-	1,268	13,885	188	-	16,679
Eliminated on disposals	-	-	-	(296)	-	-	(296)
At 31 December 2014	1,338	-	1,268	13,589	188	-	16,383
Carrying amount							
At 31 December 2014	32,773	2,430	6,597	102,610	747	21,730	166,887
At 10 July 2013	-	-	-	-	-	-	-

12. Subsidiaries

The companies were purchased for £1 and carrying value remains at £1 per company.

Details of the Company's subsidiaries at 31 December 2014 are as follows:

Name	Place of incorporation and principal place of business	Proportion of ordinary shares held %	Proportion of voting power held %
Lucozade Ribena Suntory Exports Limited	England & Wales	100	100
Lucozade Ribena Suntory Ireland Limited	Ireland	100	100

The investments in subsidiaries are all stated at cost less provision for impairment.

During the year three subsidiaries, Suntory Beverage & Food South Africa Limited, Suntory Beverage & Food Nigeria Limited and Suntory Beverage & Food Kenya Limited were sold for the same value as purchased (£1) resulting in no profit or loss on sale.

Lucozade Ribena Suntory Limited
Notes to the financial statements (continued)
For the period ended 31 December 2014

13. Stocks

	2014 £000
Raw materials	8,629
Work-in-progress	4,134
Finished goods	13,653
	26,416

14. Debtors

	2014 £000
Amounts receivable for the sale of goods	108,495
Other debtors	11,384
Prepayments and accrued income	1,654
	121,533
Amounts falling due after more than one year:	
Deposits	456
Total debtors	121,989

15. Trade and other payables

	2014 £000
Trade creditors	35,566
Accruals	58,523
Social security and other taxes	1,072
Other	2,886
	98,047

	2014 £000
Amounts falling due after more than one year:	
Other long term liabilities	106

16. Borrowings

	2014 £000
Unsecured borrowing at amortised cost	
Loans from related parties	600,000
Loans from third parties	3,020
Total borrowings	
Amount due for settlement within 12 months	103,020
Amount due for settlement after 12 months	500,000
Amount due for settlement after 5 years	120,000

The other principal features of the Company's borrowings are as set out below.

Amounts repayable to related parties of the Company are repayable between 27 February 2015 and 28 February 2020 and carry interest at rates ranging from 0.95% to 2.53% over the term of the loan.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current reporting period.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

(Asset)/Liability	Accelerated tax depreciation £000	Intangible assets £000	Other timing differences £000	Tax losses £000	Total £000
At 10 July 2013	-	-	-	-	-
Charge/(credit) to profit or loss	1,419	8,611	(260)	(1,981)	7,789
At 31 December 2014	1,419	8,611	(260)	(1,981)	7,789

	2014 £000
Deferred tax liabilities	10,030
Deferred tax assets	(2,241)
	7,789

At the balance sheet date, the Company had unused tax losses of £9,903,000 available for offset against future profits, a deferred tax asset has been recognised in respect of these losses.

18. Share capital

	2014 £000
Allotted and called up	
755,000,001 ordinary shares of £1 each	755,000

The Company has one class of ordinary shares which carry no right to fixed income.

19. Profit and loss account

	£000
Balance at 10 July 2013	-
Net profit for the period	8,145
Balance at 31 December 2014	8,145

20. Operating lease arrangements

	2014 £000
Lease payments under operating leases recognised as an expense in the year	1,118

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £000
Within one year	1,095
In the second to fifth years inclusive	4,380
After five years	4,195
	9,670

Operating lease payments represent rentals payable by the Company for its office property. This lease is for ten years with a break clause at five years.

21. Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to income of £2,891,000 represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2014, there were no unpaid employer or employee contributions to the schemes.

22. Events after the balance sheet date

On 1 April 2015 the Board approved a dividend payment of £5,000,000.

23. Related party transactions

The Company has taken advantage of FRS 101 which exempts the Company from disclosing transactions entered into with other group companies, provided those companies are also wholly owned.

The directors' remuneration, analysed under the headings required by company law is set out below

	2014 £000
Directors' remuneration	
Emoluments	990
Amounts receivable (other than shares and share options) under long-term incentive schemes	336
Company contributions to money purchase pension schemes	8
	1,334

	Number
The number of directors who:	
Are members of a money purchase pension scheme	1

	2014 £000
Remuneration of the highest paid director:	
Emoluments	804
Amounts receivable (other than shares and share options) under long-term incentive schemes	302
	1,106

The highest paid director did not exercise any share options in the period and had no shares receivable under long-term incentive schemes.

Other directors of the company receive no specific remuneration for their services to the company as they primarily provide services to other group companies.

24. Acquisition

Acquisition of Lucozade and Ribena Brands

On 31 December 2013 the Company acquired from Glaxo Group Limited the two beverage brands Lucozade and Ribena, as well as their related businesses and assets. Transferred assets included property, inventory, and identified intangible assets. No receivables were transferred and no liabilities were assumed. At the end of 2014, the Company transferred the assets relating to overseas activities to other companies within the Suntory Group; see note 12 for further details.

	2014 £000
Fair value of consideration transferred	
Amount settled in cash	1,340,651
Recognised amounts of identifiable net assets	
Tangible Fixed Assets	152,589
Trademarks	1,031,200
Customer relationships	58,800
Total non-current assets	**1,242,589**
Stocks	46,056
Total current assets	**46,056**
Identifiable net assets	**1,288,645**
Goodwill on acquisition	**52,006**
Consideration transferred settled in cash	1,340,651
Net cash outflow on acquisition	**1,340,651**
Acquisition costs charged to expenses	13,919

Consideration transferred
The acquisition was settled in cash of £1,340,650,941.

Identifiable net assets
No trade and other receivables were acquired as part of the business combination.

Goodwill
Goodwill of £52,005,959 is primarily related to growth expectations, expected future profitability, and the substantial skill and expertise of the Lucozade Ribena Suntory workforce.

Contribution to the results
All of the Company's results arise as a result of this acquisition.

25. Controlling party

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Kotobuki Realty Co., Ltd, a company incorporated in Japan. The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is Kotobuki Realty Co., Ltd, a company incorporated in Japan. The parent undertaking of the smallest such group is Suntory Beverage & Food Limited, a company incorporated in Japan. Copies of the group financial statements of Suntory Beverage & Food Limited are available from http://www.suntory.com/softdrink/ir/library/earnings.html. The Company's immediate controlling party is Suntory Beverage & Food Limited.