

Lucozade Ribena Suntory Limited
Annual Report and Financial Statements
For the year ended 31 December 2020

Registered number: 08603549

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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 Takayuki Sanno
Mr Toby McKeever
Mr Conor Brew
Mr Cesar Vargas Martin
Mr Tsutomu Santoki

Registered Number

08603549

Registered Office

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Independent Auditor

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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 Ltd (the Company) is to produce, market and distribute various popular brands of beverages in non-alcoholic beverage categories.

Key performance indicators and business review

COVID-19 is having a significant impact on consumer buying behaviours with lockdowns impacting where consumers purchase from as well as the formats consumers purchase. Therefore, using consumer insight gained through the pandemic the company took the decision to fast track elements of the long-term Revenue Strategy to ensure the Company was meeting the changes in consumer needs. Within administrative expenses. The Company implemented a Zero Based Budgeting approach to marketing and administrative expense and challenged all discretionary spend.

Within the period due to COVID-19 sales revenue decreased from £425.6m in 2019 to £385.2m in 2020. Gross profit decreased from £224.8m in 2019 to £200.9m in 2020. Through the implementation of Zero Based Budgeting as well as challenging all discretionary spend administrative expenses decreased from £120.5m in 2019 to £95.3m in 2020. Operating profit increased from £73.1m in 2019 to £77.2m in 2020. At 31 December 2020, the Company's net assets were £914.7m, an increase of £17.7m on the previous year which reflects the profitability of the company in the year net of a capital reduction during the year of £41.9m. Total borrowings decreased to £301m from £325.3m in 2019.

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 trading figures

	Year ended 31 December 2020 £M	Year ended 31 December 2019 £M
Turnover	385.2	425.6
Gross profit	200.9	224.8
Gross profit margin	52%	53%
Operating profit	77.2	73.1
Profit after tax	55.6	58.6

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 and supplier relationships, and its employees, put it 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.

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 25% 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 20% from scope 3 (all other indirect emissions that occur in the value chain). 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 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.

With the easing of restrictions within the UK, the Company continues to monitor COVID-19 and the impact of updates to government guidelines. Based on the Company's scenario planning it will implement mitigating actions as required. The Company's scenario planning has created clear actions to ensure that plans are in place to manage any increases in restrictions that might arise due to new variants of COVID-19. More details of how the company has managed COVID-19 are included within the Section 172(1) Statement.

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. Following the successful transition of business operations to operate under both arrangements post 1 January 2021 the Company has seen an increased administrative burden. 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 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.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Principal risk and uncertainties (continued)

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.

COVID-19:

The Company continue to monitor the likelihood and/or potential impact of COVID-19 on our risk portfolio. Based on the Companies scenario planning it will implement mitigating actions as required. The Company's scenario planning has created clear actions to ensure that plans are in place to manage any increases in restriction that might arise due to new variants of COVID-19 and the associated risks.

Lucozade Ribena Suntory Limited

Strategic report (continued)

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 2020, in the table below.

Energy Consumption	kWh
Total Energy Consumption	165,710,172
Natural Gas	151,176,775
Electricity	11,996,980
Fuel for Transport	2,536,417
Gas oil	2,531,259
Other transport fuel for company-owned vehicles	5,158
Scope 1 emissions	tonnes CO₂e
Total Scope 1 Emissions	31,451.86
Natural Gas	30,800.76
Fuel for Transport Purposes	651.10
Gas oil	649.82
Other transport fuel for company-owned vehicles	1.28
Scope 2 emissions	tonnes CO₂e
Purchase of electricity (location-based)	2,796.98
Scope 3 emissions	tonnes CO₂e
Electricity Transmission and Distribution Losses	240.54
Private/rented vehicles on company business	58.05
Total Gross Emissions (tonnes CO₂e)	34,547.42
Intensity Ratio (tonnes CO₂e/tonne produced)	0.082

Methodology

The SECR was assembled following the 2019 UK Government Environmental Reporting Guidelines, and the GHG Protocol Corporate Standard. Emissions are reported in terms of the metric tonne of carbon dioxide equivalent (tonnes CO₂e), using the conversion factors as taken from the 2020 UK Government GHG Conversion Factors for Company Reporting.

Activity data was provided through invoices where the energy consumption was expressed in kilowatt hours (kWh) for electricity and gas, and in litres for gas oil. Travel in company-owned and private/rental vehicles was provided as a mileage and converted using factors for an average-sized car with the fuel type unknown. The mileage was multiplied by the appropriate kWh factor to produce the Company's passenger vehicle energy use in kWh for Scopes 1 and 3.

All purchased electricity is from the National Grid and uses the location-based grid average emission factor. The location-based emissions reflect the average emission of the grid where the energy consumption occurs. The Company has also accounted for the transmission and distribution (T&D) losses of the electricity they purchase, which occur between the power station and their sites.

Energy Efficiency Actions

In the period covered by the report, the Company has continued to installed 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 on sustainability that is embedded within our business model to drive change.

Lucozade Ribena Suntory Limited

Strategic report (continued)

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.

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.	<ul style="list-style-type: none"> • 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. For example, during the COVID-19 pandemic we explored and used a range of different online approaches to ensure that we stayed close to our consumers including individual depth interviews, paired depth interviews and virtual focus groups. • We aim to constantly understand our consumers and their changing needs and trends. In 2020, we leveraged our online community in order to understand how consumers' lives were being impacted by the various lockdowns. As a result of insights obtained from this process and analysis of various sales data, we were able to pivot our portfolio in order to meet the new and changing needs of our consumers. <p>With our 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 focussed on emerging trends. In 2020, for example, we launched new flavoured carbonates with Ribena Sparkling, and increased our range of Lucozade Energy formats with a larger can packs.</p>

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.	<ul style="list-style-type: none"> • 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. • The COVID-19 pandemic brought different challenges for all businesses and we have sought to support our customers throughout, for example, by maintaining our high levels of customer service (ranked number one supplier for Tesco in the Impulse Category) and providing rental holidays for customers who lease our equipment in the Health & Fitness channel
Suppliers	Strong relationships with our suppliers are at the heart of what we do as a business.	<ul style="list-style-type: none"> • We have established regular business review meetings with our strategic partners. • 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. • Our new best in class 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 sought to strengthen our due diligence framework by beginning the implementation of an additional due diligence tool, Catalyst, designed to further extend our visibility beyond our business and to continue to ensure that we maintain an ethical supply chain for our products. • During the COVID-19 pandemic we actively worked with a number of our key suppliers to seek to reduce the impact of the crisis on their businesses. For example, with some suppliers we agreed revised payment terms to enable them to be paid more quickly, whilst with others we agreed solutions to support their employees in relation to role changes or furlough payments. We understand the importance of our suppliers to our business and were happy to be able to work pro-actively with them in navigating these challenges.

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.	<ul style="list-style-type: none"> • 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. • We measure our progress against the outcomes of the annual engagement survey through a number of pulse surveys that take place throughout the year. 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. • Our primary focus during the COVID-19 pandemic was the health, safety and physical and mental wellbeing of our employees and their families. This commitment to our employees was reflected through various initiatives that were launched during 2020 including: <ul style="list-style-type: none"> ○ The implementation of mental wellbeing training for all our managers, designed to help them better support themselves and their teams; ○ We invested in Healthy Working, a health & safety online training programme and self-assessment risk questionnaire for the workstation, to ensure that all of our employees, whether working from home or the office, were properly supported and had access to necessary resources to continue to work safely; ○ We provided further opportunities to meet with the leadership team in the form of informal virtual coffee mornings, giving people the opportunity to question or share with ExCom members in a more informal setting; ○ We offered all employees a discretionary day off, a (Re)Connect Day, intended to celebrate their commitment and efforts; and ○ We implemented the Rainbow Rose Award, intended to celebrate our employees who have gone above and beyond during COVID-19. • Employees have open access to all levels of management and are regularly given a formal opportunity to question management at monthly Townhalls 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 know that diversity and inclusion (D&I) is a hugely important issue. In 2020, employees were given the opportunity to join a D&I taskforce led by our European CEO. The taskforce has been instrumental in helping us identify key issues, risks and opportunities across our European business, and providing a forum where we can talk openly about the challenges facing our people and our business today.

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".	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 2020 are: FareShare – a charity aimed at tackling hunger and reducing food waste in the UK; During the global pandemic in 2020 we donated 401 tonnes of drinks across food banks, NHS and frontline staff and Fareshare. Love Your Forest: we continue to partner with Hubbub and local partners to extend our anti-littering campaign Love Your Forest to include on-the-go recycling initiatives; and B Active is a three-year 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 2020 B Active also supported the mental health of the participants to help them cope with challenges arising from the lockdown situation.

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

LRS 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 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 2020.

Lucozade Ribena Suntory Limited

Strategic report (continued)

Section 172(1) Statement

Decision-making in action (continued)

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	<p>Having already developed our approach to strategic planning in 2019 by introducing a new Integrated Business Planning model, through 2020, we continued to focus on delivery of our strategic plan. The COVID-19 pandemic clearly had a significant impact on the entire nation, however for our business this was partly reduced by effective course correction, adaptation of plans and re-alignment of our product portfolio to meet Consumers' needs.</p> <p>In addition to this we have continued 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.</p>
Budget	<p>During 2020, 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 2021. The budget is designed to encourage and promote the sustainable growth of our business and to build on our successes in 2020. This budget was formally approved at a meeting of the Board of the Company.</p>
Major Investment	<p>Capital</p> <p>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 2020 the four biggest projects we invested in were:</p> <ul style="list-style-type: none"> • the installation of a new roll fed labelling machine to support the launch of our new fully recyclable Ribena bottle; • the installation of automated laser guided vehicles in our finished goods warehouse; • the completion of the installation of a new Aseptic filler which replaced ageing equipment resulting in the use of 40% less energy and water than before; and • the rollout of new formats for Lucozade Energy designed to better meet the requirements of our consumers
Employee Engagement and Wellbeing	<p>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. 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. In 2020 we continued to embed the 'Founders' Attributes' of Generosity, Creativity, Connectedness, Humble Determination & Authenticity, attributes which originate from our founders and which we consider key for all of our people, incorporating them into the company's strategy. By further embracing these attributes we hope to continue giving our employees skills that will set them up for success not just in the workplace but more generally also. In this regard, we also launched a new self-led training platform in 2020, MySU, through which we offer our employees access to thousands of training modules and the ability to create a programme of learning designed by them. We regularly review our employee engagement scores at an ExCom level, as well as within our HR 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.</p>

Lucozade Ribena Suntory Limited


Strategic report (continued)

Section 172(1) Statement (continued)

Consideration	Outcome
2030 Sustainability Targets	<p>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:</p> <ul style="list-style-type: none"> • 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 greenhouse gas (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. <p>To that end, in 2020 we:</p> <ul style="list-style-type: none"> • relaunched Ribena in a fully recyclable bottle designed for circularity, and invested in a new marketing campaign to tell consumers about its sustainable credentials including its use of 100% recycled content; • publicly committed to achieve net zero emissions by 2050; and • launched our new £13m filler line at our Coleford factory, our most energy-efficient production line, using 40% less energy and water than before.
Capital Reduction	<p>Due to our continued confidence in the Company's long-term strategy, in December 2020 the Board approved and executed a capital reduction of £41,944,000 in order to return capital to our sole shareholder.</p>

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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Mr Conor Brew
 Director

12 July 2021

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 2020.

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 £1,425,296 (2019: £1,592,233).

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 11.

As at 31 December 2020 the Company had a cash balance of £2.1 million and net current liabilities of £41.4 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, having taken account of the impact of COVID-19 on the business. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company has agreed a three year credit facility with Suntory Beverage & Food Limited along with all parental/group loans being greater than 12 months from the date of the signing of these accounts (see note 19) enabling the Company to meet its obligations.

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

With the easing of restrictions within the UK the Company continues to monitor COVID-19 and the impact of updates to government guidelines. Based on the Company's scenario planning it will implement mitigating actions as required. The Company's scenario planning has created clear actions to ensure that plans are in place to manage any increases in restrictions that might arise due to new variants of COVID-19.

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. As of April 2019 Suntory Group has implemented cash pooling.

Lucozade Ribena Suntory Limited

Directors' report (continued)

Financial risk management objectives and policies (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 and external banks.

Dividends

No dividend was proposed by the directors or paid in 2020 (2019: Nil). No further dividends have been proposed or declared post year end.

Capital Reduction

On 7 December 2020 the Board approved to reduce the company's issued share capital by £41,944,000 from £717,531,001 ordinary shares of £1.00 to £675,587,001, comprising 675,587,001 ordinary shares of £1.00 each, by cancelling and extinguishing 41,944,000 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 24.

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 Takayuki Sanno	
Mr Toby McKeever	
Mr Conor Brew	(appointed 9 July 2020)
Mr Cesar Vargas	(appointed 20 May 2019, resigned 20 April 2020 and appointed 9 July 2020)
Mr Tsutomu Santoki	(appointed 19 April 2021)
Mr Peter Thomlinson	(resigned 9 July 2020)
Mr Kazuhiro Saito	(appointed 20 May 2019 and resigned 20 April 2020)
Mr Tetsu Tanaka	(resigned 1 January 2020)

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.

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 12 July 2021 and signed on its behalf by:

DocuSigned by:
Conor Brew
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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 (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 28.

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

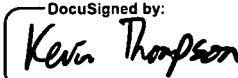
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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

12 July 2021

Lucozade Ribena Suntory Limited

Profit and loss account For the year ended 31 December 2020

		Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
	Note		
Turnover	5	385,182	425,635
Cost of sales		(184,325)	(200,836)
Gross profit		<u>200,857</u>	<u>224,799</u>
Distribution costs		(28,850)	(31,219)
Administrative expenses		(95,282)	(120,483)
Other income	7	<u>432</u>	<u>-</u>
Operating profit		77,157	73,097
Investment revenue (dividends from subsidiary)		<u>2,495</u>	<u>2,172</u>
Profit before interest and taxation		79,652	75,269
Interest receivable and similar income	8	34	20
Interest payable and similar charges	9	(4,274)	(6,567)
Net foreign exchange (loss)/gain		<u>(223)</u>	<u>299</u>
Profit before tax		75,190	69,021
Tax on profit	10	<u>(19,572)</u>	<u>(10,416)</u>
Profit for the financial year		<u><u>55,618</u></u>	<u><u>58,605</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 23 to 44 form part of these financial statements.

Lucozade Ribena Suntory Limited

Statement of other comprehensive income For the year ended 31 December 2020

		Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Note			
	Profit for the financial year	55,618	58,605
	Items that may be reclassified subsequently to profit and loss		
	Cash flow hedges:		
	Gain/(loss) arising during the year	27 1,203	(1,344)
	Less: reclassification adjustment for loss/gain included in profit or loss	(4)	(88)
	Deferred tax (charge)/credit arising on cash flow hedge (loss)/gain	20 (210)	254
	Other comprehensive gain/(loss) for the year net of tax	989	(1,178)
	Total comprehensive income for the year	<u>56,607</u>	<u>57,427</u>

Lucozade Ribena Suntory Limited

Balance sheet As at 31 December 2020

		31 December 2020 £000	31 December 2019 £000
	Note		
Fixed assets			
Intangible assets	11	1,124,946	1,127,781
Tangible fixed assets	12	141,464	150,948
Investment in subsidiaries	13	0	0
		1,266,410	1,278,729
Current assets			
Stocks	14	26,166	27,791
Debtors	15	79,443	66,650
Cash at bank and in hand	18	2,112	7,360
Current tax receivable		294	-
		108,014	101,801
Creditors: amounts falling due within one year:	16	(149,370)	(362,421)
Net current liabilities		(41,356)	(260,620)
Total assets less current liabilities		1,225,054	1,018,109
Creditors: amounts falling due after more than one year	16	(310,311)	(118,020)
Net assets		914,743	900,089
Capital and reserves			
Called up share capital	22	675,587	717,531
Hedging reserve		(117)	(1,107)
Profit and loss account		239,273	183,665
Total shareholders' funds		914,743	900,089

The notes on pages 23 to 44 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 12 July 2021. They were signed on its behalf by:

DocuSigned by:

Conor Brew

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Mr Conor Brew
Director

Lucozade Ribena Suntory Limited

Statement of changes in equity For the year ended 31 December 2020

Attributable to owners of the Company:

	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total £000
Balance at 1 January 2019	755,000	71	125,050	880,121
Profit for the financial year	-	-	58,605	58,605
Loss on hedging transactions	-	(1,432)	-	(1,432)
Deferred tax credit on hedging loss	-	254	-	254
Total comprehensive income for the year	755,000	(1,107)	183,655	937,548
Transactions with owners:				
Share capital reduction	(37,469)	-	-	(37,469)
Balance at 31 December 2019	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	-	(210)	-	(210)
Total comprehensive income for the year	717,531	(118)	239,273	956,686
Transactions with owners:				
Share capital reduction	(41,944)	-	-	(41,944)
Balance at 31 December 2020	675,587	(118)	239,273	914,742

The notes on pages 23 to 44 form part of these financial statements.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

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 11.

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 28.

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

In the current year, the company has applied revised IFRSs issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

International Accounting Standards (IAS/IFRSs)

Effective date

Amendment to IFRS 16: Leases – COVID-19 Related Rent Concession

May 2020

Amendments to IFRS 9 & IFRS 7: Interest Rate Benchmark Reform 2019

September

2. New accounting standards adopted in the current period

Amendment to IFRS 16: Leases – COVID-19 Related Rent Concession

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides 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. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due in on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the IASB in May 2020). The application has had no impact on the financial statements

Amendments to IFRS 9 & IFRS 7: Interest Rate Benchmark Reform

The application of the standard 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 2020 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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

Basis of accounting (continued)

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;
- Disclosure requirements of IFRS 15; and
- 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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

Business combinations (continued)

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 11.

As at 31 December 2020 the Company had a cash balance of £2.1 million and net current liabilities of £41.4 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, having taken account of the impact of COVID-19 on the business. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company has agreed a three-year credit facility with Suntory Beverage & Food Limited along with all parental/group loans being greater than 12 months from the date of the signing of these accounts (see note 19) enabling the company to meet its obligations.

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

On the basis of their assessment of the Company's financial position, its expected positive future 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.

With the easing of restrictions within the UK the Company continue to monitor COVID-19 and the impact of updates to government guidelines. Based on the Companies scenario planning it will implement mitigating actions as required. The Company's scenario planning has created clear actions to ensure that plans are in place to manage any increases in restriction that might arise due to new variants of COVID-19.

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies (continued)

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.

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 income

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

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

The Company as lessee (continued)

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).
- 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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

The Company as lessee (continued)

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.

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

Intangible assets acquired in a business combination (continued)

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

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

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

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

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

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

Tangible fixed assets (continued)

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

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

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

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

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.

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.

Derivatives and Hedge Activities

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 into derivatives for trading or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- 1) all derivatives are recognised as either assets or liabilities and measured at fair value, and 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

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies

Derivatives and Hedge Activities (continued)

and the quantity of the hedging instrument that the entity actually uses to hedge the quantity of the hedged item. Note 27 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.

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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

3. Significant accounting policies (continued)

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.

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.

All turnover relates to sales made within Europe.

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Timing of revenue recognition		
At a point in time	385,182	425,635
	385,182	425,635

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

6. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Cost of stock recognised as expense	174,455	200,065
Write downs of stock recognised as an expense	1,569	1,724
Staff costs (see note 25)	49,616	54,145
Research and development costs	1,425	1,592
Depreciation and impairment of tangible fixed assets (see note 12)	18,836	19,043
Amortisation of intangible assets included in other operating expenses (see note 11)	3,280	5,637
Fees payable to the Company's auditor for the audit of the annual accounts	304	233
Fees payable to the Company's auditor for audit-related assurance services	63	51

7. Other income

The Company used the Governments VAT deferral scheme and deferred VAT for the period of April 2020 to June 2020. A total of £6,971,266 was deferred until December 2020 when the deferred VAT was paid in full. There was no deferred VAT related to the government VAT deferral scheme at 31 December 2020.

	Year ended 31 December 2020	Year ended 31 December 2019
Coronavirus job retention scheme	432	-

8. Interest receivable and similar income

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest receivable from group companies	34	20

9. Interest payable and similar charges

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest payable to group companies	4,193	6,364
Other interest payable	-	54
Interest on lease liabilities	81	149
Total interest payable	4,274	6,567

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

10. Taxation on profit

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Current tax charge		
UK corporation tax at 19% (2019: 19%)	5,569	4,762
Adjustments in respect of prior periods	(598)	(1,980)
	<u>4,971</u>	<u>2,782</u>
Deferred tax charge - note 20		
Origination and reversal of temporary differences	8,775	7,489
Rate Change	5,396	-
Adjustments in respect of prior periods	425	145
	<u>14,596</u>	<u>7,634</u>
Total tax charge on profit	<u>19,567</u>	<u>10,416</u>

Corporation tax is calculated at 19% (2019: 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. The Finance Act 2020 sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020 originally set out in the Finance Act 2019, which received Royal Assent in February 2019. The amendment in rate caused a £5,396m increase in the deferred tax liability.

Finance Act 2021, which received Royal Assent in June 2021 announced the main rate of Corporation Tax would increase to 25% from April 2023. As this change was not substantially enacted by the balance sheet date, deferred tax balances are calculated at the rate of 19% as legislated in Finance Act 2020. The amended tax rate would cause a £24.7m increase in deferred tax liability.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

10. Taxation on profit (continued)

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

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit before tax on continuing operations	75,190	69,021
Tax at the UK corporation tax rate of 19% (2019: 19%)	14,286	13,114
Tax effect of expenses that are not deductible in determining taxable profit	533	499
Tax effect of income that is not taxable in determining taxable profit	(474)	(413)
Effect of items taxed at different rates	-	(881)
Rate Change	5,396	-
Prior period adjustments	(174)	(1,835)
Other factors leading to a decrease in tax	-	(68)
Tax charge for the year	19,567	10,416

11. Intangible assets

	Trademarks £000	Customer relationships £000	Goodwill £000	Software £000	Assets under construction £000	Total £000
Cost						
At 1 January 2020	1,031,200	58,800	52,006	15,672	75	1,157,753
Additions	-	-	-	3	442	445
Reclassification	-	-	-	32	(32)	-
At 31 December 2020	1,031,200	58,800	52,006	15,707	513	1,158,226
Amortisation						
At 1 January 2020	-	15,738	-	14,234	-	29,972
Charge for the period	-	2,624	-	657	-	3,281
At 31 December 2020	-	18,362	-	14,891	-	33,253
Carrying amount						
At 31 December 2020	1,031,200	40,438	52,006	816	513	1,124,973
At 31 December 2019	1,031,200	43,062	52,006	1,438	75	1,127,781

Customer relationships consist of the following categories:

Great Britain, which has a fair value at the year end of £38,469,565 and a remaining useful economic life of 16 years.
Ireland, which has a fair value at the year end of £1,968,750 and a remaining useful economic life of 9 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.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

11. Intangible assets (continued)

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 2020

12. Tangible fixed assets

	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
Cost or valuation								
At 1 January 2020	51,827	2,430	13,216	167,918	635	13,385	1,100	250,511
Additions	919	-	227	5,955	1,145	180	931	9,177
Retirement	-	-	-	-	-	-	(378)	(378)
Reclassification	-	-	255	422	(677)	-	-	-
At 31 December 2020	52,746	2,430	13,698	174,295	1,075	13,565	1,653	259,462
Accumulated depreciation								
At 1 January 2020	9,432	-	9,141	78,166	-	2,385	439	99,563
Charge for the period	1,843	-	1,645	12,558	-	2,313	477	18,836
Retirement	-	-	-	-	-	-	(373)	(373)
At 31 December 2020	11,275	-	10,786	90,724	-	4,698	543	118,026
Carrying amount								
At 31 December 2020	41,471	2,430	2,912	83,571	1,075	8,867	1,110	141,436
At 31 December 2019	42,395	2,430	4,075	89,752	635	11,000	661	150,948

The Company has contractual commitments for property, plant and equipment as at December 2020 of £1,281,845 (December 2019: £2,929,832). See note 21 for Right-of-use commitments.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

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 2020 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.

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

	2020 £000	2019 £000
Raw materials	13,925	13,629
Work-in-progress	508	820
Finished goods	11,122	12,439
Other	611	993
	<u>26,166</u>	<u>27,791</u>

15. Debtors

	2020 £000	2019 £000
Amounts receivable for the sale of goods	58,396	56,255
Provision for bad & doubtful debt	(344)	-
Amounts owing from group undertakings for sales of goods and provision of services	5,590	6,370
Other debtors	15,025	2,563
Current tax receivable	294	-
Prepayments and accrued income	775	1,462
	<u>79,736</u>	<u>66,650</u>

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.

Suntory Beverage & Food operate 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 within Other debtors.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

16. Creditors

		2020	2019
		£000	£000
Amounts falling due within one year	Note		
Trade and other payables	17	58,257	67,023
Rebate liabilities		30,137	30,674
Current tax liabilities		-	350
Borrowing	19	60,976	264,374
		<u>149,370</u>	<u>362,421</u>
Amounts falling due after more than one year	Note	2020	2019
		£000	£000
Borrowings	19	240,000	60,976
Other liabilities	17	1,363	1,063
Deferred tax	20	60,592	45,781
Trade and other payables	17	8,356	10,200
Net assets		<u>310,311</u>	<u>118,020</u>

17. Trade and other payables

	2020	2019
	£000	£000
Amount falling due within one year		
Trade creditors	40,001	41,681
Amounts due to group undertakings for trade	3,449	2,109
Accruals	6,660	12,989
Social security and other taxes	5,269	5,821
Lease liability (see note 21)	2,734	3,079
Derivative financial instruments: (see note 27)	145	1,344
	<u>58,257</u>	<u>67,023</u>
Amounts falling due after more than one year:		
Other long term liabilities	1,363	1,063
Lease liability (see note 21)	8,356	10,200
	<u>9,719</u>	<u>11,263</u>

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.

18. Cash in bank and in hand

	2020	2019
	£000	£000
Cash in bank and in hand	<u>2,112</u>	<u>7,360</u>

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

19. Borrowings

	2020 £000	2019 £000
Unsecured borrowing at amortised cost		
Loans from parent company	300,976	325,349
Amount due for settlement within 12 months		
Loans	60,976	240,000
Cash pooling	-	24,374
Amount due for settlement after 12 months		
Loans	240,000	60,976

In 2020 the Company refinanced two £120m loans that matured during 2020 with a single £240m 3 year loan.

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

Amounts repayable to related parties of the Company are repayable between 25 February 2021 and 12 June 2023 and carry interest at rates ranging from 1.1% to 1.5% over the terms of the loans.

20. 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:

(Asset)/liability	Accelerated tax depreciation £000	Intangible assets £000	Other timing differences £000	Deferred tax on cash flow hedge gain £000	Total £000
At 1 January 2019	2,033	36,492	(140)	16	38,401
Charge/(Credit) to profit or loss	561	7,111	(38)	-	7,634
(Credit) to other comprehensive income	-	-	-	(254)	(254)
At 31 December 2019	2,594	43,603	(178)	(238)	45,781
Charge/(Credit) to profit or loss	971	13,654	(10)	-	14,615
Charge to other comprehensive income	-	-	-	210	210
At 31 December 2020	3,565	57,257	(188)	(28)	60,606

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Notes to the financial statements (continued) For the year ended 31 December 2020

20. Deferred tax (continued)

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Deferred tax liabilities	60,821	46,197
Deferred tax assets	(215)	(416)
	<u>60,606</u>	<u>45,781</u>

21. Leases

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	2,790	2,937
Interest expense on lease liabilities	81	149
Expense relating to leases of low value assets	356	295
	<u>3,227</u>	<u>3,381</u>

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Amount due for settlement:		
Within one year	3,299	3,168
In the second to fifth years inclusive	8,748	10,190
After five years	-	546
	<u>12,047</u>	<u>13,904</u>

22. Called up share capital

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Allotted, called up and fully paid		
ordinary shares of £1 each	<u>675,587</u>	<u>717,531</u>

The Company has one class of ordinary shares which carry no right to fixed income. On 7 December 2020 the Board approved to reduce the company's issued share capital by cancelling and extinguishing 41,944,000 of such issued ordinary shares of £1.00 each. The total number of ordinary shares are 675,587,001 (2019: 717,531,001).

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

23. Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to income of £2,842,475 (2019: £2,809,081) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020 and 31 December 2019, there were no unpaid employer or employee contributions to the schemes.

24. Events after the balance sheet date

Non-adjusting event

The Company refinanced a £61m short term loan into a £60m 3 year long term loan parental loan in May 2021.

Adjusting events

No adjusting events happened after the balance sheet date.

25. Staff costs

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

	Year ended 31 December 2020	Year ended 31 December 2019
Production personnel	237	244
Administration and other personnel	433	436
	<u>670</u>	<u>680</u>

Their aggregate remuneration comprised:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Wages and salaries	42,122	46,093
Social security costs	4,653	5,243
Pension costs	2,842	2,809
	<u>49,616</u>	<u>54,145</u>

Directors' remuneration disclosures are included in note 26.

Lucozade Ribena Suntory Limited

Notes to the financial statements (continued) For the year ended 31 December 2020

26. 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 2020 £000	Year ended 31 December 2019 £000
Directors' remuneration		
Emoluments	719	1,173
Amounts receivable (other than shares and share options) under long-term incentive schemes	(42)	150
Company contributions to money purchase pension schemes	51	66
	<u>728</u>	<u>1,389</u>

In 2020 the Company released long-term incentive schemes.

	Number
The number of directors who:	
Are members of a money purchase pension scheme	<u>4</u> <u>3</u>

	2020 £000	2019 £000
Remuneration of the highest paid director:		
Emoluments	358	456
Amounts receivable (other than shares and share options) under long-term incentive schemes	(9)	73
Company contributions to money purchase pension schemes	26	27
	<u>375</u>	<u>556</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.

27. Derivative financial instruments

	2020 £000	2019 £000
Derivatives that are designated and effective as hedging instruments carried at fair value		
Current liabilities		
Forward foreign currency contracts	<u>145</u>	<u>1,344</u>

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

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Notes to the financial statements (continued) For the year ended 31 December 2020

27. Derivative financial instruments (continued)

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

Outstanding contracts	Notional value	
	2020 £000	2019 £000
<i>Buy Euros</i>	10,123	38,715

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 2020 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 £1,202,835 (2019: loss £1,344,209) were recognised in other comprehensive income during the year. A loss of £3,538 previously recognised in the hedging reserve was recycled through the profit and loss in the current year (2019: gain of £88,000).

28. 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.