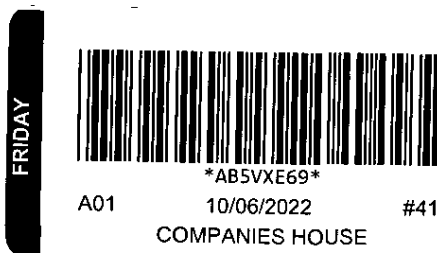


Lucozade Ribena Suntory Limited
Annual Report and Financial Statements
For the year ended 31 December 2021

Registered number: 08603549



Lucozade Ribena Suntory Limited

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Lucozade Ribena Suntory Limited

Company information

Board of Directors

Mr Peter Harding
Mrs Mary Guest
Mrs Carol Robert
Mr Toby McKeever
Mr Conor Brew
Mr Cesar Vargas Martin
Mrs Justine O'Toole
Mr Sota Fujikawa
Mr Vincent Meron
Mr Kazuhiro Saito

Company Secretary

Mrs Mary Guest

Registered Number

08603549

Registered Office

2 Longwalk Road
Stockley Park
Uxbridge
UB11 1BA

Independent Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

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 s414C of the Companies Act 2006.

Principal activity

The principal activities of Lucozade Ribena Suntory Limited (the Company) is to produce, market and distribute various popular brands of beverages in the non-alcoholic beverage categories.

Key performance indicators and business review

Following the easing of COVID-19 restrictions in the first three months of 2021 and the reopening of highstreets across the country, the Company has seen consumer buying behaviour shift back towards on-the-go vs at home consumption. Supported further through the continued focus on the long-term Revenue Strategy to ensure the Company continues meeting the changes in consumer needs. Sales revenue increased from £385.2m in 2020 to £445.0m in 2021. Gross profit increased from £200.9m in 2020 to £240.8m in 2021. Administrative costs increased from £95.3m in 2020 to £119.2m in 2021. Operating profit increased from £77.2m in 2020 to £89.0m in 2021. At 31 December 2021, the Company's net assets were £924.4m, an increase of £9.6m on the previous year which reflects the profitability of the Company. In the year there was a net capital reduction of £38.9m. Total borrowings decreased in 2021 to £300m from £301m in 2020.

The Company continued with 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 Performance Indicators

	Year ended 31 December 2021 £M	Year ended 31 December 2020 £M
Turnover	445.0	385.2
Gross profit	240.8	200.9
Gross profit margin	54%	52%
Operating profit	89.0	77.2
Profit after tax	48.6	55.6

Refer to S172 (page 6) for non-Financial key performance indicator.

Outlook and future plans

The soft drink sector is likely to remain challenging, with intense competition amongst the major retailers and the continued pressure on household budgets. The Directors believe the foundation the Company has built, coupled with significant planned investment and commitment to its brands, products, customer, supplier relationships and its employees will put the Company in a good position for future growth.

The environmental, social and corporate governance agenda is hugely important to the Company. The Company works towards the Suntory Group's global vision of 'Growing for Good'; Doing the right thing by people and the planet as it produces, markets and sells its beverages.

The sustainable work that the Company does is anchored by four key pillars; our drinks, our resources, our society and ourselves, that all reinforce the UN's Sustainable Development Goals; a blueprint to achieve a better and more sustainable future for all.

One of the ways the Company is addressing climate change is to use new energy efficient equipment. A new filler line installed and opened in 2020 at the Coleford manufacturing site, which is the Company's most energy-efficient production line, this line uses 40% less energy and water. In 2021 the Company confirmed that 100% of its purchased electricity came from renewable sources – this forms a crucial part of the Group's transition to renewable energy.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Outlook and future plans (continued)

Globally the Suntory Group has committed to reduce its CO₂ emissions with Science Based Targets. With an aim of a 50% reduction arising from Scope 1 (direct emissions from owned or controlled sources) & 2 (indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed), and 30% from Scope 3 (all other indirect emissions that occur in the value chain) by 2030 vs 2019 baseline. The Group has also committed to net zero emissions across its total value chain by 2050.

Suntory Group aims to become the first global drinks company to use 100% sustainable plastic bottles, using fully recycled or plant-based materials across its entire portfolio by 2030. By buying increasing amounts of recycled plastic, investing heavily in new, innovative technologies, Suntory Group will ultimately reduce its virgin plastic consumption and carbon emissions. In 2021 the Company redesigned its Lucozade Sport plastic bottle to enable bottle-to-bottle recycling, this included removing the full sleeve plastic wrap from the bottle and replacing with a small label. The company also swapped all plastic straws in Ribena cartons for paper ones and is now working on replacing the straw's plastic hygiene wrapper for an alternative recyclable material. This removal of plastic and transition to use more recycled plastic in our bottles contribute to the reduction of Scope 3 emissions.

In recognition of the fact that food waste contributes as much as 10% of total man-made GHG emissions, the Directors are proudly committed to the WRAP Food Waste Reduction Roadmap pledging publicly to halving waste throughout production by 2030.

The Directors continue to monitor the implications of the United Kingdom leaving the European Union following the implementation of a Free Trade Agreement between the United Kingdom and the European Union and the formalisation of the Northern Ireland Protocol. The implementation of the Free Trade Agreement has removed risk of significant incremental trade tariffs which would have been realised through a no deal Brexit. The Company continues to actively review on-going developments in regulatory, operational and customs procedures and adapts its strategy and processes as required.

Principal risks and uncertainties

The Company operates in an environment that is continuously changing, and as a result the risks it faces will evolve 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. Additional support is also provided from the wider parent group, Suntory Beverage & Food.

Risk management processes are in place and are continually reviewed and optimised to ensure the early identification, ongoing 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 and, where appropriate, developed to ensure continued best practice in all areas.

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

Changes in consumer preferences or purchasing behaviour:

The principal corporate risk to the business is any downturn in consumer spending in the primary UK market. There is strong competition within all segments in which the Company operates, as well as an increased focus on sugar levels in drinks and environmental sustainability. Consumers may decide to purchase and consume alternative brands or spend less on soft drinks. The Company believes in the strength of its brands and products, offering a broad range of products, including a wide range with zero or low-calorie options. The Company is committed to our long-standing sugar reduction programme, and all our core drinks brands have less than 5g total sugar per 100ml. Consumer habits and attitudes are monitored closely to help us inform our decisions and plans, 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. The Company also invests in innovation and in new product development to ensure that regulator, customer and consumer requirements are addressed. The Company has a comprehensive sustainability programme focused on reducing our energy and water consumption with targets set at a total global company level. Limiting our environmental

Lucozade Ribena Suntory Limited

Strategic report (continued)

Principal risk and uncertainties

Changes in consumer preferences or purchasing behaviour: (continued)

impact is important to the Suntory Beverage & Food Group and we are continually reviewing our manufacturing and packaging footprint with circularity and sustainability in mind.

Loss of, or change in, key customer relationships:

The Company benefits from close commercial relationships with a number of key customers. The loss of any of these key customers (for example through the insolvency of any customer), 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 could impact the business' ability to maintain service levels 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 a high level of expertise in its procurement team, enabling it to monitor raw material sources on a global basis, and to negotiate favourable purchase contracts with key suppliers. The continued cultivation of strong relationships with major suppliers is a key focus of the Company to ensure the continuity of supply at competitive prices.

Loss of major site or interruption to the Company's supply chain:

The Company operates one manufacturing site in the UK, with a range of contract manufacturers and third-party suppliers. The loss of all or part of any site, key manufacturer or key third-party supplier, for example, as a result of fire, equipment malfunction or third-party insolvency, could present significant operational difficulties. Our business manages these risks carefully, and we have business continuity plans in place to manage the impact of such an event. We also work closely with our partners to ensure that they have appropriate business continuity plans in place. The Company has insurance programmes in place to mitigate the financial consequences of such an event. Additionally, the company does not undertake supplier financing agreements.

Loss of product integrity:

Any loss of product integrity in the Company's supply chain could lead to a product withdrawal or recall. The Company carries out appropriate risk assessments on a regular basis and ensures that there are robust quality controls and processes in place to maintain the high quality of our products. Detailed product recall procedures are in place and are reviewed regularly.

Failure of critical IT system:

The failure of a critical IT system could result in significant operational difficulties. The Company is also conscious of the increased threat of cyber security attacks which could impact the business' IT systems. Our IT systems and arrangements are proactively managed and have undergone considerable development across the business. We conduct annual disaster recovery tests and have robust business continuity plans and contingency measures in place.

Change in the legal and regulatory environment:

The conduct of our business, including the production, storage, distribution, sale, display, advertising, marketing, labelling, health and safety practices, transportation and use of many of our products, are subject to various laws and regulations. These laws and regulations and interpretation thereof change, sometimes dramatically, as a result of a variety of factors, including political, economic or social events. Recent such changes include, for example, the introduction of the UK soft drink industry levy. Further changes could include the future trading relationship between the United Kingdom and the European Union and possible changes to regulations in respect of the environment and sustainability, for example the proposed introduction of a bottle deposit scheme in parts or all of the United Kingdom or reform of the producer responsibility obligations.

Lucozade Ribena Suntory Limited

Strategic report (continued)

COVID-19:

Following the lifting of all restrictions on 24 February 2022, the Company continues to monitor the likelihood and/or potential impact of COVID-19 on its risk portfolio. Based on the Company's scenario planning it will implement mitigating actions as required. Furthermore the Company continues to ensure the all its locations are COVID safe and the safety of all employees is always maintained through the maintenance of hygiene controls and measures. The Company as set out in note 3 has undertaken a full impairment review of intangible assets and goodwill. This review has resulted in no requirement for an impairment of either intangible assets or goodwill.

Streamlined Energy and Carbon Reporting

In line with the Streamlined Energy and Carbon Reporting (SECR) requirements, the Company's energy use and associated greenhouse gas (GHG) emissions have been totalled for the financial year 1st January to 31st December 2021, in the table below.

Overall carbon emission intensity decreased in 2021 compared to 2020. Total energy usage and carbon emissions were very similar in both years; however, production tonnage was slightly higher in 2021 giving a lower average emissions intensity. Intensity is reported in terms of emissions per tonne of product produced, since this is the main driver of carbon emissions within the manufacturing process.

Energy Consumption (MWh)	2021	2020	2020 (Old methodology)
Total Energy Consumption	166,891	165,944	165,710
Natural Gas	152,552	151,177	151,177
Grid Electricity	12,904	11,997	11,997
Gas Oil	905	2,531	2,531
Other transport Fuel for Company-Owned Vehicles	530	239	5
Scope 1 Emissions (tCO₂e)	2021	2020	2020 (Old methodology)
Total Scope 1 Emissions	28,178	28,448	31,452
Natural Gas	27,941	27,797	30,801
Gas Oil	232	650	650
Other transport Fuel for Company-Owned Vehicles	5	1	1
Scope 2 Emissions (tCO₂e)	2021	2020	2020 (Old methodology)
Purchase of electricity (location-based)	2,740	2,797	2,797
Scope 3 Emissions (tCO₂e)	2021	2020	2020 (Old methodology)
Electricity Transmission & Distribution Losses	242	241	241
Private/rented vehicles on company business	137	58	58
Total Emissions (tCO₂e)	31,298	31,544	31,544
Intensity Ratio (tCO₂e/tonne product)	0.071	0.075	0.082

Lucozade Ribena Suntory Limited

Strategic report (continued)

Streamlined Energy and Carbon Reporting (continued)

Methodology change

The SECR report follows the 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Standard. Emissions factors are taken from the 2021 UK Government GHG Conversion Factors for Company Reporting.

In the UK the Company is comprised of a large manufacturing facility in Coleford and an office in Uxbridge. All scope 1 and 2 emissions are included in the disclosure. Scope 3 reporting is limited to emissions arising from business travel and grid electricity losses. In 2021 the Company changed its methodology in calculating emissions within scope 1. In the 2020 annual report the total Natural gas was derived using Protocol formula of (MWh x Net Emissions Factor). In 2021 the new Methodology has considered Gross Emission factor (GHG), rather than the Net Emission factor. The change in methodology is due to the reporting of emissions on the face of the invoices are on a gross calorific basis rather than a net calorific basis. With this updated methodology Natural gas emissions under scope 1 is now 27,797 tCO₂e in 2020, rather than 30,801 tCO₂e previously disclosed. With this change in methodology the Intensity ratio for 2020 has decreased from 0.082 to 0.075.

All purchased electricity is from the National Grid and is on a 100% renewable tariff. As a result, emissions are zero when reporting against a market-based emissions factor. Emissions according to a location-based factor are also reported and used in the intensity calculation. This uses the UK average electricity carbon factor. Electricity transmission & distribution losses are separately accounted for under scope 3 emissions.

Scope 1 emissions are largely covered under the UK Emissions Trading Scheme. The emissions have been verified according to the requirements of this scheme including checking of consumption data and conversion factors used and a site audit to ensure completeness of the data. Consumption data and conversion factors for scope 2 and 3 emissions have been checked internally.

Energy Efficiency Actions

In the period covered by the report, the Company has continued to install LED lighting across the site, upgraded chilling equipment for more efficient solutions and moved to a more automated warehouse with the use of Laser Guided Vehicles. The Company has a long-term 2030 strategy (see Section 172(1), below) on sustainability that is embedded within our business model to drive change.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 requires each director of the Company to act in a way in which he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters including:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between the Company's members.

The directors of the Company give careful consideration to the matters referred to in section 172(1) when discharging their legal duties. We believe in taking decisions for the long-term benefit of the Company and look to safeguard the Company's reputation by upholding the highest standards of business conduct. Depending on the issue in question, the relevance of each stakeholder group and other relevant factors may vary. We recognise that not every decision that we make may have a positive outcome for all our stakeholders. We strive to understand the needs and priorities of each of our stakeholder groups and those other factors that may be relevant to the issue in question during our deliberations and as part of our decision-making.

The Board receives periodic refresher training on their legal duties and may seek advice about the implications of these duties at any time from our Company Secretary.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Who are our key stakeholders and how do we engage with them?

Who are our stakeholders?	Why do they matter to us?	How do we engage with them?
Consumers	Meeting the needs of our consumer is key to our continued, long term success. Fundamentally it is our reason for being.	• We engage with our consumers through various media channels, including social media. • Consumer focus groups and tasting are central to our development of new products. We have maintained many of the online research approaches adopted during the COVID-19 pandemic which have allowed us to access consumer insights more quickly, and have also re-introduced some face-to-face focus groups and workshops. We believe that this hybrid approach offers us the greatest ability to stay close to our consumers. • We aim to constantly understand our consumers and their changing needs and trends. In 2021, we leveraged our consumer insights in order to understand how consumers' lives were impacted in the wake of COVID-19. As a result of insights obtained from this process we were able to adapt our strategy and our portfolio in order to meet the new and changing needs of our consumers. With our continued focus on a combination of brand renovation and innovation, we aim to please our consumers with a mix of classic products that remain relevant to our consumers' needs and innovative new products focused on emerging trends. In 2021, for example, we launched new Lucozade Alert within the stimulation category and produced more special packs for sale within the growing modern retail channel. We also implemented a large number of sustainability projects, reflecting consumers concerns for the environment, including paper straws on Ribena cartons, a reduced sleeve and new bottle on Ribena and, making our Lucozade Energy sleeves 50% transparent to aid recycling.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Who are our stakeholders?	Why do they matter to us?	How do we engage with them?
Customers	Our customers are key to our success and provide a vital connection with our consumers. By helping our customers grow we, in turn, are able to increase our ability to 'Grow for Good' and give back to Society.	• We value our collaborative relationships with our customers and work closely with them, regularly discussing past and current performance, as well as opportunities for growth. • We participate in annual customer feedback surveys, monthly business review meetings, weekly catchups and daily communications on order status and processes. • We continually monitor our customer service levels and work hard to ensure that we adapt our policies and processes to maintain our high service levels. • As we navigate our business post the COVID-19 pandemic, we have re-orientated our conversations with our customers in order to ensure we are discussing long term category trends and upcoming legislation changes, including the further regulation of the promotion of products that are 'high' in fat, sugar or salt (HFSS) and the Deposit Return Scheme, to understand our customers' challenges and how we can work together to meet them.
Suppliers	Strong relationships with our suppliers are at the heart of what we do as a business.	• We have established regular business review meetings with our strategic partners, in particular our key logistics and material supply partners following industry wide disruption as a result of the COVID-19 pandemic and Brexit. • We continue to evolve a robust Supplier Assessment tool which allows us to work with our providers to understand and mitigate risk to the business, implementing business continuity plans as required. • We continue to utilise and develop our e-technology procurement platform which was launched in July 2020 with the aim of driving more efficient and robust ways of working with our supply base. • Following our joining the ethical due diligence platform SEDEX in 2019, in 2020 we began the implementation of an additional due diligence tool, Catalyst, designed to further extend our visibility beyond our business. During 2021 we have continued the roll out of Catalyst, so that we can ensure we maintain an ethical supply chain for our products.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Who are our stakeholders?	Why do they matter to us?	How do we engage with them?
Employees	Our employees are the living embodiment of our principles, standards and ambitions, the people tasked with making the Company's vision a reality. We believe that our success as a Company depends on the passion, motivation and commitment of our people.	• We conduct an annual engagement survey across all of our employees to identify how our employees are feeling and areas where we could do better. The results of these surveys are reviewed in detail by our leadership team, including at least three members of our Board of Directors, leading to the creation and implementation of an engagement plan each year. • In the last year our engagement plans have included a focus on improving our approach to prioritisation across the business, an issue which has been raised by our people through our engagement survey and other feedback channels. • We measure our progress against the outcomes of the annual engagement survey through a number of pulse surveys that take place throughout the year, and report the ongoing results to our people. We have consistently seen strong engagement scores as a result of our actions. • We understand the importance of our employees' health and wellbeing (physical and mental) to our business and each year we track whether our employees feel that LRS cares about their wellbeing. • Following the COVID-19 pandemic we have placed great emphasis on the need to continue to support our employees' physical and mental wellbeing. This commitment to our employees was reflected through various initiatives that were launched during 2021 including: ○ We provided further opportunities to meet with the leadership team (including members of our Board of Directors) in the form of informal coffee mornings, giving people the opportunity to question or share their views in a more informal setting; ○ We re-opened our offices in a gradual and safe way, in line with Government guidance in order to enable our employees to reconnect with each other in person and safely; ○ We adjusted our ways of working to reflect our employees' desire for greater flexibility, introducing new flexible working practices for office-based employees whereby employees can work up to 3 days from home and removing core hours. Our approach has been kept under review, with feedback and insights being collected from our people and shared with our leadership team; ○ We again offered all employees a discretionary day off, a (Re)connect Day, in recognition of their commitment and effort, as well as providing employees with a further 3 days off over the Christmas break to enjoy and spend time with friends and family; ○ We provided resources through our "Best You" portal to support employees with their physical and mental wellbeing;

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Who are our stakeholders?	Why do they matter to us?	How do we engage with them?
Employees (Continued)		○ We continued the training of our managers, rolling out a Mental Health at Work e-learning programme, so that we can encourage open and transparent conversations about mental health; and ○ We brought on board a new EAP provider, with a confidential 24-hour helpline, through which employees can access further support. • Employees have open access to all levels of management and are regularly given a formal opportunity to question management at monthly Townhalls, attended by various members of our Board of Directors, to ensure that issues or questions are raised and addressed as appropriate. • We run an extensive performance and development programme for all employees, with an additional focus on personal development. We continue our work on diversity, equity and inclusion (DE&I) across our European business. Our DE&I taskforce, made up of employees from across the region and led by our European CEO (who is also a member of our Board of Directors), continued to meet throughout the year, providing a forum where we could talk openly about issues in this area. Specific actions in 2021 included finalising our DE&I strategy and roadmap, conducting training with our European leadership team, developing a diversity dictionary training tool across the business, and continuing to develop our internal policies to ensure they are fully inclusive for all our employees.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement (continued)

Who are our stakeholders?	Why do they matter to us?	How do we engage with them?
Shareholders	LRS is a wholly-owned subsidiary of Suntory Beverage & Food Limited, a company listed on the Japanese Stock Exchange. It is they who enable us to deliver on our ambitions and who encourage us in our pursuit to "Grow for Good".	- The Company regularly reports to its shareholder across a broad range of topics including financials, risk management and compliance. - Formal updates are required to be provided by LRS to our shareholder throughout the year, principally regarding budget and strategic planning for the following year and the short to medium term. - Certain members of the Suntory Beverage & Food Limited management team sit on the board of the Company and therefore have a strategic oversight of the Company's activities.
Society	Our vision of "Growing for Good" recognises that the more we grow, the greater our ability to give back to Society which, ultimately, includes our consumers, customers, employees and more.	- We are really proud of the work we do in the local community and enjoy collaborating closely with our brilliant partners. Some examples of our partnerships in 2021 are: - FareShare – a charity aimed at tackling hunger and reducing food waste in the UK; - Crisis at Christmas – our seventh year of supporting temporary homeless shelters with much-needed hydration solutions for their guests; - Love Your Forest: in 2021 we focused on raising awareness of littering with tourists and mountain bikers as our partnership entered its fifth and final year with our anti-littering campaign Love Your Forest; and - B Active is a programme that uses the power of sport and exercise to forge career pathways, develop and positively impact the lives of 16-24 year olds in communities that need it the most. In 2021, the fourth and final year of the programme we produced a peer reviewed academic report assessing the impact of the programme, and launched a new mentoring initiative in association with Apprentice Nation called 'Coach the Coaches'.

How does the Board satisfy itself that relevant stakeholder and other considerations have been taken into account?

The Company is a wholly-owned subsidiary of Suntory Beverage & Food Limited. We work towards the Suntory Group's global vision of 'Growing for Good'; doing the right thing by people and the planet as we produce, market and sell our drinks. This vision informs the decisions that we make as an organisation and how we choose to conduct ourselves as a business.

The board of Lucozade Ribena Suntory has strategic oversight of the Company's activities and meets at least quarterly to discuss progress and items of key strategic importance. In some circumstances the board may engage directly with stakeholders, however due to the nature of the business, significant engagement also takes place at an operational level, with responsibility for the day-to-day running of the Company delegated by the board to the Company's Executive Committee (ExCom) who are primarily responsible for designing and implementing the Company's strategic vision. Certain members of the Company's ExCom also sit on the Company's board of directors, ensuring that relevant information on key strategic matters is regularly made available to provide a holistic approach to the management of the Company.

Decision-making in action

Lucozade and Ribena are two brands with a long, rich history, of which the board, management team and all employees alike are very proud. Our history has shown us that we must recognise and embrace the importance of long-term

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement

Decision-making in action (continued)

decision making, looking not only at the short-term benefits of our decisions but also the longer-term implications as a whole. We have set out in the table below some examples of the key decisions made during 2021.

By continuing to frame our decision making within our vision of "Growing for Good" we remain confident in our ability to make the right choices for our business and our wider stakeholders in the long term.

Consideration	Outcome
Strategic Plan Horizon	Having already developed our approach to strategic planning in 2019 by introducing a new Integrated Business Planning model, we continued to focus on delivery of our strategic plan in 2020 and 2021. The COVID-19 pandemic clearly had a significant impact on the entire nation, however for our business this continued to be partly reduced by effective course correction, adaptation of plans and re-alignment of our product portfolio to meet Consumers' needs in 2021. In addition to this we continue our annual strategic planning process, led by our ExCom, with inputs being obtained from across the business, alongside inputs and approvals from the Suntory European regional team and our shareholder. Key insights are also collected from external data to form part of this process.
Budget	During 2021, with a team led by our ExCom, supported by people from across our business and working closely with various stakeholders including the Suntory European regional team and our shareholder, we developed and agreed a budget for 2022. The budget is designed to encourage and promote the sustainable growth of our business and to build on our successes in 2021. This budget is due to be normally approved at the first meeting of the Board of the Company in 2022.
Major Capital Investment	Each year, as part of our strategic planning and budget processes, we review the capital investment that is needed for the long-term good of our business. This process is led by our ExCom, supported by the Suntory European regional team and our shareholder. The list is compiled whilst considering any key risks we have within the business, to ensure that we are protecting the long-term wellbeing of the Company and enabling ourselves to 'Grow for Good'. In 2021 the four biggest projects we invested in were: - the renovation of an old production hall in which to house a new packaging line; - the installation of a new packaging line to connect with the previously installed filler block; - the installation of automated laser guided vehicles in our "Goods-In" building; and - the installation of a new effluent tank on site to store liquid waste before discharge from our Coleford based manufacturing site.
Employee Engagement and Wellbeing	Employee engagement and wellbeing is exceptionally important for us at LRS. We believe that our success depends on the passion, motivation and commitment of our people. In 2021 the HR team became a global centralised function under the banner of People & Culture (P&C). We believe that this shift will further enable us to deliver on our purpose of 'Growing for Good' whilst enabling our employees to thrive with great employee experiences and increased opportunities for growth and development. Every year we conduct an annual engagement survey across all of our employees to measure engagement and areas where our employees think we could do better. We regularly review our employee engagement scores at an ExCom level, as well as within our P&C team and within all of our functions' leadership teams. This enables us to maintain focus on our employee engagement and wellbeing at a number of levels and with a regular cadence through the year.

Lucozade Ribena Suntory Limited

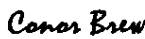
Strategic report (continued)

Section 172(1) Statement (continued)

Consideration	Outcome
2030 Sustainability Targets	At LRS and within the Suntory Group more generally, our environmental, societal and corporate governance agenda is hugely important to us. We recognise the importance of sustainability to our consumers and the planet as a whole, and also recognise the important role which business has to play in this regard. The sustainable work that we do is anchored by four key pillars; our drinks, our resources, our society, and ourselves, that all reinforce the UN's Sustainable Development Goals; a blueprint to achieve a better and more sustainable future for all. In 2019 we, as part of the Suntory Group, announced our 2030 sustainability targets which include the following: • By 2030 we will only use 100% sustainable plastic bottles, using fully recycled or plant-based materials across our entire portfolio. By buying increasing amounts of recycled plastic, and investing heavily in new, innovative technologies, we will ultimately reduce our virgin plastic consumption and carbon emissions; • Recognising that sustainability extends far beyond using plastic responsibly and actively working on reducing our GHG emissions by 2030; and • Our commitment to the WRAP Food Waste Reduction Roadmap, pledging publicly to halving our waste throughout production by 2030 in recognition of the fact that food waste contributes as much as 10% of total man-made GHG emissions. To that end, in 2021 we: • Increased our water reduction target globally from 15 to 30%, having successfully delivered our original ambition ahead of schedule; • Redesigned our Lucozade Sport bottle for circularity which involved removing 50% of its plastic sleeve wrap. The redesign was supported by consumer communications with the tagline "We've got a new kit."; • Sourced our purchased electricity at our UK based factory and solely occupied facilities from renewable energy; and • Continued to reduce sugar in our core range of drinks and introduce more low-calorie and zero variants.
Capital Reduction	Due to our continued confidence in the Company's long-term strategy, in October 2021 the Board approved and executed a capital reduction of £38,938,000 in order to return capital to our sole shareholder.

By continuing to frame our decision making within our corporate vision of "Growing for Good" we remain confident in our ability to make the right choices for our business and our wider stakeholders in the long term.

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

DocuSigned by:

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Conor Brew

7th June 2022

Lucozade Ribena Suntory Limited

Directors' report

The directors present their annual report with the audited financial statements of Lucozade Ribena Suntory Limited (the Company) for the year ended 31 December 2021.

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 £1,750,330 (2020: £1,425,296).

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 13.

As at 31 December 2021 the Company had a cash balance of £3.6 million and net current asset of £38.1 million, due to intercompany financing arrangements with the Company's parent company. The Company is expected to continue to generate positive operating cash flows on its own account for the foreseeable future taking into account micro and macro-economic factors. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is relying on financing from other group companies via loans and a credit facility. The parent company, Suntory Beverage & Food Limited, have confirmed that these will be renewed as necessary to ensure the availability of sufficient financing to enable the Company to meet its obligations throughout the going concern period.

The directors, having assessed the responses of the directors of the Company's parent Suntory to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Suntory Beverage & Food 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 operating 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.

Financial risk management objectives and policies

The Company's activity exposes 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 activity exposes 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.

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. Since April 2019 Suntory Group has implemented cash pooling system, a centralised cash management strategy to balance the accounts of the Group's subsidiaries.

Lucozade Ribena Suntory Limited

Directors' report (continued)

Financial risk management objectives and policies

Credit risk (continued)

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.

Dividends

No dividends were proposed during the year ended 31 December 2021 and no dividends have been proposed since the balance sheet date, 31 December 2021.

Capital Reduction

On 26 November 2021 the Board approved to reduce the company's issued share capital by £38,938,000 from £675,587,001 ordinary shares of £1.00 to £636,649,001, comprising 636,649,001 ordinary shares of £1.00 each, by cancelling and extinguishing 38,938,000 of such issued ordinary shares of £1.00 each.

Future developments and events after the balance sheet date

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference. Events after balance sheet date see note 25.

Directors

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

Mr Peter Harding	
Mrs Mary Guest	
Mrs Carol Robert	
Mr Toby McKeever	
Mr Conor Brew	
Mr Cesar Vargas	
Mrs Justine O'Toole	(appointed 11 October 2021)
Mr Sota Fujikawa	(appointed 19 April 2022)
Mr Vincent Meron	(appointed 19 April 2022)
Mr Kazuhiro Saito	(appointed 19 April 2022)
Mr Tsutomu Santoki	(resigned 19 April 2022)
Mr Takayuki Sanno	(resigned 19 April 2022)

No third-party qualifying indemnity provisions exist.

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.

Lucozade Ribena Suntory Limited

Directors' report (continued)

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.

Political Donations

The Company made no political donations or incurred any political expenditure in 2021 (2020 Nil)

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.

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

Approved by the Board on 7 June 2022 and signed on its behalf by:

DocuSigned by:
Conor Brew
07C174511426442

Mr Conor Brew
Director

2 Longwalk Road
Stockley Park
Uxbridge
UB11 1BA

Lucozade Ribena Suntory Limited

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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

Opinion

In our opinion the financial statements of Lucozade Ribena Suntory Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and environmental regulations in the UK.

We discussed among the audit engagement team including relevant internal specialists such as IT and valuation specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Trade spend accrual (this is judged to be a significant risk as it involves judgement to estimate the level of accrual required which impacts the net revenue): We have performed testing of the design and implementation, and operating effectiveness of the controls relevant to the trade spend process. We have also performed substantive testing procedures to address the accuracy and completeness of the trade spend accrual balance as at the financial year end.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting

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

estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

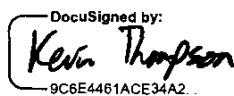
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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Kevin Thompson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

7 June 2022

Lucozade Ribena Suntory Limited

Profit and loss account For the year ended 31 December 2021

		Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
	Note		
Turnover	5	445,033	385,182
Cost of sales		(204,224)	(184,325)
Gross profit		<u>240,809</u>	<u>200,857</u>
Distribution costs		(32,747)	(28,850)
Administrative expenses		(119,208)	(95,282)
Other operating income	7	<u>104</u>	<u>433</u>
Operating profit		88,958	77,158
Investment revenue (dividends from subsidiary)		<u>4,829</u>	<u>2,495</u>
Profit before interest and taxation		93,787	79,653
Interest receivable and similar income	8	-	34
Interest payable and similar expenses	9	(3,395)	(4,274)
Net foreign exchange (loss)		<u>(76)</u>	<u>(223)</u>
Profit before tax		90,316	75,190
Tax on profit	10	<u>(41,670)</u>	<u>(19,572)</u>
Profit for the financial year		<u><u>48,646</u></u>	<u><u>55,618</u></u>

All the results shown in the Profit and loss account derive from continuing operations in both the current and prior years. The notes on pages 25 to 46 form part of these financial statements.

Lucozade Ribena Suntory Limited

Statement of other comprehensive income For the year ended 31 December 2021

		Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Note			
	Profit for the financial year	48,646	55,618
	Items that may be reclassified subsequently to profit and loss		
	Cash flow hedges:		
	Gain arising during the year	28 405	1,203
	Less: reclassification adjustment for loss/gain included in profit or loss	(486)	(4)
	Deferred tax credit / (charge) arising on cash flow hedge gain / (loss)	21 15	(210)
	Other comprehensive (expense) / income for the year net of tax	(66)	989
	Total comprehensive income for the year	<u>48,580</u>	<u>56,607</u>

Lucozade Ribena Suntory Limited

Balance sheet As at 31 December 2021

		31 December 2021 £000	31 December 2020 £000
	Note		
Fixed assets			
Intangible assets	11	1,121,854	1,124,946
Tangible fixed assets	12	136,614	141,464
Investments in subsidiaries	13	0	0
		1,258,468	1,266,410
Current assets			
Stocks	14	25,482	26,166
Debtors	15	145,461	79,736
Cash at bank and in hand	19	3,632	2,112
		174,575	108,014
Creditors: amounts falling due within one year:	16	(136,494)	(149,370)
Net current assets/(liabilities)		38,081	(41,356)
Total assets less current liabilities		1,296,549	1,225,054
Creditors: amounts falling due after more than one year	16	(372,164)	(310,311)
Net assets		924,385	914,743
Capital and reserves			
Called up share capital	23	636,649	675,587
Cash flow hedge reserve		(184)	(118)
Profit and loss account		287,920	239,274
Total shareholders' funds		924,385	914,743

The notes on pages 25 to 46 form part of these financial statements. The financial statements of Lucozade Ribena Suntory Limited (registration number 08603549) were approved by the Board of Directors and authorised for issue on 7 June 2022. They were signed on its behalf by:

DocuSigned by:

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Mr Conor Brew
Director

Lucozade Ribena Suntory Limited

Statement of changes in equity For the year ended 31 December 2021

Attributable to owners of the Company:

		Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total £000
	Note				
Balance at 1 January 2020		717,531	(1,107)	183,655	900,079
Profit for the financial year		-	-	55,618	55,618
Gain on hedging transactions		-	1,199	-	1,199
Deferred tax charge on hedging gain		-	(209)	-	(209)
Total comprehensive income for the year		717,531	(117)	239,273	956,687
Transactions with owners:					
Share capital reduction	23	(41,944)	-	-	(41,944)
Balance at 31 December 2020		675,587	(117)	239,273	914,743
Profit for the financial year		-	-	48,646	48,646
Loss on hedging transactions		-	(81)	-	(81)
Deferred tax credit on hedging loss		-	15	-	15
Total comprehensive income for the year		675,587	(183)	287,919	963,323
Share capital reduction	23	(38,938)	-	-	(38,938)
Balance at 31 December 2021		636,649	(183)	287,919	924,385

The notes on pages 25 to 46 form part of these financial statements.

Lucozade Ribena Suntory Limited

Notes to the financial statements For the year ended 31 December 2021

1. General information

Lucozade Ribena Suntory Limited (the Company) is a private limited company incorporated in England and Wales under the Companies Act 2006. The Company is limited by shares. 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 13.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, under s401 of the Companies Act 2006, 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 29.

2. New and revised IFRSs affecting amounts reported and/ or disclosures in the financial statements

In the prior year, the Company adopted the Phase 1 amendments *Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Company adopted the Phase 2 amendments *Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*. The application of these standards has had no impact on the financial statements.

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

In the prior year, the Company early adopted *COVID-19-Related Rent Concessions (Amendment to IFRS 16)* that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the FRC (Financial reporting council) Board issued *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends the practical expedient to apply to reductions in lease payments originally due on or before 30 June 2022.

The application of these standards has had no impact on the financial statements.

3. Significant accounting policies

Basis of accounting

The Company continues to meet the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2021 the Company has continued to elect 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;
- Disclosure requirements of IAS 36;
- Disclosures in respect of standards in issue not yet effective;
- Reduced financial instruments disclosures relating to IFRS 7 and IFRS 13 as equivalent disclosures are provided by the parent entity;
- Reduced disclosure requirements of IFRS 15; and

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

Basis of accounting (continued)

- Reduced disclosure requirements of IFRS 16.

Where relevant, equivalent disclosures have been given in the group accounts of Suntory Beverage & Food Limited.

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.

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 13.

As at 31 December 2021 the Company had a cash balance of £3.6 million and net current asset of £38.1 million, due to intercompany financing arrangements with the Company's parent company. The Company is expected to continue to generate positive operating cash flows on its own account for the foreseeable future taking into account micro and macro-economic factors. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is relying on financing from other group companies via loans and a credit facility. The parent company, Suntory Beverage & Food Limited, have confirmed that

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

Going concern (continued)

these will be renewed as necessary to ensure the availability of sufficient financing to enable the Company to meet its obligations throughout the going concern period.

The directors, having assessed the responses of the directors of the Company's parent to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Suntory Beverage & Food 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 operating cash flows and of the enquiries made of the directors of the parent, 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.

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 translated.

Revenue recognition

Under IFRS 15 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 through multiple retail channels. Revenue is recognised on delivery to the final customer when the customer takes control of the goods. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

Government Grants (continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants are offset against the expense to which they relate.

Other operating income

Other income is recognised when the right to receive payment is established. This is related to the Furlough Government scheme in 2021 and 2020.

Income from subsidiary

Dividend income is recognised when the right to receive payment is established.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by use of the government bond rates for 1, 3 and 5 years maturity as base rates and a spread of 0.2% to account for other uncertainties.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Trade and other payables in the balance sheet and detailed in the note 17.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

The Company as lessee (continued)

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the relevant expense line item in the Profit and loss statement.

The company did not enter into any such arrangements during the periods presented.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Taxation

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

Current tax

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.

Deferred tax

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

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

Deferred tax (continued)

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.

Current tax and deferred tax for the period

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.

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies

Impairment of tangible and intangible assets (continued)

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 and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

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, to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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, which is not depreciated) 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.

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

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Financial instruments

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.

IFRS 9 hedge accounting

The company adopted to IFRS 9 in 2019 'Financial instruments' during the year ended 31 December 2019. With effect from 1 Jan 2019, the Company has adopted the hedge accounting requirements of IFRS 9 and applied them prospectively.

The Company uses derivative financial instruments denominated in foreign currencies to manage its exposures to fluctuations in foreign exchange rates.

These derivative financial instruments are utilised by the company to reduce volatility risks of foreign currency exchange rates. The Company does not enter derivatives for trading or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

Derivatives and Hedge Activities

- 1) all derivatives are recognised as either assets or liabilities and measured at fair value, and realised/unrealised gains or losses on derivative transactions are recognised in profit and loss; or
- 2) for derivatives designated as hedging instruments in cash flow hedges, under IFRS 9, if derivatives qualify for hedge accounting because there is an economic relationship between the hedged item and hedged instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge the quantity of the hedged item. Note 28 sets out details of the fair values of the derivative instruments used for hedging purposes.

The foreign currency forward contracts employed to hedge foreign exchange exposures for import purchases and forward contracts applied for forecasted (or committed) transactions are measured at fair value, and the unrealised gains/losses are deferred under hedge accounting in a separate component of equity until the underlying transactions are completed. Trade payables and deposits denominated in foreign currencies, for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate, if the forward contracts qualify for hedge accounting and meet specific criteria.

Cash flow hedges

Hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in the other comprehensive income/(expense), while the ineffective portion is recognised in the income statement. Amounts previously recognised in the other comprehensive income/(expense) are transferred to the income statement in the period in which the hedge item affects Profit or loss, such as when a forecast sale occurs. However, when the forecast transaction results in the recognition of a no-financial asset or liability, the amounts previously recognised in other comprehensive income/(expense) are included in the initial carrying amount of the asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in the other comprehensive income/(expense) are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income/(expense) remain in equity until the forecast transaction occurs and are then transferred to the income statement.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Classification and subsequent measurement of financial assets

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

Under IFRS 9

- financial assets at amortised cost
- 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.

Assets classified under amortised cost under IFRS 9

Under IFRS 9, the Company has applied the simplified approach and recognises an impairment equivalent to the lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions including of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For cash and bank balances, all bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

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.

Under IFRS 9, changes in the fair value of financial liabilities attributable to changes in its own credit risk are presented in OCI.

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.

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and 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).

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, 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.

The directors have concluded in the current year that there are no critical accounting judgements or key sources of estimation uncertainty where there is a reasonable possibility that a material adjustment to the carrying amounts of assets or liabilities may arise within the next twelve months.

5. Turnover

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

Revenue is recognised at a point in time. All turnover relates to sales made within United Kingdom, the rest of Europe and Asia.

	2021 £000	2020 £000
Geographical breakdown		
Revenue within United Kingdom	440,152	380,349
Revenue within Europe	3,877	3,956
Revenue within Asia	1,004	877
	445,033	385,182

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

6. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Cost of stock recognised as expense	203,020	174,455
Write downs of stock recognised as an expense	2,167	1,569
Staff costs (see note 26)	60,066	49,616
Research and development costs	1,750	1,425
Depreciation and impairment of tangible fixed assets (see note 12)	17,543	18,836
Amortisation of intangible assets included in other operating expenses (see note 11)	3,120	3,280
Fees payable to the Company's auditor for the audit of the annual accounts	380	304
Fees payable to the Company's auditor for audit-related assurance services	56	63

7. Other operating income

The Company used the Furlough Government scheme in 2021, which amounted to £104,000 versus £433,000 in 2020.

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Coronavirus job retention scheme	104	433

8. Interest receivable and similar income

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest receivable from group companies	0	34

9. Interest payable and similar charges

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest payable to group companies	3,284	4,193
Interest on lease liabilities	111	81
Total interest payable	3,395	4,274

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

10. Taxation on profit

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Current tax charge		
UK corporation tax at 19% (2020: 19%)	8,362	5,569
Adjustments in respect of prior periods	-	(598)
	<u>8,362</u>	<u>4,971</u>
Deferred tax charge - note 21		
Origination and reversal of temporary differences	8,602	8,777
Rate Change	24,706	5,397
Adjustments in respect of prior periods	-	427
	<u>33,308</u>	<u>14,601</u>
Total tax charge on profit	<u>41,670</u>	<u>19,572</u>

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year.

Deferred tax is calculated at the tax rates that have been substantively enacted at the balance sheet date and which are expected to apply when the temporary differences reverse. Finance Act 2021, which received Royal Assent in June 2021, announced the main rate of Corporation Tax would increase to 25% from April 2023. The amended tax rate results in a £24.7 million increase in deferred tax liability for 31 December 2021.

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

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Profit before tax on continuing operations	90,316	75,190
Tax at the UK corporation tax rate of 19% (2020: 19%)	17,160	14,286
Tax effect of expenses that are not deductible in determining taxable profit	836	533
Tax effect of income that is not taxable in determining taxable profit	(918)	(474)
Effect of items taxed at different rates	(49)	-
Rate Change	24,706	5,396
Prior period adjustments	-	(173)
Other factors leading to a decrease in tax	(65)	-
Tax charge for the year	<u>41,670</u>	<u>19,568</u>

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

11. Intangible assets

	Trademarks £000	Customer relationships £000	Goodwill £000	Software £000	Assets under construction £000	Total £000
Cost						
At 1 January 2021	1,031,200	58,800	52,006	15,707	513	1,158,226
Additions	-	-	-	-	-	-
Reclassification	-	-	-	445	(444)	1
At 31 December 2021	1,031,200	58,800	52,006	16,152	69	1,158,227
Amortisation						
At 1 January 2021	-	18,362	-	14,891	-	33,253
Charge for the period	-	2,623	-	497	-	3,120
At 31 December 2021	-	20,985	-	15,388	-	36,373
Carrying amount						
At 31 December 2021	1,031,200	37,815	52,006	764	69	1,121,854
At 31 December 2020	1,031,200	40,438	52,006	816	513	1,124,973

Customer relationships consist of the following categories:

Great Britain, which has a Carrying value at the year end of £36,065,217 and a remaining useful economic life of 15 years. Ireland, which has a fair value at the year end of £1,750,000 and a remaining useful economic life of 8 years. Customer relationships are assessed annually for indicators of impairment.

Trademarks are regarded as having indefinite useful economic lives and therefore have not been amortised but are subject to annual impairment assessment. 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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

12. Tangible fixed assets										
Cost or valuation	Freehold buildings £000	Freehold land £000	Furniture & fixtures £000	Machinery £000	Assets under construction £000	Right-of-use buildings £000	Right-of-use machinery £000	Total £000		
At 1 January 2021	52,746	2,430	13,698	174,295	1,103	13,565	1,653	259,490		
Additions	867	-	1,614	8,881	3,324	-	731	15,417		
Retirement	-	-	(82)	(7,040)	-	-	(345)	(7,467)		
Reclassification	-	-	11	1,099	(1,110)	-	-	-		
At 31 December 2021	53,613	2,430	15,241	177,235	3,317	13,565	2,039	267,440		
Accumulated depreciation										
At 1 January 2021	11,275	-	10,786	90,724	-	4,698	543	118,026		
Charge for the period	1,901	-	1,038	11,824	-	2,351	429	17,543		
Retirement	-	-	(81)	(4,317)	-	-	(344)	(4,742)		
At 31 December 2021	13,176	-	11,743	98,231	-	7,049	628	130,827		
Carrying amount										
At 31 December 2021	40,437	2,430	3,499	79,004	3,317	6,516	1,411	136,614		
At 31 December 2020	41,471	2,430	2,912	83,571	1,103	8,867	1,110	141,464		

The Company has contractual commitments for property, plant and equipment as at December 2021 of £155,607 (December 2020: £1,281,845). See note 22 for Right-of-use commitments.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

13. Investment in subsidiaries

The following subsidiaries were purchased in 2014 for £1 per entity and carrying value remains at £1 per entity.

Details of the Company's subsidiaries at 31 December 2021 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.

Lucozade Ribena Suntory Exports Limited principal activity is the intercompany export sale, and distribution of non-alcoholic beverages.

Lucozade Ribena Suntory Ireland Limited principal activity is the sale, and distribution of non-alcoholic and alcoholic beverages.

The registered office of Lucozade Ribena Suntory Exports Limited is 2 Longwalk Road, Stockley Park, Uxbridge, UB11 1BA and the registered office of Lucozade Ribena Suntory Ireland Limited is 7th Floor Chase Building, Carmanhall Road, Sandyford, Dublin 18, 733310, Ireland.

14. Stocks

	2021 £000	2020 £000
Raw materials	12,440	13,925
Work-in-progress	733	508
Finished goods	11,058	11,122
Other	1,251	611
	25,482	26,166

15. Debtors

	2021 £000	2020 £000
Amounts receivable for the sale of goods	62,581	58,396
Impairment of trade receivables	(389)	(344)
Amounts owing from group undertakings for sales of goods and provision of services	7,514	5,590
Other debtors	73,515	15,025
Prepayments and accrued income	1,134	775
Current tax receivable	1,106	294
	145,461	79,736

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

15. Debtors (continued)

As at 31 December 2021, trade receivables were considered for impairment under IFRS 9 resulting in a provision of £389,000 (2020: £344,000). The individual impaired receivables mainly relate to customers who are in difficult economical situations. The creation and release of any provisions for impaired receivables have been included within 'operating costs' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovery, with additional impairment for forward looking ECL (Expected credit loss) and probable default.

Amounts owing from group undertakings for sales of goods and provision of services have payment terms of between 30 to 60 days. These balances are unsecured, and no interest is applied. A total of £6,817,000 is related to sale of goods under the current arm's length agreement. The outstanding £697,000 is related to provision of service under the current arm's length agreement.

Suntory Beverage & Food operates a group cash pooling system resulting in all available funds that are not in transit being put on deposit with Suntory Beverage & Food. This is reported as part of Other debtors and it amounts to £71.3 million (2020: £13.4 million).

16. Creditors

		2021 £000	2020 £000
Amounts falling due within one year	Note		
Trade and other payables	17	80,140	58,257
Rebate liabilities		26,354	30,137
Borrowing	20	30,000	60,976
		<u>136,494</u>	<u>149,370</u>
Amounts falling due after more than one year	Note	2021 £000	2020 £000
Borrowings	20	270,000	240,000
Other liabilities	17	2,448	1,363
Deferred tax	21	93,884	60,592
Trade and other payables	17	5,832	8,356
Net assets		<u>372,164</u>	<u>310,311</u>

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

17. Trade and other payables

		2021 £000	2020 £000
	Note		
Amount falling due within one year			
Trade creditors		53,639	40,001
Amounts due to group undertakings for trade		2,501	3,449
Accruals		15,413	6,660
Social security and other taxes		5,160	5,269
Lease liability (see note 22)		3,201	2,733
Derivative financial instruments: (see note 28)		226	145
		80,140	58,257
Amounts falling due after more than one year:			
Provisions and other liabilities	18	2,447	1,363
Lease liability (see note 22)		5,832	8,356
		8,279	9,719

Amounts due to group undertakings for trade have payment terms of between 30 to 60 days. These balances are unsecured, and no interest is applied. A total of £2,501,000 (2020: £3,449,000) is related to purchased goods under the current arm's length agreement.

18. Provisions and other liabilities

	2021 £000	2020 £000
Dilapidation Provision on the premises		
Balance at 1 January	1,363	1,063
Provision recognised during the year	1,084	300
Balance at 31 December	2,447	1,363

The dilapidation of the premises (the office) represents the cost to the company of putting the property back at the end of the lease into the same condition as at the inception of the lease. The renovation costs are from a reliable third-party source who is a member of the Chartered Surveyors in the UK.

19. Cash in bank and in hand

	2021 £000	2020 £000
Cash in bank and in hand	3,632	2,112

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

20. Borrowings

	2021 £000	2020 £000
Unsecured borrowing at amortised cost		
Loans from parent company	300,000	300,976
Amount due for settlement within 12 months Loans	30,000	60,976
Amount due for settlement after 12 months Loans	270,000	240,000

In 2021 the Company refinanced a £61m loans that matured in February 2021 with a £60m 3-year loan with £30m due for repayment in November 2022 and the remaining £30m due for repayment in May 2024. The remaining £240m loan will mature in June 2023. The parent company has confirmed that these will be renewed as necessary to ensure the availability of sufficient financing throughout the going concern period.

All Borrowings are due to be repaid to Suntory food and Beverage Limited (Parent Company). The amounts repayable to related parties of the Company are repayable between 14 November 2022 and 14 May 2024 and carry interest at rates ranging from 1.1% to 1.2% over the terms of the loans.

21. Deferred tax

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

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:

Liability / (Asset)	Accelerated tax depreciation £000	Intangible assets £000	Other timing differences £000	Deferred tax on cash flow hedge gain £000	Total £000
At 1 January 2020	2,594	43,603	(178)	(238)	45,781
Charge/(Credit) to profit or loss	971	13,654	(24)	-	14,601
Charge to other comprehensive income	-	-	-	210	210
At 31 December 2020	3,565	57,257	(202)	(28)	60,592
Charge/(Credit) to profit or loss	1,882	31,660	(235)	-	33,307
Credit to other comprehensive income	-	-	-	(15)	(15)
At 31 December 2021	5,447	88,917	(437)	(43)	93,884

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

21. Deferred tax (continued)

	2021 £000	2020 £000
Deferred tax liabilities	94,363	60,821
Deferred tax assets	(479)	(229)
	<u>93,884</u>	<u>60,592</u>

22. Lease liability

The company has a total of 56 leases, of which 2 are office leases, 13 are Forklift trucks and 41 Motor vehicles. All leases are non-cancellable and will all expire between January 2022 to June 2026.

All depreciation is charged within the administrative expenses in the income statement.

	2021 £000	2020 £000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	2,780	2,790
Interest expense on lease liabilities	111	81
Expense relating to leases of low value assets	328	356
	<u>3,219</u>	<u>3,227</u>

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Amount due for settlement:		
Within one year	3,405	3,299
In the second to fifth years inclusive	5,967	8,748
After five years	-	-
	<u>9,372</u>	<u>12,047</u>

The total cashflow for leases in 2021 amounts to £2,436,000 (2020: £794,000).

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

23. Called up share capital

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Allotted, called up and fully paid		
ordinary shares of £1 each	636,649	675,587

The Company has one class of ordinary shares which carry no right to fixed income. On 26 November 2021 the Board approved to reduce the company's issued share capital by cancelling and extinguishing 38,938,000 of such issued ordinary shares of £1.00 each. The total number of ordinary shares are 636,649,001 (2020: 675,587,001).

24. 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 £3,105,818 (2020: £2,842,475) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2021 and 31 December 2020, there were no unpaid employer or employee contributions to the schemes.

25. Events after the balance sheet date

Non-adjusting event

No non-adjusting events happened after the balance sheet date.

Adjusting events

No adjusting events happened after the balance sheet date.

26. Staff costs

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

	Year ended 31 December 2021	Year ended 31 December 2020
Production personnel	223	237
Administration and other personnel	450	433
	<u>673</u>	<u>670</u>

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

26. Staff costs (continued)

Their aggregate remuneration comprised:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Wages and salaries	51,759	42,122
Social security costs	5,201	4,653
Pension costs	3,106	2,842
	<u>60,066</u>	<u>49,617</u>

Directors' remuneration disclosures are included in note 27.

27. 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:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Directors' remuneration		
Emoluments	1,489	719
Amounts receivable/(payable) (other than shares and share options) under long-term incentive schemes	196	(42)
Company contributions to money purchase pension schemes	59	51
	<u>1,744</u>	<u>728</u>
The number of directors who:		
Are members of a money purchase pension scheme	4	4
	<u>4</u>	<u>4</u>
	2021 £000	2020 £000
Remuneration of the highest paid director:		
Emoluments	501	358
Amounts receivable/(payable) (other than shares and share options) under long-term incentive schemes	75	(9)
Company contributions to money purchase pension schemes	29	26
	<u>605</u>	<u>375</u>

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

Directors emoluments for qualifying services provided to other group companies are not included within the amounts disclosed above.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

28. Derivative financial instruments

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Current liabilities		
Forward foreign currency contracts	226	145

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table details the forward foreign currency contracts outstanding as at the year end:

Outstanding contracts	Notional value	
	2021 £000	2020 £000
Buy Euros	19,930	10,123

The Company has entered into contracts to purchase goods in Euros. The Company has entered into forward foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions, and during 2021 designated these as hedges of foreign exchange risk in a highly probable forecast transaction. The hedged cash flows are expected to occur and to affect profit or loss within the next financial year.

Gain of £405,001 (2020: Gain £1,202,835) were recognised in other comprehensive income during the year. A loss of £485,831 previously recognised in the hedging reserve was recycled through the Profit and loss in the current year (2020: loss of £3,538).

29. Controlling party

In the opinion of the directors, the Company's ultimate parent company, ultimate controlling party and parent undertaking of the largest group is Kotobuki Realty Co., Ltd, a company incorporated in Japan. The address of the registered office is 2-1-40 Dojimahama, Kita-ku, Osakashi, Osaka, Japan. The parent undertaking of the smallest such group is Suntory Beverage & Food Limited, a company incorporated in Japan. The address of the registered office is Tokyo Square Garden, 3-1-1 Kyobashi, Chuo-ku, Tokyo 104-0031, 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.