

REGISTERED NUMBER: 06373864 (England and Wales)

*Sipsmith Limited*

Annual Report and Financial Statements

For the Year Ended 31 December 2018



**Sipsmith Limited**

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For the Year Ended 31 December 2018**

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**Sipsmith Limited**

**Officers and Professional Advisers  
For the Year Ended 31 December 2018**

**Directors:**

S T J Galsworthy  
P W D Greenow  
F Hall  
D Hester  
L F Marran

**Registered office:**

50 Broadway  
London  
SW1H 0BL

**Registered number:**

06373864 (England and Wales)

**Auditor:**

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

**Banker:**

Clydesdale Bank plc  
30 St Vincent Place  
Glasgow  
G1 2HL

## **Sipsmith Limited**

### **Strategic Report For the Year Ended 31 December 2018**

The directors present their Strategic Report for the year ended 31 December 2018.

#### **Principal activity and business review**

The principal activity of the Company continues to be the distilling of spirits.

#### **Business review and future developments**

Revenue for the year was £22,774k (2017: £17,850k). Loss before tax was £4,703k (2017: profit before tax of £753k). The Company has net current liabilities of £3,258k (2017: net current assets of £1,781k) and net liabilities of £1,963k (2017: net assets of £2,725k). The loss for the year was driven by increased management charges resultant from the leveraging of Beam Suntory Group's global routes to market and increased marketing activities, resulting in a net liability position for the Company.

The directors are satisfied with the Company's performance in the trading year and remain optimistic about the future performance of the Company.

In future years, the priority of the Company is to grow revenues both in the UK and globally. The Company will continue to actively invest in marketing, tangible assets and stockholdings.

#### **Key performance indicators**

The key financial performance indicators that the directors utilise are the analysis of turnover and gross margin. Turnover has increased by 27.6% compared to the prior year. This growth is a result of increased rate-of-sale in markets already operated within and distribution gains in newly opened markets. The gross profit margin was 45.0%, compared to 49.7% in the prior year. Gross margin has decreased in the year due to higher production overhead costs now being absorbed into costs of good sold combined with changes in the sales mix.

#### **Principal risks and uncertainties**

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

##### *The Company operates in highly competitive consumer categories*

The Company competes for customers based on product quality, cost, brand strength and service. The Company's success depends on continuously improving its offering and appealing to the changing needs and preferences of its customers.

##### *Inflationary pressures on commodities, energy, freight and packaging materials prices*

The Company purchases commodities to support the production of gin and incurs transportation costs in the movement of spirit and case 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.

##### *UK exit from the European Union*

The directors continue to monitor risks to the Company associated with Brexit but do not expect this to have a material adverse impact on the business in the long-term.

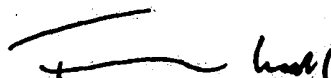
**Sipsmith Limited**

**Strategic Report - continued  
For the Year Ended 31 December 2018**

**Financial risk management objectives and policies**

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and commodity price risk. Financial risk is managed by the directors in order to minimise any adverse effects on the Company.

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



.....  
F Hall - Director

Date: .....

27/9/19.

50 Broadway  
London  
SW1H 0BL

## **Sipsmith Limited**

### **Directors' Report For the Year Ended 31 December 2018**

The Directors present their annual report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2018.

#### **Results**

The results for the financial year are shown on page 9.

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

No dividends were paid during the current year or prior year and no dividends have been proposed after the year end.

#### **Directors**

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

S T J Galsworthy	
P W D Greenow	
F Hall	
D Hester	(appointed 20 December 2018)
L F Marran	(appointed 20 December 2018)
R A Messina	(resigned 30 September 2018)

#### **Going concern**

The Company has net current liabilities of £3,258k (2017: net current assets of £1,781k) and net liabilities of £1,963k (2017: net assets of £2,725k). The directors have reviewed the Company's strategic forecast for the 12 month period from the date of approval of these financial statements. Additionally, the Company has the continued financial support through the Beam Suntory Group. The Directors have received confirmation that the Beam Suntory Group intends to support the Company for at least one year after these financial statements are signed. Having considered the financial position and prospects for the Company, the directors have developed a reasonable expectation that the Company will continue in operation for the foreseeable future. Accordingly, the going concern basis continues to be applied in preparing the financial statements.

#### **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.

#### **Subsequent events**

No significant events have occurred since the balance sheet date.

#### **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.

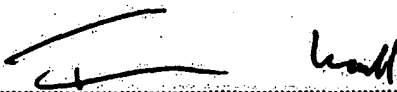
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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.

**Sipsmith Limited**

**Directors' Report - continued**  
**For the Year Ended 31 December 2018**

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

  
.....

F Hall - Director

Date: 27/9/17  
.....

50 Broadway  
London  
SW1H 0BL

## **Sipsmith Limited**

### **Directors' Responsibilities Statement For the Year Ended 31 December 2018**

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 Sipsmith Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Sipsmith Limited (the 'Company').

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss 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 Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

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 Sipsmith 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 group's and the parent 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 group or the parent 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](http://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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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: 30 SEPTEMBER 2019

**Sipsmith Limited****Profit and Loss Account  
For the Year Ended 31 December 2018**

	Notes	2018 £'000	2017 £'000
Turnover	4	22,774	17,850
Cost of sales		(12,519)	(8,971)
<b>Gross profit</b>		10,255	8,879
Administrative expenses		(14,884)	(8,096)
<b>Operating (loss)/profit</b>		(4,629)	783
Interest payable and similar expenses	9	(74)	(30)
<b>(Loss)/profit before taxation</b>	5	(4,703)	753
Tax on (loss)/profit	10	15	111
<b>(Loss)/profit for the financial year attributable to the owners of the Company</b>		(4,688)	864

All amounts are derived from continuing operations.

No separate statement of comprehensive income has been presented because the Company has no other comprehensive income other than the loss for the financial year.

**Sipsmith Limited**

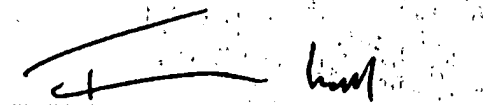
**Balance Sheet  
As at 31 December 2018**

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	11	12	30
Tangible assets	12	1,357	990
		<u>1,369</u>	<u>1,020</u>
<b>Current assets</b>			
Stocks	13	2,877	924
Debtors	14	9,561	6,825
Cash at bank and in hand		1,176	1,310
		<u>13,614</u>	<u>9,059</u>
<b>Creditors</b>			
Amounts falling due within one year	15	(16,872)	(7,278)
<b>Net current (liabilities)/assets</b>		<u>(3,258)</u>	<u>1,781</u>
<b>Total assets less current liabilities</b>		<u>(1,889)</u>	<u>2,801</u>
<b>Provisions for liabilities</b>			
Deferred taxation	16	(74)	(76)
<b>Net (liabilities)/assets</b>		<u>(1,963)</u>	<u>2,725</u>
<b>Capital and reserves</b>			
Called-up share capital	18	6	6
Share premium	18	776	776
Capital contribution reserve	18	99	99
Profit and loss account	18	(2,844)	1,844
<b>SHAREHOLDERS' FUNDS</b>		<u>(1,963)</u>	<u>2,725</u>

The notes on pages 12 to 28 form an integral part of these financial statements.

The financial statements of Sipsmith Limited (registered number 06373864) were approved by the board of directors and authorised for issue on 27/9/19

They were signed on its behalf by:



F Hall - Director

**Sipsmith Limited**

**Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	<b>Called-up share capital £'000</b>	<b>Share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Capital contribution reserve £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2017</b>	6	763	980	-	1,749
Profit for the financial year and total comprehensive income	-	-	864	-	864
Issue of share capital (note 18)	-	13	-	-	13
Capital contribution (note 18)	-	-	-	99	99
<b>Balance at 31 December 2017</b>	<u>6</u>	<u>776</u>	<u>1,844</u>	<u>99</u>	<u>2,725</u>
Loss for the financial year and total comprehensive loss	-	-	(4,688)	-	(4,688)
<b>Balance at 31 December 2018</b>	<u><u>6</u></u>	<u><u>776</u></u>	<u><u>(2,844)</u></u>	<u><u>99</u></u>	<u><u>(1,963)</u></u>

## **Sipsmith Limited**

### **Notes to the Financial Statements For the Year Ended 31 December 2018**

#### **1. General information**

Sipsmith 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 3.

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

#### **Adoption of new and revised Standards**

##### **Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year**

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effect of these changes are disclosed below:

##### **Impact of initial application of IFRS 9 *Financial Instruments***

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

##### ***(a) Classification and measurement of financial assets***

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

None of the reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**1. General information - continued**

*(b) Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost; and
2. Trade debtors and contract assets.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade debtors and contract assets in certain circumstances.

The directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017, no additional credit loss allowance was required.

*(c) Classification and measurement of financial liabilities*

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

*(d) Impact of initial application of IFRS 9 on financial performance*

No adjustments were required to the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year on application of IFRS 9.

**Impact of application of IFRS 15 Revenue from Contracts with Customers**

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c).

The Company's accounting policies for its revenue streams are disclosed in detail in note 2 below. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company, no adjustments were required.

## **Sipsmith Limited**

### **Notes to the Financial Statements - continued For the Year Ended 31 December 2018**

#### **1. General information - continued**

##### **Adoption of new and revised Standards - continued**

###### ***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 (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

#### **2. Significant accounting policies**

##### **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.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and investment property 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 share-based payment transactions that are within the scope of IFRS 2, 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.



2. Significant accounting policies - continued

**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 page 2.

The directors have reviewed the Company's strategic forecast for the 12 month period from the date of approval of these financial statements. Additionally, the Company has the continued financial support of the Beam Suntory Group. The Directors have received confirmation that the Beam Suntory Group intends to support the Company for at least one year after these financial statements are signed. The Company is expected to continue to generate positive cash flows. Having considered the financial position and prospects for the Company, the directors have developed a reasonable expectation that the Company will continue in operation for the foreseeable future. Accordingly, the going concern basis continues to be applied in preparing the financial statements.

**Revenue recognition**

The Company recognises revenue from the sale of goods. Revenue is measured based on the consideration to which the Group 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. 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.

**Intangible assets**

Intangible assets are carried at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Tangible assets**

Tangible assets are recognised at cost and subsequently stated at cost less depreciation. Depreciation on other tangible 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:

Short leasehold improvements	10 year straight line
Plant and machinery	5-25 years straight line
Fixtures, fittings and equipment	3-5 years straight line
Motor vehicles	5 years straight line

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 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 scrappage 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 2018**

**2. Significant accounting policies - continued**

**Impairment of tangible assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

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**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

**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.

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.

*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 2018

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:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. 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;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. 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, the 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 a 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.

Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

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.

*Operating leases*

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018

2. Significant accounting policies - continued

**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.

*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.

**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.

## Sipsmith Limited

### Notes to the Financial Statements - continued For the Year Ended 31 December 2018

#### 3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

#### 4. Turnover

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

	2018 £'000	2017 £'000
United Kingdom	18,374	17,284
Europe	1,594	182
Rest of world	2,806	384
	<u>22,774</u>	<u>17,850</u>

All of the Company's turnover is derived from its principal activity, being the distilling of spirits.

An analysis of the Company's turnover as follows:

	2018 £'000	2017 £'000
Sale of spirits	<u>22,774</u>	<u>17,850</u>

#### 5. (Loss) / profit before taxation

(Loss) / profit before tax is stated after charging/(crediting)

	2018 £'000	2017 £'000
Cost of stock recognised as an expense	5,364	4,012
Operating lease costs - land and buildings	66	80
Group management fees	2,066	1,012
Group advertising and promotion recharge	4,406	-
Depreciation of tangible assets	203	133
Amortisation of intangible assets	20	38
Foreign exchange loss	132	15
Gain on disposal of assets	(1)	-
	<u></u>	<u></u>



**Sipsmith Limited**

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**6. Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Audit of the financial statements	<u>27</u>	<u>27</u>

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**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	2,813	2,268
Social security costs	337	366
Other pension costs	43	11
Other staff costs	60	59
	<u>3,253</u>	<u>2,704</u>

Included in the above are amounts of £393k (2017: £nil) which have been included in the book value of stocks.

The average monthly number of staff employed by the Company during the financial year amounted to 56 (2017: 43).

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Finance	4	2
Operations	52	41
	<u>56</u>	<u>43</u>

**Sipsmith Limited**

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**8. Directors' emoluments**

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

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
<b>Directors' remuneration:</b>		
Emoluments	246	260
Company contributions to money purchase pension schemes	<u>1</u>	<u>1</u>
	<u><u>247</u></u>	<u><u>261</u></u>

	<b>Number</b>	<b>Number</b>
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	<u>1</u>	<u>1</u>

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
<b>Remuneration of highest paid director:</b>		
Emoluments	123	130
Company contributions to money purchase pension schemes	<u>1</u>	<u>1</u>
	<u><u>124</u></u>	<u><u>131</u></u>

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

**9. Interest payable and similar expenses**

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Group loan interest	74	25
Bank interest	<u>-</u>	<u>5</u>
	<u><u>74</u></u>	<u><u>30</u></u>

**Sipsmith Limited**

**Notes to the Financial Statements - continued  
For the Year Ended 31 December 2018**

**10. Taxation**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
Current tax on income for the year	-	27
Adjustment in respect of previous years	(13)	(133)
<b>Total current tax charge</b>	<u>(13)</u>	<u>(106)</u>
<b>Deferred tax:</b>		
Adjustments in respect of prior periods	-	153
Origination and reversal of timing differences	(2)	(158)
<b>Total deferred tax</b>	<u>(2)</u>	<u>(5)</u>
<b>Tax on (loss) / profit</b>	<u>(15)</u>	<u>(111)</u>

**Factors affecting current tax 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:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
(Loss) / profit before tax	(4,703)	753
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(893)	145
<i>Effects of:</i>		
Expenses not deductible for tax purposes	25	22
Adjustments in respect of prior periods	(14)	(286)
Impact of change in UK corporation tax rates	(1)	8
Group relief not paid	868	-
<b>Total tax credit for the year</b>	<u>(15)</u>	<u>(111)</u>

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which will reduce the rate further to 17% from 1 April 2020.

These reductions may reduce the Company's future tax charge accordingly.

**Sipsmith Limited**

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**11. Intangible assets**

	Website developments £'000	Trademark £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	76	1	77
Additions	2	-	2
	<u>78</u>	<u>1</u>	<u>79</u>
At 31 December 2018			
<b>Amortisation</b>			
At 1 January 2018	46	1	47
Amortisation for year	20	-	20
	<u>66</u>	<u>1</u>	<u>67</u>
At 31 December 2018			
<b>Net book value</b>			
At 31 December 2018	<u>12</u>	<u>-</u>	<u>12</u>
At 31 December 2017	<u>30</u>	<u>-</u>	<u>30</u>

The amortisation period for development costs incurred on the Company's Website development is 3 years.

Trademarks are amortised over their estimated useful lives, and were fully amortised at 31 December 2017.

**12. Tangible assets**

	Fixed asset under construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 January 2018	53	398	720	244	-	1,415
Additions	3	178	395	5	47	628
Disposals	(56)	(4)	-	-	-	(60)
	<u>-</u>	<u>572</u>	<u>1,115</u>	<u>249</u>	<u>47</u>	<u>1,983</u>
At 31 December 2018						
<b>Depreciation</b>						
At 1 January 2018	-	101	156	168	-	425
Charge for year	-	70	86	41	6	203
Eliminated on disposals	-	(2)	-	-	-	(2)
	<u>-</u>	<u>169</u>	<u>242</u>	<u>209</u>	<u>6</u>	<u>626</u>
At 31 December 2018						
<b>Net book value</b>						
At 31 December 2018	<u>-</u>	<u>403</u>	<u>873</u>	<u>40</u>	<u>41</u>	<u>1,357</u>
At 31 December 2017	<u>53</u>	<u>297</u>	<u>564</u>	<u>76</u>	<u>-</u>	<u>990</u>

The Company has assets with costs of £67,829 (2017: £4,146) that are fully depreciated but still in use as at the period end.

**Sipsmith Limited**

**Notes to the Financial Statements - continued**  
**For the Year Ended 31 December 2018**

**13. Stocks**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	1,111	358
Finished goods	1,766	566
	<u>2,877</u>	<u>924</u>

**14. Debtors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	6,974	5,371
Amounts owed by group undertakings	1,199	834
Other debtors	761	455
Corporation tax debtor	163	106
Prepayments	464	59
	<u>9,561</u>	<u>6,825</u>

Amounts owed by group undertakings are repayable on demand and bear no interest.

**15. Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	1,516	1,180
Amounts owed to group undertakings	12,194	3,538
Other taxation and social security	549	793
Other creditors	41	16
Accruals and deferred income	2,572	1,751
	<u>16,872</u>	<u>7,278</u>

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at 1.5% above LIBOR.

**16. Deferred taxation**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	76	81
Credit to profit or loss	(2)	(5)
	<u>74</u>	<u>76</u>

The provision for deferred taxation is made up as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Difference between accumulated depreciation and capital allowances	74	76
	<u>74</u>	<u>76</u>

## Sipsmith Limited

### Notes to the Financial Statements - continued For the Year Ended 31 December 2018

#### 17. Commitments under operating leases

Minimum lease payments under non-cancellable operating leases are as follows:

	2018 £'000	2017 £'000
Within 1 year	103	66
Between 2 to 5 years	338	361
After 5 years	18	76
	<u>459</u>	<u>503</u>

#### 18. Called-up share capital and reserves

Allotted, issued and fully-paid:

Number:	Class:	Nominal value:	2018 £'000	2017 £'000
607,098	Ordinary shares	1p each	<u>6</u>	<u>6</u>

The Company's other reserves are as follows:

Share premium account:

	2018 £'000	2017 £'000
Balance at 1 January	776	763
Premium arising on issue of equity shares	-	13
Balance at 31 December	<u>776</u>	<u>776</u>

#### Profit and loss account

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

#### Capital contribution reserve

The capital contribution reserve was created in the prior year totalling £99k (2017: £99k).

#### 19. Subsequent events

There are no significant subsequent events relating to the Company.

#### 20. Controlling related 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 Suntory UK Holdings Limited, a Company incorporated in the United Kingdom.