

REGISTERED NUMBER: 05591988 (England and Wales)

Beam Suntory UK Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2019

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Beam Suntory UK Limited

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For the Year Ended 31 December 2019**

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Beam Suntory UK Limited

**Officers and Professional Advisers
For the Year Ended 31 December 2019**

Directors: M'Del Pino Bermudez De La Puente Sanchez-Aguilera
A I Bailey
P W D Greenow
J P Munoz
M J Ord
N Yamada

Secretary: Corporation Service Company (UK) Limited

Registered office: 2 Longwalk Road
Stockley Park
Uxbridge
Middlesex
UB11 1BA

Registered number: 05591988 (England and Wales)

Auditor: Deloitte LLP
Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom

Banker: The Royal Bank of Scotland Plc
5-10 Great Tower Street
London
EC2M 4JX

Beam Suntory UK Limited

Strategic Report

For the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

Business review and future developments

The Company continues to manufacture Scotch whisky and sell this through its sales and distribution alliance managed by its intermediate Parent Company, Beam Suntory Inc ("the Group").

On February 2019 the trade and net assets of the company's subsidiary Morrison Bowmore Distillers Limited, with a net book value of £145.2m, were hived-up in a business transfer agreement.

The Company has achieved a gross profit of £107.2m (59.3% gross margin) (2018: £67.7m, 59.8% gross margin) on the turnover of £180.9m (2018: £113.3m) during the year. Profit before taxation was £25.4m (2018: £24.8m).

The directors are satisfied with the Company's performance in this trading year and remain optimistic about the future performance of the Company. The Company continues to invest in tangible assets and laying down bulk stocks to ensure that the Company will be able to support future custom demand.

The priority of the Company continues to be building our Scotch whisky brands

Key performance indicators

The key financial performance indicators that the directors utilise are the analysis of turnover and the gross profit margin. Turnover increased by 59.7% compared to 2018. Increase in turnover was largely as a result of incorporating the turnover of Morrison Bowmore Distillers from 1 February 2019. Whilst margins improved, operating expenses increased due to the associated additional running costs and increased brand investment. The gross profit margin was 59.3%, 0.5% decrease on 2018.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company, along with the associated explanations are described below:

The Company operates in highly competitive consumer categories

While the Company largely competes for customers based on product quality, cost, brand strength and service, price is also an important basis for selection and competition. The Company's success depends on continuously improving its offerings and appealing to the changing needs and preferences of its customers.

Inflationary pressure on commodity, energy, freight and packaging material pricing

The Company buys commodities including barley, malt, oil and grain whisky to support the production of single malt and blended Scotch whiskies. Transportation costs are incurred in the movement of spirit, casks and cased finished goods. Increase in the prices of these inputs could increase the cost of manufacturing the Company's products.

Increased excise taxes on distilled spirits

Distilled spirits are subject to excise tax in many countries where the Company operates. The effect of any future excise tax increases in any jurisdiction cannot be determined, but increased excise taxes could have an adverse effect on business by reducing demand.

Covid-19

The directors continue to monitor risks to the Company associated with Covid-19 but do not expect this to have a material adverse impact on the business in the long-term. The Company's distilleries continue to operate, global whisky markets remain strong and, especially given the long term nature of the Company's operating cycle, the directors do not believe this to have a significant impact.

Section 172(1) statement

Section 172 of the Companies Act 2006 ("s.172") imposes a general duty on Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders. Our goal is to drive value for clients, colleagues, and shareholders alike. The Board believes that balancing the interest of stakeholders with our corporate purpose and the desire to maintain high standards of ethical conduct is embedded in the way we do business.

Beam Suntory UK Limited

Strategic Report - continued For the Year Ended 31 December 2019

Section 172(1) statement - continued

As part of Beam Suntory's global business, BSUK plays an important role in the company's objective to be the most admired, fastest-growing premium spirits company. Within that, our purpose is to create premium malt and blended whiskies which are loved by legal-age consumers around the world. Good corporate citizenship and social responsibility are central to our business, and fundamental to our culture. In everything we do, we put our people first, and we are deeply committed to protecting water and the environment, supporting the communities where our people live and work, and promoting responsible consumption of our products.

Achieving long-term value for our shareholders

Beam Suntory UK Ltd was incorporated on 13 October 2005. The Board engages directly with the shareholders through routine reporting and uses this engagement to ensure that the Strategy of the Group is aligned with that of the shareholders.

Investing in people

Our employees really are our number one priority. Our culture is charged, creative, and challenging, with opportunities for employees to "Unleash Their Spirit" every day. We also value differences, and we appreciate what each of us can contribute. We believe that everyone should have equal opportunity to develop, progress, and be rewarded and recognized at work. We're a business that runs on responsibility, integrity, ambition and drive, and we celebrate exceptional performance. We provide many opportunities for our people to develop and grow their careers, and we have a robust, equitable approach to how we manage performance and talent globally.

We offer our employees both financial and non-financial benefits that are fair for everyone. In addition to base salary, our employees enjoy a set of company benefits, awards and recognition programs. These benefits cover health and wellness, work/life balance, flexible working, pension, life insurance and a brand ambassador program. Guided by our vision of Growing for Good, our values and passion for our brands, our people are empowered and valued as individuals. We engage with our employees through regular Townhalls to communicate our business strategy and performance. We also carry out regular surveys in several areas, including Employee Engagement, Diversity & Inclusion and Future of Work, to allow us to continuously improve as an organisation by listening to our people.

Health and safety

The Health and Safety of our people always comes first. We are accredited to ISO 45001, an International Standard for Health & Safety at work and Senior Management reviews our safety performance monthly. Our policy is regularly reviewed and communicated to stakeholders, and performance is reported and reviewed at Group level, as well as by the Board, to ensure our policies are appropriate and effectively implemented.

Our customers

The BSUK Board has a keen interest in customer feedback and encourages the business to maintain multiple channels and methods of communication to support a useful dialogue across our sales and distribution networks. Senior Management attended Board meetings in 2019 to provide insight on client relationships and market expectations. The Board uses this feedback together with external insights to ensure the Group continues to provide best in class products and services.

The environment and our communities

Good corporate citizenship and social responsibility are central to our business, and fundamental to our culture. We protect water and the environment, support the communities where our people live and work, and promote responsible consumption of our products. The Company is committed to minimising environmental risk and continual improvement of environmental performance through our operations. A formal Environmental Policy is in place and we are accredited to ISO 14001, the international standard that specifies requirements for an effective environmental management system. Our policy is regularly reviewed and communicated to stakeholders, and performance is reported and reviewed at Group level, as well as by the Board, to ensure our policies are appropriate and effectively implemented. The Company is a responsible member of the local community, and community engagement is an important aspect of our operations, which the Company is committed to continue and grow. We are a significant employer in several local communities, both directly and indirectly, and invest in these communities through our Growing for Good initiatives.

Beam Suntory UK Limited

Strategic Report - continued
For the Year Ended 31 December 2019

Section 172(1) statement - continued

Our suppliers

The Group aims to build strong collaborative relationships with our key suppliers, sourcing the best value, high quality goods and services, allowing us to craft premium products for our customers and legal-age consumers. The Board is committed to the highest standards of ethical business conduct and abides by our rigorous Code of Conduct & Ethics in all engagement with our suppliers and other partners. The policies and procedures relevant to business conduct are available to all employees in our intranet, and our Compliance team actively shares reminders, updates, and education opportunities with the global business.

The Board takes a zero-tolerance approach to bribery and corruption. In 2020 The Board satisfied itself that suppliers' due diligence checks procedures were sufficiently robust.

Lending banks

The Directors review and approve all formal reporting to Beam Global Finance UK Ltd. Financial plans including scenarios are reported to and discussed at Board meetings. Regular and clear reporting is in place that demonstrates Group performance is meeting agreed credit reviews from the Banks. These submissions are linked with the foreign exchange lines the company has obtained from several Banks, and which allows the Company to exchange currencies – either for spot or forward contracts.

Financial risk management and financial instruments

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. Financial risk management activities were performed by fellow subsidiaries of Beam Suntory Inc. and related transactions were contracted by those companies.

Due to the large portion of receivables in foreign currency, Beam Suntory UK Limited enters into foreign exchange derivatives in order to minimise the volatility of local currency. No financial instruments have been used to manage interest rate or cash flow risk in the year.

Disabled Employee Policy

We undertake to develop a working environment and provide conditions of employment that offers people with disabilities the opportunity to seek and maintain employment with us. We welcome applications from people with disabilities, and our HR Team are qualified to advise on disability related support and recruitment matters. Applicants are encouraged to provide us with information on any practical requirements, so that we can take them into account in our application and interview arrangements. At interview stage, consideration of candidates and the decision on the appointment to the post in question will be based upon the suitability of the applicant's qualifications, experience and skills for the post.

We value the contribution of all colleagues irrespective of disability and believe that all our employees should be able to participate in all Company activities. We are committed to ensuring that disabled colleagues are not placed at any disadvantage and have access to the same opportunities as all other employees, this includes terms and conditions of employment, as well as training and career advancement opportunities. As appropriate, advice is sought from Disability Employment Advisors or other agencies who can offer specialist advice on adaptations, equipment or training.

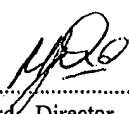
Beam Suntory UK Limited

Strategic Report - continued
For the Year Ended 31 December 2019

Disabled Employee Policy

We always seek to enable an employee who becomes disabled, or where an existing disability progresses or worsens, to remain in their existing jobs with suitable adjustments, before considering other alternatives. Within Beam Suntory International's Diversity & Inclusion team, we also have a dedicated working group focused on raising awareness, promoting our equitable hiring practices and supporting those with all forms of disabilities across our global business.

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


.....
M J Ord - Director

Date: 13/12/20
.....

2 Longwalk Road
Stockley Park
Uxbridge
Middlesex
UB11 1BA

Beam Suntory UK Limited

Directors' Report

For the Year Ended 31 December 2019

The directors present their Annual Report and the audited financial statements of Beam Suntory UK Limited ("the Company") for the year ended 31 December 2019.

Results and dividends

The results for the financial year are shown on page 11.

A review of the financial performance of the business, future developments, principal risks and uncertainties and financial risk management are located in the Strategic Report on pages 2 to 5 and form part of this report by cross reference.

During the year a dividend of £57.5m (2018: £nil) was paid to the sole shareholder of the Company. No further dividends have been proposed.

Directors

The directors who served the Company during the year and to the date of this report were as follows:

M D P Bermudez De La Puente Sanchez-Aguilera	
A I Bailey	(appointed 7 June 2019)
P W D Greenow	
J P Munoz	
M J Ord	(appointed 7 June 2019)
N Assi	(resigned 10 February 2020)
N Yamada	(appointed 10 February 2020)
D W J Wilson	(resigned 5 June 2019)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Existence of branches outside the UK

The Company has branches, as defined in s1046(3) of the Companies Act 2006, outside the UK in France, Sweden, Hungary, Bulgaria, Ukraine, Dubai, Latvia and Turkey.

Subsequent events

Since its outbreak in 2020, management continuously monitors business risks and opportunities originated by the Covid-19 pandemic. As a result of this assessment, measures to protect workers, customers and other stakeholders have been identified and implemented. Additionally, measures to protect the long-term business activity have been identified and implemented. The directors consider that the current situation will not evolve into any significant post balance sheet event and consider the balance sheet to be appropriately valued.

Going concern

The Company has net current assets of £110.4m (2018: £179.7m) and net assets of £537.5m (2018: £569.5m). The directors have reviewed the Company's strategic forecast for the 12-month period from the date of board approval of these financial statements. Having considered the financial position and prospects for the Company, the directors have developed a reasonable expectation that the Company will continue to trade for the foreseeable future. Accordingly, the going concern basis continues to be applied in preparing the financial statements.

The directors have obtained a letter of support from the intermediate parent Beam Suntory Inc and have satisfied themselves that the parent has sufficient resources to provide support to the company to meet its liabilities as they fall due for the 12 month period from the date of approval of these financial statements.

Beam Suntory UK Limited

Directors' Report - continued
For the Year Ended 31 December 2019

Auditor

Each of the persons who are directors 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
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be reappointed as auditor in the absence of an Annual General Meeting.

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


.....
M J Ord - Director

Date: 18/12/2020

2 Longwalk Road
Stockley Park
Uxbridge
Middlesex
UB11 1BA

Beam Suntory UK Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

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 judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard FRS 101 "Reduced Disclosure Framework" 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.

Independent Auditor's Report to the Members of Beam Suntory UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Beam Suntory UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework applicable in the UK and Republic of Ireland"; 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 25.

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 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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. 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.

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Beam Suntory UK 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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 their 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

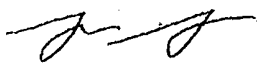
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.


James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

Date: 18 DECEMBER 2020

Beam Suntory UK Limited

**Profit and Loss Account
For the Year Ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Turnover	4	180,922	113,295
Cost of sales		(73,723)	(45,582)
Gross profit		107,199	67,713
Distribution costs		(44,582)	(18,422)
Administrative expenses		(38,349)	(24,606)
Operating profit		24,268	24,685
Dividends received		1,000	500
Interest receivable and similar income	8	428	141
Interest payable and similar expenses	9	(253)	(529)
Other finance costs	21	(34)	(30)
Profit before taxation	5	25,409	24,767
Taxation	10	(4,038)	(7,474)
Profit for the financial year attributable to the owners of the Company		<u>21,371</u>	<u>17,293</u>

All amounts are derived from continuing operations.

Beam Suntory UK Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Profit for the year		<u>21,371</u>	<u>17,293</u>
Actuarial gain/(expense) on pension schemes	21	4,967	(1,538)
Deferred tax (charge)/credit relating to actuarial gain/ (expense) on pension schemes	18	<u>(844)</u>	<u>292</u>
Other comprehensive income/(loss) for the year		<u>4,123</u>	<u>(1,246)</u>
Total comprehensive income for the year		<u><u>25,494</u></u>	<u><u>16,047</u></u>

Beam Suntory UK Limited


Balance Sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	12	294,065	294,065
Tangible assets	13	74,413	40,217
Investments	14	89,115	89,115
Right-of-use assets	20	280	-
		<u>457,873</u>	<u>423,397</u>
Current assets			
Stocks	15	268,907	163,523
Debtors: amounts falling due within one year	16	43,742	58,684
Debtors: amounts falling due after more than one year	16	5,630	8,803
Cash at bank and in hand		9,443	4,402
		<u>327,722</u>	<u>235,412</u>
Creditors			
Amounts falling due within one year	17	(217,131)	(55,687)
Lease liabilities	20	(146)	-
		<u>110,445</u>	<u>179,725</u>
Net current assets			
		<u>568,318</u>	<u>603,122</u>
Total assets less current liabilities			
Non-current liabilities			
Lease liabilities	20	(133)	-
Provisions for liabilities			
Deferred tax provision	18	(34,540)	(31,099)
Net assets excluding pension surplus/(deficit)		<u>533,645</u>	<u>572,023</u>
Defined benefit pension scheme surplus/(deficit)	21	3,809	(2,562)
Net assets		<u>537,454</u>	<u>569,461</u>
Capital and reserves			
Called-up share capital	19	468,942	468,942
Profit and loss account		68,512	100,519
Shareholders' funds		<u>537,454</u>	<u>569,461</u>

The notes on pages 15 to 44 form an integral part of these financial statements.

The financial statements of Beam Suntory UK Limited (registered number 05591988) were approved by the Board of Directors and authorised for issue on 18/12/20

They were signed on its behalf by:


M J Ord Director

Beam Suntory UK Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2018	390,480	84,472	474,952
Profit for the financial year	-	17,293	17,293
Issue of share capital (note 19)	78,462	-	78,462
Actuarial gain on pension schemes	-	(1,538)	(1,538)
Deferred tax relating to actuarial loss on pension scheme	-	292	292
Total comprehensive income for the year	78,462	16,047	94,509
Balance at 31 December 2018	468,942	100,519	569,461
Balance at 1 January 2019 - As previously reported	468,942	100,519	569,461
Effect of changes in accounting policy for initial application of IFRS 16	-	(1)	(1)
Balance at 1 January 2019	468,942	100,518	569,460
Profit for the financial year	-	21,371	21,371
Actuarial gain on pension schemes	-	4,967	4,967
Deferred tax relating to actuarial loss on pension scheme	-	(844)	(844)
Total comprehensive income for the year	-	25,494	25,494
Dividend paid in the year (note 11)	-	(57,500)	(57,500)
Balance at 31 December 2019	468,942	68,512	537,454

Beam Suntory UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Beam Suntory UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. 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 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the results of the Company and its subsidiary undertakings are included in the consolidated financial statement of Suntory Holdings Limited. Consequently, the information presented in the financial statements is for the Company and not the group.

Adoption of new and revised Standards

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Beam Suntory UK Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

1. General information - continued

Adoption of new and revised Standards - continued

Impact of initial application of IFRS 16 Leases - continued

(b) Impact on lessee accounting - continued

Applying IFRS 16, for all leases (except as noted below), the Company:

- (a) Recognises right-of-use assets and lease liabilities in the Balance Sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within the administrative expenses line item.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the Balance Sheet immediately before the date of initial application as an alternative to performing an impairment review.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(i) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

1. General information - continued

Adoption of new and revised Standards - continued

Impact of initial application of IFRS 16 Leases - continued

(c) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet on 1 January 2019 is 2%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the Balance Sheet at the date of initial application.

Impact on retained earnings as at 1 January 2019

	£'000
Operating lease commitments at 31 December 2018	130
Transfer of lease commitments	180
Short-term leases and leases of low-value assets	(10)
	<hr/>
Lease liabilities recognised at 1 January 2019	310
	<hr/>

The Company has recognised £308,802 of right-of-use assets and £309,743 of lease liabilities upon transition to IFRS 16. The difference of £941 is recognised in retained earnings.

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9
*Prepayment Features with
Negative Compensation*

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Annual Improvements to IFRS
Standards 2015–2017 Cycle IAS
12 Income Taxes and IAS 23
Borrowing Costs

The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards, two of which in respect of IFRS 3 and IFRS 11 are not applicable to the Company.

Beam Suntory UK Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

1. General information - continued

Impact of initial application of other amendments to IFRS Standards and Interpretations - continued

IAS 12 *Income Taxes*

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**IFRIC 23 Uncertainty over
Income Tax Treatments**

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings;
 - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets and certain related party transactions.

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

Beam Suntory UK Limited

**Notes to the Financial Statements - continued
For the Year Ended 31 December 2019**

2. Significant accounting policies

Basis of accounting - continued

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or 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.

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, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 5.

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

The directors have obtained a letter of support from the intermediate parent Beam Suntory Inc and have satisfied themselves that the parent has sufficient resources to provide support to the company to meet its liabilities as they fall due for the 12 month period from the date of approval of these financial statements.

Investments

Investments in subsidiaries and associates are accounted for at cost less, where appropriate, provisions for impairment. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Revenue recognition

Sale of goods

The Company recognises revenue from the sale of goods. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognises revenue when it transfers control of a product to a customer, generally being when the goods have been shipped to the customer. A receivable is recognised by the Company when the goods have been shipped as this represents the point in time at which the right to consideration becomes unconditional. A refund liability is recognised for expected credit notes, based on accumulated historical experience. It is considered highly probable that a significant reversal in revenue recognised will not occur. The transaction price is stated net of sales related taxes, trade discounts and marketing related costs which are not capable of being separated from the sales transactions.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Significant accounting policies - continued

Revenue recognition - continued

Rendering of services

Revenue from a contract to provide design services is in line with stage of completion of the project.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life.

The useful lives of some of the Company's acquired brands and goodwill is assessed as indefinite. Where this is the case, no amortisation is charged. However, the assets are assessed annually by reference to projected discounted future cash flows. Adjustments are reflected in the Profit and Loss Account.

Tangible fixed assets

Tangible fixed assets are recognised at cost and subsequently stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Asset class	Depreciation method and rate
Freehold buildings	straight-line, over 50 years
Freehold land	not depreciated
Building improvements (within freehold land and property)	straight-line, over 8 years
Plant and machinery	straight-line, over 10-12 years
Fixtures and fittings	straight-line, over 10 years
Assets under construction	not depreciated
Casks	straight-line, over 2-20 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 income.

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Significant accounting policies - continued

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, or 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 of disposal 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Stocks and maturing inventories

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets held by the Company are classified as 'loans and trade receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Beam Suntory UK Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

2. Significant accounting policies - continued

Financial instruments - continued

Recognition and measurement

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions 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.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. Significant accounting policies - continued

Financial instruments - continued

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Significant accounting policies - continued

Financial instruments - continued

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

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 financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the Balance Sheet.

2. Significant accounting policies - continued

Financial instruments - continued

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Significant accounting policies - continued

Leases - continued

Policies applicable from 1 January 2019

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 using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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 as a separate line in the Balance Sheet.

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.

Beam Suntory UK Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

2. Significant accounting policies - continued

Leases - continued

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 administrative expenses line item.

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 contracts 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.

Policies applicable prior to 1 January 2019

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

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 year. 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 years 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.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

2. Significant accounting policies - continued

Taxation - continued

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.

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. Deferred tax is charged or credited in the Profit and Loss Account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 year

Current and deferred tax are recognised in profit and 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.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate.

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

Pensions

Defined contribution pension scheme

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Differences between contributions payable in the year and contributions actually paid are recognised in accruals or prepayments in the Balance Sheet.

2. Significant accounting policies - continued

Pensions - continued

Defined benefit pension scheme

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the Balance Sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Company presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 21) in its Profit and Loss Account. Curtailment gains and losses are accounted for as past-service cost.

Net-interest expense or income is recognised within finance costs (see note 21). The retirement benefit obligation recognised in the Balance Sheet represents the deficit or surplus in the Company's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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.

Critical judgements in applying the Company's accounting policies

The following is a critical judgement that the directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Assessing the carrying value of intangible assets involves judgement. At each reporting date, we review the carrying amounts of the Company's intangible assets whether there is any indication that those assets have suffered an impairment loss. Further detail is disclosed in note 12.

Key sources of estimation uncertainty

In conjunction with Willis Towers Watson we have made prudent estimates on likely return on pension scheme assets as well as likely future pension obligations; these estimates have been used to determine the reported position of the pension liability (note 21).

In the view of the directors, there are no other key sources of estimation uncertainty which affect the Company's financial statements.

Beam Suntory UK Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

4. Turnover

An analysis of turnover by geographical location is given below:

	2019 £'000	2018 £'000
North America	29,505	20,467
Latin America	65	149
Europe	95,576	57,532
Asia Pacific	54,227	34,680
Africa	1,549	467
	<u>180,922</u>	<u>113,295</u>

All of the Company's turnover is derived from its principal activities, being the sale and distribution of Scotch whisky, and the provision of facilities, human resource services, marketing services and commercial services to fellow group entities.

An analysis of the Company's turnover is given below:

	2019 £'000	2018 £'000
Sales of Scotch Whisky	178,169	110,795
Provision of creative design services	2,753	2,500
	<u>180,922</u>	<u>113,295</u>

5. Profit before taxation

Profit before tax is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	2,907	1,018
Depreciation of right-of-use assets	220	-
Operating lease rentals - plant and machinery	-	4
Operating lease rentals - other operating leases	-	158
Foreign currency loss/(gain)	781	(216)
Group management fees	16,092	8,367
Group advertising and promotion recharge	44,582	18,422
Profit on sale of tangible fixed assets	(375)	(345)
Cost of stock recognised as an expense	73,606	45,626
Write downs of inventories recognised as an expense	117	-
Reversal of write downs of inventories recognised as an expense	-	(43)

The directors' remuneration is recharged to the Company as part of a management charge. The management charge includes a recharge of administration expenses borne by the parent company and its fellow subsidiary undertakings on behalf of the Company. The directors received total remuneration of £3,886k from the Parent Company during the year (2018: £3,609k), but it is not practicable to allocate this between their services as executives of each company within the Group.

The depreciation charge noted above is different from that shown in note 13, as cask and other production related depreciation is included in the cost of maturing inventory and is not released to the Profit and Loss Account until the relevant stock is sold. The figure shown above represents the annual depreciation charge on other fixed assets.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

6. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	135	79

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the Parent Company are required to disclose such fees on a consolidated basis.

7. Staff costs

The average monthly number of employees including directors was:

	2019 No.	2018 No.
Production	215	71
Administration	162	125
	377	196

The aggregate payroll costs were as follows

	2019 £'000	2018 £'000
Wages and salaries	15,619	10,049
Social security costs	2,070	1,389
Other pension costs	1,115	633
	18,804	12,071

8. Interest receivable and similar income

	2019 £'000	2018 £'000
On amounts owed by group undertakings	428	141

9. Interest payable and similar expenses

	2019 £'000	2018 £'000
Bank charges	214	31
On amounts owed to group undertakings	39	107
Other interest	-	391
	253	529

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

10. Taxation

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	595	1,118
Adjustments in respect of previous year	2,729	3,422
Total current tax charge	<u>3,324</u>	<u>4,540</u>
Deferred tax:		
Origination and reversal of timing differences	714	2,934
Total tax charge	<u>4,038</u>	<u>7,474</u>

Factors affecting current tax charge/(credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	25,409	24,767
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	4,828	4,706
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	(85)	11
Adjustment for prior periods	947	3,838
Difference in tax rates	89	18
Group relief claimed for no payment	(1,741)	(1,099)
Total tax charge for the year	<u>4,038</u>	<u>7,474</u>

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The rate of change will affect the size of the Company's deferred tax assets and liabilities in the future.

11. Dividends

	2019 £'000	2018 £'000
Interim dividend for the year ended 31 December 2019 (equivalent to £0.12 per share (2018 nil per share))	<u>(57,500)</u>	<u>-</u>

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

12. Intangible assets

	Brand valuation £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2019 and 31 December 2019	138,048	156,017	294,065
Net book value.			
At 31 December 2019	138,048	156,017	294,065
At 31 December 2018	138,048	156,017	294,065

Goodwill of £156,017k (2018: £156,017k) and brands of £138,048k (2018: £138,048k) relate to the Scotch whisky business and are considered to have an indefinite useful life due to the continuing strong growth of, and investment in established brands.

As required by IAS 36, a formal impairment review of goodwill and brands has been carried out at 31 December 2019. The calculation was performed in accordance with IAS 36 and used an after-tax discount rate of 6.5% (2018: 5.7%) over an indefinite period, in accordance with the assumption of an indefinite useful life as explained above.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

13. Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets under construction £'000	Casks £'000	Total £'000
Cost						
At 1 January 2019	20,207	14,882	1,714	1,004	30,704	68,511
Additions	-	9	254	5,434	5,147	10,844
Intercompany additions	10,432	8,308	330	-	11,447	30,517
Disposals	-	(72)	(131)	-	(679)	(882)
Reclassification/transfer	65	1,328	50	(1,443)	-	-
At 31 December 2019	30,704	24,455	2,217	4,995	46,619	108,990
Depreciation						
At 1 January 2019	8,062	10,185	942	-	9,105	28,294
Charge for year	1,428	2,343	490	-	2,729	6,990
Eliminated on disposal	-	(55)	(131)	-	(521)	(707)
At 31 December 2019	9,490	12,473	1,301	-	11,313	34,577
Net book value						
At 31 December 2019	21,214	11,982	916	4,995	35,306	74,413
At 31 December 2018	12,145	4,697	772	1,004	21,599	40,217

Included in freehold land and buildings is freehold land of £747,000 (2018: £747,000) which is not depreciated.

The Company has assets with costs of £22,308,000 (2018: £9,079,000) that are fully depreciated but still in use as at the period end.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

14. Investments

	Subsidiary and associated Undertakings £'000
Cost	
At 1 January 2019	89,115
At 31 December 2019	<u>89,115</u>
Net book value	
At 31 December 2019	<u>89,115</u>
At 31 December 2018	<u>89,115</u>

Details of undertakings

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

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Registered address
Edrington-Beam Suntory UK Distribution Limited	United Kingdom	Ordinary	50%	Edrington-Beam Suntory House, Castle Business Park, Stirling, Stirlingshire, FK9 4RT
Beam Suntory Operations Limited	United Kingdom	Ordinary	100%	2 Longwalk Road, Stockley Park, Uxbridge, Middlesex, UB11 1BA
Beam Global Distribution (UK) Limited	United Kingdom	Ordinary	100%	2 Longwalk Road, Stockley Park, Uxbridge, Middlesex, UB11 1BA
Beam Suntory Poland s.p. Z.o.o.	Poland	Ordinary	99%	181B Aleje Jerozolimskie, 02-222, Warsaw, Poland
Morrison Bowmore Distillers Limited	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street Glasgow, G21 1EQ

Beam Suntory UK Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

14. Investments - continued

James Sword & sons Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Morrison Bowmore Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Morrison Distillers Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Morrison's Bowmore Distillery Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Morrison's Glengarioch Distillers Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Robroy Distillery Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Stanley P. Morrison Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
Suntory Alliance Brands Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
T & A McClelland Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
The Real Scotch Whisky Company Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ
The Red Gauntlet Scotch Whisky Company Limited*	United Kingdom	Ordinary	100%	Springburn Bond, Carlisle Street, Glasgow G21 1EQ

*indirectly held

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

15. Stocks

	2019 £'000	2018 £'000
Maturing inventories	261,984	147,463
Raw materials	1,999	1,430
Finished goods	4,924	14,630
	<u>268,907</u>	<u>163,523</u>

16. Debtors

	2019 £'000	2018 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	7,145	3,682
Amounts owed by Group undertakings	18,106	41,960
Amounts owed by participating interests	9,723	6,899
Other debtors	4,515	2,477
Derivative financial asset (see note 22)	131	54
Taxation and social security	-	34
Prepayments and accrued income	4,122	3,578
	<u>43,742</u>	<u>58,684</u>

	2019 £'000	2018 £'000
<i>Amounts falling due after more than one year:</i>		
Prepayments and accrued income	<u>5,630</u>	<u>8,803</u>

Aggregate amounts	<u>49,372</u>	<u>67,487</u>
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Amounts owed by Group undertakings are unsecured, repayable on demand and bear interest at 0.5% (2018: 0.4754%) above LIBOR.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

17. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	76	41
Trade creditors	10,924	6,368
Amounts owed to Group undertakings	189,420	44,054
Other creditors	5,070	4,138
Derivative financial liability (see note 22)	19	196
Accruals and deferred income	11,622	890
	<u>217,131</u>	<u>55,687</u>

Amounts owed to Group undertakings are unsecured, repayable on demand and bear interest at 1.5% (2018: 0.4754%) above LIBOR.

18. Deferred taxation

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

	Accelerated tax depreciation £'000	Retirement benefit obligation £'000	Provisions £'000	Other £'000	Tax losses £'000	Total £'000
At 1 January 2018	28,027	(420)	915	36	(101)	28,457
Charge to income statement	2,286	277	323	(53)	101	2,934
Charge to other comprehensive income	-	(292)	-	-	-	(292)
At 31 December 2018	<u>30,313</u>	<u>(435)</u>	<u>1,238</u>	<u>(17)</u>	<u>-</u>	<u>31,099</u>
Charge to income statement	253	239	222	-	-	714
Charge to other comprehensive income	-	844	-	-	-	844
Charge on transfer of MBD	1,884	-	(20)	19	-	1,883
At 31 December 2019	<u>32,450</u>	<u>648</u>	<u>1,440</u>	<u>2</u>	<u>-</u>	<u>34,540</u>

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:

	2019 £'000	2018 £'000
Deferred tax liabilities	(34,540)	(31,099)
Deferred tax assets	<u>(34,540)</u>	<u>(31,099)</u>

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

19. Called-up share capital and reserves

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1 each	2019 £'000	2018 £'000
468,941,453 (2018: 468,941,453)	Ordinary shares		<u>468,942</u>	<u>468,942</u>

The Company's other reserves are as follows:

In the prior year, 78,461,603 £1 ordinary shares were issued at par to the Company's parent company, Beam Suntory UK Holdings Limited.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

20. Leases

Right-of-use assets	Plant £'000	Total £'000
Cost		
At 1 January 2019	308	308
Additions	192	192
At 31 December 2019	<u>500</u>	<u>500</u>
Accumulated depreciation		
At 1 January 2019	-	-
Charge for year	220	220
At 31 December 2019	<u>220</u>	<u>220</u>
Carrying amount		
At 31 December 2019	<u>280</u>	<u>280</u>

The Company leases several assets including buildings, plants, IT equipment. The average lease term is 5 years (2018: 5 years).

Amounts recognised in profit and loss	2019 £'000
Depreciation expenses on right-of-use assets	220
Interest expenses on lease liabilities	7
Expenses relating to leases of low value assets	5

At 31 December 2019, the Company is committed to £nil million for short-term leases.

The total cash outflow for leases amount to £0.2m.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

20. Operating lease arrangements - continued

Disclosure required by IFRS 16

	2019 £'000
Maturity analysis	
Year 1	146
Year 2	70
Year 3	39
Year 4	18
Year 5	6
	<hr/>
Long term maturity	133
	<hr/>
Total maturity	279
	<hr/> <hr/>

The Company as a lessee

Disclosure required by IAS 17

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

	2018 £'000
Within one year	71
In the second to fifth year inclusive	69
	<hr/>
	140
	<hr/> <hr/>

21. Pension schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,115,000 (2018: £633,000).

Defined benefit pension schemes

Beam UK Pension Plan

The Company operates a defined benefit pension scheme for UK employees, the Beam UK Pension Plan (the Plan). This fund is closed to new entrants. The assets of the Plan are held a separate trustee administered fund which is subject to regular actuarial valuations every three years. A formal valuation of the Plan was undertaken as at 5 April 2019.

The latest formal valuation of the Scheme has been updated by a qualified independent actuary.

The amount recognised in the Balance Sheet are as follows:

	2019 £'000	2018 £'000
Fair value of scheme assets	57,507	50,227
Present value of scheme liabilities	(53,698)	(52,789)
	<hr/>	<hr/>
Defined benefit pension surplus/(deficit)	3,809	(2,562)
	<hr/> <hr/>	<hr/> <hr/>

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

21. Pension schemes - continued

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2019	2018
	£'000	£'000
Fair value at start of year	50,227	52,310
Expected return on assets	1,411	1,389
Actuarial gains and losses	6,149	(3,551)
Employer contributions	2,585	2,658
Contributions by scheme participants	13	14
Benefits paid	(2,538)	(2,593)
Administrative cost paid	(340)	-
Fair value at end of year	<u>57,507</u>	<u>50,227</u>

Analysis of assets

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2019	2018
	%	%
Equity instruments	14.81	42.81
Debt securities	21.05	50.84
Liability Driven Investment	22.36	-
Government bonds	19.97	0.95
Property	15.07	5.40
Cash	6.74	-

Actual return on scheme assets

	2019	2018
	£'000	£'000
Actual return on scheme assets	<u>7,560</u>	<u>(2,162)</u>

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

21. Pension schemes - continued

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 £'000	2018 £'000
Present value start of year	52,789	54,782
Current service cost	807	813
Actuarial gains and losses	1,182	(2,013)
Interest cost	1,445	1,419
Benefits paid	(2,538)	(2,593)
Contributions by scheme participants	13	14
Past service cost - plan amendments	-	367
Present value at end of year	<u>53,698</u>	<u>52,789</u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2019 %	2018 %
Discount rate	1.95	2.75
Future salary increases	3.00	3.75
Future pension increase	3.70	3.80
Pension increases for deferred benefits	3.00	3.00
Price inflation (RPI)	3.00	3.25
Price inflation (CPI)	<u>2.00</u>	<u>2.25</u>

Post retirement mortality assumptions

	2019 Years	2018 Years
Longevity at age 65 current pensioners:		
- Men	21.9	23.1
- Woman	<u>24.3</u>	<u>25.8</u>
Longevity at age 65 in 15 years:		
- Men	22.9	24.7
- Woman	<u>25.5</u>	<u>27.5</u>

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and life expectancy. The sensitivity analyses below have been determined on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate were 0.5% higher, the defined benefit obligation would decrease by £5,451k (2018: £5,937k). If the discount rate were 0.5% lower, the defined benefit obligation would increase by £6,296k (2018: £6,981k).

If all members were assumed to be one year older, the defined benefit obligation would decrease by £2,409k (2018: £1,885k). If all members were assumed to be one year younger, the defined benefit obligation would increase by £2,576k (2018: £1,960k).

Beam Suntory UK Limited

Notes to the Financial Statements - continued
For the Year Ended 31 December 2019

21. Pension schemes - continued

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. To determine the sensitivity of the defined benefit obligation to the changes in discount rate, a method equivalent to that used to determine the defined benefit obligation has been used. The methodology for the sensitivity analysis is consistent with last year's analysis.

The average duration of the defined benefit obligation at the end of the reporting period is 22 years (2018: 25 years). The Company expects to make a contribution of £738k (2018: £2,670k) to the defined benefit scheme during the next financial year.

Amounts recognised in the profit and loss account

	2019 £'000	2018 £'000
Amounts recognised in operation profit		
Current service cost	(807)	(813)
Past service - plan amendments	(340)	(367)
	<u>(1,147)</u>	<u>(1,180)</u>
Amounts recognised in other finance costs		
Interest on obligation	(1,445)	(1,419)
Expected return on scheme assets	1,411	1,389
	<u>(34)</u>	<u>(30)</u>
Total recognised in the Profit and Loss Account	<u><u>(1,181)</u></u>	<u><u>(1,210)</u></u>

Current service costs and expenses paid on behalf of the scheme are included within administrative expenses. Interest on obligation and expected return on scheme assets are included within other finance income. The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

22. Derivative financial instruments

The Company has derivative which are included at fair value in the financial statements:

	2019 £'000	2018 £'000
Derivatives designated at fair value		
Assets		
Forward foreign exchange contracts	<u>131</u>	<u>54</u>
Liabilities		
Forward foreign currency contracts	<u>19</u>	<u>196</u>

Beam Suntory UK Limited

Notes to the Financial Statements - continued For the Year Ended 31 December 2019

23. Related party transactions

During the year, the Company sold goods in the ordinary course of business to Edrington-Beam Suntory UK Distribution Limited, an associate, at a value of £22,026,748 (2018: £13,095,000). Amounts owed by associates at the reporting date were £9,723,000 (2018: £6,899,000), as disclosed in note 16. These amounts all relate to trading balances. All other related party transactions within the Group have not been disclosed as permitted by FRS 101.

24. Subsequent events

Since its outbreak in 2020, management continuously monitors business risks and opportunities originated by the Covid-19 pandemic. As a result of this assessment, measures to protect workers, customers and other stakeholders have been identified and implemented. Additionally, measures to protect the long-term business activity have been identified and implemented. The directors consider that the current situation will not evolve into any significant post balance sheet event.

25. Ultimate controlling party

In the opinion of the directors, the Company's ultimate parent Company and ultimate controlling party is Kotobuki Realty Co. Limited, a Company incorporated in Japan. The parent undertaking of the smallest and largest group, which includes the Company and for which group accounts are prepared, is Suntory Holdings Limited, a Company incorporated in Japan (registered office address 2-1-40 Dojimahama, Kita Ku, Osaka Shi, Osaka Prefecture 530 8203). Copies of the group financial statements of Suntory Holdings Limited are available from <https://www.suntory.com/about/financial/securities.html>. The Company's immediate controlling party is Beam Suntory UK Holdings Ltd, a Company incorporated in the United Kingdom registered at 2 Lonwalk Road, Stockley Park, Uxbridge, Middlesex, UB11 1BA.